

**Bread for the World, Inc. and Affiliate**

Consolidated Financial Statements  
and Independent Auditors' Report

December 31, 2021

(With Summarized Financial Information for December 31, 2020)

# **Bread for the World, Inc. and Affiliate**

## Consolidated Financial Statements

December 31, 2021

(With Summarized Financial Information for December 31, 2020)

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Bread for the World, Inc. and Affiliate

### ***Opinion***

We have audited the accompanying consolidated financial statements of Bread for the World, Inc. and Affiliate (collectively, "the Organization"), which comprise the consolidated statement of financial position as of December 31, 2021; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Responsibilities of Management for the Consolidated Financial Statements (continued)***

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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.

***Report on Summarized Comparative Information***

We have previously audited the Organization's December 31, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 16, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which is has been derived.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities on pages 23-24 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Vienna, Virginia  
May 3, 2022

## Bread for the World, Inc. and Affiliate

### Consolidated Statement of Financial Position

December 31, 2021

(With Summarized Financial Information for December 31, 2020)

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,725,208	\$ 6,611,519
Contributions receivable	970,393	1,206,908
Due from the Alliance	163,673	33,367
Investments	11,349,021	10,690,449
Prepaid expenses	157,563	24,994
	20,365,858	18,567,237
Total current assets	20,365,858	18,567,237
Deposits	237,515	237,515
Contributions receivable, long-term, net	-	121,483
Property and equipment, net	81,269	111,126
	81,269	111,126
Total assets	\$ 20,684,642	\$ 19,037,361
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,355,263	\$ 1,429,764
	1,355,263	1,429,764
Total current liabilities	1,355,263	1,429,764
Deferred rent and lease incentive liability	980,530	661,818
Loan payable – Paycheck Protection Program	872,338	872,300
	872,338	872,300
Total liabilities	3,208,131	2,963,882
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	8,570,073	7,036,650
Board-designated (Founder’s Fund)	5,344,002	4,824,470
	5,344,002	4,824,470
Total without donor restrictions	13,914,075	11,861,120
With donor restrictions	3,562,436	4,212,359
	3,562,436	4,212,359
Total net assets	17,476,511	16,073,479
Total liabilities and net assets	\$ 20,684,642	\$ 19,037,361

*See accompanying notes.*

**Bread for the World, Inc. and Affiliate**

Consolidated Statement of Activities  
For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>Operating Revenue and Support</b>				
Contributions and membership	\$ 8,890,495	\$ 756,600	\$ 9,647,095	\$ 8,734,933
Foundation grants	166,559	338,320	504,879	1,796,457
Endowments and bequests	993,200	5,088	998,288	1,018,315
Conferences and events	-	-	-	125
Other income	926,880	-	926,880	239,248
Sales of materials	38,123	-	38,123	42,632
Net assets released from restrictions:				
Satisfaction of program restrictions	1,498,197	(1,498,197)	-	-
Satisfaction of time restrictions	372,087	(372,087)	-	-
<b>Total operating revenue and support</b>	<b>12,885,541</b>	<b>(770,276)</b>	<b>12,115,265</b>	<b>11,831,710</b>
<b>Expenses</b>				
Program services:				
Public education	4,982,291	-	4,982,291	6,033,112
Outreach and advocacy	2,111,716	-	2,111,716	2,233,414
Public policy	2,663,983	-	2,663,983	2,917,258
<b>Total program services</b>	<b>9,757,990</b>	<b>-</b>	<b>9,757,990</b>	<b>11,183,784</b>
Supporting services:				
Fundraising	1,206,175	-	1,206,175	1,139,640
Management and general	541,815	-	541,815	615,965
<b>Total supporting services</b>	<b>1,747,990</b>	<b>-</b>	<b>1,747,990</b>	<b>1,755,605</b>
<b>Total expenses</b>	<b>11,505,980</b>	<b>-</b>	<b>11,505,980</b>	<b>12,939,389</b>
<b>Change in Net Assets from Operations</b>	<b>1,379,561</b>	<b>(770,276)</b>	<b>609,285</b>	<b>(1,107,679)</b>
<b>Non-Operating Activity</b>				
Investment return, net	673,394	120,353	793,747	672,324
<b>Total non-operating activity</b>	<b>673,394</b>	<b>120,353</b>	<b>793,747</b>	<b>672,324</b>
<b>Change in Net Assets</b>	<b>2,052,955</b>	<b>(649,923)</b>	<b>1,403,032</b>	<b>(435,355)</b>
<b>Net Assets, beginning of year</b>	<b>11,861,120</b>	<b>4,212,359</b>	<b>16,073,479</b>	<b>16,508,834</b>
<b>Net Assets, end of year</b>	<b>\$ 13,914,075</b>	<b>\$ 3,562,436</b>	<b>\$ 17,476,511</b>	<b>\$ 16,073,479</b>

