

Bread for the World Institute, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2021

(With Summarized Financial Information for December 31, 2020)

Bread for the World Institute, Inc.

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 Institute, Inc.

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute 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 Financial Statements section of our report. We are required to be independent of the Institute 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 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.

Responsibilities of Management for the Financial Statements (continued)

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 the Institute'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 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 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 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 the Institute'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 the Institute's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the 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 Institute's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited 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 financial statements from which it has been derived.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
May 3, 2022

Bread for the World Institute, Inc.

Statement of Financial Position
December 31, 2021

(With Summarized Financial Information for December 31, 2020)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,581,812	\$ 2,017,834
Contributions receivable	470,393	1,196,883
Investments	8,313,186	7,764,215
Prepaid expenses	87,601	8,781
	<hr/>	<hr/>
Total current assets	10,452,992	10,987,713
Deposits	237,515	237,515
Contributions receivable, long-term, net	-	121,483
Property and equipment, net	81,269	111,126
	<hr/>	<hr/>
Total assets	<u>\$ 10,771,776</u>	<u>\$ 11,457,837</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 127,109	\$ 264,823
Due to the Alliance	48,558	20,468
Due to Bread	856,436	1,471,673
	<hr/>	<hr/>
Total current liabilities	1,032,103	1,756,964
Deferred rent and lease incentive liability	596,479	426,812
Loan payable – Paycheck Protection Program	872,338	872,300
	<hr/>	<hr/>
Total liabilities	<u>2,500,920</u>	<u>3,056,076</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,067,625	432,089
Board-designated (Founder’s Fund)	4,719,058	4,273,245
	<hr/>	<hr/>
Total without donor restrictions	5,786,683	4,705,334
With donor restrictions	2,484,173	3,696,427
	<hr/>	<hr/>
Total net assets	<u>8,270,856</u>	<u>8,401,761</u>
Total liabilities and net assets	<u>\$ 10,771,776</u>	<u>\$ 11,457,837</u>

See accompanying notes.

Bread for the World Institute, Inc.

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
Operating Revenue and Support				
Contributions and membership	\$ 3,381,963	\$ 201,500	\$ 3,583,463	\$ 3,017,131
Foundation grants	166,559	338,320	504,879	1,796,013
Endowments and bequests	767,916	4,778	772,694	693,443
Conferences and events	-	-	-	125
Other income	873,747	-	873,747	102,129
Net assets released from restrictions:				
Satisfaction of program restrictions	1,478,303	(1,478,303)	-	-
Satisfaction of time restrictions	362,087	(362,087)	-	-
Total operating revenue and support	7,030,575	(1,295,792)	5,734,783	5,608,841
Expenses				
Program services:				
Public education	3,114,525	-	3,114,525	4,029,823
Outreach and advocacy	1,193,669	-	1,193,669	1,284,287
Public policy	1,555,595	-	1,555,595	1,435,292
Total program services	5,863,789	-	5,863,789	6,749,402
Supporting services:				
Fundraising	391,379	-	391,379	348,097
Management and general	286,835	-	286,835	335,669
Total supporting services	678,214	-	678,214	683,766
Total expenses	6,542,003	-	6,542,003	7,433,168
Change in Net Assets from Operations	488,572	(1,295,792)	(807,220)	(1,824,327)
Non-Operating Activity				
Investment return, net	592,777	83,538	676,315	565,565
Total non-operating activity	592,777	83,538	676,315	565,565
Change in Net Assets	1,081,349	(1,212,254)	(130,905)	(1,258,762)
Net Assets, beginning of year	4,705,334	3,696,427	8,401,761	9,660,523
Net Assets, end of year	\$ 5,786,683	\$ 2,484,173	\$ 8,270,856	\$ 8,401,761

See accompanying notes.

Bread for the World Institute, Inc.

