

**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, 2022**  
*(With Comparative Totals for June 30, 2021)*



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

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*(With Comparative Totals for June 30, 2021)*

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2022, 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.

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, 2022, 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

## **Other Matters**

### ***Report on Summarized Comparative Information***

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated, February 18, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2021 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 10, 2023, 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.

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.

*Beet Smith & Co.*

February 10, 2023  
Washington, D.C.

**BREAD FOR THE CITY, INC. AND BREAD INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**  
*(With Comparative Totals for June 30, 2021)*

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<i><b>Current Assets</b></i>		
Cash and Cash Equivalents	\$ 12,410,426	\$ 12,383,707
Pledges, Contracts and Grants Receivables, net	2,507,668	1,933,185
Patient Services Receivable, net	469,018	354,573
Other Receivables	7,921	142,033
Other Assets	306,267	204,928
Assets Restricted as to Use	612,188	1,109,616
Investments	1,551,374	1,384,445
Funds Held for Others	4,327,451	4,549,020
Total Current Assets	22,192,313	22,061,507
<i><b>Noncurrent Assets</b></i>		
Pledges, Contracts and Grants Receivables, net of current portion	200,000	300,000
Restricted Cash	162,583	162,583
Note Receivable	16,026,851	16,026,851
Building, Property and Equipment, net	29,058,207	29,816,085
Total Noncurrent Assets	45,447,641	46,305,519
Total Assets	\$ 67,639,954	\$ 68,367,026
<b>LIABILITIES AND NET ASSETS</b>		
<i><b>Current Liabilities</b></i>		
Accounts Payable and Accrued Expenses	\$ 2,897,224	\$ 2,593,369
Deferred Revenue	511,758	324,937
Funds Held for Others	4,278,259	4,529,673
Total Current Liabilities	7,687,241	7,447,979
<i><b>Long-term Liabilities</b></i>		
Notes and Loan Payable, net of debt issuance costs	26,386,666	28,968,688
Total Liabilities	34,073,907	36,416,667
<i><b>Net Assets</b></i>		
Without Donor Restrictions	31,961,731	29,291,476
With Donor Restrictions	1,604,316	2,658,883
Total Net Assets	33,566,047	31,950,359
Total Liabilities and Net Assets	\$ 67,639,954	\$ 68,367,026

*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, 2022**  
*(With Comparative Totals for June 30, 2021)*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
<b>Revenue</b>				
Contributions, Contracts and Grants	\$ 13,421,667	\$ 6,616,127	\$20,037,794	\$22,222,752
Net Patient Service Revenue	2,860,126	-	2,860,126	3,097,394
Other Income	298,662	-	298,662	698,389
<i>Net Assets Released from Restrictions:</i>	<u>7,670,694</u>	<u>(7,670,694)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>24,251,149</u>	<u>(1,054,567)</u>	<u>23,196,582</u>	<u>26,018,535</u>
<b>Expenses</b>				
<i>Program Services:</i>				
Social Services	4,454,429	-	4,454,429	6,198,629
Medical Services	4,785,073	-	4,785,073	4,498,802
Food Program	4,832,531	-	4,832,531	4,808,951
Legal Services	3,113,693	-	3,113,693	2,506,926
Advocacy and Community Development	575,927	-	575,927	606,240
Clothing Program	213,021	-	213,021	211,177
Total Program Services	<u>17,974,674</u>	<u>-</u>	<u>17,974,674</u>	<u>18,830,725</u>
<i>Supporting Services:</i>				
Fundraising	1,912,679	-	1,912,679	1,665,514
Administration	1,838,732	-	1,838,732	1,135,457
Total Supporting Services	<u>3,751,411</u>	<u>-</u>	<u>3,751,411</u>	<u>2,800,971</u>
Total Expenses	<u>21,726,085</u>	<u>-</u>	<u>21,726,085</u>	<u>21,631,696</u>
Insurance Claim Proceeds	<u>(145,191)</u>	<u>-</u>	<u>(145,191)</u>	<u>-</u>
<b>In-Kind Revenue and Expenses</b>				
In-Kind Contributions	5,130,819	-	5,130,819	4,841,620
In-Kind Expenses	<u>(5,130,819)</u>	<u>-</u>	<u>(5,130,819)</u>	<u>(4,824,220)</u>
Total In-Kind Revenue and Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,400</u>
Change in Net Assets	2,670,255	(1,054,567)	1,615,688	4,404,239
Net Assets, Beginning of Year	<u>29,291,476</u>	<u>2,658,883</u>	<u>31,950,359</u>	<u>27,546,120</u>
Net Assets, End of Year	<u>\$ 31,961,731</u>	<u>\$ 1,604,316</u>	<u>\$33,566,047</u>	<u>\$31,950,359</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, 2022**  
*(With Comparative Totals for 2021)*

