

**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, 2023
(With Comparative Totals for June 30, 2022)

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(With Comparative Totals for June 30, 2022)

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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, 2023, 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 accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of financial position and consolidated schedule of activities on pages 23 and 24 and the accompanying schedule of expenditures of federal awards on pages 30 and 31, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and is 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated, February 10, 2023. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2022 is consistent in all material respects, with the audited consolidated financial statements from which it was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, 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 solely 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.

January 26, 2024
Washington, D.C.

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(With Comparative Totals for June 30, 2022)

	2023	2022
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 13,445,088	\$ 12,410,426
Pledges, Contracts and Grants Receivables	2,548,945	2,507,668
Patient Service Receivable	777,331	469,018
Other Receivables	13,730	7,921
Other Assets	378,327	306,267
Assets Restricted as to Use	502,913	612,188
Investments	86,642	1,551,374
Funds Held for Others	5,264,413	4,327,451
Total Current Assets	23,017,389	22,192,313
<i>Noncurrent Assets</i>		
Pledges, Contracts and Grants Receivables, net of current portion	200,000	200,000
Restricted Cash	162,583	162,583
Note Receivable	16,026,851	16,026,851
Right-of-Use Asset – Operating Leases	31,838	-
Building, Property and Equipment, net	28,401,555	29,058,207
Total Noncurrent Assets	44,822,827	45,447,641
Total Assets	\$ 67,840,216	\$ 67,639,954
LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts Payable and Accrued Expenses	\$ 2,718,506	\$ 2,897,224
Current Portion of Lease Obligation - Operating	14,521	-
Deferred Revenue	734,606	511,758
Funds Held for Others	5,206,261	4,278,259
Total Current Liabilities	8,673,894	7,687,241
<i>Noncurrent Liabilities</i>		
Noncurrent Portion of Lease Obligation - Operating	17,446	-
Notes and Loan Payable, net of debt issuance costs	26,089,207	26,386,666
Total Noncurrent Liabilities	26,106,653	26,386,666
Total Liabilities	34,780,547	34,073,907
<i>Net Assets</i>		
Without Donor Restrictions	30,925,949	31,961,731
With Donor Restrictions	2,133,720	1,604,316
Total Net Assets	33,059,669	33,566,047
Total Liabilities and Net Assets	\$ 67,840,216	\$ 67,639,954

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, 2023
(With Comparative Totals for June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenue				
Contributions, Contracts and Grants	\$ 11,447,096	\$ 6,308,087	\$17,755,183	\$20,037,794
Patient Service Revenue	2,164,221	-	2,164,221	2,860,126
In-Kind Contributions	4,758,835	-	4,758,835	5,130,819
Other Income	1,093,613	-	1,093,613	298,662
<i>Net Assets Released from Restrictions:</i>	5,778,683	(5,778,683)	-	-
Total Revenue	25,242,448	529,404	25,771,852	28,327,401
Expenses				
<i>Program Services:</i>				
Social Services	3,703,427	-	3,703,427	4,454,429
Medical Services	4,634,359	-	4,634,359	4,798,355
Food Program	5,366,840	-	5,366,840	6,803,424
Legal Services	7,236,840	-	7,236,840	6,208,118
Advocacy and Community Development	1,031,439	-	1,031,439	575,927
Clothing Program	233,359	-	233,359	265,240
Total Program Services	22,206,264	-	22,206,264	23,105,493
<i>Supporting Services:</i>				
Fundraising	2,199,175	-	2,199,175	1,912,679
Administration	1,872,791	-	1,872,791	1,838,732
Total Supporting Services	4,071,966	-	4,071,966	3,751,411
Total Expenses	26,278,230	-	26,278,230	26,856,904
Insurance Claim Proceeds	-	-	-	(145,191)
Excess (Deficit) of Revenue Over Operating Expenses	(1,035,782)	529,404	(506,378)	1,615,688
Change in Net Assets	(1,035,782)	529,404	(506,378)	1,615,688
Net Assets, Beginning of Year	31,961,731	1,604,316	33,566,047	31,950,359
Net Assets, End of Year	\$ 30,925,949	\$ 2,133,720	\$33,059,669	\$33,566,047

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, 2023
(With Comparative Totals for 2022)

