

**BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT ON FEDERAL AWARDS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of
Bread for the City, Inc. and Bread Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bread for the City, Inc. and Bread Inc. (collectively referred to as "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated, May 5, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2020 is consistent in all material respects, with the audited consolidated financial statements from which it was derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 27, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Bert Smith & Co.

February 18, 2022
Washington, D.C.

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 12,383,707	\$ 10,465,094
Pledges, Contracts and Grants Receivables, net	1,933,185	3,399,616
Patient Services Receivable, net	354,573	733,944
Other Receivables	142,033	-
Other Assets	204,928	317,159
Assets Restricted as to Use	1,109,616	2,583,390
Investments	1,384,445	-
Funds Held for Others	4,549,020	3,546,514
Total Current Assets	<u>22,061,507</u>	<u>21,045,717</u>
<i>Noncurrent Assets</i>		
Pledges, Contracts and Grants Receivables, net of current portion	300,000	1,664,000
Restricted Cash	162,583	162,083
Assets Restricted as to Use	-	1,109,616
Note Receivable	16,026,851	16,026,851
Building, Property and Equipment, net	29,816,085	28,830,083
Total Noncurrent Assets	<u>46,305,519</u>	<u>47,792,633</u>
 Total Assets	 <u><u>\$ 68,367,026</u></u>	 <u><u>\$ 68,838,350</u></u>
LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts Payable and Accrued Expenses	\$ 2,593,369	\$ 2,360,134
Deferred Revenue	324,937	-
Retainage Payable	-	661,993
Paycheck Protection Loan	-	1,366,078
Funds Held for Others	4,529,673	3,546,514
Total Current Liabilities	<u>7,447,979</u>	<u>7,934,719</u>
<i>Long-term Liabilities</i>		
Notes and Loan Payable, net of debt issuance costs	<u>28,968,688</u>	<u>33,357,511</u>
Total Liabilities	<u>36,416,667</u>	<u>41,292,230</u>
<i>Net Assets</i>		
Without Donor Restrictions	29,291,476	22,366,472
With Donor Restrictions	2,658,883	5,179,648
Total Net Assets	<u>31,950,359</u>	<u>27,546,120</u>
 Total Liabilities and Net Assets	 <u><u>\$ 68,367,026</u></u>	 <u><u>\$ 68,838,350</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenue				
Contributions, Contracts and Grants	\$ 14,621,259	\$ 7,601,493	\$22,222,752	\$15,209,020
Net Patient Service Revenue	3,097,394	-	3,097,394	2,714,183
Other Income	698,389	-	698,389	523,259
<i>Net Assets Released from Restrictions:</i>	<u>10,122,258</u>	<u>(10,122,258)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>28,539,300</u>	<u>(2,520,765)</u>	<u>26,018,535</u>	<u>18,446,462</u>
Expenses				
<i>Program Services:</i>				
Social Services	6,198,629	-	6,198,629	1,975,091
Medical Services	4,498,802	-	4,498,802	3,512,410
Food Program	4,808,951	-	4,808,951	3,060,479
Legal Services	2,506,926	-	2,506,926	2,110,084
Advocacy and Community Development	606,240	-	606,240	630,421
Clothing Program	211,177	-	211,177	100,945
Total Program Services	<u>18,830,725</u>	<u>-</u>	<u>18,830,725</u>	<u>11,389,430</u>
<i>Supporting Services:</i>				
Fundraising	1,665,514	-	1,665,514	1,193,569
Administration	1,135,457	-	1,135,457	908,185
Total Supporting Services	<u>2,800,971</u>	<u>-</u>	<u>2,800,971</u>	<u>2,101,754</u>
Total Expenses	<u>21,631,696</u>	<u>-</u>	<u>21,631,696</u>	<u>13,491,184</u>
In-Kind Revenue and Expenses				
In-Kind Contributions	4,841,620	-	4,841,620	3,556,662
In-Kind Expenses	<u>(4,824,220)</u>	<u>-</u>	<u>(4,824,220)</u>	<u>(3,556,662)</u>
Total In-Kind Revenue and Expenses	<u>17,400</u>	<u>-</u>	<u>17,400</u>	<u>-</u>
Change in Net Assets	6,925,004	(2,520,765)	4,404,239	4,955,278
Net Assets, Beginning of Year	<u>22,366,472</u>	<u>5,179,648</u>	<u>27,546,120</u>	<u>22,590,842</u>
Net Assets, End of Year	<u>\$ 29,291,476</u>	<u>\$ 2,658,883</u>	<u>\$31,950,359</u>	<u>\$27,546,120</u>

The accompanying notes are an integral part of these consolidated financial statements.

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	Program Services							Supporting Services			Totals	
	Social Services	Medical Services	Food Program	Legal Services	Advocacy and Community Development	Clothing Program	Total Program Services	Fundraising	Administration	Total Supporting Services	2021	2020
Personnel and Benefits	\$2,272,162	\$ 3,108,234	\$1,471,871	\$2,065,848	\$ 477,918	\$163,902	\$ 9,559,935	\$ 687,393	\$ 665,604	\$ 1,352,997	\$ 10,912,932	\$ 8,889,684
Food	97,538	-	2,953,324	-	46	-	3,050,908	-	-	-	3,050,908	1,081,284
Occupancy	270,600	408,519	273,549	278,435	64,778	22,664	1,318,545	144,550	223,077	367,627	1,686,172	1,275,744
Depreciation and Amortization	51,126	75,352	33,171	47,399	9,066	3,529	219,643	17,982	53,042	71,024	290,667	316,151
Donor Appeals and Special Events	17,669	17,757	17,669	17,669	8,834	4,417	84,015	368,531	77,723	446,254	530,269	431,722
Other	371,243	96,803	14,106	43,732	11,011	2,817	539,712	136,718	64,759	201,477	741,189	333,346
Consulting	309,410	362,096	45,261	52,517	34,587	13,848	817,719	310,340	3,787	314,127	1,131,846	786,731
Medical	582	430,041	-	1,326	-	-	431,949	-	371	371	432,320	376,522
Thrive Stipends and Services	2,808,299	-	-	-	-	-	2,808,299	-	-	-	2,808,299	-
Interest	-	-	-	-	-	-	-	-	47,094	47,094	47,094	-
Subtotal	6,198,629	4,498,802	4,808,951	2,506,926	606,240	211,177	18,830,725	1,665,514	1,135,457	2,800,971	21,631,696	13,491,184
In-Kind Expense	-	9,600	1,037,394	3,775,261	-	1,935	4,824,190	-	30	30	4,824,220	3,556,662
Total Expenses	\$6,198,629	\$ 4,508,402	\$5,846,345	\$6,282,187	\$ 606,240	\$213,112	\$23,654,915	\$ 1,665,514	\$ 1,135,487	\$ 2,801,001	\$ 26,455,916	\$ 17,047,846