	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	2022	2021
Personnel and Benefits	\$3,111,611	\$ 3,447,612	\$1,517,626	\$2,564,854	\$ 454,736	\$170,283	\$11,266,722	\$ 939,687	\$ 634,525	\$ 1,574,212	\$ 12,840,934	\$ 10,912,932
Food	-	-	2,769,942	-	-	-	2,769,942	-	-	-	2,769,942	3,050,908
Occupancy	260,904	396,959	312,077	255,728	39,955	15,715	1,281,338	142,490	244,388	386,878	1,668,216	1,686,172
Depreciation and Amortization	120,250	106,272	70,897	133,780	31,190	13,045	475,434	31,810	331,794	363,604	839,038	290,667
Donor Appeals and Special Events	18,976	18,976	18,976	18,976	9,488	4,757	90,149	461,613	47,045	508,658	598,807	530,269
Other	125,486	45,482	19,652	95,338	21,500	3,363	310,821	38,012	11,039	49,051	359,872	741,189
Consulting	138,703	391,554	123,206	44,642	19,058	5,858	723,021	299,067	-	299,067	1,022,088	1,131,846
Medical	61	378,218	155	365	-	-	378,799	-	214	214	379,013	432,320
Thrive Stipends and Services	678,438	-	-	-	-	-	678,438	-	-	-	678,438	2,808,299
Interest	-	-	-	10	-	-	10	-	569,727	569,727	569,737	47,094
Subtotal	4,454,429	4,785,073	4,832,531	3,113,693	575,927	213,021	17,974,674	1,912,679	1,838,732	3,751,411	21,726,085	21,631,696
In-Kind Expense	-	13,282	1,970,893	3,094,425	-	52,219	5,130,819	-	-	-	5,130,819	4,824,220
Total Expenses	\$4,454,429	\$ 4,798,355	\$6,803,424	\$6,208,118	\$ 575,927	\$265,240	\$23,105,493	\$ 1,912,679	\$ 1,838,732	\$ 3,751,411	\$ 26,856,904	\$ 26,455,916

*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, 2022**  
*(With Comparative Totals for June 30, 2021)*

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,615,688	\$ 4,404,239
<i>Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:</i>		
Depreciation and Amortization	839,038	290,668
Unrealized Loss (Gain) on Investments, net	286,456	(158,402)
Gain on Loan Forgiveness	(360,000)	(1,726,078)
<i>Changes in Assets and Liabilities:</i>		
(Increase) Decrease in Pledges, Contracts and Grants Receivables	(474,483)	2,830,431
(Increase) Decrease in Patient Services Receivables	(114,445)	379,371
(Increase) (Decrease) in Other Receivables	134,113	(142,033)
(Increase) Decrease in Other Assets and Funds Held for Others	120,230	(890,275)
Increase (Decrease) in Accounts Payable and Accrued Expenses	303,855	233,235
Increase (Decrease) in Deferred Revenue	186,821	324,937
Increase (Decrease) in Retainage Payable	-	(661,993)
Increase (Decrease) in Other Liabilities and Funds Held for Others	(251,414)	983,159
<b>Net Cash Provided by Operating Activities</b>	<b>2,285,859</b>	<b>5,867,259</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disbursements of Assets Limited as to Use	497,428	2,583,390
Purchase of Investments	(439,159)	(1,216,904)
Reinvested Interest and Dividends	(14,226)	(9,139)
Acquisition of building, property and equipment	(18,618)	(1,214,129)
<b>Net Cash Provided by Investing Activities</b>	<b>25,425</b>	<b>143,218</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment on Notes Payable	(2,284,565)	(4,091,364)
<b>Net Cash Used in Financing Activities</b>	<b>(2,284,565)</b>	<b>(4,091,364)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	26,719	1,919,113
Cash and Cash Equivalents – Beginning of Year	12,546,290	10,627,177
Cash and Cash Equivalents – End of Year	<b>\$ 12,573,009</b>	<b>\$ 12,546,290</b>
<b>Supplemental Data</b>		
Interest Paid During the Year	\$ 569,727	\$ 785,057
Noncash investing activity during the year for building, property and equipment acquired through payable accounts and accrued expenses	\$ -	\$ 17,400
<i>Reconciliation of Cash and Cash Equivalents:</i>		
Cash and Cash Equivalents	\$ 12,410,426	\$ 12,383,707
Restricted Cash	162,583	162,583
<b>Total Cash and Cash Equivalents</b>	<b>\$ 12,573,009</b>	<b>\$ 12,546,290</b>