	<u>Program Services</u>						<u>Supporting Services</u>			<u>Totals</u>		
	<u>Social Services</u>	<u>Medical Services</u>	<u>Food Program</u>	<u>Legal Services</u>	<u>Advocacy and Community Development</u>	<u>Clothing Program</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total Supporting Services</u>	<u>2023</u>	<u>2022</u>
Personnel and Benefits	\$2,875,620	\$ 3,366,929	\$1,611,439	\$2,424,409	\$ 743,974	\$130,860	\$11,153,231	\$ 1,045,653	\$ 664,083	\$ 1,709,736	\$ 12,862,967	\$ 12,840,934
Food	-	-	3,079,875	-	-	-	3,079,875	-	2,451	2,451	3,082,326	4,740,835
Occupancy	301,473	447,520	416,683	300,691	105,459	15,048	1,586,874	173,061	194,505	367,566	1,954,440	1,668,216
Depreciation and Amortization	116,688	118,530	85,653	140,955	60,887	14,460	537,173	39,240	247,979	287,219	824,392	839,038
Donor Appeals and Special Events	19,126	19,126	20,172	19,126	12,122	4,782	94,454	522,375	189,589	711,964	806,418	598,807
Other	238,017	45,290	21,545	100,961	39,132	49,794	494,739	149,813	(4,201)	145,612	640,351	412,091
Consulting	150,243	280,664	131,473	4,249,239	69,865	18,415	4,899,899	269,033	19,889	288,922	5,188,821	4,116,513
Medical	-	356,300	-	1,459	-	-	357,759	-	30	30	357,789	392,295
Thrive Stipends and Services	2,060	-	-	-	-	-	2,060	-	-	-	2,060	678,438
Interest	200	-	-	-	-	-	200	-	558,466	558,466	558,666	569,737
Total Expenses	\$3,703,427	\$4,634,359	\$5,366,840	\$7,236,840	\$ 1,031,439	\$233,359	\$22,206,264	\$ 2,199,175	\$ 1,872,791	\$ 4,071,966	\$ 26,278,230	\$ 26,856,904

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, 2023
(With Comparative Totals for June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (506,378)	\$ 1,615,688
<i>Adjustments to Reconcile Changes in Net Assets to Net Cash (Used in) Provided by Operating Activities:</i>		
Depreciation and Amortization	824,391	839,038
Amortization on Right-of-Use Assets	12,961	-
Unrealized Loss (Gain) on Investments, net	(424,757)	286,456
Gain on Loan Forgiveness	(360,000)	(360,000)
Loss on Sale of Fixed Assets	7,560	-
<i>Changes in Assets and Liabilities:</i>		
Cash Paid for Operating Leases	(15,514)	-
(Increase) Decrease in Pledges, Contracts and Grants Receivables	(41,277)	(474,483)
(Increase) Decrease in Patient Services Receivables	(308,313)	(114,445)
(Increase) (Decrease) in Other Receivables	(5,810)	134,113
(Increase) Decrease in Other Assets and Funds Held for Others	(1,009,022)	120,230
Increase (Decrease) in Accounts Payable and Accrued Expenses	(178,718)	303,855
Increase (Decrease) in Deferred Revenue	222,848	186,821
Increase (Decrease) in Other Liabilities and Funds Held for Others	928,002	(251,414)
Net Cash (Used in) Provided by Operating Activities	(854,027)	2,285,859
CASH FLOWS FROM INVESTING ACTIVITIES		
Disbursements of Assets Limited as to Use	109,275	497,428
Purchase of Investments	-	(453,385)
Proceeds from Sale of Investments	1,892,095	-
Purchase of Fixed Assets	(112,681)	(18,618)
Net Cash Provided by Investing Activities	1,888,689	25,425
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on Notes Payable	-	(2,284,565)
Net Cash (Used in) Financing Activities	-	(2,284,565)
Net Increase in Cash and Cash Equivalent	1,034,662	26,719
Cash and Cash Equivalents – Beginning of Year	12,573,009	12,546,290
Cash and Cash Equivalents – End of Year	\$ 13,607,671	\$ 12,573,009
Supplemental Data		
Interest Paid During the Year	\$ 558,466	\$ 569,737
<i>Reconciliation of Cash and Cash Equivalents:</i>		
Cash and Cash Equivalents	\$ 13,445,088	\$ 12,410,426
Restricted Cash	162,583	162,583
Total Cash and Cash Equivalents	\$ 13,607,671	\$ 12,573,009

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, 2023

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, 2023, 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, 2023, 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, 2023, 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.