See accompanying notes to the consolidated financial statements.

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,404,239	\$ 4,955,278
<i>Adjustments to Reconcile Changes in Net Assets</i> <i>to Net Cash Provided by (Used in) Operating Activities:</i>		
Depreciation and Amortization	290,668	316,151
Pledge Receivable Discount	-	(44,897)
Unrealized/realized (Gains) and Losses, net	(158,402)	-
Gain on Loan Forgiveness	(1,726,078)	-
<i>Changes in Assets and Liabilities:</i>		
(Increase) Decrease in Pledges, Contracts and Grants Receivables	2,830,431	731,224
(Increase) Decrease in Patient Services Receivables	379,371	(56,915)
(Increase) (Decrease) in Other Receivables	(142,033)	(59,371)
(Increase) Decrease in Other Assets and Funds Held for Others	(890,275)	(124,657)
Increase (Decrease) in Accounts Payable and Accrued Expenses	233,235	510,395
Increase (Decrease) in Deferred Revenue	324,937	-
Increase (Decrease) in Retainage Payable	(661,993)	385,433
Increase (Decrease) in Other Liabilities and Funds Held for Others	983,159	585,623
Net Cash Provided by Operating Activities	<u>5,867,259</u>	<u>7,198,264</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disbursements of Assets Limited as to Use	2,583,390	13,032,107
Purchase of Investments	(1,216,904)	-
Reinvested Interest and Dividends	(9,139)	-
Acquisition of building, property and equipment	(1,214,129)	(13,650,695)
Net Cash Provided by (Used in) Investing Activities	<u>143,218</u>	<u>(618,588)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on Notes Payable	-	1,366,078
Repayment on Notes Payable	(4,091,364)	(1,803,625)
Net Cash Used in Provided by Financing Activities	<u>(4,091,364)</u>	<u>(437,547)</u>
Net Increase in Cash and Cash Equivalents	1,919,113	6,142,129
Cash and Cash Equivalents – Beginning of Year	10,627,177	4,485,048
Cash and Cash Equivalents – End of Year	<u>\$ 12,546,290</u>	<u>\$ 10,627,177</u>
Supplemental Data		
Interest Paid During the Year	<u>\$ 785,057</u>	<u>\$ 864,547</u>
Noncash investing activity during the year for building, property and equipment acquired through payable accounts and accrued expenses	<u>\$ 17,400</u>	<u>\$ 979,405</u>
<i>Reconciliation of Cash and Cash Equivalents:</i>		
Cash and Cash Equivalents	\$ 12,383,707	\$ 10,465,094
Restricted Cash	162,583	162,083
Total Cash and Cash Equivalents	<u>\$ 12,546,290</u>	<u>\$ 10,627,177</u>

The accompanying notes are an integral part of these consolidated financial statements.

BREAD FOR THE CITY, INC. AND BREAD INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Organization***

Bread for the City, Inc. (BFC) is a nonprofit organization that provides residents of Washington, D.C. with comprehensive services, including food, clothing, medical and dental care, and legal and social services. These services reach more than 31,000 residents living on low incomes each year from two service centers in the Shaw (Northwest) and Anacostia (Southeast) neighborhoods of Washington.

Bread Inc. (Bread) is a 501(c)(3) nonprofit organization created to raise funds for the support and benefit of, and to carry out the purposes of, BFC which may include funds for capital expenditures, other financial purposes, and to manage and invest such funds for the benefit of BFC. These activities are funded primarily through grants and contributions.

BFC and Bread are collectively referred to as (“the Organization”).

For the year ended June 30, 2021, through the Organization’s Northwest Center, a 21,000 square foot facility located at 1525 7th Street NW, BFC’s food program provided a five-day supply of groceries to unique households. The medical, dental, vision and behavioral health clinics had numerous patient visits. Social workers and case managers conducted client visits related to housing assistance, accessing public benefits and managing finances. BFC’s legal services program performed intakes in legal matters.

For the year ended June 30, 2021, through the Organization’s Southeast Center, a 9,000 square foot facility located at 1640 Good Hope Road, SE, BFC’s food program provided a five-day supply of groceries to unique households, as well. Social workers and case managers conducted client visits related to housing assistance, women’s wellness, employment training, diaper program and accessing public benefits. BFC’s legal services program performed intakes in legal matters. The clothing room distributed clothes to eligible persons.

These activities are funded primarily through private grants, contributions and government grants, along with Medicare, Medicaid and other insurance reimbursements for the medical and dental clinics.

- ***Principles of Consolidation***

The consolidated financial statements present the consolidated financial position, changes in net assets, functional expenses and cash flows of BFC and Bread due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All significant inter-entity balances and transactions have been eliminated in consolidation.

- ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

- ***Basis of Presentation***

The Organization's consolidated financial statements follow accounting standards of not-for-profit entities in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation*.

The Organization classifies net assets based on the existence or absence of donor-imposed restrictions as follows:

... *Net Assets Without Donor Restrictions* – unrestricted resources available to support operations that can be utilized at the discretion of the Board of Directors and management.

... *Net Assets With Donor Restrictions* – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. Some net assets with donor restrictions include a stipulation that the assets provided be maintained in perpetuity, due to donor-imposed restrictions. Any income earned on related investments are permitted to be used for general purposes.

- ***Cash and Cash Equivalents***

The Organization classifies all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents include demand deposits and money market funds, as applicable. Cash and cash equivalents are maintained at various financial institutions. Total deposits maintained at these institutions, at times, exceed the amount insured by federal agencies, although through June 30, 2021, no loss of funds had been experienced.

- ***Investments***

Investments are reported at fair market value in the statement of financial position. Investment income includes interest and dividend income, realized and unrealized gains and losses, and are recognized as revenue and reported in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

- ***Fair Value Measurements***

The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820 sets out a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates.

The Organization assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers among Levels 1, 2 and 3 during the fiscal year. FASB ASC 820 requires the use of observable market data if such data is available without undue cost and effort.

- ***Assets Limited as to Use***
Represents cash that is restricted by the Organization’s new market tax credit financing to be used for the development and construction of the Southeast Campus.
- ***Funds Held for Others***
The Organization acts as a representative payee for clients designated to receive benefits from the Social Security Administration. The Organization assists the clients with budgeting and maintains records of related expenditures. The benefits are disbursed to pay for current needs, including housing, food and medical expenses. Amounts held for clients are reported as funds held for others in the accompanying consolidated statement of financial position.
- ***Pledges, Contracts and Grants Receivables***
Pledges, contracts and grants receivable consist of conditional and unconditional promises to give to the Organization. The Organization uses the allowance method to reserve for uncollectible accounts. As of June 30, 2021, pledges, contracts and grants receivable, net totaled \$2,233,185.
- ***Note Receivable***
In November 2018, the Organization provided a promissory note to Bread for the City Investment Fund, LLC (the Fund), a non-related entity, totaling \$16,026,851, in conjunction with the creation of the NMTC, as part of the Organization’s new market tax credit financing for the QLICI notes (See Note 8).
- ***Patient Services Receivables***
Patient services receivables are primarily from third-party payers and the D.C. government. The Organization uses an allowance method based on their experience. The Organization carries the receivable at a net realizable amount for contractual adjustments and discounts.
- ***Building, Property and Equipment***
Building, property and equipment are recorded at cost and are being depreciated on a straight-line basis over their estimated useful lives of three to forty years. Expenditures for major repairs and improvements are capitalized. Donated property is recorded at fair value at the date of donation. Expenditures for minor repairs and maintenance costs are expensed when incurred. The Organization capitalizes all fixed assets greater than \$1,000. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying consolidated statement of activities.
- ***Contributions, Contracts and Grants Revenue***
The Organization recognizes all unconditional contributed support in the period in which the commitment is made. Unconditional contributed support that is expected to be collected within one year is recorded at its net realizable value. Unconditional contributed support that is expected to be collected after one year is recorded at the present value of its estimated future cash flows discounted back to present value using the appropriate discount rates. Conditional support is not included as support until the conditions are substantially met.

Contributions with donor stipulations are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

- ***Net Patient Services Revenue***

Medical reimbursements are recorded based on a claim-submitted basis. Net Patient services revenue is recognized at an estimated net realizable amount from third-party payers, including retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known. The Organization only recognizes patient service revenue in the amounts that it expects to collect.

- ***Charity Care***

The Organization provides care to patients who lack financial resources and are deemed to be medically indigent based on criteria established under the Organization's charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, the amounts are not reported as revenue.

- ***Donated Services and Materials***

Food products, clothing and pharmaceuticals donated to the Organization are valued at a cost consistent with amounts paid for similar products by the Organization or at their estimated fair value. Donated food products, clothing and pharmaceuticals are reported as both revenue and expenses in the accompanying consolidated financial statements.

Services donated by medical, legal and other professionals are valued at their estimated fair value based on the type of professional services provided. These services are recognized both as revenue and expenses if the services received create or enhance long-lived assets or require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased, if not donated.

In addition, volunteers, including the members of the Board of Directors, have made significant contributions of time to its policy-making program and support functions. These contributed services do not meet the above criteria for recognition of contributed services and, accordingly, are not included in the accompanying consolidated financial statements.

- ***Functional Allocation of Expenses***

The costs of the various programs and other activities are summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by those programs and supporting services. Expenses which can be identified with a specific program and support service are directly allocated according to the natural expenditure classification. Indirect expenses are allocated based on time and effort.

- ***Debt Issuance Costs***

The Organization capitalizes certain expenses associated with obtaining new debt. Amortization is calculated using straight-line method over seven years, which is not materially different from using effective interest method over the term of the note payable. Deferred issuance costs are included as a component of long-term debt in the accompanying consolidated statements of financial position. Amortization of deferred issuances costs is included as a component of capitalized interest expense in the accompanying consolidated statements of financial position.

- ***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 reported amounts of contingent assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

- **Comparative Financial Data**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. The 2020 fiscal year amounts are not intended to present all information necessary for fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

- **Reclassifications**

Certain accounts and amounts reported in the 2020 consolidated financial statements have been reclassified to conform to the 2021 consolidated financial statement presentation. The reclassification had no effect on the change in the net assets for 2020.