See accompanying notes.

**Bread for the World, Inc. and Affiliate**

Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Program Services				Supporting Services			2021 Total	2020 Total
	Public Education	Outreach and Advocacy	Public Policy	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Salaries	\$ 2,170,003	\$ 1,315,631	\$ 1,222,454	\$ 4,708,088	\$ 199,003	\$ 183,909	\$ 382,912	\$ 5,091,000	\$ 5,826,691
Employee benefits	646,544	429,404	453,269	1,529,217	99,808	79,714	179,522	1,708,739	1,865,134
Professional fees and contracts	687,915	47,077	684,984	1,419,976	80,664	62,755	143,419	1,563,395	1,748,792
Facilities	274,657	117,817	148,064	540,538	70,570	169,944	240,514	781,052	839,596
Printing, production, and design	22,250	8,022	6,507	36,779	18,665	19	18,684	55,463	61,896
Travel	9,552	59,167	26,178	94,897	573	419	992	95,889	96,054
Meetings and conferences	6,488	26,000	10,780	43,268	5,331	-	5,331	48,599	55,016
Office supplies, postage, and telephone	32,649	13,840	16,928	63,417	6,583	15,243	21,826	85,243	208,570
Depreciation and amortization	43,677	16,740	21,815	82,232	5,502	23,234	28,736	110,968	193,797
Membership services	953,128	534	18	953,680	609,395	21	609,416	1,563,096	1,484,713
Other expenses	121,067	66,984	65,143	253,194	107,189	341	107,530	360,724	495,032
Computer services and supplies	14,361	10,500	7,843	32,704	2,892	6,216	9,108	41,812	64,098
<b>Total Expenses</b>	<b>\$ 4,982,291</b>	<b>\$ 2,111,716</b>	<b>\$ 2,663,983</b>	<b>\$ 9,757,990</b>	<b>\$ 1,206,175</b>	<b>\$ 541,815</b>	<b>\$ 1,747,990</b>	<b>\$ 11,505,980</b>	<b>\$ 12,939,389</b>

See accompanying notes.



**Bread for the World, Inc. and Affiliate**

Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2021  
(With Summarized Financial Information for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,403,032	\$ (435,355)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	110,968	193,797
Loss on disposal of property and equipment	-	191,956
Realized and unrealized gain on investments	(533,455)	(434,241)
Change in discount – contributions receivable	(413)	(35,229)
Gain on extinguishment of forgivable debt	(872,300)	-
Contributions to donor-restricted endowments	(5,088)	(111,957)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	358,411	1,650,789
Due from the Alliance	(130,306)	275,420
Prepaid expenses	(132,569)	137,855
Increase (decrease) in:		
Accounts payable and accrued expenses	(74,501)	245,530
Deferred rent and lease incentive liability	318,712	208,198
Net cash provided by operating activities	<u>442,491</u>	<u>1,886,763</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	372,600	3,070,281
Purchases of investments	(497,717)	(3,303,546)
Purchases of property and equipment	(81,111)	-
Net cash used in investing activities	<u>(206,228)</u>	<u>(233,265)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan payable – Paycheck Protection Program	872,338	872,300
Contributions to donor-restricted endowments	5,088	111,957
Net cash provided by financing activities	<u>877,426</u>	<u>984,257</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,113,689	2,637,755
<b>Cash and Cash Equivalents, beginning of year</b>	<u>6,611,519</u>	<u>3,973,764</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 7,725,208</u>	<u>\$ 6,611,519</u>