- ***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. Uncollectible amounts are written off at the time the individual receivable is determined to be uncollectible. As of June 30, 2023, pledges, contracts, and grants receivable totaled \$2,748,945.
- ***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 New Market Tax Credit Financing (NMTC), as part of the Organization’s new market tax credit financing for the QLICI notes (See Note 8).
- ***Patient Service Receivables***

Patient service receivables are primarily from third-party payers and the D.C. Government. The Organization records receivables for amounts billed. Amounts billed represent amounts deemed to be collectible and do not include discounts or contractual allowances.
- ***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.
- ***Impairment of Long-Lived Assets***

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of the asset. To date, there have been no such losses.
- ***Leases***

The FASB issued Accounting Standards Update No. 2016-02, *Leases* which establishes a right-of-use (ROU) model that requires a lessee to record ROU assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

A lease is classified as a finance lease if any one of the following criteria are met: a) the lease transfers ownership of the asset by the end of the lease term, b) the lease contains an option to purchase the asset that is reasonably certain to be exercised, or c) the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria. The Organization determines if a contract is a financing or operating leasing arrangement and the classification of that lease, if applicable at inception. The Organization currently has operating leases. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the term of the lease. For operating leases, the organization uses the risk-free rate of return.

The Organization recognizes operating lease expense for operating leases on a straight-line basis over the lease term.

The Organization leases equipment under noncancelable operating leases which may include renewal or termination options. Renewal or termination options are not reasonably certain of exercise and are therefore not recognized in lease assets and liabilities until the date of exercise. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with equipment leases.

- **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.

- **Patient Service Revenue**

The accompanying consolidated statement of activities for the years ended June 30, 2023 is presented in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (ASC 606)* and ASC Subtopic 958-605 *Not for Profit Entities - Revenue* (where applicable). The Organization measures revenue from contracts with customers based on the consideration specified in a contract with a customer and recognizes revenue as a result of satisfying its promise to transfer goods or services in a contract with a customer using the following general revenue recognition five-step model: (1) identify the contract; (2) identify performance obligations; (3) determine transaction price; (4) allocate transaction price; and (5) recognize revenue. The Organization reports revenue related to contracts with patients in which the performance obligations are to provide health care services to the patients. Revenues are recorded during the period the obligation to provide health care services are satisfied. The contractual relationship with patients also involves third-party payers (Medicare, Medicaid, and Commercial Insurance Companies) and the transaction prices for services provided are dependent on the terms provided by payers. Payment arrangements are based on prospectively determined rates.

Medical reimbursements are recorded based on a claim-submitted basis. 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.

- ***In-Kind Contributions/Expenses***

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 at the time of donation 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 2022 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, 2022, from which the summarized information was derived.

- ***Reclassifications***

Certain accounts and amounts reported in the 2022 consolidated financial statements have been reclassified to conform to the 2023 consolidated financial statement presentation. The reclassification had no effect on the change in the net assets for 2022.

- ***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, 2023, 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.

- ***Accounting Pronouncements Recently Adopted***

- ***Leases***

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 was amended to be effective for fiscal years beginning after December 15, 2021 (fiscal year 2023 for the Organization), with early application permitted. On July 1, 2022, we adopted Topic 842 using the modified retrospective transition method applied to leases with terms extending past July 1, 2022. Consequently, results for reporting periods beginning after July 1, 2022 are presented under ASU 2026-02 (Topic 842), while prior period amounts continue to be reported in accordance with our historic accounting under Topic 840.

- ***Revenue from Contracts with Customers***

In June 2020, the FASB issued ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606). The new standard was effective for the Organization on July 1, 2022. The Organization measures revenue from contracts with customers based on the consideration specified in a contract with a customer and recognizes revenue as a result of satisfying its promise to transfer goods or services in a contract with a customer using the following general revenue recognition five-step model: (1) identify the contract; (2) identify performance obligations; (3) determine transaction price; (4) allocate transaction price; and (5) recognize revenue. For those revenue streams subject to ASC Subtopic 958-605 Not for Profit Entities - the Organization (1) evaluates whether transactions should be accounted for as contributions nonreciprocal transactions or as exchange (reciprocal) transactions and (2) determined whether a contribution is conditional. The Organization accounts for grant revenues as non-reciprocal transactions. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Analysis of various provisions of this standard resulted in no changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

NOTE 2 RESTRICTED CASH

As of June 30, 2023, 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, 2023, are as follows:

Within One Year	\$ 2,548,945
One to Five Years	<u>200,000</u>
Receivables	<u>\$ 2,748,945</u>

The Organization has not recorded an allowance to reserve against uncollectibility. Management asserts that all such amounts are collectible.

