

Bread for the World Institute, Inc.

Financial Statements
and Independent Auditor's Report

December 31, 2024

(With Summarized Financial Information for December 31, 2023)

Bread for the World Institute, Inc.

Financial Statements

December 31, 2024

(With Summarized Financial Information for December 31, 2023)

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INDEPENDENT AUDITOR'S 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, 2024; 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, 2024, 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2024. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature of Rogers & Company PLLC in black ink.

Vienna, Virginia
May 20, 2025

Bread for the World Institute, Inc.

Statement of Financial Position
December 31, 2024
(With Summarized Financial Information for December 31, 2023)

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,615,477	\$ 1,977,736
Contributions receivable	2,561,107	936,843
Due from the Alliance	8,220	14,896
Investments	9,684,165	9,177,591
Prepaid expenses	145,425	101,533
	<hr/>	<hr/>
Total current assets	15,014,394	12,208,599
Deposits	235,915	235,915
Contributions receivable, long-term, net	3,930,896	698,067
Property and equipment, net	236,844	299,036
Right-of-use asset – operating lease	2,103,933	2,265,649
	<hr/>	<hr/>
Total assets	<u>\$ 21,521,982</u>	<u>\$ 15,707,266</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,993	\$ 4,083
Due to Bread	4,046,562	4,800,004
	<hr/>	<hr/>
Total current liabilities	4,082,555	4,804,087
Lease liability – operating lease	2,733,153	3,051,584
Loan payable – Paycheck Protection Program	497,381	670,683
	<hr/>	<hr/>
Total liabilities	7,313,089	8,526,354
	<hr/>	<hr/>
Net Assets		
Without donor restrictions:		
Undesignated	121,417	(1,302,736)
Board-designated (Founder’s Fund)	5,286,785	5,013,703
	<hr/>	<hr/>
Total without donor restrictions	5,408,202	3,710,967
With donor restrictions	8,800,691	3,469,945
	<hr/>	<hr/>
Total net assets	14,208,893	7,180,912
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 21,521,982</u>	<u>\$ 15,707,266</u>

See accompanying notes.

Bread for the World Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2024
(With Summarized Financial Information for the Year Ended December 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Operating Revenue and Support				
Contributions and membership	\$ 4,780,327	\$ 6,560,806	\$ 11,341,133	\$ 4,764,905
Foundation grants	41,956	975,528	1,017,484	944,890
Endowments and bequests	327,880	500,000	827,880	113,802
Other income	43,013	-	43,013	32,864
Net assets released from restrictions:				
Satisfaction of program restrictions	1,270,228	(1,270,228)	-	-
Satisfaction of time restrictions	1,587,370	(1,587,370)	-	-
Total operating revenue and support	8,050,774	5,178,736	13,229,510	5,856,461
Expenses				
Program services:				
Public education	3,597,700	-	3,597,700	3,580,957
Outreach and advocacy	1,289,674	-	1,289,674	1,089,532
Public policy	1,306,117	-	1,306,117	1,310,531
Total program services	6,193,491	-	6,193,491	5,981,020
Supporting services:				
Fundraising	482,664	-	482,664	383,756
Management and general	410,415	-	410,415	411,030
Total supporting services	893,079	-	893,079	794,786
Total expenses	7,086,570	-	7,086,570	6,775,806
Change in Net Assets from Operations	964,204	5,178,736	6,142,940	(919,345)
Non-Operating Activity				
Investment return	733,031	152,010	885,041	942,561
Total non-operating activity	733,031	152,010	885,041	942,561
Change in Net Assets	1,697,235	5,330,746	7,027,981	23,216
Net Assets, beginning of year	3,710,967	3,469,945	7,180,912	7,157,696
Net Assets, end of year	<u>\$ 5,408,202</u>	<u>\$ 8,800,691</u>	<u>\$ 14,208,893</u>	<u>\$ 7,180,912</u>

See accompanying notes.

Bread for the World Institute, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2024
(With Summarized Financial Information for the Year Ended December 31, 2023)

	Program Services				Supporting Services			2024 Total	2023 Total
	Public Education	Outreach and Advocacy	Public Policy	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Salaries	\$ 1,721,757	\$ 695,065	\$ 601,651	\$ 3,018,473	\$ 193,032	\$ 149,321	\$ 342,353	\$ 3,360,826	\$ 3,191,251
Employee benefits	532,353	253,107	216,679	1,002,139	86,637	62,561	149,198	1,151,337	1,115,272
Professional fees and contracts	629,387	94,539	142,176	866,102	43,671	56,662	100,333	966,435	971,499
Facilities	179,868	65,248	65,300	310,416	24,131	105,782	129,913	440,329	483,903
Printing, production, and design	78,154	6,094	741	84,989	2,104	68	2,172	87,161	61,607
Travel	163,337	89,080	46,967	299,384	6,045	471	6,516	305,900	203,301
Meetings and conferences	53,797	13,999	169,479	237,275	9,453	21	9,474	246,749	246,443
Office supplies, postage, and telephone	26,486	10,333	9,047	45,866	3,281	12,685	15,966	61,832	61,078
Depreciation and amortization	25,450	9,123	9,239	43,812	3,414	14,966	18,380	62,192	78,307
Membership services	119,011	-	-	119,011	77,471	-	77,471	196,482	256,196
Other expenses	43,629	1,023	38,247	82,899	31,624	-	31,624	114,523	75,209
Grants	-	42,570	-	42,570	-	-	-	42,570	2,000
Computer services and supplies	24,471	9,493	6,591	40,555	1,801	7,878	9,679	50,234	29,740
Total Expenses	\$ 3,597,700	\$ 1,289,674	\$ 1,306,117	\$ 6,193,491	\$ 482,664	\$ 410,415	\$ 893,079	\$ 7,086,570	\$ 6,775,806