*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, 2022

**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, 2022, through the Organization’s Northwest Center, a 21,000 square foot facility located at 1525 7<sup>th</sup> 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, 2022, through the Organization’s Southeast Center, a 27,000 square foot facility located at 1700 Good Hope Road and 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. In addition, the health clinic began providing services to patients. 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, 2022, 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, 2022, pledges, contracts and grants receivable, net totaled \$2,707,668.
- ***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 \$5,000. 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 2021 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, 2021, from which the summarized information was derived.

- **Reclassifications**

Certain accounts and amounts reported in the 2021 consolidated financial statements have been reclassified to conform to the 2022 consolidated financial statement presentation. The reclassification had no effect on the change in the net assets for 2021.

- **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, 2022, 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, 2022, 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, 2022, are as follows:

Within One Year	\$ 2,507,668
One to Five Years	200,000
Receivables, net	<u>\$ 2,707,668</u>

The Organization has not recorded an allowance to reserve against uncollectibility as it is management’s belief that all such amounts are collectible. In addition, 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, 2022:

Cash/Money Market	\$ 44,575
Mutual Funds	64,805
Equities	667,628
Common Stock	739,090
Preferred Stock	221
Fixed Income Funds	35,055
Total	<u>\$1,551,374</u>

The following schedule summarizes the Organization's investment return for the year ended June 30, 2022.

Net Realized and Unrealized Gains (Losses), net	\$ (286,455)
Interest and Dividends	14,226
Total	<u>\$ (272,229)</u>

#### NOTE 5 FAIR VALUE MEASUREMENTS

At June 30, 2022, 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, 2022.

	<b>Quoted Prices in Active Markets for Identifiable Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Cash/Money Market	\$ 44,575	\$ -	\$ -	\$ 44,575
Mutual Funds	64,805	-	-	64,805
Equities	667,628	-	-	667,628
Common Stocks	739,090	-	-	739,090
Preferred Stock	221	-	-	221
Fixed Income Funds	-	35,055	-	35,055
Total Investments	<u>\$ 1,516,319</u>	<u>\$ 35,055</u>	<u>\$ -</u>	<u>\$ 1,551,374</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, 2022:

Land	\$ 3,372,166
Building and Improvements	29,233,073
Furniture and Equipment	1,645,615
Vehicles	264,972
Total Property and Equipment	<u>34,515,826</u>
Less: Accumulated Depreciation	<u>(5,457,619)</u>
Property and Equipment, net	<u>\$ 29,058,207</u>

During the year ended June 30, 2022, the Organization recorded depreciation of \$776,496.

#### NOTE 7 DONOR RESTRICTED NET ASSETS

As of June 30, 2022, the donor restricted net assets of the Organization are available for the following programs or purposes:

<u>Restricted by Purpose</u>	
Medical	\$ 144,233
Food	78,097
Endowment	162,583
Advocacy	250,000
Legal	844,153
Social Services	125,250
Total Donor Restricted Net Assets	<u>\$ 1,604,316</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, 2022:**

Endowment Net Assets, Beginning of the Year	\$ 162,583
Contributions	-
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, 2022, 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	84%
Medicare	8%
Other	<u>8%</u>
Total	<u>100%</u>

***Economic Concentration***

Approximately 86% of the Organization's support and revenue for the year ended June 30, 2022 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, 2022, 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. Lease expenses totaled \$15,600 for the year ended June 30, 2022.

