



**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022 AND 2021**

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Contents  
September 30, 2022 and 2021

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## Independent Auditor's Report

To the Board of Directors of  
Project Bread - The Walk for Hunger, Inc.:

### **Opinion**

We have audited the financial statements of Project Bread - The Walk for Hunger, Inc. (a Massachusetts nonprofit corporation) (Project Bread), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Project Bread - The Walk for Hunger, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Project Bread and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Bread's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Project Bread's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Bread's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*AAFCPA, Inc.*

Boston, Massachusetts  
January 24, 2023

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**Statements of Financial Position  
September 30, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Cash and cash equivalents	\$ 5,675,128	\$ 8,237,427
Grants and contributions receivable	1,762,858	905,415
Prepaid expenses and other	686,819	446,018
Total current assets	8,124,805	9,588,860
Restricted Cash	264,457	263,094
Investments	1,905,626	-
Property and Equipment, net	1,653,525	1,693,041
Total assets	<u>\$ 11,948,413</u>	<u>\$ 11,544,995</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Current portion of mortgage note payable	\$ 24,180	\$ 23,333
Accounts payable and accrued expenses	565,010	686,254
Total current liabilities	589,190	709,587
Mortgage Note Payable, net	1,120,526	1,142,512
Total liabilities	1,709,716	1,852,099
Net Assets:		
Without donor restrictions:		
Operating	2,342,042	3,463,493
Board designated reserve	7,262,835	5,593,359
Property and equipment	508,819	527,196
Total without donor restrictions	10,113,696	9,584,048
With donor restrictions	125,001	108,848
Total net assets	10,238,697	9,692,896
Total liabilities and net assets	<u>\$ 11,948,413</u>	<u>\$ 11,544,995</u>

The accompanying notes are an integral part of these statements.

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**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support:</b>						
Contributions	\$ 6,580,934	\$ -	\$ 6,580,934	\$ 6,760,401	\$ -	\$ 6,760,401
Foundation grants	6,388,506	125,001	6,513,507	3,895,142	99,697	3,994,839
Government grants	1,907,206	-	1,907,206	1,945,647	-	1,945,647
In-kind donations	871,201	-	871,201	107,725	-	107,725
Interest and other income	88,449	-	88,449	1,026	-	1,026
Net assets released from purpose restrictions	108,848	(108,848)	-	59,013	(59,013)	-
Total operating revenue and support	<u>15,945,144</u>	<u>16,153</u>	<u>15,961,297</u>	<u>12,768,954</u>	<u>40,684</u>	<u>12,809,638</u>
<b>Expenses:</b>						
Program expenses:						
Direct Service	6,753,402	-	6,753,402	4,082,781	-	4,082,781
Feeding Kids	1,726,365	-	1,726,365	2,124,622	-	2,124,622
Food Resource Outreach and Awareness	3,282,209	-	3,282,209	2,372,871	-	2,372,871
Community Education and Engagement	707,579	-	707,579	451,584	-	451,584
Advocacy and Research	630,348	-	630,348	577,578	-	577,578
Total program expenses	<u>13,099,903</u>	<u>-</u>	<u>13,099,903</u>	<u>9,609,436</u>	<u>-</u>	<u>9,609,436</u>
Supporting services:						
General and administrative	703,090	-	703,090	534,584	-	534,584
Fundraising and development	1,522,476	-	1,522,476	1,200,803	-	1,200,803
Total supporting services	<u>2,225,566</u>	<u>-</u>	<u>2,225,566</u>	<u>1,735,387</u>	<u>-</u>	<u>1,735,387</u>
Total expenses	<u>15,325,469</u>	<u>-</u>	<u>15,325,469</u>	<u>11,344,823</u>	<u>-</u>	<u>11,344,823</u>
Changes in net assets from operations	<u>619,675</u>	<u>16,153</u>	<u>635,828</u>	<u>1,424,131</u>	<u>40,684</u>	<u>1,464,815</u>
<b>Non-Operating Revenue (Expense):</b>						
Forgiveness of contingent debt	-	-	-	487,464	-	487,464
Investment return, net	(90,027)	-	(90,027)	-	-	-
Total non-operating revenue (expense)	<u>(90,027)</u>	<u>-</u>	<u>(90,027)</u>	<u>487,464</u>	<u>-</u>	<u>487,464</u>
Changes in net assets	529,648	16,153	545,801	1,911,595	40,684	1,952,279
<b>Net Assets:</b>						
Beginning of year	<u>9,584,048</u>	<u>108,848</u>	<u>9,692,896</u>	<u>7,672,453</u>	<u>68,164</u>	<u>7,740,617</u>
End of year	<u>\$ 10,113,696</u>	<u>\$ 125,001</u>	<u>\$ 10,238,697</u>	<u>\$ 9,584,048</u>	<u>\$ 108,848</u>	<u>\$ 9,692,896</u>