See accompanying notes.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **1. Nature of Operations**

Bread for the World, Inc. (“Bread”) was established to organize Christians in the United States from various church bodies to advocate policies, both governmental and nongovernmental, that will help combat hunger and poverty in the United States of America and throughout the world. Bread for the World Institute, Inc. (“the Institute”) was established to conduct and gather impartial, scientific research and analysis of the causes, nature, and prevention of poverty and hunger in the United States of America and throughout the world. The dissemination of the results of such research and analysis is by means of printed and electronic materials, discussions, lectures, ecumenical liturgies, and other appropriate media. These activities are funded primarily through contributions and memberships, foundation grants, endowments, bequests, and gift annuities.

### **2. Summary of Significant Accounting Policies**

#### Principles of Consolidation

The accompanying consolidated financial statements include the account balances of Bread and the Institute (collectively, “the Organization”). Bread and the Institute have separate and distinct governance structures that share the same volunteers who serve as members on both Boards of Directors. Bread and the Institute also share common facilities and personnel and have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated in consolidation.

#### Basis of Accounting and Presentation

The Organization’s consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for the Board-designated endowment.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition of cash equivalents are amounts held for investment.

#### Contributions Receivable

Contributions receivable represent unconditional promises to give. Amounts to be collected more than a year after the consolidated statement of financial position date are recorded net of a present value discount. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the promises are to be received. The Organization provides an allowance for doubtful accounts using the allowance method, which is based on management's judgment, considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the amounts are written-off against the related allowance. At December 31, 2021, all contributions receivable are due within one year and are recorded at net realizable value. No allowance is recorded as management believes that all contributions receivable are fully collectible.

#### Investments

Investments are stated at fair value. The estimated fair values of investments in the Evangelical Lutheran Church in America (ELCA) Endowment Pooled Trust Fund, which is subject to certain withdrawal restrictions, are provided by the external investment manager and may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### Investments (continued)

Because of the inherent uncertainty of valuation for these investments and in certain underlying investments held by the fund manager, values for those investments may differ from values that would have been used had a ready market for the investments existed. The Organization reviews and evaluates the values provided by its investment manager and agrees with the valuation methods and assumptions used in determining the fair value. Unrealized gains and losses are reported as a component of net investment return and are included in the accompanying consolidated statement of activities.

#### Property and Equipment

Property and equipment purchased at a cost of \$5,000 or more and with an estimated life exceeding one year are capitalized and recorded at acquisition cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life or the original life of the lease. Expenditures for repairs and maintenance are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the accounts, and the resulting gain or loss is included in revenue and support or expenses in the accompanying consolidated statement of activities.

#### Revenue Recognition

The Organization recognizes contributions (including foundation grants, endowments, and bequests) when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Membership, which is nonrefundable, is made up entirely of a contribution element, which is recognized immediately.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### Advertising Costs

Advertising costs are expensed as incurred, and approximated \$1,585,348 during the year ended December 31, 2021.

#### Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net investment return.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

#### Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2020 consolidated financial statements, from which the summarized information was derived.

#### Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 2. Summary of Significant Accounting Policies (continued)

#### Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 3, 2022, the date the consolidated financial statements were available to be issued.