NOTE 4 INVESTMENTS - UNRESTRICTED

Investments are stated at fair value and consist of the following at June 30, 2023:

Common Stock	\$ 86,642
Total	<u>\$ 86,642</u>

NOTE 5 FAIR VALUE MEASUREMENTS

At June 30, 2023, 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, 2023.

	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common Stock	<u>\$ 86,642</u>	<u>-</u>	<u>-</u>	<u>\$ 86,642</u>
Total Investments	<u>\$ 86,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,642</u>

Cost of investments totaled \$19,786.

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.

NOTE 6 BUILDING, PROPERTY AND EQUIPMENT

The Organization held the following fixed assets as of June 30, 2023:

Land	\$ 3,372,166
Building and Improvements	29,194,203
Furniture and Equipment	1,376,254
Vehicles	<u>264,972</u>
Total Property and Equipment	34,207,595
Less: Accumulated Depreciation	<u>(5,806,040)</u>
Property and Equipment, net	<u>\$ 28,401,555</u>

During the year ended June 30, 2023, the Organization recorded depreciation of \$761,772.

NOTE 7 LEASES

The organization leases copiers under non-cancelable operating leases. The Organization determines if an arrangement is a lease at inception of a contract and recognizes operating lease expense on a straight line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position and are expensed on a straight line basis. The lease agreements cover five separate copiers. The Organization has elected to combine and account for lease and non-lease components as a single lease component. The Organization does not have variable lease payments.

Operating lease right-of-use assets and lease liabilities as of June 30, 2023 were as follows:

Operating Leases	2023
Right-of-Use Assets:	
Operating Lease Assets	<u>\$ 31,838</u>
Lease Liabilities:	
Current Operating Lease Liabilities	14,521
Noncurrent Operating Lease Liabilities	<u>17,446</u>
Total Operating Lease Liabilities	<u>\$ 31,967</u>

Operating expenses for the leasing activity of the Organization as lessee for the year ended June 30, 2023, are as follows:

Lease Type	2023
Operating Lease Costs	<u>\$ 15,643</u>
Total Lease Costs	<u>\$ 15,643</u>

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2023, and a reconciliation to operating lease liabilities reported on the consolidated statement of financial position:

NOTE 7 – LEASES*(Continued)*

2024		\$ 15,258
2025		12,295
2026		2,322
2027		2,034
2028		1,356
Thereafter		-
	Total Lease Payments	<u>33,265</u>
Less Interest		<u>(1,298)</u>
	Present Value of Lease Liability	<u>\$ 31,967</u>

Average operating lease terms and discount rate at June 30, 2023, were as follows:

	<u>2023</u>
Weighted Average Remaining Lease Term (years)	2.58
Weighted Average Discount Rate	3.04

The company has elected to use the risk free rate.

The following summarizes cash paid for operating lease liabilities and other non-cash information as of June 30, 2023:

	<u>2023</u>
Cash paid for amounts included in the measurement of operating lease liability	<u>\$ 15,514</u>

NOTE 8 DONOR RESTRICTED NET ASSETS

As of June 30, 2023, the donor restricted net assets of the Organization are available for the following programs or purposes:

<u>Restricted by Purpose</u>	
Medical	\$ 24,849
Endowment	162,583
Advocacy	300,000
Legal	1,226,209
Social Services	420,079
Total Donor Restricted Net Assets	<u>\$ 2,133,720</u>

NOTE 9 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, 2023:

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

NOTE 10 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, 2023, the Organization has approximately \$16.2 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 patient accounts receivable from patient services and third-party payers approximates:

Medicaid	78%
Medicare	7%
Other	<u>15%</u>
Total	<u>100%</u>

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, 2023, 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.

NOTE 11 NOTES PAYABLE AND RECEIVABLE

Promissory and Other Notes

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, 2023 totaled \$2,520,000.

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 2023, interest expense related to these loans and expensed in the statement of activities totaled \$211,652.