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	\$ 1,654,695	\$ 722,996	\$ 582,879	\$ 2,960,570	\$ 113,435	\$ 92,099	\$ 205,534	\$ 3,166,104	\$ 3,507,152
Employee benefits	518,113	257,260	231,236	1,006,609	56,623	42,619	99,242	1,105,851	1,194,959
Professional fees and contracts	400,685	24,874	570,802	996,361	23,404	33,275	56,679	1,053,040	1,304,333
Facilities	158,716	60,829	79,273	298,818	19,992	84,429	104,421	403,239	417,053
Printing, production, and design	8,400	3,869	173	12,442	15,212	9	15,221	27,663	34,002
Travel	5,644	25,260	12,714	43,618	319	220	539	44,157	53,928
Meetings and conferences	6,069	12,656	9,488	28,213	4,346	-	4,346	32,559	22,826
Office supplies, postage, and telephone	19,363	7,193	9,476	36,032	2,112	7,901	10,013	46,045	106,663
Depreciation and amortization	43,677	16,740	21,815	82,232	5,502	23,234	28,736	110,968	193,797
Membership services	184,422	372	10	184,804	119,846	11	119,857	304,661	325,612
Other expenses	106,508	56,620	33,618	196,746	29,720	-	29,720	226,466	238,189
Computer services and supplies	8,233	5,000	4,111	17,344	868	3,038	3,906	21,250	34,654
Total Expenses	\$ 3,114,525	\$ 1,193,669	\$ 1,555,595	\$ 5,863,789	\$ 391,379	\$ 286,835	\$ 678,214	\$ 6,542,003	\$ 7,433,168

See accompanying notes.

Bread for the World Institute, Inc.

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

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ (130,905)	\$ (1,258,762)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	110,968	193,797
Loss on disposal of property and equipment	-	191,956
Realized and unrealized gain on investments	(462,244)	(372,253)
Change in discount – contributions receivable	(413)	(34,785)
Gain on extinguishment of forgivable debt	(872,300)	-
Contributions to donor-restricted endowments	(4,778)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	848,386	756,665
Prepaid expenses	(78,820)	53,883
Increase (decrease) in:		
Accounts payable and accrued expenses	(137,714)	139,217
Due to the Alliance	28,090	(13,827)
Due to Bread	(615,237)	(276,530)
Deferred rent and lease incentive liability	169,667	84,357
	<u>(1,145,300)</u>	<u>(536,282)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	322,116	3,065,220
Purchases of investments	(408,843)	(3,273,334)
Purchases of property and equipment	(81,111)	-
	<u>(167,838)</u>	<u>(208,114)</u>
Cash Flows from Financing Activities		
Proceeds from loan payable – Paycheck Protection Program	872,338	872,300
Contributions to donor-restricted endowments	4,778	-
	<u>877,116</u>	<u>872,300</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(436,022)</u>	<u>127,904</u>
Cash and Cash Equivalents, beginning of year	<u>2,017,834</u>	<u>1,889,930</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,581,812</u></u>	<u><u>\$ 2,017,834</u></u>

See accompanying notes.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

1. Nature of Operations

Bread for the World Institute, Inc. (“the Institute”), an affiliate of Bread for the World, Inc. (“Bread”), 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

Basis of Accounting and Presentation

The Institute’s 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.
- *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 Institute 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.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable represent unconditional promises to give. Amounts to be collected more than a year after the 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 Institute 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. 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 Institute 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 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 statement of activities.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Institute 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.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$325,370 during the year ended December 31, 2021.

Measure of Operations

The Institute 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 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 financial statements and accompanying notes. Actual results could differ from those estimates.

Comparative Information

The 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 Institute's 2020 financial statements, from which the summarized information was derived.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The 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.

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 statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

Subsequent Events

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

3. Liquidity and Availability

The Institute strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews the Institute'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.

The following table reflects the Institute's financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the 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.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

3. Liquidity and Availability (continued)

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

Cash and cash equivalents	\$ 1,581,812
Contributions receivable	470,393
Investments	8,313,186
Less: Board-designated funds	(4,719,058)
Less: net assets with donor restrictions	<u>(2,484,173)</u>
Total available for general expenditures	<u>\$ 3,162,160</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject the Institute to significant concentrations of credit risk consist of cash and cash equivalents, investments, and contributions receivable. The Institute 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 Institute 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 Institute 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.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

5. Investments and Fair Market Value Measurements (continued)

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 Institute 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 Institute'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. 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 Institute'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	\$ -	\$ 5,496,199	\$ -	\$ 5,496,199
Money markets	2,388,670	-	-	2,388,670
Mutual funds – equity:				
Balanced funds	279,812	-	-	279,812
Stock funds	140,251	-	-	140,251
U.S. equities	8,254	-	-	8,254
Total investments	\$ 2,816,987	\$ 5,496,199	\$ -	\$ 8,313,186

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

5. Investments and Fair Market Value Measurements (continued)

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

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
ELCA Endowment Pooled Trust Fund	\$ 5,496,199	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	\$ 215,003
Net realized and unrealized gain	462,244
Less: investment fees	<u>(932)</u>
Total investment return, net	<u><u>\$ 676,315</u></u>

6. Property and Equipment

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

Leasehold improvements	\$ 354,768
Furniture and equipment	223,327
Capitalized 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>

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

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 statement of activities.

