

Bread for the World, Inc. and Affiliate

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2023

(With Summarized Financial Information for December 31, 2022)

Bread for the World, Inc. and Affiliate

Consolidated Financial Statements

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INDEPENDENT AUDITOR'S 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, 2023; 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, 2023, 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, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 27, 2023. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it 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 24-25 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.

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

Vienna, Virginia
May 22, 2024

Bread for the World, Inc. and Affiliate

Consolidated Statement of Financial Position
December 31, 2023

(With Summarized Financial Information for December 31, 2022)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,286,902	\$ 5,833,585
Contributions receivable	1,515,989	1,048,527
Due from the Alliance	183,793	549,860
Investments	12,247,320	11,101,512
Prepaid expenses	247,481	118,111
Total current assets	17,481,485	18,651,595
Deposits	235,915	237,515
Contributions receivable, long-term, net	698,067	413,636
Property and equipment, net	299,036	377,343
Right-of-use asset – operating lease	4,315,973	5,067,120
Total assets	\$ 23,030,476	\$ 24,747,209
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,074,260	\$ 1,230,343
Total current liabilities	1,074,260	1,230,343
Lease liability – operating lease	5,548,332	6,101,902
Loan payable – Paycheck Protection Program	670,683	842,644
Total liabilities	7,293,275	8,174,889
Net Assets		
Without donor restrictions:		
Undesignated	5,812,783	7,776,297
Board-designated (Founder’s Fund)	5,563,605	4,815,788
Total without donor restrictions	11,376,388	12,592,085
With donor restrictions	4,360,813	3,980,235
Total net assets	15,737,201	16,572,320
Total liabilities and net assets	\$ 23,030,476	\$ 24,747,209

See accompanying notes.

Bread for the World, Inc. and Affiliate

Consolidated Statement of Activities
For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Operating Revenue and Support				
Contributions and membership	\$ 7,601,473	\$ 2,079,166	\$ 9,680,639	\$ 9,950,311
Foundation grants	125,019	819,871	944,890	515,000
Endowments and bequests	466,639	35,243	501,882	1,402,371
Other income	76,222	-	76,222	39,546
Sales of materials	39,500	-	39,500	11,103
Net assets released from restrictions:				
Satisfaction of program restrictions	1,940,188	(1,940,188)	-	-
Satisfaction of time restrictions	808,530	(808,530)	-	-
Total operating revenue and support	11,057,571	185,562	11,243,133	11,918,331
Expenses				
Program services:				
Public education	6,307,613	-	6,307,613	4,838,536
Outreach and advocacy	2,173,858	-	2,173,858	2,257,516
Public policy	2,862,829	-	2,862,829	2,881,267
Total program services	11,344,300	-	11,344,300	9,977,319
Supporting services:				
Fundraising	1,156,916	-	1,156,916	1,282,555
Management and general	724,009	-	724,009	633,194
Total supporting services	1,880,925	-	1,880,925	1,915,749
Total expenses	13,225,225	-	13,225,225	11,893,068
Change in Net Assets from Operations	(2,167,654)	185,562	(1,982,092)	25,263
Non-Operating Activity				
Investment return	951,957	195,016	1,146,973	(929,454)
Total non-operating activity	951,957	195,016	1,146,973	(929,454)
Change in Net Assets	(1,215,697)	380,578	(835,119)	(904,191)
Net Assets, beginning of year	12,592,085	3,980,235	16,572,320	17,476,511
Net Assets, end of year	\$ 11,376,388	\$ 4,360,813	\$ 15,737,201	\$ 16,572,320

See accompanying notes.

Bread for the World, Inc. and Affiliate

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	Program Services				Supporting Services			2023 Total	2022 Total
	Public Education	Outreach and Advocacy	Public Policy	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Salaries	\$ 2,352,335	\$ 1,295,691	\$ 1,368,120	\$ 5,016,146	\$ 231,313	\$ 229,965	\$ 461,278	\$ 5,477,424	\$ 5,379,165
Employee benefits	697,093	392,198	512,494	1,601,785	121,600	90,214	211,814	1,813,599	1,868,899
Professional fees and contracts	1,328,239	60,668	330,041	1,718,948	112,955	103,859	216,814	1,935,762	1,167,088
Facilities	398,101	142,791	185,234	726,126	76,964	244,193	321,157	1,047,283	1,011,272
Printing, production, and design	81,097	10,337	101	91,535	10,089	9	10,098	101,633	59,213
Travel	102,797	180,470	88,879	372,146	1,333	1,124	2,457	374,603	400,267
Meetings and conferences	64,642	36,373	256,071	357,086	26,734	3,040	29,774	386,860	215,142
Office supplies, postage, and telephone	42,156	19,269	18,521	79,946	8,416	22,097	30,513	110,459	100,133
Depreciation and amortization	33,268	10,122	12,175	55,565	3,565	19,177	22,742	78,307	22,293
Membership services	1,102,489	-	-	1,102,489	495,313	-	495,313	1,597,802	1,327,815
Other expenses	85,162	16,620	76,409	178,191	66,404	3,712	70,116	248,307	244,245
Grants	-	-	2,000	2,000	-	-	-	2,000	52,000
Computer services and supplies	20,234	9,319	12,784	42,337	2,230	6,619	8,849	51,186	45,536
Total Expenses	\$ 6,307,613	\$ 2,173,858	\$ 2,862,829	\$ 11,344,300	\$ 1,156,916	\$ 724,009	\$ 1,880,925	\$ 13,225,225	\$ 11,893,068