- **Income Taxes**

BFC and Bread are nonprofit corporations under Section 501(c)(3) of the Internal Revenue Service and is generally exempt from federal, state and local income taxes. As of June 30, 2021, management has assessed its various tax positions and had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the consolidated financial statements. The Organization has filed all applicable tax returns Form 990s, which are subject to examination by the Internal Revenue Service, generally three years after they are filed.

- **New Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Based on this guidance, lessees are required to recognize the following for all leases with terms longer than 12 months: (a) lease liabilities measured on a discounted basis; and (b) lease assets, which represent the lessee's right to use, or control the use of, a specified asset for the lease term. The new guidance requires a modified retrospective transition approach for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This new standard is effective for fiscal years beginning after December 15, 2020 (FY 2022 for the Organization). The Organization is evaluating the impact that this standard will have on the financial statements.

NOTE 2 RESTRICTED CASH

As of June 30, 2021, restricted cash is composed of the following:

Endowment	<u>\$ 162,583</u>
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NOTE 3 PLEDGES, CONTRACTS AND GRANTS RECEIVABLES

Pledges, contracts and grants receivables as of June 30, 2021, are as follows:

Within One Year	\$ 1,965,572
One to Five Years	<u>300,000</u>
Gross Receivables	2,265,572
Allowance for Doubtful Accounts	<u>(32,387)</u>
Receivables, net	<u>\$ 2,233,185</u>

The Organization did not calculate a discount on receivables more than one year due to immateriality.

NOTE 4 INVESTMENTS - UNRESTRICTED

Investments are stated at fair value and consist of the following at June 30, 2021:

Cash/Money Market	\$ 26,319
Mutual Funds	51,571
Equities	747,475
Common Stock	523,782
Fixed Income Funds	35,298
Total	<u>\$1,384,445</u>

The following schedule summarizes the Organization's investment return for the year ended June 30, 2021.

Net Realized and Unrealized Gains, net	\$ 158,402
Interest and Dividends	9,139
Total	<u>\$ 167,541</u>

NOTE 5 FAIR VALUE MEASUREMENTS

At June 30, 2021, the Organization's financial instruments included cash and cash equivalents, receivables, accounts payable, accrued expenses and other liabilities. The carrying amounts reported in the accompanying consolidated statement of financial position for these financial instruments approximate their fair values.

The following table sets forth by level, with the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021.

	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash/Money Market	\$ 26,319	\$ -	\$ -	\$ 26,319
Mutual Funds	51,571	-	-	51,571
Equities	747,475	-	-	747,475
Common Stock	523,782	-	-	523,782
Fixed Income Funds	-	35,298	-	35,298
Total Investments	<u>\$ 1,349,147</u>	<u>\$ 35,298</u>	<u>\$ -</u>	<u>\$ 1,384,445</u>

Investments in money market funds, equities and common stock are determined by reference to quoted market prices and other relevant information generation by market transactions and are classified as Level 1.

Mutual funds are pools of assets commingled together to benefit from professional management and through economies of scale. Mutual funds are valued at net asset value, determined primarily from quoted prices in the market in which they are traded and are classified as Level 1.

Investments in fixed income funds are comprised of domestic and global institutional funds which are classified as Level 2 based on multiple sources of information.

NOTE 6 BUILDING, PROPERTY AND EQUIPMENT

The Organization held the following fixed assets as of June 30, 2021:

Land	\$ 3,372,166
Building and Improvements	28,273,194
Furniture and Equipment	2,267,805
Vehicles	264,972
Construction in Progress	994,598
Total Property and Equipment	35,172,735
Less: Accumulated Depreciation	(5,356,650)
Property and Equipment, net	<u>\$ 29,816,085</u>

During the year ended June 30, 2021, the Organization recorded depreciation of \$290,668.

NOTE 7 DONOR RESTRICTED NET ASSETS

As of June 30, 2021, the donor restricted net assets of the Organization are available for the following programs or purposes:

<u>Restricted by Purpose</u>	
Capital Campaign	\$ 1,927,430
Endowment	162,583
Advocacy	74,154
Legal	494,716
Total Donor Restricted Net Assets	<u>\$ 2,658,883</u>

NOTE 8 ENDOWMENT

The Organization has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The board of directors of the Organization has interpreted the District of Columbia law regarding 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 Organization classifies the original value of gifts donated to the permanent endowment as donor restricted net assets.

In accordance with UPMIFA, the Organization considers the purpose of the endowment fund in making a determination to appropriate or accumulate donor-restricted endowment funds.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor specified as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. Any income earned on the endowment funds is used for general operations.

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021:

Endowment Net Assets, Beginning of the Year	\$ 162,083
Contributions	500
Endowment Net Assets, End of the Year	<u>\$ 162,583</u>

NOTE 9 COMMITMENTS AND RISKS

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2021, the Organization has approximately \$17.4 million that exceeded the maximum limit insured by the FDIC. However, the Organization has not experienced any losses in such accounts.

The Organization grants credit without collateral to patients, most of who are area residents. The mix of net patient accounts receivable from patient services and third-party payers approximates:

Medicaid	81%
Medicare	11%
Other	8%
Total	<u>100%</u>

Economic Concentration

Approximately 85% of the Organization's support and revenue for the year ended June 30, 2021 was derived from contributions, contracts and grants. The Organization has no reason to believe that relationships with contributors and grantors will discontinue in the foreseeable future. However, as a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which may negatively impact these relationships in future periods.

Employment Agreement

The Organization has an employment agreement with its Chief Executive Officer. Under the terms of the agreement, the Organization is to pay to the Chief Executive Officer or on his behalf, certain amounts for compensation, benefits and allowances through June 30, 2021, with automatic one-year extensions. If the Organization terminates the agreement for a reason other than cause, the Chief Executive Officer is entitled to a lump-sum cash separation payment equal to six months of his annual base salary.

