



PROJECT BREAD - THE WALK FOR HUNGER, INC.

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Contents
September 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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, which 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, which 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
February 2, 2024

PROJECT BREAD - THE WALK FOR HUNGER, INC.Statements of Financial Position
September 30, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 2,091,527	\$ 5,675,128
Current portion of grants and contributions receivable	2,623,240	1,762,858
Short-term investments	3,056,109	-
Prepaid expenses and other	1,250,860	686,819
Total current assets	9,021,736	8,124,805
Restricted Cash	271,027	264,457
Grants and Contributions Receivable, net	311,949	-
Investments	2,024,920	1,905,626
Property and Equipment, net	1,926,164	1,653,525
Total assets	<u>\$ 13,555,796</u>	<u>\$ 11,948,413</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage note payable	\$ 24,940	\$ 24,180
Accounts payable, accrued expenses and other	1,751,537	565,010
Total current liabilities	1,776,477	589,190
Mortgage Note Payable, net	1,097,785	1,120,526
Total liabilities	<u>2,874,262</u>	<u>1,709,716</u>
Net Assets:		
Without donor restrictions:		
Operating	2,031,292	2,342,042
Board designated reserve	6,894,853	7,262,835
Property and equipment	803,439	508,819
Total without donor restrictions	9,729,584	10,113,696
With donor restrictions	951,950	125,001
Total net assets	<u>10,681,534</u>	<u>10,238,697</u>
Total liabilities and net assets	<u>\$ 13,555,796</u>	<u>\$ 11,948,413</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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Contributions	\$ 7,985,874	\$ -	\$ 7,985,874	\$ 6,580,934	\$ -	\$ 6,580,934
Foundation grants	6,553,714	901,949	7,455,663	6,388,506	125,001	6,513,507
Government grants	2,553,914	-	2,553,914	1,907,206	-	1,907,206
In-kind donations	820,927	-	820,927	871,201	-	871,201
Interest and other income	240,505	-	240,505	88,449	-	88,449
Net assets released from time restrictions	25,000	(25,000)	-	-	-	-
Net assets released from purpose restrictions	50,000	(50,000)	-	108,848	(108,848)	-
Total operating revenue and support	18,229,934	826,949	19,056,883	15,945,144	16,153	15,961,297
Expenses:						
Program expenses:						
Direct Service	8,284,958	-	8,284,958	6,753,402	-	6,753,402
Feeding Kids	1,674,624	-	1,674,624	1,726,365	-	1,726,365
Food Resource Outreach and Awareness	3,123,191	-	3,123,191	3,282,209	-	3,282,209
Community Education and Engagement	1,007,711	-	1,007,711	707,579	-	707,579
Advocacy and Research	1,600,656	-	1,600,656	630,348	-	630,348
Total program expenses	15,691,140	-	15,691,140	13,099,903	-	13,099,903
Supporting services:						
General and administrative	989,766	-	989,766	703,090	-	703,090
Fundraising and development	2,072,557	-	2,072,557	1,522,476	-	1,522,476
Total supporting services	3,062,323	-	3,062,323	2,225,566	-	2,225,566
Total expenses	18,753,463	-	18,753,463	15,325,469	-	15,325,469
Changes in net assets from operations	(523,529)	826,949	303,420	619,675	16,153	635,828
Non-Operating Revenue:						
Investment return, net	139,417	-	139,417	(90,027)	-	(90,027)
Changes in net assets	(384,112)	826,949	442,837	529,648	16,153	545,801
Net Assets:						
Beginning of year	10,113,696	125,001	10,238,697	9,584,048	108,848	9,692,896
End of year	\$ 9,729,584	\$ 951,950	\$ 10,681,534	\$ 10,113,696	\$ 125,001	\$ 10,238,697