See accompanying notes.

Bread for the World, Inc. and Affiliate

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023
(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
	<u> </u>	<u> </u>
Cash Flows from Operating Activities		
Change in net assets	\$ (835,119)	\$ (904,191)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	78,307	22,293
Realized and unrealized (gain) loss on investments	(657,029)	1,251,129
Change in discount – contributions receivable	12,320	26,364
Contributions to donor-restricted endowments	(35,243)	(548,092)
Amortization of right-of-use asset – operating lease	510,842	502,044
Receipt of leasehold improvement reimbursement	240,305	81,111
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(764,213)	(518,134)
Due from the Alliance	366,067	(386,187)
Prepaid expenses	(129,370)	39,452
Decrease in:		
Accounts payable and accrued expenses	(156,083)	(124,920)
Lease liability – operating lease, net	<u>(553,570)</u>	<u>(528,903)</u>
Net cash used in operating activities	<u>(1,922,786)</u>	<u>(1,088,034)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	386,117	374,149
Purchases of investments	(874,896)	(1,377,769)
Purchases of property and equipment	-	(318,367)
Decrease in deposits	<u>1,600</u>	<u>-</u>
Net cash used in investing activities	<u>(487,179)</u>	<u>(1,321,987)</u>
Cash Flows from Financing Activities		
Principal payments on loan payable – Paycheck Protection Program	(171,961)	(29,694)
Contributions to donor-restricted endowments	<u>35,243</u>	<u>548,092</u>
Net cash (used in) provided by financing activities	<u>(136,718)</u>	<u>518,398</u>
Net Decrease in Cash and Cash Equivalents	(2,546,683)	(1,891,623)
Cash and Cash Equivalents, beginning of year	<u>5,833,585</u>	<u>7,725,208</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 3,286,902</u></u>	<u><u>\$ 5,833,585</u></u>

See accompanying notes.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

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, 2023

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, 2023, 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, 2023

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.

Operating Lease

The Organization determines if an arrangement is a lease at inception. Operating lease is included in the right-of-use (“ROU”) assets, which represent the Organization’s right to use an underlying asset for the lease terms, and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization’s lease does not provide an implicit rate, the Organization used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option. Lease expense for lease payments is recognized in a straight-line basis over the lease term.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

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.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$1,788,220 during the year ended December 31, 2023.

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.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

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 2022 consolidated financial statements, from which the summarized information was derived.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 22, 2024, 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, 2023, 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, 2023:

Cash and cash equivalents	\$ 3,286,902
Contributions receivable due in	
less than one year	1,515,989
Due from the Alliance	183,793
Investments	12,247,320
Less: Board-designated funds	(5,563,605)
Less: net assets with donor restrictions	<u>(4,360,813)</u>
Total available for general expenditures	<u><u>\$ 7,309,586</u></u>

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

3. Liquidity and Availability (continued)

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.

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. Contributions Receivable

Contributions receivable are due as follows at December 31, 2023:

Due in less than one year	\$ 1,515,989
Due in one to five years	<u>736,751</u>
Total contributions receivable	2,252,740
Less: present value discount (at 4.01%)	<u>(38,684)</u>
Contributions receivable, net	<u><u>\$ 2,214,056</u></u>

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

6. Investments and Fair Market Value Measurements

The Organization follows Financial Accounting Standards Board 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.

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, 2023, funds valued at NAV are classified within Level 2, if the notice period for redemption is 90 days or less.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

6. Investments and Fair Market Value Measurements (continued)

The following table presents the Organization’s fair value hierarchy for those investments measured on a recurring basis as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Alternative investments:				
ELCA Endowment				
Pooled Trust Fund	\$ -	\$ 7,106,458	\$ -	\$ 7,106,458
Money markets	4,760,399	-	-	4,760,399
Mutual funds – equity:				
Balanced funds	276,687	-	-	276,687
Stock funds	94,308	-	-	94,308
U.S. equities	9,468	-	-	9,468
Total investments	\$ 5,140,862	\$ 7,106,458	\$ -	\$ 12,247,320

The following information pertains to those alternative investments recorded at NAV as of December 31, 2023:

	Fair Value	Redemption Frequency	Redemption Notice
ELCA Endowment			
Pooled Trust Fund	\$ 7,106,458	n/a	10 days

There were no unfunded commitments for the above fund as of December 31, 2023.