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

<u>Year</u>	<u>Total</u>
2023	\$ 15,600
2024	14,016
2025	10,261
2026	288
	<u>\$ 40,165</u>

## NOTE 10 NOTES PAYABLE AND RECEIVABLE

### Promissory and Other Notes

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 2022, the loan was paid in full and the balance of the loan as of June 30, 2022 totaled \$0-. During fiscal year 2022, interest expense related to the loan and expensed in the statement of activities totaled \$22,272.

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 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, 2022 totaled \$2,880,000.

### 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 2022, interest expense related to these loans and expensed in the statement of activities 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 third 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 2022, interest expense related to these loans and expensed in the statement of activities 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, 2022 totaled \$448,752.

The note agreements also have various financial and negative covenants, including certain reporting requirements. As of June 30, 2022, 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, 2022 are as follows:

## Notes Receivable:

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

DHCD Loan	\$ 2,880,000
QLICI Loan A	9,170,350
QLICI Loan B	<u>14,550,000</u>
	26,600,350
Less: Debt Issuance Costs	<u>(213,684)</u>
	<u>\$ 26,386,666</u>

Minimum annual payments are as follows:

Year	Debt Principals	Less: Debt Issuance Costs	Total
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	25,160,350	-	25,160,350
Total	<u>\$ 26,600,350</u>	<u>\$ 213,684</u>	<u>\$ 26,386,666</u>

## NOTE 11 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 74% of net patient service fees for the year ended June 30, 2022 is from participation in the Medicaid and Medicare programs.

The Organization's patient service fees approximately 12% of total support and revenues for the year ended June 30, 2022.

## NOTE 12 IN-KIND CONTRIBUTIONS

The Organization receives various in-kind services and donated goods. For the year ended June 30, 2022, in-kind contributions revenue consisted of the following:

Legal	\$ 3,094,425
Medical Services and Supplies	13,282
Food	1,970,893
Clothing	52,219
Total In-Kind Contributions	<u>\$ 5,130,819</u>

## NOTE 13 RETIREMENT PLAN

### Defined Contribution 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, 2022, the Organization made a discretionary contribution to the Plan of \$280,119 which is included in accounts payable and accrued expenses as of June 30, 2022.

**Deferred Compensation Plan**

In FY22, Bread for the City Board of Directors approved a 457(b) salary deferral plan for the CEO for each year beginning with the fiscal year that ends in June 30, 2022 and ending in June 30, 2031. The assets of the plan are the legal assets of Bread for the City until they are distributed to the participant, and therefore plan assets and liabilities of equal amounts are reported in the statement of financial position. The plan liabilities at June 30, 2022 totaled \$90,789. Bread for the City transferred \$90,789 to the deferred compensation investment account in fiscal year 2023.

**NOTE 14 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, 2022:	
Cash and cash equivalents	\$12,573,009
Pledges, Grants and Contracts Receivable	2,707,668
Patient and Other Receivables	469,018
Other Current Assets	306,267
Investments	<u>1,551,374</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>17,607,336</u>
Less amounts unavailable for general expenditures within one year:	
Pledges, Grants and Contracts Receivable with purpose restrictions	(200,000)
Donor restricted assets	(1,604,316)
Prepaid Assets	(211,163)
Advances and Other	<u>(95,104)</u>
Total amounts not available to be used within one year	<u>(2,110,583)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$15,496,753</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 15 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 recorded a contingency loss in fiscal year 2021 for this amount pending final resolution. During fiscal year 2022, the insurance company agreed to cover a portion of the expense totaling \$145,191, which is reflected separately as insurance proceeds in the statement of activities. 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 16      SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 10, 2023, which is the date the financial statements were available to be issued and determined that no other events require adjustments to or disclosure in the financial statements.