### 3. Liquidity and Availability

The following table reflects the Organization's financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions or internal Board designations. Amounts not available include Board-designated funds. In the event the need arises to utilize the Board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at December 31, 2021:

Cash and cash equivalents	\$ 7,725,208
Contributions receivable	970,393
Due from the Alliance	163,673
Investments	11,349,021
Less: Board-designated funds	(5,344,002)
Less: net assets with donor restrictions	<u>(3,562,436)</u>
Total available for general expenditures	<u>\$ 11,301,857</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews the Organization's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity needs are invested in money market funds and mutual funds.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **4. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, investments, and contributions receivable. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal. Contributions receivable consist primarily of amounts due from individual donors. Management believes the credit risk related to these receivables is minimal.

### **5. Investments and Fair Market Value Measurements**

The Organization follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels are recognized at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments and consists of the Organization's money markets and mutual funds. The ELCA Endowment Pooled Trust Fund is valued at the fund's net asset value (NAV), as provided by the investee fund management, unless other factors lead to a determination of fair value at a different amount.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 5. Investments and Fair Market Value Measurements (continued)

These adjustments are made in cases in which certain features and conditions of the investment warrant a further adjustment (either a discount or premium) to NAV, such as recent financial information received. As of December 31, 2021, funds valued at NAV are classified within Level 2, if the notice period for redemption is 90 days or less.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Alternative investments:				
ELCA Endowment				
Pooled Trust Fund	\$ -	\$ 6,436,985	\$ -	\$ 6,436,985
Money markets	4,483,719	-	-	4,483,719
Mutual funds – equity:				
Balanced funds	279,812	-	-	279,812
Stock funds	140,251	-	-	140,251
U.S. equities	8,254	-	-	8,254
Total investments	\$ 4,912,036	\$ 6,436,985	\$ -	\$ 11,349,021

The following information pertains to those alternative investments recorded at NAV as of December 31, 2021:

	Fair Value	Redemption Frequency	Redemption Notice
ELCA Endowment			
Pooled Trust Fund	\$ 6,436,985	n/a	10 days

There were no unfunded commitments for the above fund as of December 31, 2021.

Net investment return consists of the following for the year ended December 31, 2021:

Interest and dividends	\$ 261,224
Net realized and unrealized gain	533,455
Less: investment fees	(932)
Total investment return, net	\$ 793,747



## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 6. Property and Equipment

Property and equipment consists of the following at December 31, 2021:

Leasehold improvements	\$	354,768
Furniture and equipment		223,327
Software		<u>27,010</u>
Total property and equipment		605,105
Less: accumulated depreciation and amortization		<u>(523,836)</u>
Property and equipment, net	\$	<u><u>81,269</u></u>

### 7. Loan Payable – Paycheck Protection Program

The Institute applied for loans under the Paycheck Protection Program (“the PPP loan”) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP loan is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which the Institute qualified. The PPP loan is subject to full forgiveness upon use of the funds for payroll and other eligible costs and compliance with certain limitations on payroll and staffing reductions over a 24-week period.

The first draw of the PPP loan was granted to the Institute on April 21, 2020 in the amount of \$872,300. During the covered period, the Institute used all funds on qualifying expenditures and remained in compliance with limitations on payroll costs while not reducing the employee headcount. On December 21, 2020, management of the Institute submitted a forgiveness application to their lender along with documentation to corroborate the use of funds, employee headcounts, and to support the satisfaction of all other relevant compliance requirements.

On February 16, 2021, the first draw of the PPP loan was fully forgiven by the Small Business Administration, and the Institute recorded a \$872,300 gain on extinguishment of forgivable debt, which is included as other income in the accompanying consolidated statement of activities.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 7. Loan Payable – Paycheck Protection Program (continued)

The second draw of the PPP loan was granted to the Institute on April 5, 2021 in the amount of \$872,338, which is recorded as a loan payable in the accompanying consolidated statement of financial position. On July 30, 2021, management of the Institute submitted a forgiveness application to their lender along with documentation to corroborate the use of funds, employee headcounts, and to support the satisfaction of all other relevant compliance requirements.

