

**Bread for the World, Inc. and Affiliate**

Consolidated Financial Statements  
and Independent Auditors' Report

December 31, 2019

(With Summarized Financial Information for December 31, 2018)

# **Bread for the World, Inc. and Affiliate**

## Consolidated Financial Statements

December 31, 2019

(With Summarized Financial Information for December 31, 2018)

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Bread for the World, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Bread for the World, Inc. and Affiliate (collectively, "the Organization"), which comprise the consolidated statement of financial position as of December 31, 2019; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, 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.

***Emphasis of Matter***

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited the Organization's December 31, 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 25, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 22-23 is 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 accounting principles 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.



Vienna, Virginia  
May 1, 2020

## Bread for the World, Inc. and Affiliate

### Consolidated Statement of Financial Position

December 31, 2019

(With Summarized Financial Information for December 31, 2018)

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,973,764	\$ 5,171,933
Pledges receivable	2,177,483	2,293,137
Due from the Alliance	308,787	176,221
Investments	10,022,943	9,784,634
Prepaid expenses	162,849	284,873
Total current assets	16,645,826	17,710,798
Deposits	237,515	237,515
Pledges receivable, long-term, net	766,468	568,481
Property and equipment, net	496,879	424,653
Total assets	\$ 18,146,688	\$ 18,941,447
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,184,234	\$ 1,087,945
Total current liabilities	1,184,234	1,087,945
Deferred rent and lease incentive liability	453,620	687,665
Total liabilities	1,637,854	1,775,610
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	6,598,637	9,044,778
Board-designated (Founder's Fund)	4,386,628	3,670,509
Total without donor restrictions	10,985,265	12,715,287
With donor restrictions	5,523,569	4,450,550
Total net assets	16,508,834	17,165,837
Total liabilities and net assets	\$ 18,146,688	\$ 18,941,447

See accompanying notes.

**Bread for the World, Inc. and Affiliate**

Consolidated Statement of Activities  
For the Year Ended December 31, 2019  
(With Summarized Financial Information for the Year Ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>Operating Revenue and Support</b>				
Contributions and membership	\$ 7,209,754	\$ 3,122,440	\$ 10,332,194	\$ 8,907,290
Foundation grants	11,201	625,816	637,017	3,318,439
Endowments and bequests	940,320	22,902	963,222	1,007,632
Conferences and events	4,972	-	4,972	-
Other income	182,332	-	182,332	46,897
Sales of materials	37,063	-	37,063	47,593
Net assets released from restrictions:				
Satisfaction of program restrictions	1,119,742	(1,119,742)	-	-
Satisfaction of time restrictions	1,648,691	(1,648,691)	-	-
<b>Total operating revenue and support</b>	<u>11,154,075</u>	<u>1,002,725</u>	<u>12,156,800</u>	<u>13,327,851</u>
<b>Expenses</b>				
Program services:				
Public education	6,353,067	-	6,353,067	5,620,580
Outreach and advocacy	2,657,042	-	2,657,042	2,585,730
Public policy	2,663,951	-	2,663,951	2,221,777
<b>Total program services</b>	<u>11,674,060</u>	<u>-</u>	<u>11,674,060</u>	<u>10,428,087</u>
Supporting services:				
Fundraising	1,290,730	-	1,290,730	1,129,365
Management and general	695,591	-	695,591	808,384
<b>Total supporting services</b>	<u>1,986,321</u>	<u>-</u>	<u>1,986,321</u>	<u>1,937,749</u>
<b>Total expenses</b>	<u>13,660,381</u>	<u>-</u>	<u>13,660,381</u>	<u>12,365,836</u>
<b>Change in Net Assets from Operations</b>	(2,506,306)	1,002,725	(1,503,581)	962,015
<b>Non-Operating Activity</b>				
Net investment return	725,059	121,519	846,578	(288,855)
<b>Change in Net Assets</b>	(1,781,247)	1,124,244	(657,003)	673,160
<b>Net Assets, beginning of year</b>	<u>12,766,512</u>	<u>4,399,325</u>	<u>17,165,837</u>	<u>16,492,677</u>
<b>Net Assets, end of year</b>	<u>\$ 10,985,265</u>	<u>\$ 5,523,569</u>	<u>\$ 16,508,834</u>	<u>\$ 17,165,837</u>

See accompanying notes.