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**SUPPLEMENTAL CONSOLIDATING  
SCHEDULES**

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**BREAD FOR THE CITY, INC. AND BREAD INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**

	<u>BFC</u>	<u>Bread</u>	<u>Eliminations</u>	<u>2022</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$12,410,426	\$ -	\$ -	\$12,410,426
Pledges, Contracts and Grants Receivables, net	2,407,668	100,000	-	2,507,668
Patient Services Receivable, net	469,018	-	-	469,018
Other Receivables	7,921	-	-	7,921
Other Assets	306,267	-	-	306,267
Assets Restricted as to Use	-	612,188	-	612,188
Investments	1,551,374	-	-	1,551,374
Intercompany Assets (Due to)	-	25,245,481	(25,245,481)	-
Funds Held for Others	4,307,840	19,611	-	4,327,451
Total Current Assets	<u>21,460,514</u>	<u>25,977,280</u>	<u>(25,245,481)</u>	<u>22,192,313</u>
<i>Noncurrent Assets</i>				
Pledges, Contracts and Grants Receivable, net of current portion	200,000	-	-	200,000
Restricted Cash	112,583	50,000	-	162,583
Notes Receivable	16,026,851	-	-	16,026,851
Building, Property and Equipment, net	26,100,279	2,957,928	-	29,058,207
Total Noncurrent Assets	<u>42,439,713</u>	<u>3,007,928</u>	<u>-</u>	<u>45,447,641</u>
Total Assets	<u>\$63,900,227</u>	<u>\$28,985,208</u>	<u>\$ (25,245,481)</u>	<u>\$ 67,639,954</u>
<b>LIABILITIES AND NET ASSETS</b>				
<i>Current Liabilities</i>				
Accounts Payable and Accrued Expenses	\$ 2,562,999	\$ 334,225	\$ -	\$ 2,897,224
Deferred Revenue	511,758	-	-	511,758
Intercompany Liabilities (Due From)	25,245,481	-	(25,245,481)	-
Funds Held for Others	4,249,964	28,295	-	4,278,259
Total Current Liabilities	<u>32,570,202</u>	<u>362,520</u>	<u>(25,245,481)</u>	<u>7,687,241</u>
<i>Long-term Liabilities</i>				
Notes and Loan Payable, net of current portion	2,880,000	23,506,666	-	26,386,666
Total Liabilities	<u>35,450,202</u>	<u>23,869,186</u>	<u>(25,245,481)</u>	<u>34,073,907</u>
<i>Net Assets</i>				
Without Donor Restrictions	26,895,709	5,066,022	-	31,961,731
With Donor Restrictions	1,554,316	50,000	-	1,604,316
Total Net Assets	<u>28,450,025</u>	<u>5,116,022</u>	<u>-</u>	<u>33,566,047</u>
Total Liabilities and Net Assets	<u>\$63,900,227</u>	<u>\$28,985,208</u>	<u>\$(25,245,481)</u>	<u>\$ 67,639,954</u>