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 442,837	\$ 545,801
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	139,925	140,497
Discount on grants and contributions receivable	13,051	-
Interest - amortization	2,198	2,198
Unrealized (gain)/loss on investments	(90,660)	98,617
Changes in operating assets and liabilities:		
Grants and contributions receivable	(1,185,382)	(857,443)
Prepaid expenses and other	(564,041)	(240,801)
Accounts payable, accrued expenses and other	964,481	(121,244)
Net cash used in operating activities	<u>(277,591)</u>	<u>(432,375)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(3,084,743)	(2,004,243)
Purchase of property and equipment	<u>(190,518)</u>	<u>(100,981)</u>
Net cash used in investing activities	<u>(3,275,261)</u>	<u>(2,105,224)</u>
Cash Flows from Financing Activities:		
Principal payments on mortgage note payable	<u>(24,179)</u>	<u>(23,337)</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	(3,577,031)	(2,560,936)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	<u>5,939,585</u>	<u>8,500,521</u>
End of year	<u>\$ 2,362,554</u>	<u>\$ 5,939,585</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 40,884</u>	<u>\$ 41,725</u>
Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash:		
Cash	\$ 2,091,527	\$ 5,675,128
Restricted cash	<u>271,027</u>	<u>264,457</u>
	<u>\$ 2,362,554</u>	<u>\$ 5,939,585</u>
Supplemental Disclosure of Cash Flow Information:		
Property and equipment financed through accounts payable and accrued expenses	<u>\$ 222,046</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

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PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2023
(With Summarized Comparative Totals for the Year Ended September 30, 2022)

2023										2022
	Programs					Supporting Services			Total Expenses	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	
Personnel and Related:										
Salaries	\$ 1,883,999	\$ 706,922	\$ 856,349	\$ -	\$ 996,994	\$ 4,444,264	\$ 394,091	\$ 1,091,109	\$ 1,485,200	\$ 5,929,464
Payroll taxes and fringe benefits	445,461	167,293	202,530	-	233,699	1,048,983	26,614	257,369	283,983	1,332,966
Total personnel and related	2,329,460	874,215	1,058,879	-	1,230,693	5,493,247	420,705	1,348,478	1,769,183	7,262,430
Grants	5,325,933	341,638	-	101,143	-	5,768,714	137,517	-	137,517	5,906,231
Other:										
Advertising	12,815	2,872	1,472,601	682,812	2,111	2,173,211	1,661	106,735	108,396	2,281,607
Professional fees	178,323	10,971	208,858	77,400	202,323	677,875	266,524	28,774	295,298	973,173
Printing and postage	31,113	326,847	265,522	14,015	2,389	639,886	5,604	190,118	195,722	835,608
Materials and supplies	39,407	19,949	10,406	123,779	45,935	239,476	22,192	134,552	156,744	396,220
Communications	156,491	7,910	16,242	398	8,306	189,347	5,000	59,543	64,543	253,890
Office	72,965	6,040	7,817	332	7,408	94,562	7,565	102,790	110,355	204,917
Facilities	45,351	17,018	20,615	4,347	24,001	111,332	29,872	26,593	56,465	167,797
Computer and office equipment	25,505	14,492	19,134	-	22,277	81,408	34,692	24,380	59,072	140,480
Depreciation	37,316	14,827	17,961	-	20,911	91,015	26,025	22,885	48,910	139,925
Conferences and meetings	13,384	12,677	18,145	2,268	18,657	65,131	21,155	19,551	40,706	105,837
Travel and transportation	5,529	20,903	1,844	1,217	9,629	39,122	1,569	1,575	3,144	42,266
Interest	11,366	4,265	5,167	-	6,016	26,814	7,487	6,583	14,070	40,884
Interest - amortization	-	-	-	-	-	-	2,198	-	2,198	2,198
Total other	629,565	458,771	2,064,312	906,568	369,963	4,429,179	431,544	724,079	1,155,623	5,584,802
Total expenses	\$ 8,284,958	\$ 1,674,624	\$ 3,123,191	\$ 1,007,711	\$ 1,600,656	\$ 15,691,140	\$ 989,766	\$ 2,072,557	\$ 3,062,323	\$ 18,753,463