Net investment return consists of the following for the year ended December 31, 2023:

Interest and dividends	\$ 489,944
Net realized and unrealized gain	657,029
Total investment return	\$ 1,146,973

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

7. Property and Equipment

Property and equipment consists of the following at December 31, 2023:

Leasehold improvements	\$ 380,899
Furniture and equipment	<u>43,587</u>
Total property and equipment	424,486
Less: accumulated depreciation and amortization	<u>(125,450)</u>
Property and equipment, net	<u><u>\$ 299,036</u></u>

8. Loan Payable – Paycheck Protection Program

The Organization applied for loans under the Paycheck Protection Program (“the PPP loan”) pursuant to Division A, Title 1 of the Coronavirus Aid, Relief, and Economic Security 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 Organization 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 Organization on April 21, 2020 in the amount of \$872,300. During the covered period, the Organization used all funds on qualifying expenditures and remained in compliance with limitations on payroll costs while not reducing the employee headcount. On February 16, 2021, the first draw of the PPP loan was fully forgiven by the Small Business Administration.

The second draw of the PPP loan was granted to the Organization on April 5, 2021 in the amount of \$872,338, yields a 1% interest rate, and requires monthly payment of \$14,917 starting November 2022, with a final payment of all unpaid principal and interest due in April 2026.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

8. Loan Payable – Paycheck Protection Program (continued)

Future minimum principal payments under the second draw of the PPP loan are as follows for the years ending December 31:

2024	\$	172,979
2025		174,759
2026		<u>322,945</u>
Total	\$	<u><u>670,683</u></u>

9. Net Assets With Donor Restrictions

At December 31, 2023, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:		
Public education and other programs	\$	2,086,645
Subject to the passage of time:		
Time restricted		731,315
Endowments:		
Subject to appropriation and expenditure when specified event occurs		164,399
Subject to endowment spending policy		<u>1,378,454</u>
Total net assets with donor restrictions	\$	<u><u>4,360,813</u></u>

10. 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.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

10. Endowment (continued)

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.

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.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

10. Endowment (continued)

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, 2023.

Composition of Funds

Endowment net asset composition was as follows at December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,563,605	\$ -	\$ 5,563,605
Donor-restricted endowment funds	<u>-</u>	<u>1,542,853</u>	<u>1,542,853</u>
Total funds	<u>\$ 5,563,605</u>	<u>\$ 1,542,853</u>	<u>\$ 7,106,458</u>

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

10. Endowment (continued)

Changes in Endowment Net Assets

For the year ended December 31, 2023, changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2022	\$ 4,815,788	\$ 1,393,153	\$ 6,208,941
Investment return, net:			
Interest and dividends	212,209	59,251	271,460
Realized and unrealized gain	474,285	135,765	610,050
Total investment return, net	686,494	195,016	881,510
Contributions	349,781	35,243	385,024
Appropriation of assets for expenditure	(288,458)	(80,559)	(369,017)
Endowment funds, December 31, 2023	\$ 5,563,605	\$ 1,542,853	\$ 7,106,458

11. Operating Lease

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.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

11. Operating Lease (continued)

The Organization's rent and utilities expense totaled \$1,044,123 for the year ended December 31, 2023, and is recorded as facilities expense in the accompanying consolidated statement of functional expenses.

Supplemental qualitative information related to the operating office lease is as follows:

Operating lease cost	\$ 1,047,283
Cash paid for amounts included in the measurement of lease liability – operating cash flows from operating lease	\$ 553,570
Weighted-average remaining lease term for operating lease (in years)	8.0
Weighted-average discount rate for operating lease	1.63%

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability, and a reconciliation to present value of lease liability as of December 31:

2024	\$ 665,106
2025	681,706
2026	698,748
2027	716,232
2028	734,160
Thereafter	<u>2,446,772</u>
Total minimum lease payments	5,942,724
Less: discount to present value at 1.63%	<u>(394,392)</u>
Present value of operating lease liability	<u><u>\$ 5,548,332</u></u>

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

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 Section 501(c)(3) of the Internal Revenue Code (IRC). 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, 2023, the Organization has a receivable from the Alliance in the amount of \$183,793 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, employee 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, 2023:

Public education	\$ 1,230,887
Fundraising	<u>557,333</u>
Total joint costs	<u><u>\$ 1,788,220</u></u>

15. 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 2023 wage base was \$160,200). For the year ended December 31, 2023, the Organization recorded contributions to the plan totaling \$478,831.

Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

16. 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, 2023, 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

Bread for the World, Inc. and Affiliate

Consolidating Schedule of Financial Position
December 31, 2023

	Bread	The Institute	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,309,166	\$ 1,977,736	\$ -	\$ 3,286,902
Contributions receivable	579,146	936,843	-	1,515,989
Due from the Institute	4,800,004	-	(4,800,004)	-
Due from the Alliance	168,897	14,896	-	183,793
Investments	3,069,729	9,177,591	-	12,247,320
Prepaid expenses	145,948	101,533	-	247,481
Total current assets	10,072,890	12,208,599	(4,800,004)	17,481,485
Deposits	-	235,915	-	235,915
Contributions receivable, long-term, net	-	698,067	-	698,067
Property and equipment, net	-	299,036	-	299,036
Right-of-use asset – operating lease	2,050,324	2,265,649	-	4,315,973
Total assets	\$ 12,123,214	\$ 15,707,266	\$ (4,800,004)	\$ 23,030,476
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,070,177	\$ 4,083	\$ -	\$ 1,074,260
Due to Bread	-	4,800,004	(4,800,004)	-
Total current liabilities	1,070,177	4,804,087	(4,800,004)	1,074,260
Lease liability – operating lease	2,496,748	3,051,584	-	5,548,332
Loan payable – Paycheck Protection Program	-	670,683	-	670,683
Total liabilities	3,566,925	8,526,354	(4,800,004)	7,293,275
Net Assets				
Without donor restrictions:				
Undesignated	7,115,519	(1,302,736)	-	5,812,783
Board-designated (Founder’s Fund)	549,902	5,013,703	-	5,563,605
Total without donor restrictions	7,665,421	3,710,967	-	11,376,388
With donor restrictions	890,868	3,469,945	-	4,360,813
Total net assets	8,556,289	7,180,912	-	15,737,201
Total liabilities and net assets	\$ 12,123,214	\$ 15,707,266	\$ (4,800,004)	\$ 23,030,476

Bread for the World, Inc. and Affiliate

Consolidating Schedule of Activities
For the Year Ended December 31, 2023

	Bread	The Institute	Eliminations	Total
Operating Revenue and Support				
Without Donor Restrictions				
Contributions and membership	\$ 4,399,108	\$ 3,202,365	\$ -	\$ 7,601,473
Foundation grants	-	125,019	-	125,019
Endowments and bequests	378,080	88,559	-	466,639
Other income	43,358	32,864	-	76,222
Sales of materials	39,500	-	-	39,500
Net assets released from restrictions:				
Satisfaction of program restrictions	218,677	1,721,511	-	1,940,188
Satisfaction of time restrictions	545,030	263,500	-	808,530
Total operating revenue and support without donor restrictions	5,623,753	5,433,818	-	11,057,571
Expenses				
Program services:				
Public education	2,726,656	3,580,957	-	6,307,613
Outreach and advocacy	1,084,326	1,089,532	-	2,173,858
Public policy	1,552,298	1,310,531	-	2,862,829
Total program services	5,363,280	5,981,020	-	11,344,300
Supporting services:				
Fundraising	773,160	383,756	-	1,156,916
Management and general	312,979	411,030	-	724,009
Total supporting services	1,086,139	794,786	-	1,880,925
Total expenses	6,449,419	6,775,806	-	13,225,225
Change in net assets without donor restrictions	(825,666)	(1,341,988)	-	(2,167,654)
Net Assets With Donor Restrictions				
Contributions and membership	516,626	1,562,540	-	2,079,166
Foundation grants	-	819,871	-	819,871
Endowments and bequests	10,000	25,243	-	35,243
Net assets released from restrictions:				
Satisfaction of program restrictions	(218,677)	(1,721,511)	-	(1,940,188)
Satisfaction of time restrictions	(545,030)	(263,500)	-	(808,530)
Change in Net Assets from Operations	(1,062,747)	(919,345)	-	(1,982,092)
Non-Operating Activities				
Investment return, net – without donor restrictions	167,575	784,382	-	951,957
Investment return, net – with donor restrictions	36,837	158,179	-	195,016
Total non-operating activities	204,412	942,561	-	1,146,973
Change in Net Assets	(858,335)	23,216	-	(835,119)
Net Assets, beginning of year	9,414,624	7,157,696	-	16,572,320
Net Assets, end of year	\$ 8,556,289	\$ 7,180,912	\$ -	\$ 15,737,201