See accompanying notes.

Bread for the World Institute, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2024
(With Summarized Financial Information for the Year Ended December 31, 2023)

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 7,027,981	\$ 23,216
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	62,192	78,307
Realized and unrealized gain on investments	(487,391)	(582,736)
Change in discount – contributions receivable	236,191	13,946
Contributions to donor-restricted endowments	(500,000)	(25,243)
Amortization of right-of-use asset – operating lease	161,716	280,962
Receipt of leasehold improvement reimbursement	-	240,305
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(5,093,284)	(759,326)
Due from the Alliance	6,676	(4,182)
Prepaid expenses	(43,892)	(36,778)
Increase (decrease) in:		
Accounts payable and accrued expenses	31,910	(48,828)
Due to Bread	(753,442)	2,475,790
Lease liability – operating lease	(318,431)	(398,149)
Net cash provided by operating activities	<u>330,226</u>	<u>1,257,284</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	379,403	342,042
Purchases of investments	(398,586)	(734,845)
Decrease in deposits	-	1,600
Net cash used in investing activities	<u>(19,183)</u>	<u>(391,203)</u>
Cash Flows from Financing Activities		
Principal payments on loan payable – Paycheck Protection Program	(173,302)	(171,961)
Contributions to donor-restricted endowments	<u>500,000</u>	<u>25,243</u>
Net cash provided by (used in) financing activities	<u>326,698</u>	<u>(146,718)</u>
Net Increase in Cash and Cash Equivalents	637,741	719,363
Cash and Cash Equivalents, beginning of year	<u>1,977,736</u>	<u>1,258,373</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 2,615,477</u></u>	<u><u>\$ 1,977,736</u></u>

See accompanying notes.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

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, 2024

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable represents 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, 2024, 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 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, 2024

2. Summary of Significant Accounting Policies (continued)

Operating Lease

The Institute determines if an arrangement is a lease at inception. Operating lease is included in the right-of-use (ROU) assets, which represent the Institute's right to use an underlying asset for the lease terms, and lease liabilities represent the Institute'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 Institute's lease does not provide an implicit rate, the Institute 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 Institute'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.

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 \$235,273 during the year ended December 31, 2024.

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 investment return.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

2. Summary of Significant Accounting Policies (continued)

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 2023 financial statements, from which the summarized information was derived.

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.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through May 20, 2025, 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.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

3. Liquidity and Availability (continued)

The following table reflects the Institute's financial assets as of December 31, 2024, 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.

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, 2024:

Cash and cash equivalents	\$ 2,615,477
Contributions receivable	6,492,003
Due from the Alliance	8,220
Investments	9,684,165
Less: Board-designated funds	(5,286,785)
Less: net assets with donor restrictions	<u>(8,800,691)</u>
Total available for general expenditures	<u><u>\$ 4,712,389</u></u>

4. Concentrations 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.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

5. Contributions Receivable

Contributions receivable were due as follows at December 31, 2024:

Due in less than one year	\$ 2,561,107
Due in one to five years	<u>4,205,000</u>
Total contributions receivable	6,766,107
Less: present value discount (at 4.38%)	<u>(274,104)</u>
Contributions receivable, net	<u><u>\$ 6,492,003</u></u>

6. Investments and Fair Market Value Measurements

The Institute 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.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

6. Investments and Fair Market Value Measurements (continued)

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, 2024, 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, 2024:

	Level 1	Level 2	Level 3	Total
Alternative investments:				
ELCA Endowment				
Pooled Trust Fund	\$ -	\$ 6,615,020	\$ -	\$ 6,615,020
Money markets	2,656,319	-	-	2,656,319
Mutual funds – equity:				
Balanced funds	294,401	-	-	294,401
Stock funds	107,816	-	-	107,816
U.S. equities	10,609	-	-	10,609
Total investments	\$ 3,069,145	\$ 6,615,020	\$ -	\$ 9,684,165

The following information pertains to those alternative investments recorded at NAV as of December 31, 2024:

	Fair Value	Redemption Frequency	Redemption Notice
ELCA Endowment			
Pooled Trust Fund	\$ 6,615,020	n/a	10 days

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

6. Investments and Fair Market Value Measurements (continued)

Investment return consists of the following for the year ended December 31, 2024:

Interest and dividends	\$ 397,650
Net realized and unrealized gain	<u>487,391</u>
Total investment return	<u><u>\$ 885,041</u></u>

There were no investment fees for the year ended December 31, 2024.