Future scheduled repayments of the principal, if not forgiven, are as follows for the years ending December 31:

2022	\$	56,932
2023		173,846
2024		173,992
2025		174,140
2026		293,428
		<hr/>
Total	\$	<u>872,338</u>

### 8. Net Assets With Donor Restrictions

At December 31, 2021, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:		
Public education and other programs	\$	1,920,954
Subject to the passage of time:		
Time restricted		548,499
Endowments:		
Subject to appropriation and expenditure when specified event occurs		297,864
Subject to endowment spending policy		795,119
		<hr/>
Total net assets with donor restrictions	\$	<u>3,562,436</u>

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **9. Endowment**

Bread and the Institute's endowment includes both donor-restricted endowment funds and funds designated by the Boards of Directors to function as an endowment. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Boards of Directors of Bread and the Institute have interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Bread and the Institute classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Bread and the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Bread and the Institute consider the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of Bread and the Institute and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of Bread and the Institute; and (7) investment policies of both Bread and the Institute.

#### Return Objectives, Risk Parameters, and Strategies

Bread and the Institute follow a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Should significant, new donations be made to the endowment assets, both Bread and the Institute's investment policy would permit a strategy of long-term growth of the endowment assets.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 9. Endowment (continued)

#### Return Objectives, Risk Parameters, and Strategies (continued)

Under such a policy, the endowment assets would be invested in a manner that is intended to produce results exceeding major investment benchmarks while assuming a moderate level of risk. All earnings of the investments are reinvested within both the Board-designated and donor-restricted endowment funds.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

Bread and the Institute have a policy of appropriating 5% of the trailing four-year average of the endowed assets for use in operations each year. Bread and the Institute intend for the Board-designated endowment to be used only upon approval of 2/3 of the members of the Boards of Directors with fiduciary authority.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by both Bread and the Institute in net assets without donor restrictions. There were no fund deficiencies for the year ended December 31, 2021.

#### Composition of Funds

Endowment net asset composition was as follows at December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,344,002	\$ -	\$ 5,344,002
Donor-restricted endowment funds	-	1,092,983	1,092,983
Total funds	<u>\$ 5,344,002</u>	<u>\$ 1,092,983</u>	<u>\$ 6,436,985</u>

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 9. Endowment (continued)

#### Changes in Endowment Net Assets

For the year ended December 31, 2021, changes in endowment net assets were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds, December 31, 2020	\$ 4,824,470	\$ 1,026,800	\$ 5,851,270
Investment return, net:			
Interest and dividends	170,724	35,613	206,337
Realized and unrealized gain	<u>414,677</u>	<u>84,740</u>	<u>499,417</u>
Total investment return, net	<u>585,401</u>	<u>120,353</u>	<u>705,754</u>
Contributions	220,307	5,088	225,395
Appropriation of assets for expenditure	<u>(286,176)</u>	<u>(59,258)</u>	<u>(345,434)</u>
Endowment funds, December 31, 2021	<u>\$ 5,344,002</u>	<u>\$ 1,092,983</u>	<u>\$ 6,436,985</u>

### 10. Retirement Plan

Bread sponsors a defined-contribution retirement plan that covers all employees who have completed at least one year of service and have worked at least 1,000 hours. Employer contributions are discretionary and are computed as 8.6% of the participant's compensation, plus 4.3% of such compensation that exceeds 25% of the Social Security wage base (the 2021 wage base was \$142,800). For the year ended December 31, 2021, the Organization recorded contributions to the plan totaling \$492,052.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 11. Commitments

#### Operating Leases

The Organization leases office facilities in Washington, DC, under a noncancelable office lease, which was originally set to expire on September 30, 2021. On March 1, 2020, this lease was amended to reduce the size of the rentable area and to extend the lease term to February 29, 2032. The lease agreement contains a provision for an increase in rent of 2.5% per annum of the base rent on the anniversary date of the lease. The lease also contains both a lease incentive (tenant allowance) for construction and rent abatements for the first 12 months commencing March 1, 2020. As permitted by the lease agreement, \$221,325 of the tenant allowance was applied as a credit against base rent in 2021.