Lease Commitments

The organization leases copiers under non-cancelable operating leases. The lease agreements cover four separate copiers for a monthly cost of \$1,300.

Minimum lease payments under non-cancelable operating leases are as follows:

<u>Year</u>	<u>Total</u>
2022	\$ 15,600
2023	15,600
2024	14,016
2025	10,261
2026	288
	<u>\$ 55,765</u>

NOTE 10 NOTES PAYABLE AND RECEIVABLE

Promissory and Other Notes

On November 20, 2018, Bread for the City, Inc. (BFC) received a bridge loan from City First Bank of D.C., N.A. in the amount of \$5,000,000. The loan is to fund the expansion of the Southeast facility of BFC. Interest at 4.34% is due on a monthly basis, with principal payments allowed to be made at any time during the loan period. The loan matures November 20, 2023. During fiscal year 2021, the principal balance was paid in full and as of June 30, 2021, the balance of the loan totaled \$-0-. During fiscal year 2021, interest expense paid related to the loan and capitalized in fixed assets in the statement of financial positions totaled \$65,027.

On November 20, 2018, Bread for the City, Inc. (BFC) received a permanent loan from City First Bank of D.C., N.A. in the amount of \$6,000,000. The loan is to fund the expansion of the Southeast facility of BFC. Interest at 4.75% is due on a monthly basis, with principal payments allowed to be made at any time during the loan period. The loan matures and is due in full on November 20, 2025. During fiscal year 2021, the principal balance was reduced by approximately \$2,025,00 and as of June 30, 2021, the balance of the loan totaled \$2,284,565. During fiscal year 2021, interest expense paid related to the loan and capitalized in fixed assets in the statement of financial positions totaled \$172,565.

On January 3, 2019, Bread for the City, Inc. (BFC) received a loan from the D.C. Department of Housing and Community Development in the amount of \$3,600,000. The loan is to fund the construction, acquisition, or preconstruction costs of the Southeast facility of BFC. The term of the loan is ten years from the date that construction is completed and does not accrue any interest. Loan repayment is not required and beginning the first year after construction is completed or upon notification of a certificate of occupancy a portion of the loan will be forgiven. Each year, upon the anniversary of the receipt of the certificate of occupancy, 1/10th of the loan amount will be forgiven until 100% of the loan is forgiven. In October 2020, BFC received the certificate of occupancy for the Southeast Facility and therefore the ending balance as of June 30, 2021 totaled \$3,240,000. However, BFC does not plan to commence usage until fiscal year 2022.

New Market Financing

In November 2018, Bread Inc. entered into a debt transaction to obtain funding for the expansion of the BFC Southeast facility through the New Markets Tax Credit (NMTC) Program. The NMTC Program allows taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are claimed over a seven-year period and equal 39% of the QLICs. Bread Inc. has partnered with City First Capital 54, LLC, a Delaware limited liability company and Community Urban Revitalization XII LLC, a District of Columbia limited liability company.

City First Capital 54, LLC (CF) established four promissory notes: a) the first note payable (CF A-1), has an original principal balance of \$2,377,392 and bears interest at 2.308% per annum. The note matures on November 20, 2025 and requires quarterly interest only payments through maturity.; b) the second note payable (CF A-2), has an original principal balance of \$2,546,524 and bears interest at 2.308% per annum. The note matures on December 31, 2052 and requires quarterly interest only payments through maturity.; c) the third note payable (CF A-3), has an original principal balance of \$1,426,435 and bears interest at 2.308% per annum. The note matures on December 31, 2052 and requires quarterly interest only payments through maturity.; and d) the third note payable (CF A-4), has an original principal balance of \$2,819,999 and bears interest at 2.308% per annum. The note matures on December 31, 2052 and requires quarterly interest only payments through maturity. During fiscal year 2021, interest expense related to these loans and capitalized in fixed assets in the statement of financial position totaled \$211,651.

Community Urban Revitalization XII LLC also established four promissory notes: a) the first note payable (A-1), has an original principal balance of \$3,622,608 and bears interest at 2.308% per annum. The note matures on November 20, 2025 and requires quarterly interest only payments through maturity; b) the second note payable (A-2), has an original principal balance of \$3,880,327 and bears interest at 2.308% per annum. The note matures on December 31, 2052 and requires quarterly interest only payments through maturity; c) the third note payable (A-3), has an original principal balance of \$2,173,565 and bears interest at 2.308% per annum. The note matures on December 31, 2052 and requires quarterly interest only payments through maturity; and d) the fourth note payable (A-4), has an original principal balance of \$4,873,500 and bears interest at 2.308% per annum. The note matures on December 31, 2052 and requires quarterly interest only payments through maturity. During fiscal year 2021, interest expense related to these loans and capitalized in fixed assets in the statement of financial position totaled \$335,814.

Note Receivable

A loan receivable is held by Wells Fargo for \$16,026,851. The loan receivable held by Wells Fargo is payable in interest only and compounds annually at an interest rate of 2.80%. The loan receivable balance is due November 30, 2026. Interest income incurred and paid by Wells Fargo during fiscal year ended June 30, 2021 totaled \$448,752.

The note agreements also have various financial and negative covenants, including certain reporting requirements. As of June 30, 2021, the Organization was not in compliance with the financial reporting requirements.