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 2023, 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, 2023 totaled \$448,752.

The note agreements also have various financial and negative covenants, including certain reporting requirements. As of June 30, 2023, 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, 2023 are as follows:

Notes Receivable:

New Markets Loan Fund

\$ 16,026,851

Notes Payable:

DHCD Loan	\$ 2,520,000
QLICI Loan A	9,170,350
QLICI Loan B	14,550,000
	<u>26,240,350</u>
Less: Debt Issuance Costs	(151,143)
	<u>\$ 26,089,207</u>

Minimum annual payments are as follows:

Year	Debt Principals	Less: Debt Issuance Costs	Total
2024	\$ 360,000	\$ 62,542	\$ 297,458
2025	360,000	62,542	297,458
2026	360,000	26,059	333,941
Thereafter	25,160,350	-	25,160,350
Total	<u>\$ 26,240,350</u>	<u>\$ 151,143</u>	<u>\$ 26,089,207</u>

NOTE 12 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.
- ... 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.

Approximately 85% of patient service fees for the year ended June 30, 2023 is from participation in the Medicaid and Medicare programs.

Medicaid	\$ 1,647,516
Medicare	159,515
Other	357,190
	<u>\$ 2,164,221</u>

NOTE 13 IN-KIND CONTRIBUTIONS

The Organization receives various in-kind services and donated goods – legal, medical services and supplies, food and clothing. For the year ended June 30, 2023, in-kind contributions revenue totaled \$4,758,835. These in-kind services and goods were used in the following program services:

Legal	\$ 4,099,546
Medical Services and Supplies	26,748
Food	585,780
Clothing	46,761
Total In-Kind Contributions	<u>\$ 4,758,835</u>

NOTE 14 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, 2023, the Organization made a discretionary contribution to the Plan of \$333,567 which is included in accounts payable and accrued expenses as of June 30, 2023.

Deferred Compensation Plan

In fiscal year 2022, 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, 2023 totaled \$90,789. Bread for the City transferred \$90,789 to the deferred compensation investment account in fiscal year 2023.

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, 2023:	
Cash and cash equivalents	\$13,607,671
Pledges, Grants and Contracts Receivable	2,548,945
Patient and Other Receivables	777,331
Other Current Assets	378,327
Investments	86,642
Total financial assets available to meet cash needs for general expenditures within one year	<u>17,398,916</u>
Less amounts unavailable for general expenditures within one year:	
Pledges, Grants and Contracts Receivable with purpose restrictions	(200,000)
Donor restricted assets	(2,133,720)
Prepaid Assets	(278,423)
Advances and Other	(99,903)
Total amounts not available to be used within one year	<u>(2,712,046)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$14,686,870</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. Subsequent to year end the Organization received revised rates from the government. The rate changes resulted in amounts due to the Organization for years 2023 and 2024. The Organization has elected not to include these adjustments in the financial statements.

Litigation

Management asserts that there are no known material claims, suits, or complaints filed or pending against the Organization. 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

Other than the event noted under the Other paragraph above, the Organization has evaluated subsequent events through January 26, 2024, 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.