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2022

	Programs					Supporting Services				
	Direct Service	Feeding Kids	Food Resource Outreach and Awareness	Community Education and Engagement	Advocacy and Research	Total Programs	General and Adminis- trative	Fundraising and Development	Total Supporting Services	Total Expenses
Personnel and Related:										
Salaries	\$ 1,594,942	\$ 716,244	\$ 837,525	\$ -	\$ 388,447	\$ 3,537,158	\$ 276,961	\$ 780,708	\$ 1,057,669	\$ 4,594,827
Payroll taxes and fringe benefits	354,051	158,249	186,876	-	84,648	783,824	56,835	172,184	229,019	1,012,843
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
Grants	4,172,114	459,203	457,130	-	24,640	5,113,087	10,000	-	10,000	5,123,087
Other:										
Advertising	159,054	1,843	1,017,717	638,989	2,331	1,819,934	1,338	33,185	34,523	1,854,457
Professional fees	76,319	13,387	337,632	12,875	50,953	491,166	239,216	11,169	250,385	741,551
Printing and postage	25,786	268,777	311,396	33,159	2,245	641,363	4,919	164,203	169,122	810,485
Materials and supplies	12,288	14,344	15,583	17,964	17,499	77,678	8,278	117,664	125,942	203,620
Communications	168,528	9,220	12,455	-	12,415	202,618	6,403	61,581	67,984	270,602
Office	44,068	4,684	13,180	-	2,483	64,415	6,856	99,059	105,915	170,330
Facilities	41,323	18,561	21,315	4,334	9,834	95,367	22,636	20,230	42,866	138,233
Computer and office equipment	39,112	25,340	29,028	-	13,147	106,627	30,259	27,043	57,302	163,929
Depreciation	43,911	19,722	23,062	-	10,450	97,145	21,855	21,497	43,352	140,497
Conferences and meetings	7,991	7,310	8,879	258	3,853	28,291	7,774	7,004	14,778	43,069
Travel and transportation	1,076	3,714	3,688	-	4,347	12,825	528	663	1,191	14,016
Interest	12,839	5,767	6,743	-	3,056	28,405	7,034	6,286	13,320	41,725
Interest - amortization	-	-	-	-	-	-	2,198	-	2,198	2,198
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
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

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

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).

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, 2023 and 2022, 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, 2023 and 2022, at 4.75% and 1.98% annually, respectively, and matures in July 2024.

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, 2023 and 2022, there was no allowance for uncollectible accounts.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 - represents 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>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose:		
Community Partnerships	\$ 210,000	\$ 50,000
Other programs	<u>45,000</u>	<u>-</u>
Total	255,000	50,000
Subject to time restriction	<u>696,950</u>	<u>75,001</u>
	<u>\$ 951,950</u>	<u>\$ 125,001</u>

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 10 for disclosure of Project Bread's conditional grants at September 30, 2023 and 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.

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>2023</u>	<u>2022</u>
Advertising	\$ 734,489	\$ 782,422
Legal services	<u>86,438</u>	<u>88,779</u>
	<u>\$ 820,927</u>	<u>\$ 871,201</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.

All donated services were utilized by Project Bread's programs and supporting services. There were no donor-imposed restrictions associated with the donated services.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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>2023</u>	<u>2022</u>
Health Partnership grants	\$ 5,325,933	\$ 4,172,114
Summer grants	195,781	203,700
School Breakfast grants	145,857	255,503
Partnership grants	137,517	358,140
Annual grants	<u>101,143</u>	<u>133,630</u>
	<u>\$ 5,906,231</u>	<u>\$ 5,123,087</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.

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

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.

In accordance with Project Bread's investment policy, investments held as short-term assets are intended to be utilized on an as needed basis for operational needs. Whereas investments reflected as long-term assets are intended for long-term growth.

Project Bread has a formal spending policy in which up to 4% of the average long-term 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. There was no draw on long-term investments during fiscal years 2023 and 2022 in accordance with the formal spending policy.

Long-term 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%

PROJECT BREAD - THE WALK FOR HUNGER, INC.

Notes to Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022. 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 consists of investment activity.

Subsequent Events

Subsequent events have been evaluated through February 2, 2024, 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.

3. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 100,000	\$ 100,000
Condominium building and improvements	3,475,061	3,279,644
Computer and office equipment	35,482	446,652
Website	153,645	434,756
Furniture and fixtures	<u>231,702</u>	<u>41,051</u>
	3,995,890	4,302,103
Less - accumulated depreciation	<u>2,069,726</u>	<u>2,648,578</u>
	<u>\$ 1,926,164</u>	<u>\$ 1,653,525</u>

4. INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Cash:		
Money market	\$ 1,046,710	\$ 712,303
Treasury bills	<u>741,626</u>	<u>-</u>
Total cash	<u>1,788,336</u>	<u>712,303</u>

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4. INVESTMENTS (Continued)

	<u>2023</u>	<u>2022</u>
Equities:		
Other	463,880	239,841
Information technology	186,156	83,239
Foreign	112,462	96,680
Health care	102,463	66,304
Financial	88,546	62,183
Industrial	74,618	62,502
Total equities	<u>1,028,125</u>	<u>610,749</u>
Fixed income - bonds:		
Government	1,192,215	-
Certificate of deposits	448,254	-
Corporate	427,320	485,432
Foreign	196,779	97,142
Total fixed income - bonds	<u>2,264,568</u>	<u>582,574</u>
Total investments	<u>\$ 5,081,029</u>	<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 were \$1,139,024 and \$1,163,203 outstanding under the above mortgage note payable as of September 30, 2023 and 2022, respectively. The mortgage contains various covenants. Project Bread was in compliance with these covenants as of September 30, 2023 and 2022. Interest expense was \$40,884 and \$41,725 for the years ended September 30, 2023 and 2022, respectively.