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 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
Total	\$	<u>872,338</u>

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

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	\$ 1,658,533
Subject to the passage of time:	
Time restricted	48,499
Endowments:	
Subject to appropriation and expenditure when specified event occurs	192,920
Subject to endowment spending policy	<u>584,221</u>
Total net assets with donor restrictions	<u>\$ 2,484,173</u>

9. Endowment

The Institute's endowment includes both donor-restricted endowment funds and funds designated by the Board 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 Board 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 Board of Directors of the Institute has 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, the Institute classifies 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.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2021

9. Endowment (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of 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 the Institute; and (7) investment policies of the Institute.

Return Objectives, Risk Parameters, and Strategies

The Institute follows 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, the Institute's investment policy would permit a strategy of long term growth of the endowment assets. 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

The Institute has a policy of appropriating 5% of the trailing four-year average of the endowed funds for use in operations each year. The Institute intends for the Board-designated endowment to be used only upon approval of 2/3 of the members of the Board 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 Institute 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 the Institute in net assets without donor restrictions. There were no fund deficiencies for the year ended December 31, 2021.

Bread for the World Institute, Inc.

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9. Endowment (continued)

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	\$ 4,719,058	\$ -	\$ 4,719,058
Donor-restricted endowment funds	-	777,141	777,141
Total funds	<u>\$ 4,719,058</u>	<u>\$ 777,141</u>	<u>\$ 5,496,199</u>

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 net assets, December 31, 2020	\$ 4,273,245	\$ 730,978	\$ 5,004,223
Investment return, net:			
Interest and dividends	150,362	25,169	175,531
Realized and unrealized gain	365,203	58,369	423,572
Total investment return, net	<u>515,565</u>	<u>83,538</u>	<u>599,103</u>
Contributions	183,045	4,778	187,823
Appropriation of assets for expenditure	<u>(252,797)</u>	<u>(42,153)</u>	<u>(294,950)</u>
Endowment net assets, December 31, 2021	<u>\$ 4,719,058</u>	<u>\$ 777,141</u>	<u>\$ 5,496,199</u>

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10. Retirement Plan

The Institute is part of a defined-contribution retirement plan maintained by Bread 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, plan contributions totaled \$307,336.

11. Commitments

Operating Leases

The Institute 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 twelve 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 statement of financial position. Upon exiting its prior office facilities in March 2020, the Institute 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.

Rent and utilities expense under this lease, net of amounts reimbursed by Bread, totaled \$403,239 for the year ended December 31, 2021, and is recorded in facilities expense in the accompanying statement of functional expenses.

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.

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Notes to Financial Statements
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11. Commitments (continued)

Operating Leases (continued)

As of December 31, 2021, the future minimum rental payments required under the office lease, less amounts reimbursed by Bread (see Note 12), are as follows for the years ending December 31:

	<u>Total Payments</u>	<u>Paid by Bread</u>	<u>Net</u>
2022	\$ 633,063	\$ (284,878)	\$ 348,185
2023	648,925	(292,016)	356,909
2024	665,106	(299,298)	365,808
2025	681,706	(306,768)	374,938
2026	698,748	(314,436)	384,312
Thereafter	<u>3,897,164</u>	<u>(1,753,724)</u>	<u>2,143,440</u>
Total	<u>\$ 7,224,712</u>	<u>\$ (3,251,120)</u>	<u>\$ 3,973,592</u>

12. Related Party Transactions

The Institute shares its premises and some administrative and program personnel with Bread and the Alliance to End Hunger (“the Alliance”), organizations that are exempt from income tax under Internal Revenue Code (IRC) Sections 501(c)(4) and 501(c)(3), respectively. Costs are allocated between the entities based on actual expenses incurred and an overhead allocation, as described in the shared services agreements between the organizations. As of December 31, 2021, the Institute had an amount due to Bread totaling \$856,436 and an amount due to the Alliance amounting to \$48,558 related to these agreements. These amounts are included in the accompanying statement of financial position.

13. Functionalized Expenses

The 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. 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.

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14. Allocation of Joint Costs

The Institute 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	\$	209,545
Fundraising		<u>115,825</u>
Total joint costs	\$	<u><u>325,370</u></u>

15. Income Taxes

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 Institute had no unrelated business income. Management has evaluated the Institute's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.