SUPPLEMENTAL CONSOLIDATED SCHEDULES

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2023

	<u>BFC</u>	<u>Bread</u>	<u>Eliminations</u>	<u>2023</u>
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$13,445,088	\$ -	\$ -	\$13,445,088
Pledges, Contracts and Grants Receivables	2,448,945	100,000	-	2,548,945
Patient Service Receivable	777,331	-	-	777,331
Other Receivables	13,730	-	-	13,730
Other Assets	378,327	-	-	378,327
Assets Restricted as to Use	-	502,913	-	502,913
Investments	86,642	-	-	86,642
Intercompany Assets (Due to)	-	24,789,820	(24,789,820)	-
Funds Held for Others	5,244,803	19,610	-	5,264,413
Total Current Assets	<u>22,394,866</u>	<u>25,412,343</u>	<u>(24,789,820)</u>	<u>23,017,389</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
Right-of-Use Asset – Operating Leases	31,838	-	-	31,838
Building, Property and Equipment, net	25,443,627	2,957,928	-	28,401,555
Total Noncurrent Assets	<u>41,814,899</u>	<u>3,007,928</u>	<u>-</u>	<u>44,822,827</u>
Total Assets	<u>\$64,209,765</u>	<u>\$28,420,271</u>	<u>\$ (24,789,820)</u>	<u>\$ 67,840,216</u>
LIABILITIES AND NET ASSETS				
<i>Current Liabilities</i>				
Accounts Payable and Accrued Expenses	\$ 2,384,825	\$ 333,681	\$ -	\$ 2,718,506
Current Portion of Lease Obligation - Operating	14,521	-	-	14,521
Deferred Revenue	734,606	-	-	734,606
Intercompany Liabilities (Due From)	24,789,820	-	(24,789,820)	-
Funds Held for Others	5,177,966	28,295	-	5,206,261
Total Current Liabilities	<u>33,101,738</u>	<u>361,976</u>	<u>(24,789,820)</u>	<u>8,673,894</u>
<i>Noncurrent Liabilities</i>				
Noncurrent Portion of Lease Obligation - Operating	17,446	-	-	17,446
Notes and Loan Payable, net of current portion	2,520,000	23,569,207	-	26,089,207
Total Noncurrent Liabilities	<u>2,537,446</u>	<u>23,569,207</u>	<u>-</u>	<u>26,106,653</u>
Total Liabilities	<u>35,639,184</u>	<u>23,931,183</u>	<u>(24,789,820)</u>	<u>34,780,547</u>
<i>Net Assets</i>				
Without Donor Restrictions	26,486,861	4,439,088	-	30,925,949
With Donor Restrictions	2,083,720	50,000	-	2,133,720
Total Net Assets	<u>28,570,581</u>	<u>4,489,088</u>	<u>-</u>	<u>33,059,669</u>
Total Liabilities and Net Assets	<u>\$64,209,765</u>	<u>\$28,420,271</u>	<u>\$ (24,789,820)</u>	<u>\$ 67,840,216</u>

BREAD FOR THE CITY, INC. AND BREAD INC.
CONSOLIDATED SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	BFC			BREAD			Eliminations	CONSOLIDATED		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Revenue										
Contributions, Contracts and Grants	\$ 11,444,934	\$ 6,308,087	\$17,753,021	\$ 2,162	\$ -	\$ 2,162	\$ -	\$ 11,447,096	\$ 6,308,087	\$ 17,755,183
Patient Service Fees	2,164,221	-	2,164,221	-	-	-	-	2,164,221	-	2,164,221
In-Kind Contributions	4,758,835	-	4,758,835	-	-	-	-	4,758,835	-	4,758,835
Interest, Dividend and Other Income	1,092,770	-	1,092,770	843	-	843	-	1,093,613	-	1,093,613
<i>Net Assets Released from Restrictions:</i>	<u>5,778,683</u>	<u>(5,778,683)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,778,683</u>	<u>(5,778,683)</u>	<u>-</u>
Total Revenue	<u>25,239,443</u>	<u>529,404</u>	<u>25,768,847</u>	<u>3,005</u>	<u>-</u>	<u>3,005</u>	<u>-</u>	<u>25,242,448</u>	<u>529,404</u>	<u>25,771,852</u>
Expenses										
<i>Program Services:</i>										
Social Services	3,703,427	-	3,703,427	-	-	-	-	3,703,427	-	3,703,427
Medical Services	4,634,359	-	4,634,359	-	-	-	-	4,634,359	-	4,634,359
Food Program	5,366,840	-	5,366,840	-	-	-	-	5,366,840	-	5,366,840
Legal Services	7,236,840	-	7,236,840	-	-	-	-	7,236,840	-	7,236,840
Advocacy and Community Development	1,031,439	-	1,031,439	-	-	-	-	1,031,439	-	1,031,439
Clothing Program	233,359	-	233,359	-	-	-	-	233,359	-	233,359
Total Program Services	<u>22,206,264</u>	<u>-</u>	<u>22,206,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,206,264</u>	<u>-</u>	<u>22,206,264</u>
<i>Supporting Services:</i>										
Fundraising	2,198,955	-	2,198,955	220	-	220	-	2,199,175	-	2,199,175
Administration	1,243,073	-	1,243,073	629,718	-	629,718	-	1,872,791	-	1,872,791
Total Supporting Services	<u>3,442,028</u>	<u>-</u>	<u>3,442,028</u>	<u>629,938</u>	<u>-</u>	<u>629,938</u>	<u>-</u>	<u>4,071,966</u>	<u>-</u>	<u>4,071,966</u>
Total Expenses	<u>25,648,292</u>	<u>-</u>	<u>25,648,292</u>	<u>629,938</u>	<u>-</u>	<u>629,938</u>	<u>-</u>	<u>26,278,230</u>	<u>-</u>	<u>26,278,230</u>
Insurance Claim Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenue Over Operating Expenses	<u>(408,849)</u>	<u>529,404</u>	<u>120,555</u>	<u>(626,933)</u>	<u>-</u>	<u>(626,933)</u>	<u>-</u>	<u>(1,035,782)</u>	<u>529,404</u>	<u>(506,378)</u>
Increase (Decrease) in Net Assets	<u>(408,849)</u>	<u>529,404</u>	<u>120,555</u>	<u>(626,933)</u>	<u>-</u>	<u>(626,933)</u>	<u>-</u>	<u>(1,035,782)</u>	<u>529,404</u>	<u>(506,378)</u>
Net Assets, Beginning of Year	<u>26,895,709</u>	<u>1,554,316</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>
Net Assets, End of Year	<u>\$ 26,486,860</u>	<u>\$ 2,083,720</u>	<u>\$28,570,580</u>	<u>\$ 4,439,089</u>	<u>\$ 50,000</u>	<u>\$4,489,089</u>	<u>\$ -</u>	<u>\$ 30,925,949</u>	<u>\$ 2,133,720</u>	<u>\$ 33,059,669</u>