**Bread for the World, Inc. and Affiliate**

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Program Services				Supporting Services		2019 Total	2018 Total
	Public Education	Outreach and Advocacy	Public Policy	Total Program Services	Fundraising	Management and General		
Salaries	\$ 2,307,434	\$ 1,493,666	\$ 1,287,230	\$ 5,088,330	\$ 317,152	\$ 203,908	\$ 5,609,390	\$ 5,235,022
Employee benefits	753,197	459,114	408,284	1,620,595	131,265	74,777	1,826,637	1,604,099
Professional fees and contracts	1,211,955	64,226	467,436	1,743,617	164,423	80,996	1,989,036	1,380,378
Facilities	412,310	172,670	167,261	752,241	89,740	237,824	1,079,805	1,017,512
Printing, production, and design	59,751	5,300	1,853	66,904	846	229	67,979	82,808
Travel	159,579	273,109	65,035	497,723	26,931	20,158	544,812	440,164
Meetings and conferences	23,453	62,087	80,895	166,435	43,845	135	210,415	234,962
Office supplies, postage, and telephone	96,561	29,076	17,386	143,023	31,242	23,845	198,110	156,933
Depreciation and amortization	79,303	32,954	38,493	150,750	10,474	40,125	201,349	153,975
Membership services	1,056,014	5,500	9,000	1,070,514	391,381	-	1,461,895	1,596,713
Other expenses	171,414	47,428	113,554	332,396	79,384	2,175	413,955	376,241
Grants	-	-	-	-	-	-	-	31,228
Computer services and supplies	22,096	11,912	7,524	41,532	4,047	11,419	56,998	55,801
<b>Total Expenses</b>	<b>\$ 6,353,067</b>	<b>\$ 2,657,042</b>	<b>\$ 2,663,951</b>	<b>\$ 11,674,060</b>	<b>\$ 1,290,730</b>	<b>\$ 695,591</b>	<b>\$ 13,660,381</b>	<b>\$ 12,365,836</b>

See accompanying notes.

**Bread for the World, Inc. and Affiliate**

Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2019  
(With Summarized Financial Information for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (657,003)	\$ 673,160
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	201,349	153,975
Realized and unrealized (gain) loss on investments	(632,243)	503,799
Change in discount – pledges receivable	(5,877)	13,261
Contributions to donor restricted endowments	-	(100,267)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(76,456)	(628,765)
Due from the Alliance	(132,566)	(16,756)
Prepaid expenses	122,024	10,383
Increase (decrease) in:		
Accounts payable and accrued expenses	96,289	153,632
Deferred rent and lease incentive liability	(234,045)	(216,263)
Net cash (used in) provided by operating activities	<u>(1,318,528)</u>	<u>546,159</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	1,084,828	89,989
Purchases of investments	(690,894)	(94,502)
Purchases of property and equipment	(273,575)	-
Net cash provided by (used in) investing activities	<u>120,359</u>	<u>(4,513)</u>
<b>Cash Flows from Financing Activity</b>		
Contributions to donor restricted endowments	-	100,267
Net cash provided by financing activity	<u>-</u>	<u>100,267</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,198,169)	641,913
<b>Cash and Cash Equivalents, beginning of year</b>	<u>5,171,933</u>	<u>4,530,020</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 3,973,764</u>	<u>\$ 5,171,933</u>

See accompanying notes.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2019

### **1. Nature of Operations**

Bread for the World, Inc. (“Bread”) was established to organize Christians in the United States from various church bodies to advocate policies, both governmental and nongovernmental, that will help combat hunger and poverty in the United States of America and throughout the world. Bread for the World Institute, Inc. (“the Institute”) was established to conduct and gather impartial, scientific research and analysis of the causes, nature, and prevention of poverty and hunger in the United States of America and throughout the world. The dissemination of the results of such research and analysis is by means of printed and electronic materials, discussions, lectures, ecumenical liturgies, and other appropriate media. These activities are funded primarily through contributions and memberships, foundation grants, endowments, bequests, and gift annuities.

### **2. Summary of Significant Accounting Policies**

#### Principles of Consolidation

The accompanying consolidated financial statements include the account balances of Bread and the Institute (collectively, “the Organization”). Bread and the Institute have separate and distinct governance structures that share the same volunteers who serve as members on both Boards of Directors. Bread and the Institute also share common facilities and personnel and have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated in consolidation.