The accompanying notes are an integral part of these statements.

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

## Statements of Cash Flows

For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 545,801	\$ 1,952,279
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	140,497	147,769
Interest - amortization	2,198	1,986
Forgiveness of contingent debt	-	(487,464)
Unrealized loss on investments	98,617	-
Loss from write-off of financing fees	-	6,108
Changes in operating assets and liabilities:		
Grants and contributions receivable	(857,443)	(338,111)
Prepaid expenses and other	(240,801)	(321,162)
Accounts payable and accrued expenses	(121,244)	224,749
Cash advance	-	(100,000)
Net cash provided by (used in) operating activities	<u>(432,375)</u>	<u>1,086,154</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(2,004,243)	-
Purchase of property and equipment	<u>(100,981)</u>	<u>(26,019)</u>
Net cash used in investing activities	<u>(2,105,224)</u>	<u>(26,019)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on mortgage note payable	(23,337)	(13,947)
Cash paid for financing fees	<u>-</u>	<u>(21,977)</u>
Net cash used in financing activities	<u>(23,337)</u>	<u>(35,924)</u>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>(2,560,936)</b>	<b>1,024,211</b>
<b>Cash, Cash Equivalents and Restricted Cash:</b>		
Beginning of year	<u>8,500,521</u>	<u>7,476,310</u>
End of year	<u>\$ 5,939,585</u>	<u>\$ 8,500,521</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 41,725</u>	<u>\$ 45,523</u>

**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Statement of Functional Expenses

For the Year Ended September 30, 2022

(With Summarized Comparative Totals for the Year Ended September 30, 2021)

	2022						2021				
	Programs					Total Programs	Supporting Services		Total Expenses	Total Expenses	
	Direct Service	Feeding Kids	Food Resource Outreach and Awareness	Community Education and Engagement	Advocacy and Research		General and Administrative	Fundraising and Development			Total Supporting Services
<b>Personnel and Related:</b>											
Salaries	\$ 1,594,942	\$ 716,244	\$ 837,525	\$ -	\$ 388,447	\$ 3,537,158	\$ 276,961	\$ 780,708	\$ 1,057,669	\$ 4,594,827	\$ 3,682,115
Payroll taxes and fringe benefits	354,051	158,249	186,876	-	84,648	783,824	56,835	172,184	229,019	1,012,843	842,651
Total personnel and related	1,948,993	874,493	1,024,401	-	473,095	4,320,982	333,796	952,892	1,286,688	5,607,670	4,524,766
<b>Grants</b>	4,172,114	459,203	457,130	-	24,640	5,113,087	10,000	-	10,000	5,123,087	3,008,593
<b>Other:</b>											
Advertising	159,054	1,843	1,017,717	638,989	2,331	1,819,934	1,338	33,185	34,523	1,854,457	857,578
Printing and postage	25,786	268,777	311,396	33,159	2,245	641,363	4,919	164,203	169,122	810,485	1,124,973
Professional fees	76,319	13,387	337,632	12,875	50,953	491,166	239,216	11,169	250,385	741,551	625,407
Communications	168,528	9,220	12,455	-	12,415	202,618	6,403	61,581	67,984	270,602	329,956
Materials and supplies	12,288	14,344	15,583	17,964	17,499	77,678	8,278	117,664	125,942	203,620	157,895
Office	44,068	4,684	13,180	-	2,483	64,415	6,856	99,059	105,915	170,330	208,755
Computer and office equipment	39,112	25,340	29,028	-	13,147	106,627	30,259	27,043	57,302	163,929	139,653
Depreciation	43,911	19,722	23,062	-	10,450	97,145	21,855	21,497	43,352	140,497	147,769
Facilities	41,323	18,561	21,315	4,334	9,834	95,367	22,636	20,230	42,866	138,233	132,017
Conferences and meetings	7,991	7,310	8,879	258	3,853	28,291	7,774	7,004	14,778	43,069	31,322
Interest	12,839	5,767	6,743	-	3,056	28,405	7,034	6,286	13,320	41,725	51,631
Travel and transportation	1,076	3,714	3,688	-	4,347	12,825	528	663	1,191	14,016	2,522
Interest - amortization	-	-	-	-	-	-	2,198	-	2,198	2,198	1,986
Total other	632,295	392,669	1,800,678	707,579	132,613	3,665,834	359,294	569,584	928,878	4,594,712	3,811,464
Total expenses	\$ 6,753,402	\$ 1,726,365	\$ 3,282,209	\$ 707,579	\$ 630,348	\$ 13,099,903	\$ 703,090	\$ 1,522,476	\$ 2,225,566	\$ 15,325,469	\$ 11,344,823