In accordance with accounting principles generally accepted in the United States of America, all fixed rent increases are recognized on a straight-line basis over the terms of the leases. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying consolidated statement of financial position. Upon exiting its prior office facilities in March 2020, the Organization recorded a gain from the write-off of its existing deferred rent and leasehold incentive liability totaling \$88,317, which was recorded as other income for the year ended December 31, 2020.

On January 4, 2019, the Institute entered into a sublease with a separate organization for a portion of its office space, which commenced on January 11, 2019, and was originally set to expire on September 29, 2021. The sublease agreement was amended and terminated on March 1, 2020.

As of December 31, 2021, the future minimum rental payments required under the office lease are as follows for the years ending December 31:

2022	\$	633,063
2023		648,925
2024		665,106
2025		681,706
2026		698,748
Thereafter		<u>3,897,164</u>
Total future minimum payments	\$	<u>7,224,712</u>

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 11. Commitments (continued)

#### Operating Leases (continued)

The Organization also leases office equipment under the terms of various operating leases. Rent and utilities expense totaled \$781,052 for the year ended December 31, 2021, and is recorded as facilities expense in the accompanying consolidated statement of functional expenses.

### 12. Related Party Transactions

The Organization shares its premises and some administrative and program personnel with the Alliance to End Hunger (“the Alliance”), an organization that is exempt from income tax under Internal Revenue Code (IRC) Section 501(c)(3). Costs are allocated between the entities based on actual expenses incurred and an overhead allocation, as described in the shared services agreement between the organizations. As of December 31, 2021, the Organization has a receivable from the Alliance in the amount of \$163,673 under this agreement. These amounts are included in the accompanying consolidated statement of financial position.

### 13. Functionalized Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

### 14. Allocation of Joint Costs

The Organization achieves some of its programmatic goals by direct mail, informational materials, and similar campaigns that include requests for donations. The cost of conducting those campaigns was allocated as follows for the year ended December 31, 2021:

Public education	\$ 953,897
Fundraising	<u>631,451</u>
Total joint costs	<u>\$ 1,585,348</u>

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **15. Income Taxes**

Bread is exempt from the payment of income taxes on its exempt activities under IRC Section 501(c)(4). The Institute is exempt from the payment of income taxes on its exempt activities under IRC Section 501(c)(3). At December 31, 2021, no tax provision was made as the Organization had no significant unrelated business income. Management has evaluated the Organization's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying consolidated financial statements.



## **SUPPLEMENTARY INFORMATION**

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**Bread for the World, Inc. and Affiliate**

Consolidating Schedule of Financial Position  
December 31, 2021

	Bread	The Institute	Eliminations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 6,143,396	\$ 1,581,812	\$ -	\$ 7,725,208
Contributions receivable	500,000	470,393	-	970,393
Due from the Institute	856,436	-	(856,436)	-
Due from (to) the Alliance	212,231	(48,558)	-	163,673
Investments	3,035,835	8,313,186	-	11,349,021
Prepaid expenses	69,962	87,601	-	157,563
Total current assets	10,817,860	10,404,434	(856,436)	20,365,858
Deposits	-	237,515	-	237,515
Property and equipment, net	-	81,269	-	81,269
Total assets	\$ 10,817,860	\$ 10,723,218	\$ (856,436)	\$ 20,684,642
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,228,154	\$ 127,109	\$ -	\$ 1,355,263
Due to Bread	-	856,436	(856,436)	-
Total current liabilities	1,228,154	983,545	(856,436)	1,355,263
Deferred rent and lease incentive liability	384,051	596,479	-	980,530
Loan payable – Paycheck Protection Program	-	872,338	-	872,338
Total liabilities	1,612,205	2,452,362	(856,436)	3,208,131
<b>Net Assets</b>				
Without donor restrictions:				
Undesignated	7,502,448	1,067,625	-	8,570,073
Board-designated (Founder’s Fund)	624,944	4,719,058	-	5,344,002
Total without donor restrictions	8,127,392	5,786,683	-	13,914,075
With donor restrictions	1,078,263	2,484,173	-	3,562,436
Total net assets	9,205,655	8,270,856	-	17,476,511
Total liabilities and net assets	\$ 10,817,860	\$ 10,723,218	\$ (856,436)	\$ 20,684,642