Receivables and long-term liabilities on the consolidated statement of financial position as of June 30, 2021 are as follows:

Notes Receivable:

New Markets Loan Fund	<u>\$ 16,026,851</u>
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Notes Payable:

Long-term Note	\$ 2,284,564
DHCD Loan	3,240,000
QLICI Loan A	9,170,350
QLICI Loan B	<u>14,550,000</u>
	29,244,914
Less: Debt Issuance Costs	<u>(276,226)</u>
	<u>\$ 28,968,688</u>

Minimum annual payments are as follows:

Year	Debt Principals	Less: Debt Issuance Costs	Total
2022	\$ 360,000	\$ 62,542	\$ 297,458
2023	360,000	62,542	297,458
2024	360,000	62,542	297,458
2025	360,000	62,542	297,458
2026	360,000	26,058	333,942
Thereafter	27,444,914	-	27,444,914
Total	<u>\$ 29,244,914</u>	<u>\$ 276,226</u>	<u>\$ 28,968,688</u>

NOTE 11 PAYCHECK PROTECTION LOAN

In April 2020, the Organization obtained a \$1,366,078 loan from Congressional Bank under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is a term loan which matures in two years from the date of the note. The interest rate is fixed at 1% per year and may not be changed during the life of the loan unless changed in accordance with the CARES Act. During the first six months of the loan, payments of principal and interest are deferred. Beginning in the seventh month of the loan term, the note shall be repaid in installments of interest and principal based upon an eighteen (18) month amortization period. Under the terms of the PPP, certain or all of the amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2021, the ending balance is \$-0-, as the PPP loan was fully forgiven and recognized as income in the consolidated Statement of Activities.

NOTE 12 NET PATIENT SERVICE REVENUE

The Organization has agreements with third-party payers which provide reimbursement at prospectively determined rates based on clinical diagnostic and other factors. A summary of the basis for reimbursement with major third-party payers is as follows:

- ... Medicaid: The Organization is paid for patient services rendered at its medical and dental clinics to Medicaid program beneficiaries under contractual agreements with third-party Medicaid managed care organizations. The Organization is also paid supplement wraparound reimbursement under the program by the Government of the District of Columbia on a per encounter basis according to a cost-based reimbursement system.
- ... Medicare: The Organization is paid for patient services rendered to Medicare beneficiaries under contractual agreements with third-party Medicare Advantage plans. For the year ended June 30, 2020.
- ... Other: The Organization is paid for patient services rendered to beneficiaries with certain commercial insurance carriers and preferred provider organizations. The basis for payment includes prospectively determined rates per unit of service and discounts from established charges.

Approximately 92% of net patient service fees for the year ended June 30, 2021 is from participation in the Medicaid and Medicare programs.

The Organization's patient service fees approximated 12% of total support and revenues for the year ended June 30, 2021.

NOTE 13 IN-KIND CONTRIBUTIONS

The Organization receives various in-kind services and donated goods. For the year ended June 30, 2021, in-kind contributions revenue consisted of the following, which included the contribution of a vehicle valued at \$17,400:

Legal	\$ 3,775,261
Medical Services and Supplies	9,600
Food	1,037,394
Clothing	1,935
Other	17,430
Total In-Kind Contributions	<u>\$ 4,841,620</u>

NOTE 14 RETIREMENT PLAN

All employees who work more than 30 hours per week are eligible to participate in the Organization's retirement plan (the Plan), which is qualified under Section 403(b) of the IRC. The Plan offers various mutual funds as investment options. The Plan also allows for a discretionary employer match. During the year ended June 30, 2021, the Organization made a discretionary contribution to the Plan of \$238,372, of which \$238,372 is included in accounts payable and accrued expenses as of June 30, 2021.

NOTE 15 LIQUIDITY AND FUNDS AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available, Bread for the City operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Further, management is continuously engaged in development activities that it expects to generate additional sources of support and revenue.

Financial assets available for general expenditures, such as operating expenses and scheduled principal payments, within one year of the financial position date consisted of the following:

Total financial assets at year-end as of June 30, 2021:	
Cash and cash equivalents	\$12,546,290
Pledges, Grants and Contracts Receivable	2,233,185
Patient and Other Receivables	496,606
Other Current Assets	204,928
Investments	<u>1,384,445</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>16,865,454</u>
Less amounts unavailable for general expenditures within one year:	
Pledges, Grants and Contracts Receivable with purpose restrictions	(300,000)
Donor restricted assets	(2,658,883)
Prepaid Assets	(110,925)
Advances and Other	<u>(94,003)</u>
Total amounts not available to be used within one year	<u>(3,163,811)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$13,701,643</u></u>

Financial assets are considered unavailable when not liquid or convertible to cash within one year and contractual or donor-imposed restrictions limiting their use

NOTE 16 CONTINGENCIES

Medicare and Medicaid

The Organization receives reimbursement from the Medicare and Medicaid programs. The laws and regulations governing the programs are complex and subject to interpretation. Both programs are subject to audits by federal and state governments. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. The Organization, however, believes that it is in compliance with all applicable laws and regulations.

Medical Malpractice Claims

The U.S. Department of Health and Human Services has deemed the Organization, and its practicing physicians covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Other

The financial records supporting transactions related to the Organization's agreements with the local and federal governments are subject to audit by other auditors representing the governments. The Organization believes that adjustments, if any, as a result of such audits will not have a material effect on its financial position. As such, no other provision for reimbursement has been made in the accompanying financial statements.

Litigation

During fiscal year 2021, the Organization made payments to a revised bank account number for a program based on information indicating that the bank account had changed for the applicable transactions. It was subsequently determined that the account had not changed and that the Organization had received incorrect information and improperly made \$150,191 in payments to the invalid account. As a result, the Organization has recorded a contingency loss for this amount pending final resolution. In the opinion of management, all other matters which are asserted or unasserted are without merit and would not have a significant effect upon the financial position or results of the operations of the Organization, if they were disposed of unfavorably.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 18, 2022, which is the date the financial statements were available to be issued and determined that no other events that require adjustments to or disclosure in the financial statements.