**PROJECT BREAD - THE WALK FOR HUNGER, INC.**

Statement of Functional Expenses  
For the Year Ended September 30, 2021

	Programs					Supporting Services			Total Expenses	
	Direct Service	Feeding Kids	Food Resource Outreach and Awareness	Community Education and Engagement	Advocacy and Research	Total Programs	General and Administrative	Fundraising and Development		Total Supporting Services
<b>Personnel and Related:</b>										
Salaries	\$ 1,273,693	\$ 685,444	\$ 401,062	\$ 234,603	\$ 368,581	\$ 2,963,383	\$ 201,743	\$ 516,989	\$ 718,732	\$ 3,682,115
Payroll taxes and fringe benefits	289,402	155,887	89,824	53,084	79,994	668,191	58,257	116,203	174,460	842,651
Total personnel and related	1,563,095	841,331	490,886	287,687	448,575	3,631,574	260,000	633,192	893,192	4,524,766
<b>Grants</b>	1,933,061	548,535	526,997	-	-	3,008,593	-	-	-	3,008,593
<b>Other:</b>										
Advertising	13,616	159,374	592,474	85,538	1,770	852,772	1,840	2,966	4,806	857,578
Printing and postage	15,550	456,032	434,013	56,556	1,244	963,395	5,254	156,324	161,578	1,124,973
Professional fees	169,967	2,659	258,560	539	44,016	475,741	146,195	3,471	149,666	625,407
Communications	190,020	15,764	15,204	1,153	11,482	233,623	18,397	77,936	96,333	329,956
Materials and supplies	23,058	6,769	7,338	13,286	8,838	59,289	10,921	87,685	98,606	157,895
Office	27,368	4,303	8,256	2,097	2,787	44,811	25,290	138,654	163,944	208,755
Computer and office equipment	32,168	24,938	10,977	-	16,348	84,431	28,246	26,976	55,222	139,653
Depreciation	52,134	28,056	11,864	-	18,689	110,743	6,263	30,763	37,026	147,769
Facilities	40,968	22,297	9,323	4,728	14,688	92,004	15,765	24,248	40,013	132,017
Conferences and meetings	3,668	4,582	2,683	-	2,696	13,629	10,794	6,899	17,693	31,322
Interest	17,976	9,673	4,091	-	6,445	38,185	2,839	10,607	13,446	51,631
Travel and transportation	132	309	205	-	-	646	794	1,082	1,876	2,522
Interest - amortization	-	-	-	-	-	-	1,986	-	1,986	1,986
Total other	586,625	734,756	1,354,988	163,897	129,003	2,969,269	274,584	567,611	842,195	3,811,464
<b>Total expenses</b>	<b>\$ 4,082,781</b>	<b>\$ 2,124,622</b>	<b>\$ 2,372,871</b>	<b>\$ 451,584</b>	<b>\$ 577,578</b>	<b>\$ 9,609,436</b>	<b>\$ 534,584</b>	<b>\$ 1,200,803</b>	<b>\$ 1,735,387</b>	<b>\$ 11,344,823</b>