7. Property and Equipment

Property and equipment consists of the following at December 31, 2024:

Leasehold improvements	\$ 380,899
Furniture and equipment	<u>43,587</u>
Total property and equipment	424,486
Less: accumulated depreciation and amortization	<u>(187,642)</u>
Property and equipment, net	<u><u>\$ 236,844</u></u>

8. 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 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 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 February 16, 2021, the first draw of the PPP loan was fully forgiven by the Small Business Administration.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

8. 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, 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.

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

2025	\$ 174,759
2026	322,622
	<hr/>
Total	\$ 497,381
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9. Net Assets With Donor Restrictions

At December 31, 2024, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:	
Public education and other programs	\$ 2,204,434
Subject to the passage of time:	
Time restricted	4,768,022
Endowments:	
Subject to appropriation and expenditure when specified event occurs	176,262
Subject to endowment spending policy	1,651,973
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Total net assets with donor restrictions	\$ 8,800,691
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10. 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.

Bread for the World Institute, Inc.

Notes to Financial Statements
December 31, 2024

10. Endowment (continued)

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.

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.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

10. Endowment (continued)

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, 2024.

Composition of Funds

Endowment net asset composition was as follows at December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,286,785	\$ -	\$ 5,286,785
Donor-restricted endowment funds	-	1,828,235	1,828,235
Total funds	<u>\$ 5,286,785</u>	<u>\$ 1,828,235</u>	<u>\$ 7,115,020</u>

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

10. Endowment (continued)

Changes in Endowment Net Assets

For the year ended December 31, 2024, changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2023	\$ 5,013,703	\$ 1,248,331	\$ 6,262,034
Investment return:			
Interest and dividends	198,532	61,524	260,056
Realized and unrealized gain	362,808	90,486	453,294
Total investment return	561,340	152,010	713,350
Contributions	-	500,000	500,000
Appropriation of assets for expenditure	(288,258)	(72,106)	(360,364)
Endowment net assets, December 31, 2024	<u>\$ 5,286,785</u>	<u>\$ 1,828,235</u>	<u>\$ 7,115,020</u>

11. Commitments and Contingencies

Office Lease

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 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 Institute, Inc.

Notes to Financial Statements December 31, 2024

11. Commitments and Contingencies (continued)

Office Lease (continued)

Supplemental qualitative information related to the operating office lease is as follows for the year ended December 31, 2024:

Operating lease cost	\$ 440,329
Cash paid for amounts included in the measurement of lease liability – operating cash flows from operating lease	\$ 318,431
Weighted-average remaining lease term for operating lease (in years)	7.0
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, less amount reimbursed by Bread (see Note 12), and a reconciliation to present value of lease liability for the years ending December 31:

	Total Payments	Paid by Bread	Net
2025	\$ 681,706	\$ (306,768)	\$ 374,938
2026	698,748	(314,437)	384,311
2027	716,232	(322,304)	393,928
2028	734,160	(330,372)	403,788
2029	752,530	(338,639)	413,891
Thereafter	1,694,243	(762,409)	931,834
Total minimum lease payments	<u>5,277,619</u>	<u>(2,374,929)</u>	<u>2,902,690</u>
Less: discount to present value at 1.63%	<u>(308,250)</u>	<u>138,713</u>	<u>(169,537)</u>
Present value of operating lease liability	<u><u>\$ 4,969,369</u></u>	<u><u>\$ (2,236,216)</u></u>	<u><u>\$ 2,733,153</u></u>

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

11. Commitments and Contingencies (continued)

Office Lease (continued)

Rent and utilities expense under this lease, net of amounts reimbursed by Bread, totaled \$440,329 for the year ended December 31, 2024, and is recorded in facilities expense in the accompanying statement of functional expenses.

Office Sublease

The Institute entered into a rental agreement to sublease a portion of the leased office space, which commenced on January 1, 2023 and expires on February 28, 2026. Rental income from this sublease totaled \$33,775 for the year ended December 31, 2024, and is reflected under other income in the statement of activities.

Campaign Activity

In 2024, Bread initiated a special fundraising campaign as part of a five-year effort, currently in the quiet phase of year two. This campaign represents a time-limited initiative and is not expected to recur on an annual basis.

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 Sections 501(c)(4) and 501(c)(3), respectively, 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 agreements between the organizations. As of December 31, 2024, the Institute had an amount due to Bread totaling \$4,046,562 and an amount due from the Alliance amounting to \$8,220 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, 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.

Bread for the World Institute, Inc.

Notes to Financial Statements December 31, 2024

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, 2024:

Public education	\$ 146,785
Fundraising	<u>88,488</u>
Total joint costs	<u>\$ 235,273</u>

15. 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 2024 wage base was \$168,600). For the year ended December 31, 2024, plan contributions totaled \$315,193.

16. 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, 2024, 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.