**BREAD FOR THE CITY, INC. AND BREAD INC.**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>BFC</b>			<b>BREAD</b>			<b>Eliminations</b>	<b>CONSOLIDATED</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>		<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>										
Contributions, Contracts and Grants	\$ 13,290,840	\$ 6,616,127	\$19,906,967	\$ 130,827	\$ -	\$ 130,827	\$ -	\$ 13,421,667	\$ 6,616,127	\$ 20,037,794
Patient Service Fees, net	2,860,126	-	2,860,126	-	-	-	-	2,860,126	-	2,860,126
Interest, Dividend and Other Income	296,732	-	296,732	1,930	-	1,930	-	298,662	-	298,662
<i>Net Assets Released from Restrictions:</i>	<u>7,583,584</u>	<u>(7,583,584)</u>	<u>-</u>	<u>87,110</u>	<u>(87,110)</u>	<u>-</u>	<u>-</u>	<u>7,670,694</u>	<u>(7,670,694)</u>	<u>-</u>
Total Revenue	<u>24,031,282</u>	<u>(967,457)</u>	<u>23,063,825</u>	<u>219,867</u>	<u>(87,110)</u>	<u>132,757</u>	<u>-</u>	<u>24,251,149</u>	<u>(1,054,567)</u>	<u>23,196,582</u>
<b>Expenses</b>										
<i>Program Services:</i>										
Social Services	4,454,429	-	4,454,429	-	-	-	-	4,454,429	-	4,454,429
Medical Services	4,785,073	-	4,785,073	-	-	-	-	4,785,073	-	4,785,073
Food Program	4,832,531	-	4,832,531	-	-	-	-	4,832,531	-	4,832,531
Legal Services	3,113,693	-	3,113,693	-	-	-	-	3,113,693	-	3,113,693
Advocacy and Community Development	575,927	-	575,927	-	-	-	-	575,927	-	575,927
Clothing Program	213,021	-	213,021	-	-	-	-	213,021	-	213,021
Total Program Services	<u>17,974,674</u>	<u>-</u>	<u>17,974,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,974,674</u>	<u>-</u>	<u>17,974,674</u>
<i>Supporting Services:</i>										
Fundraising	1,912,475	-	1,912,475	204	-	204	-	1,912,679	-	1,912,679
Administration	1,256,373	-	1,256,373	582,359	-	582,359	-	1,838,732	-	1,838,732
Total Supporting Services	<u>3,168,848</u>	<u>-</u>	<u>3,168,848</u>	<u>582,563</u>	<u>-</u>	<u>582,563</u>	<u>-</u>	<u>3,751,411</u>	<u>-</u>	<u>3,751,411</u>
Total Expenses	<u>21,143,522</u>	<u>-</u>	<u>21,143,522</u>	<u>582,563</u>	<u>-</u>	<u>582,563</u>	<u>-</u>	<u>21,726,085</u>	<u>-</u>	<u>21,726,085</u>
<b>Insurance Claim Proceeds</b>	<u>(145,191)</u>	<u>-</u>	<u>(145,191)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,191)</u>	<u>-</u>	<u>(145,191)</u>
<b>In-Kind Revenue and Expenses</b>										
In-Kind Contributions	5,130,819	-	5,130,819	-	-	-	-	5,130,819	-	5,130,819
In-Kind Expenses	<u>(5,130,819)</u>	<u>-</u>	<u>(5,130,819)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,130,819)</u>	<u>-</u>	<u>(5,130,819)</u>
Total In-Kind Revenue and Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Assets</b>	<u>3,032,951</u>	<u>(967,457)</u>	<u>2,065,494</u>	<u>(362,696)</u>	<u>(87,110)</u>	<u>(449,806)</u>	<u>-</u>	<u>2,670,255</u>	<u>(1,054,567)</u>	<u>1,615,688</u>
Net Assets, Beginning of Year	<u>23,862,758</u>	<u>2,521,773</u>	<u>26,384,531</u>	<u>5,428,718</u>	<u>137,110</u>	<u>5,565,828</u>	<u>-</u>	<u>29,291,476</u>	<u>2,658,883</u>	<u>31,950,359</u>
<b>Net Assets, End of Year</b>	<u>\$ 26,845,709</u>	<u>\$ 1,554,216</u>	<u>\$28,450,025</u>	<u>\$ 5,066,022</u>	<u>\$ 50,000</u>	<u>\$5,116,022</u>	<u>\$ -</u>	<u>\$ 31,961,731</u>	<u>\$ 1,604,316</u>	<u>\$ 33,566,047</u>

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# **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, 2022, 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 10, 2023.

**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.

*Beet Smith & Co.*

February 10, 2023  
Washington, D.C.



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

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, 2022. 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, 2022.

## 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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

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.

*Bart Smith & Co.*

February 10, 2023  
Washington, D.C.

**BREAD FOR THE CITY, INC. AND BREAD INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Indirect Program: Pass-through Program From:</i>			
Community Development Block Grant – D.C. Department of Housing and Community Development	14.218	2018-25	\$ 3,600,000
<b>Total CDBG Entitlement Grants Cluster</b>			<u>3,600,000</u>
Capacity Building for Community Development and Affordable Housing – Local Initiative Support Corporation	14.252	-	45,000
<b>Total U.S. Department of Housing and Community Development</b>			<u>3,645,000</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Direct Program:</i>			
Health Resources and Services Administration – Health Center Program	93.224	N/A	1,255,822
Health Resources and Services Administration – Grants for New and Expanded Services Under Health Center Program	93.527	N/A	550,215
<b>Total Health Center Program Cluster</b>			<u>1,806,037</u>
<i>Indirect Program: Pass-through Program From:</i>			
Family Planning Services – Unity Healthcare	93.217	-	82,473
<b>Total U.S. Department of Health and Human Services</b>			<u>1,888,510</u>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Indirect Program: Pass-through Program From:</i>			
American Rescue Plan Emergency Food and Shelter Program - D.C. EFSP Local Board	97.024	1492-00-038	38,100
Emergency Food and Shelter Program - D.C. EFSP Local Board	97.024	1492-00-038	25,365
<b>Total U.S. Department of Homeland Security</b>			<u>63,465</u>