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2022 and 2021

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### 1. OPERATIONS AND NONPROFIT STATUS

#### Operations

Project Bread - The Walk for Hunger, Inc. (Project Bread) was organized in Boston, Massachusetts as a not-for-profit corporation in 1986. Project Bread's mission is to connect people and communities in Massachusetts to reliable sources of food while advocating for policies that make food more accessible—so that no one goes hungry.

Project Bread is a statewide organization that works to end hunger by connecting individuals and families in need with sustainable and scalable nutrition supports. Project Bread's efforts recognize and address the deeply rooted intersection of food insecurity, poverty, discrimination, and marginalization. Project Bread advocates for effective, data-driven solutions that address inequities and stigma, preserve autonomy and dignity, and ensure vulnerable and marginalized communities have access to compassionate, quality resources.

Project Bread is funded by diverse revenue streams, including government contracts, individual donors, corporate support and foundation grants, and their annual hunger awareness event, the Walk for Hunger. These sources provide funds to sustain a variety of programs and initiatives including direct services, awareness campaigns, community investments, advocacy, research, and various emergency vouchers.

#### Nonprofit Status

Project Bread is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Project Bread is also exempt from state income taxes. Donors may deduct contributions made to Project Bread within IRC requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Project Bread prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Recently Adopted Accounting Pronouncement

FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU do not change the recognition and measurement requirements of in-kind goods and services.

In fiscal year 2022, Project Bread adopted ASU 2020-07. The adoption of this ASU did not impact Project Bread's net asset classes, results of operations, or cash flows for the years ended September 30, 2022 and 2021. This ASU has been applied retrospectively to all periods presented.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash, Cash Equivalents and Restricted Cash

Project Bread considers all highly liquid investments originated with a maturity of three months or less to be cash and cash equivalents for the purposes of the statements of cash flows, other than amounts included in the investment portfolio.

Restricted cash at September 30, 2022 and 2021, represents amounts held in a certificate of deposit (CD) which serves as collateral on Project Bread's credit card limit. The CD bears interest as of September 30, 2022 and 2021, at 1.98% and 0.20% annually, respectively, and matures in July 2022.

Cash and restricted cash consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,675,128	\$ 8,237,427
Restricted cash	<u>264,457</u>	<u>263,094</u>
	<u>\$ 5,939,585</u>	<u>\$ 8,500,521</u>

#### Grants and Contributions Receivable and Allowance for Uncollectible Accounts

Grants and contributions receivable are recorded at the stated unpaid balances and do not bear interest. An allowance for uncollectible receivables is recorded based on management's analysis of specific accounts and collection history. As of September 30, 2022 and 2021, there was no allowance for uncollectible accounts.

#### Property and Equipment and Depreciation

Property and equipment with a value of \$2,500 or more and a useful life of greater than one year are recorded at cost, if purchased, or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Condominium building and improvements	20 - 40 years
Computer and office equipment	3 - 5 years
Website	5 years
Furniture and fixtures	3 - 10 years

#### Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method (see Note 5).

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets

*Net assets without donor restrictions* are those net resources that bear no external restrictions and are generally available for use by Project Bread. Project Bread has grouped its net assets without donor restrictions into the following categories:

**Operating** - represent funds available to carry on the operations of Project Bread.

**Board designated reserve** - represents a reserve established by the Board of Directors which may be used for the short-term and long-term stability of Project Bread and strategic initiatives in support of Project Bread's mission.