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

2024	\$ 24,940
2025	\$ 25,951
2026	\$ 26,887
2027	\$ 27,856
2028	\$ 28,760
Thereafter	\$ 1,004,630

Debt issuance costs related to the mortgage note payable totaled \$21,977 and are shown net of accumulated interest - amortization of \$5,678 and \$3,480 as of September 30, 2023 and 2022, 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 \$2,198 annually.

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6. 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 (8.50% and 6.25% at September 30, 2023 and 2022, 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, 2023 and 2022. This line of credit is renewable annually in February.

7. EMPLOYMENT BENEFIT PLANS

Project Bread has a retirement plan under IRC Section 401(k) for all employees. As of October 1, 2022, the plan is a safe harbor 401(k) plan. Upon hire, new employees may make voluntary salary deferrals into this plan within IRC guidelines. Following one year of service, in which the employee works 1000 hours, Project Bread contributes an amount equal to the sum of 100% of the participant's elective deferrals that do not exceed 5% of the participant's compensation. Project Bread contributed \$148,041 and \$94,916 to this plan for the years ended September 30, 2023 and 2022, respectively. These amounts are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

8. 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.

9. 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, 2023 and 2022, or on its changes in net assets for the years then ended.

Approximately 14% and 12% 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, 2023 and 2022, respectively.

Approximately 14% and 20% of grants and contributions receivable are due from the Commonwealth of Massachusetts at September 30, 2023 and 2022, respectively.

Approximately 39% and 67% of grants and contributions receivable are due from two agencies at September 30, 2023 and 2022, respectively.

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10. CONDITIONAL GRANTS AND COMMITMENTS

During fiscal years 2023 and 2022, Project Bread was awarded three and five conditional grants totaling \$7,482,453 and \$7,105,137, respectively, by two and four organizations, respectively. The remaining installments under these awards totaling \$455,972 and \$1,616,452 are conditional upon Project Bread meeting certain milestones and thus are not included in the accompanying financial statements at September 30, 2023 and 2022, respectively.

During fiscal years 2023 and 2022, Project Bread was awarded government contracts totaling \$4,855,188 and \$4,454,235, 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. 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 \$1,449,874 and \$2,215,150 at September 30, 2023 and 2022, respectively, are not included in the accompanying financial statements.

11. 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>2023</u>	<u>2022</u>
Cash	\$ 2,091,527	\$ 5,675,128
Grants and contributions receivable	2,623,240	1,762,858
Short-term investments	<u>3,056,109</u>	<u>-</u>
	7,770,876	7,437,986
Less - net assets with purpose restrictions	<u>255,000</u>	<u>50,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,515,876</u>	<u>\$ 7,387,986</u>

Project Bread's financial assets are available for use to cover its obligations as they become due. As of September 30, 2023 and 2022, Project Bread has financial assets equal to approximately five and six months, respectively, of operating expenses (excluding depreciation, interest - amortization, and in-kind expenses). Project Bread has approximately \$6,895,000 and \$7,263,000, respectfully, as of September 30, 2023 and 2022, of Board-designated reserves which are 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 6) which allows for additional borrowings up to \$500,000. Project Bread also has \$2,024,920 held in investment accounts as of September 30, 2023, 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).

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Notes to Financial Statements
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12. GRANTS AND CONTRIBUTION RECEIVABLE

Grants and contributions receivable are expected to be collected as follows as of September 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 2,623,240	\$ 1,762,858
Due in one to five years	<u>325,000</u>	<u>-</u>
	2,948,240	1,762,858
Less - current portion	2,623,240	1,762,858
Less - discount	<u>13,051</u>	<u>-</u>
Long-term grants and contributions receivable	<u>\$ 311,949</u>	<u>\$ -</u>

These grants and contributions receivable have been discounted to present value using a discount rate of approximately 4.19% as of September 30, 2023.