**Bread for the World, Inc. and Affiliate**

Consolidating Schedule of Activities  
For the Year Ended December 31, 2021

	Bread	The Institute	Eliminations	Total
<b>Operating Revenue and Support Without Donor Restrictions</b>				
Contributions and membership	\$ 5,508,532	\$ 3,381,963	\$ -	\$ 8,890,495
Foundation grants	-	166,559	-	166,559
Endowments and bequests	225,284	767,916	-	993,200
Other income	53,133	873,747	-	926,880
Sales of materials	38,123	-	-	38,123
Net assets released from restrictions:				
Satisfaction of program restrictions	19,894	1,478,303	-	1,498,197
Satisfaction of time restrictions	10,000	362,087	-	372,087
<b>Total operating revenue and support without donor restrictions</b>	<b>5,854,966</b>	<b>7,030,575</b>	<b>-</b>	<b>12,885,541</b>
<b>Expenses</b>				
Program services:				
Public education	1,867,766	3,114,525	-	4,982,291
Outreach and advocacy	918,047	1,193,669	-	2,111,716
Public policy	1,108,388	1,555,595	-	2,663,983
<b>Total program services</b>	<b>3,894,201</b>	<b>5,863,789</b>	<b>-</b>	<b>9,757,990</b>
Supporting services:				
Fundraising	814,796	391,379	-	1,206,175
Management and general	254,980	286,835	-	541,815
<b>Total supporting services</b>	<b>1,069,776</b>	<b>678,214</b>	<b>-</b>	<b>1,747,990</b>
<b>Total expenses</b>	<b>4,963,977</b>	<b>6,542,003</b>	<b>-</b>	<b>11,505,980</b>
<b>Change in net assets without donor restrictions</b>	<b>890,989</b>	<b>488,572</b>	<b>-</b>	<b>1,379,561</b>
<b>Net Assets With Donor Restrictions</b>				
Contributions and membership	555,100	201,500	-	756,600
Foundation grants	-	338,320	-	338,320
Endowments and bequests	310	4,778	-	5,088
Net assets released from restrictions:				
Satisfaction of program restrictions	(19,894)	(1,478,303)	-	(1,498,197)
Satisfaction of time restrictions	(10,000)	(362,087)	-	(372,087)
<b>Change in Net Assets from Operations</b>	<b>1,416,505</b>	<b>(807,220)</b>	<b>-</b>	<b>609,285</b>
<b>Non-Operating Activities</b>				
Investment return, net – without donor restrictions	80,617	592,777	-	673,394
Investment return, net – with donor restrictions	36,815	83,538	-	120,353
<b>Total non-operating activities</b>	<b>117,432</b>	<b>676,315</b>	<b>-</b>	<b>793,747</b>
<b>Change in Net Assets</b>	<b>1,533,937</b>	<b>(130,905)</b>	<b>-</b>	<b>1,403,032</b>
<b>Net Assets, beginning of year</b>	<b>7,671,718</b>	<b>8,401,761</b>	<b>-</b>	<b>16,073,479</b>
<b>Net Assets, end of year</b>	<b>\$ 9,205,655</b>	<b>\$ 8,270,856</b>	<b>\$ -</b>	<b>\$ 17,476,511</b>