**Property and equipment** - reflect the net book value of Project Bread's property and equipment, net of related debt.

*Net assets with donor restrictions* represent amounts received or committed by donors with purpose and/or time restrictions that have not yet been met. Net assets with donor restrictions consist of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Community Partnerships	\$ 50,000	\$ -
Healthy Kids' Strategic Campaign	-	99,697
Healthcare Partnerships	-	<u>9,151</u>
Total	<u>50,000</u>	<u>108,848</u>
Subject to time restriction	<u>75,001</u>	-
	<u>\$ 125,001</u>	<u>\$ 108,848</u>

#### Revenue Recognition

##### *Contributions, Government Grants and Foundation Grants*

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, Project Bread must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Project Bread should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 12 for disclosure of Project Bread's conditional grants at September 30, 2022.

Contributions, government grants and foundation grants without donor restrictions are recognized as revenue when unconditionally committed or received. Donor restricted contributions, government grants and foundation grants are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions lapse. Contributions, government grants and foundation grants received with donor-imposed conditions and restrictions that are satisfied in the same period are included in net assets without donor restrictions.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

##### *Other Revenues*

Interest and all other income are recorded when earned.

#### In-Kind Donations

Project Bread received in-kind services from various individuals and organizations for use in supporting its mission and programs. In-kind advertising and legal services are valued at the estimated cost of services as provided by the vendor or using similar contracts from like vendors. Project Bread requires general legal services for operations and advertising to help support the Walk for Hunger event and awareness campaign.

The value of these goods and services is as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 782,422	\$ 84,300
Legal services	<u>88,779</u>	<u>23,425</u>
	<u>\$ 871,201</u>	<u>\$ 107,725</u>

A substantial number of individual volunteers have donated significant amounts of time to Project Bread's program services and to its fundraising campaigns. No amounts have been recognized in the accompanying financial statements since these services performed by Project Bread's volunteers do not fall into the criteria established by U.S. GAAP.

#### Estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Expense Allocation

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated to programs or functions based upon management's estimate of the percentage attributable to each program or function.

Certain categories of expenses are attributable to more than one program or function and are allocated on a basis that is consistently applied. The expenses that are allocated are personnel and related, which are allocated on the basis of estimates of time and effort; printing and postage, communications, facilities, depreciation and amortization, office, and computer and office equipment, which are allocated based on the labor costs related to each program.

#### Advertising

Project Bread expenses advertising costs as they are incurred.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Grant Expense

Grants are recorded when awarded by Project Bread and all conditions of the grant are met by the grantee. Grants are generally paid in the year awarded.

Project Bread awarded the following grants for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Health Partnership grants	\$ 4,172,114	\$ 1,933,061
Partnership grants	358,140	400,000
School Breakfast grants	255,503	295,505
Summer grants	203,700	251,930
Annual grants	133,630	122,097
Research grants	-	6,000
	<u>\$ 5,123,087</u>	<u>\$ 3,008,593</u>

#### Fair Value Measurements

Project Bread follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that Project Bread would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

Project Bread uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of Project Bread. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All of Project Bread's qualifying assets and liabilities are valued using Level 1 inputs.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments

Investments are recorded in the accompanying financial statements at fair value. If an investment is directly held by Project Bread and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Investments are not insured and are subject to market fluctuations.

Investment return consists of interest, capital gain distributions, dividends, and realized and unrealized gains and losses on investments. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains and losses on investment transactions are recorded using the first-in, first-out method.

Investments are reflected as long-term assets in accordance with Project Bread's intent to hold the investments for long-term growth.

Project Bread approved a formal spending policy during fiscal year 2022 in which up to 4% of the average investment portfolio's market value, excluding specific amounts with donor restrictions, using a rolling annual average for the preceding three years, is applied to operations.

Investments are to be generally allocated between the following asset classes below:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	40%	75%
Fixed Income	20%	60%
Cash	0%	20%

#### Income Taxes

Project Bread accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. Project Bread has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2022 and 2021. Project Bread's information returns are subject to examination by the Federal and state jurisdictions.

#### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue (expense) consists of forgiveness of contingent debt and investment return.