*The accompanying notes are an integral part of this Schedule.*

**BREAD FOR THE CITY, INC. AND BREAD INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of the Treasury</u></b>			
<i>Indirect Program: Pass-through Program From:</i>			
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Child Support Community Legal Services	21.027	#22-ATJ-2021-1164	34,138
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Community Lawyering Project	21.027	#22-ATJ-2021-1165	77,585
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Domestic Violence Community Legal Services	21.027	#22-ATJ-2021-1188	70,862
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Housing Preservation Project	21.027	#22-CLCPP-2021-1163	347,393
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Diversion Eviction Grant	21.027	#22-ATJ-2021-2489	76,767
<b>Total U.S. Department of the Treasury</b>			<u>606,745</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 6,203,720</b></u>

*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, 2022

**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, 2022. 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 has received one Community Development Block Grant (CDBG). As of June 30, 2022, the outstanding balance on the loan in the financial statements totaled \$2,880,000.

**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.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**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? Yes

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)? Yes

Identification of Major Federal Programs:

- 14.218            CDBG Entitlement Grants Cluster
- 93.224/93.527    Health Center Program Cluster
- 21.027            Coronavirus State and Local Fiscal Recovery Funds

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, 2022

**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, 2022**

**Section III: Federal Award Findings and Questioned Costs**

<b>Finding Number</b>	<b>Finding (Instance of Non-Compliance)</b>	<b>Program 93.224/93.527</b>	<b>Questioned Cost</b>
<b>2022-001</b>	<b>Reporting</b>	<b>Health Center Program Cluster</b>	<b>\$161,928</b>

**CRITERIA:** Each entity must file various financial and special reports. Additionally, the requirements stated that the submitted reports should be supported by the underlying financial data and presented in accordance with program requirements.

**CONDITION:** During our review of the SF-425 reports, we selected two out of the four submissions and noted that the annual report for May 31, 2022, although filed timely included transactions for the month of June 30, 2022, which was outside of the stipulated reporting period.

**CAUSE:** It appears that management mistakenly included June 2022 financial transactions in the May 31, 2022 annual report.

**EFFECT:** The Organization is not in compliance with stated provisions for preparation of the annual report and information outside of the reporting period was included in the annual Federal Financial Report.

**CONTEXT:** This is a condition identified based on review of the Compliance Supplement requirements.

**QUESTIONED COST:** \$161,928, which represents June 2022 expenses, identified as mistakenly included in the May 31, 2022 annual report.

**RECOMMENDATION:** We recommend that the Organization in the preparation of its annual report assure the information submitted is proper, accurate, and consistent with the stipulated guidelines.

**VIEWS OF RESPONSIBLE MANAGEMENT OFFICIAL AND CORRECTIVE ACTION PLAN:** Management agrees to the above finding. Corrective action is being taken to correct and resubmit the final report.

**BREAD FOR THE CITY, INC. AND BREAD INC.**  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*  
 YEAR ENDED JUNE 30, 2022

**Section IV – Current Year Corrective Action Plan**

<b>Federal Awards</b>	
<b>2022-001</b>	<p><b><i>Reporting – Health Center Program Cluster</i></b></p> <p><i>Name of Contact Person: Fatou Toure, CFO</i></p> <p><i>Corrective Action:</i> The annual report will be corrected and resubmitted.</p> <p><i>Proposed Completion Date:</i> February 2023.</p>

**Contact Person:** Fatou Toure  
**Telephone Number:** 202-386-7601

**BREAD FOR THE CITY, INC. AND BREAD INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*  
YEAR ENDED JUNE 30, 2022

**Section V – Summary of Prior Year and Corrective Action Plan**

**None**