SUPPLEMENTAL CONSOLIDATING SCHEDULES

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	<u>BFC</u>	<u>Bread</u>	<u>Eliminations</u>	<u>2021</u>
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$12,383,707	\$ -	\$ -	\$ 12,383,707
Pledges, Contracts and Grants Receivables, net	1,833,185	100,000	-	1,933,185
Patient Services Receivable, net	354,573	-	-	354,573
Other Receivables	142,033	-	-	142,033
Other Assets	204,928	-	-	204,928
Assets Restricted as to Use	-	1,109,616	-	1,109,616
Investments	1,384,445	-	-	1,384,445
Intercompany Assets (Due to)	-	24,197,787	(24,197,787)	-
Funds Held for Others	4,529,409	19,611	-	4,549,020
Total Current Assets	<u>20,832,280</u>	<u>25,427,014</u>	<u>(24,197,787)</u>	<u>22,061,507</u>
<i>Noncurrent Assets</i>				
Pledges, Contracts and Grants Receivable, net of current portion	300,000	-	-	300,000
Restricted Cash	112,583	50,000	-	162,583
Notes Receivable	16,026,851	-	-	16,026,851
Building, Property and Equipment, net	25,868,761	3,947,324	-	29,816,085
Total Noncurrent Assets	<u>42,308,195</u>	<u>3,997,324</u>	<u>-</u>	<u>46,305,519</u>
Total Assets	<u>\$63,140,475</u>	<u>\$29,424,338</u>	<u>\$ (24,197,787)</u>	<u>\$ 68,367,026</u>
LIABILITIES AND NET ASSETS				
<i>Current Liabilities</i>				
Accounts Payable and Accrued Expenses	\$ 2,207,277	\$ 386,092	\$ -	\$ 2,593,369
Deferred Revenue	324,937	-	-	324,937
Intercompany Liabilities (Due From)	24,197,787	-	(24,197,787)	-
Funds Held for Others	4,501,378	28,295	-	4,529,673
Total Current Liabilities	<u>31,231,379</u>	<u>414,387</u>	<u>(24,197,787)</u>	<u>7,447,979</u>
<i>Long-term Liabilities</i>				
Notes and Loan Payable, net of current portion	<u>5,524,565</u>	<u>23,444,123</u>	<u>-</u>	<u>28,968,688</u>
Total Liabilities	<u>36,755,944</u>	<u>23,858,510</u>	<u>(24,197,787)</u>	<u>36,416,667</u>
<i>Net Assets</i>				
Without Donor Restrictions	23,862,758	5,428,718	-	29,291,476
With Donor Restrictions	2,521,773	137,110	-	2,658,883
Total Net Assets	<u>26,834,531</u>	<u>5,565,828</u>	<u>-</u>	<u>31,950,359</u>
Total Liabilities and Net Assets	<u>\$63,140,475</u>	<u>\$29,424,338</u>	<u>\$ (24,197,787)</u>	<u>\$ 68,367,026</u>

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	BFC			BREAD				CONSOLIDATED		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Revenue										
Contributions, Contracts and Grants	\$ 13,860,553	\$ 7,601,493	\$21,462,046	\$ 760,706	\$ -	\$ 760,706	\$ -	\$ 14,621,259	\$ 7,601,493	\$ 22,222,752
Patient Service Fees, net	3,097,394	-	3,097,394	-	-	-	-	3,097,394	-	3,097,394
Interest, Dividend and Other Income	697,308	-	697,308	1,081	-	1,081	-	698,389	-	698,389
<i>Net Assets Released from Restrictions:</i>	<u>10,122,258</u>	<u>(10,122,258)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,122,258</u>	<u>(10,122,258)</u>	<u>-</u>
Total Revenue	<u>27,777,513</u>	<u>(2,520,765)</u>	<u>24,256,748</u>	<u>761,787</u>	<u>-</u>	<u>761,787</u>	<u>-</u>	<u>28,539,300</u>	<u>(2,520,765)</u>	<u>26,018,535</u>
Expenses										
<i>Program Services:</i>										
Social Services	6,198,629	-	6,198,629	-	-	-	-	6,198,629	-	6,198,629
Medical Services	4,498,802	-	4,498,802	-	-	-	-	4,498,802	-	4,498,802
Food Program	4,808,951	-	4,808,951	-	-	-	-	4,808,951	-	4,808,951
Legal Services	2,506,926	-	2,506,926	-	-	-	-	2,506,926	-	2,506,926
Advocacy and Community Development	606,240	-	606,240	-	-	-	-	606,240	-	606,240
Clothing Program	211,177	-	211,177	-	-	-	-	211,177	-	211,177
Total Program Services	<u>18,830,725</u>	<u>-</u>	<u>18,830,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,830,725</u>	<u>-</u>	<u>18,830,725</u>
<i>Supporting Services:</i>										
Fundraising	1,646,283	-	1,646,283	19,231	-	19,231	-	1,665,514	-	1,665,514
Administration	1,110,441	-	1,110,441	25,016	-	25,016	-	1,135,457	-	1,135,457
Total Supporting Services	<u>2,756,724</u>	<u>-</u>	<u>2,756,724</u>	<u>44,247</u>	<u>-</u>	<u>44,247</u>	<u>-</u>	<u>2,800,971</u>	<u>-</u>	<u>2,800,971</u>
Total Expenses	<u>21,587,449</u>	<u>-</u>	<u>21,587,449</u>	<u>44,247</u>	<u>-</u>	<u>44,247</u>	<u>-</u>	<u>21,631,696</u>	<u>-</u>	<u>21,631,696</u>
In-Kind Revenue and Expenses										
In-Kind Contributions	4,841,620	-	4,841,620	-	-	-	-	4,841,620	-	4,841,620
In-Kind Expenses	<u>(4,824,220)</u>	<u>-</u>	<u>(4,824,220)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,824,220)</u>	<u>-</u>	<u>(4,824,220)</u>
Total In-Kind Revenue and Expenses	<u>17,400</u>	<u>-</u>	<u>17,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,400</u>	<u>-</u>	<u>17,400</u>
Increase (Decrease) in Net Assets	6,207,464	(2,520,765)	3,686,699	717,540	-	717,540	-	6,925,004	(2,520,765)	4,404,239
Net Assets, Beginning of Year	<u>17,655,294</u>	<u>5,042,538</u>	<u>22,697,832</u>	<u>4,711,178</u>	<u>137,110</u>	<u>4,848,288</u>	<u>-</u>	<u>22,366,472</u>	<u>5,179,648</u>	<u>27,546,120</u>
Net Assets, End of Year	<u><u>\$ 23,862,758</u></u>	<u><u>\$ 2,521,773</u></u>	<u><u>\$26,384,531</u></u>	<u><u>\$ 5,428,718</u></u>	<u><u>\$ 137,110</u></u>	<u><u>\$5,565,828</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,291,476</u></u>	<u><u>\$ 2,658,883</u></u>	<u><u>\$ 31,950,359</u></u>