#### Subsequent Events

Subsequent events have been evaluated through January 24, 2023, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the accompanying financial statements.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
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### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 100,000	\$ 100,000
Condominium building and improvements	3,279,644	3,189,403
Computer and office equipment	446,652	440,412
Website	434,756	434,756
Furniture and fixtures	<u>41,051</u>	<u>36,551</u>
	4,302,103	4,201,122
Less - accumulated depreciation	<u>2,648,578</u>	<u>2,508,081</u>
	<u>\$ 1,653,525</u>	<u>\$ 1,693,041</u>

### 4. INVESTMENTS

The following is a summary of investments at fair value as of September 30, 2022:

Money market	<u>\$ 712,303</u>
Equities:	
Other	239,841
Foreign	96,680
Information technology	83,239
Health care	66,304
Industrial	62,502
Financial	<u>62,183</u>
Total equities	<u>610,749</u>
Fixed income - bonds:	
Corporate	485,432
Foreign	<u>97,142</u>
Total fixed income - bonds	<u>582,574</u>
Total investments	<u>\$ 1,905,626</u>

### 5. MORTGAGE NOTE PAYABLE

Project Bread has a mortgage note payable with a bank with an original amount of \$1,200,000. The note is payable in monthly principal and interest installments of \$5,422 based on a thirty-year amortization schedule, with all outstanding principal and accrued and unpaid interest due in February 2031, the note's maturity. The balloon payment of the note is approximately \$930,000. The interest rate is fixed at 3.50%. The note is secured by a first mortgage on the premises and all business assets.

There was \$1,163,203 and \$1,186,540 outstanding under the above mortgage note payable as of September 30, 2022 and 2021, respectively. The mortgage contains various covenants. Project Bread was in compliance with these covenants as of September 30, 2022 and 2021. Interest expense was \$41,725 and \$51,631 for the years ended September 30, 2022 and 2021, respectively.



## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
September 30, 2022 and 2021

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### 5. MORTGAGE NOTE PAYABLE (Continued)

Future minimum note payments for the next five fiscal years are as follows:

2023	\$	24,180
2024	\$	24,940
2025	\$	25,951
2026	\$	26,887
2027	\$	27,856
Thereafter	\$	1,033,389

Debt issuance costs related to the mortgage note payable totaled \$21,977 and are shown net of accumulated interest - amortization of \$3,480 and \$1,282 as of September 30, 2022 and 2021, respectively. Net debt issuance costs are reported on the statements of financial position as a direct reduction of the face amount of the related mortgage note payable. Amortization of debt issuance costs for the next five years is expected to be \$2,196 annually.

### 6. CONTINGENT DEBT

Project Bread applied for, and was awarded, a forgivable loan of \$487,464 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. There are no covenants with which to comply, and the note was not secured by any collateral as of September 30, 2020. There was no interest recorded on the note payable for the year ended September 30, 2021, as it would be immaterial to the overall financial statements.

During fiscal year 2021, Project Bread submitted the application for forgiveness and was legally released from the obligation, which is presented as forgiveness of contingent debt in the accompanying fiscal year 2021 statement of activities and changes in net assets.

### 7. LINE OF CREDIT

Project Bread maintains a line of credit agreement with a bank. The agreement allows for borrowings of up to \$500,000. Borrowings are payable on demand, bear interest at the bank's base lending rate (6.25% and 3.25% at September 30, 2022 and 2021, respectively), plus 1.00%, and are secured by a second mortgage on Project Bread's condominium. There was no outstanding balance under this line of credit at September 30, 2022 and 2021. This line of credit is renewable annually in February.

### 8. LEASE AGREEMENTS

Project Bread leased office equipment under an operating lease agreement that expired in September 2022. Payments for this lease totaled \$663 per quarter. Rent expense under this lease agreement was approximately \$2,700 for the years ended September 30, 2022 and 2021, and is included in computer and office equipment in the accompanying statements of functional expenses.