UNIFORM GUIDANCE

**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, 2023, 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 January 26, 2024.

Report on 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.

Report on 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.

January 26, 2024
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**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Bread for the City, Inc. and Bread Inc. (collectively referred to as “the Organization”) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the Organization complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Bert Smith & Co.

January 26, 2024
Washington, D.C.

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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>			
Community Development Block Grant – D.C. Department of Housing and Community Development	14.218	2018-25	\$ 3,600,000
Total CDBG Entitlement Grants Cluster			<u>3,600,000</u>
Capacity Building for Community Development and Affordable Housing – Local Initiative Support Corporation	14.252	-	<u>10,800</u>
Total U.S. Department of Housing and Community Development			<u>3,610,800</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Direct Program:</i>			
Health Resources and Services Administration – Health Center Program	93.224	N/A	<u>1,346,186</u>
Total Health Center Program			<u>1,346,186</u>
<i>Indirect Program: Pass-through Program From:</i>			
Family Planning Services – Unity Healthcare	93.217	-	<u>97,976</u>
Total U.S. Department of Health and Human Services			<u>1,444,162</u>
<u>U.S. Department of Homeland Security</u>			
<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	<u>13,000</u>
Total U.S. Department of Homeland Security			<u>51,100</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, 2023

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 the Treasury</u>			
<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	17,069
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Community Lawyering Project	21.027	#22-ATJ-2021-1165	38,793
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Domestic Violence Community Legal Services	21.027	#22-ATJ-2021-1188	35,431
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Housing Preservation Project	21.027	#22-CLCPP-2021-1163	173,946
Coronavirus State and Local Fiscal Recovery Funds - D.C. Bar Foundation – Diversion Eviction Grant	21.027	#22-ATJ-2021-2489	53,233
Access to Justice Subgrant	21.027	#23-ATJ-2022-1349	71,996
Access to Justice Subgrant	21.027	#23-ATJ-2022-1421	92,314
Access to Justice Subgrant	21.027	#23-ATJ-2022-1422	196,370
Access to Justice Subgrant	21.027	#23-ATJ-2022-1346	42,225
Civil Legal Counsel Project Program	21.027	#23-CLCPP-2022-1420	299,311
Total U.S. Department of the Treasury			<u>1,020,688</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,126,750</u></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, 2023

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, 2023. 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 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.

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, 2023, the outstanding balance on the loan in the financial statements totaled \$2,520,000.

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, 2023

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 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, 2023

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, 2023

Section III: Federal Award Findings and Questioned Costs

None Reported

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
YEAR ENDED JUNE 30, 2023

Section IV – Current Year Corrective Action Plan

No Findings Reported

BREAD FOR THE CITY, INC. AND BREAD INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
YEAR ENDED JUNE 30, 2023

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

Finding	CFDA	Finding	Questioned Costs	Status
2022-001	93.224/93.527	The SF-425 report included transactions that were outside of the stipulated reporting period.	\$161,928	Resolved