UNIFORM GUIDANCE



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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Bread for the City, Inc. and Bread Inc.
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Bread for the City, Inc. and Bread Inc. (collectively referred to as "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and 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 and have issued our report thereon dated February 18, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bert Smith & Co.

February 18, 2022
Washington, D.C.



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE UNIFORM GUIDANCE**

1090 Vermont Avenue, NW
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The Board of Directors
Bread for the City, Inc. and Bread Inc.
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Bread for the City, Inc. and Bread Inc. (collectively referred to as "the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects with, the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Best Smith & Co.

February 18, 2022
Washington, D.C.

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Indirect Program: Pass-through Program From:</i>			
D.C. Department of Housing and Community Development – Community Development Block Grant	14.218	2018-25	\$ 3,600,000
Total CDBG Entitlement Grants Cluster			3,600,000
Local Initiative Support Corporation – Capacity Building for Community Development and Affordable Housing	14.252	-	25,000
Total U.S. Department of Housing and Community Development			3,625,000
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Program:</i>			
COVID-19 Health Resources and Services Administration – Health Center Program	93.224	N/A	556,659
Health Resources and Services Administration – Health Center Program	93.224	N/A	109,495
Health Resources and Services Administration – Grants for New and Expanded Services Under Health Center Program	93.527	N/A	589,760
Total Health Center Program Cluster			1,255,914
<i>Indirect Program: Pass-through Program From:</i>			
Unity Health Center – Family Planning Services	93.217	-	91,105
Total U.S. Department of Health and Human Services			1,347,019

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Homeland Security</u>			
<i>Indirect Program: Pass-through Program From:</i>			
Cares Funding D.C. EFSP Local Board – Emergency Food and Shelter National Board Program	97.024	1492-00-038	38,559
D.C. EFSP Local Board – Emergency Food and Shelter National Board Program	97.024	1492-00-038	39,487
Total U.S. Department of Homeland Security			78,046
Total Expenditures of Federal Awards			\$ 5,050,065

The accompanying notes are an integral part of this Schedule.

BREAD FOR THE CITY, INC. AND BREAD INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Bread for the City, Inc. and Bread Inc. (collectively referred to as “the Organization”), under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement and cash received for the year was adjusted to match the actual expenditures through an allowable carryover.

NOTE 3 INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 LOAN AND LOAN GUARANTEES

The Organization received one federal loan in prior years. Based on the loan agreement, \$360,000 of the loan was forgiven during the fiscal year for consolidated financial statement purposes. As of June 30, 2021, the outstanding balance on the loan totaled \$3,240,000.

NOTE 5 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards expenditures are reported on the Statement of Functional Expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal awards.

BREAD FOR THE CITY, INC. AND BREAD INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)*
JUNE 30, 2021

NOTE 6 RECONCILIATION OF TITLE X FEDERAL EXPENDITURES

Federal awards expenditures in consolidated financial statements for Title X program reconcile to the Schedule of Expenditures of Federal Awards, as follows:

Total Federal Expenditures reported per consolidated financial statements	\$77,655
Add: Funds included on the Schedule, as allowed per carryover by grantor Family Planning Services	<u>13,450</u>
Total Federal Expenditures reported per Single Audit	<u><u>\$91,105</u></u>

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No
- Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified ? No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? No

Identification of Major Federal Programs:

14.218 CDBG Entitlement Grants Cluster
93.224/93.257 Health Center Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low risk auditee: No

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2021

Section II: Financial Statement Findings

None Noted

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2021

Section III: Federal Award Findings and Questioned Costs

None Noted

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
YEAR ENDED JUNE 30, 2021

Section IV – Current Year Corrective Action Plan

None

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
YEAR ENDED JUNE 30, 2021

Section V – Summary of Prior Years and Corrective Action Plan

Audit Ref#	
	Financial Statement Findings
2019-001 2020-001	<p data-bbox="326 499 1403 531"><i>Inadequate Process Controls/Inadequate Financial Management Controls and Reporting</i></p> <p data-bbox="326 562 1495 632">During the current year we noted incorrect postings of transactions for assets, liabilities, expenses and revenues and numerous journal entries being posted at year end to correct misstatements.</p> <p data-bbox="326 663 626 695"><i>Current Status:</i> Cleared.</p>
	Federal Reporting
2020-001	<p data-bbox="326 772 448 804"><i>Reporting</i></p> <p data-bbox="326 835 1495 936">It was noted that the September 30, 2019 and June 30, 2020 reports were filed late, while the December 31, 2019 report was not filed at all. In addition, it was noted that the quarterly reports did not reconcile to the Organization's data, as of June 30, 2020.</p> <p data-bbox="326 1010 626 1041"><i>Current Status:</i> Cleared.</p>

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