During fiscal year 2022, Project Bread entered into a new office equipment lease agreement initiated in April 2022 which expires in July 2027. Payments for this lease total \$721 per quarter. Rent expense under this lease agreement was approximately \$1,400 for the year September 30, 2022, and is included in computer and office equipment in the accompanying statement of functional expenses.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
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### 8. LEASE AGREEMENTS (Continued)

Future remaining minimum lease payments under the agreement are as follows:

2023	\$ 2,886
2024	\$ 2,886
2025	\$ 2,886
2026	\$ 2,886
2027	\$ 2,164

### 9. EMPLOYMENT BENEFIT PLANS

Project Bread has a retirement plan under IRC Section 403(b) for all employees. Employees may make voluntary salary contributions into this plan within IRC guidelines. In fiscal year 2021, upon annual approval by the Board of Directors, Project Bread matched one dollar for each dollar contributed by a participant, up to a maximum of \$2,500. In fiscal year 2022, upon annual approval by the Board of Directors, Project Bread matches up to 5% of a participant's annual salary. Project Bread contributed \$94,916 and \$53,749 to this plan for the years ended September 30, 2022 and 2021, respectively. These amounts are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

### 10. MANAGEMENT AGREEMENTS

Project Bread pays a monthly fee of approximately \$5,400 to a condominium association, which is included in facilities in the accompanying statements of functional expenses. The fee covers common area maintenance of Project Bread's building unit. A percentage of this fee paid is allocated to a management company for maintenance of the building unit.

### 11. CONCENTRATIONS

#### Credit Risk

Project Bread maintains its cash balances in banks that are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. Project Bread has not experienced any losses in such accounts. Project Bread's management believes Project Bread is not exposed to any significant credit risk on its cash.

#### Funding

Project Bread receives a significant portion of its funding from the Commonwealth of Massachusetts under cost reimbursement contracts. Payments to Project Bread are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of Project Bread as of September 30, 2022 and 2021, or on its changes in net assets for the years then ended.

Approximately 12% and 15% of Project Bread's operating support and revenue without donor restrictions was derived from contracts with the Commonwealth of Massachusetts for the years ended September 30, 2022 and 2021, respectively.

Approximately 20% and 29% of grants and contributions receivable are due from the Commonwealth of Massachusetts at September 30, 2022 and 2021, respectively.

Approximately 67% and 60% of grants and contributions receivable are due from two agencies at September 30, 2022 and 2021, respectively.

## PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements  
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### 12. CONDITIONAL GRANTS AND COMMITMENTS

During fiscal years 2022 and 2021, Project Bread was awarded three and five conditional grants totaling \$4,885,143 and \$7,105,137, respectively, by four organizations. The remaining installments under these awards totaling \$1,616,452 and \$2,696,457 are conditional upon Project Bread meeting certain milestones and thus are not included in the accompanying financial statements at September 30, 2022 and 2021, respectively.

During fiscal years 2022 and 2021, Project Bread was awarded government contracts totaling \$4,454,235 and \$2,971,801, respectively, that contained funder-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. Project Bread recognizes related revenue from these government contracts when funder-imposed conditions are substantially met (see Note 2). The funder-imposed conditions for this contract revenue include the requirement for Project Bread to incur qualifying expenses. The remaining balances of these contracts totaling \$2,215,150 and \$936,188 at September 30, 2022 and 2021, respectively, are not included in the accompanying financial statements.

### 13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Project Bread's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of September 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,675,128	\$ 8,237,427
Grants and contributions receivable	<u>1,762,858</u>	<u>905,415</u>
	7,437,986	9,142,842
Less - net assets with purpose restrictions	<u>50,000</u>	<u>108,848</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,387,986</u>	<u>\$ 9,033,994</u>

Project Bread's financial assets are available for use to cover its obligations as they become due. As of September 30, 2022 and 2021, Project Bread has financial assets equal to approximately six and ten months, respectively, of operating expenses (excluding depreciation, interest - amortization, and in-kind expenses). Project Bread has approximately \$7,263,000 of Board designated reserves which is included in the financial assets above. The reserves are established as six months of unrestricted reserves to be utilized to cover operating costs for the short and long-term for Project Bread. In addition, Project Bread has a line of credit agreement (see Note 7) which allows for additional borrowings up to \$500,000. Project Bread also has \$1,905,626 held in investment accounts as of September 30, 2022, that can be drawn at any time to fund operating expenditures, but its intention is to be held for long-term purposes (see Note 4).