#### Basis of Accounting and Presentation

The Organization’s consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for the Board-designated endowment.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition of cash equivalents are amounts held for investment.

#### Pledges Receivable

Pledges receivable represent unconditional promises to give. Amounts to be collected more than a year after the consolidated statement of financial position date are recorded net of a present value discount. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the promises are to be received. The Organization provides an allowance for doubtful pledges using the allowance method, which is based on management's judgment, considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the amounts are written-off against the related allowance. At December 31, 2019, no allowance was recorded as management believes that all pledges are fully collectible.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### Investments

Investments are stated at fair value. The estimated fair values of investments in the Evangelical Lutheran Church in America (ELCA) Endowment Pooled Trust Fund, which is subject to certain withdrawal restrictions, are provided by the external investment manager and may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of valuation for these investments and in certain underlying investments held by the fund manager, values for those investments may differ from values that would have been used had a ready market for the investments existed. The Organization reviews and evaluates the values provided by its investment manager and agrees with the valuation methods and assumptions used in determining the fair value. Unrealized gains and losses are reported as a component of investment return and are included in the accompanying consolidated statement of activities.

#### Property and Equipment

Property and equipment purchased at a cost of \$5,000 or more and with an estimated life exceeding one year are capitalized and recorded at acquisition cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years. Leasehold improvements are amortized over the shorter of the estimated useful life or the original life of the lease. Expenditures for repairs and maintenance are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the accounts, and the resulting gain or loss is included in revenue and support or expenses in the accompanying consolidated statement of activities.

#### Revenue Recognition

The Organization recognizes contributions (including foundation grants, endowments, and bequests) when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Membership, which is nonrefundable, is made up entirely of a contribution element, which is recognized immediately.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Advertising Costs

Advertising costs are expensed as incurred, and approximated \$1,580,306 during the year ended December 31, 2019.

#### Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes investment return.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

#### Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2018 consolidated financial statements, from which the summarized information was derived.

#### Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the change in net assets previously reported.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### Adopted Accounting Pronouncements

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted, if applicable, the presentation in these consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

#### Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

#### Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 1, 2020, the date the consolidated financial statements were available to be issued.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Subsequent Events (continued)

The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on the donors, employees, and vendors, all which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

### 3. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews the Organization's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in corporate and government bonds, and mutual funds.

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of contractual restrictions or internal Board designations. Amounts not available include Board-designated funds. In the event the need arises to utilize the Board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 3,973,764
Pledges receivable due in less than one year	2,177,483
Due from the Alliance	308,787
Investments	10,022,943
Less: Board-designated funds	(4,386,628)
Less: restricted by donors with purpose and time restrictions	<u>(5,523,569)</u>
Total available for general expenditures	<u>\$ 6,572,780</u>

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, investments, and pledges receivable. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal. Pledges receivable consist primarily of amounts due from individual donors. Management believes the credit risk related to these receivables is minimal.

### 5. Pledges Receivable

Pledges receivable are due as follows at December 31, 2019:

Due in less than one year	\$ 2,177,483
Due in one to five years	<u>802,110</u>
Total pledges receivable	2,979,593
Less: present value discount (at 2.3%)	<u>(35,642)</u>
Pledges receivable, net	<u><u>\$ 2,943,951</u></u>

### 6. Investments and Fair Market Value Measurements

The Organization follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 6. Investments and Fair Market Value Measurements (continued)

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels are recognized at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments and consists of the Organization's money markets and mutual funds. The ELCA Endowment Pooled Trust Fund is valued at the fund's net asset value (NAV), as provided by the investee fund management, unless other factors lead to a determination of fair value at a different amount. These adjustments are made in cases in which certain features and conditions of the investment warrant a further adjustment (either a discount or premium) to NAV, such as recent financial information received. As of December 31, 2019, funds valued at NAV are classified within Level 2, if the notice period for redemption is 90 days or less.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Alternative investments:				
ELCA Endowment				
Pooled Trust Fund	\$ -	\$ 4,539,990	\$ -	\$ 4,539,990
Money markets	4,417,975	-	-	4,417,975
Mutual funds – equity:				
Balanced funds	188,675	-	-	188,675
Stock funds	159,907	-	-	159,907
Mutual funds – fixed income	716,396	-	-	716,396
Total investments	\$ 5,482,953	\$ 4,539,990	\$ -	\$ 10,022,943

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 6. Investments and Fair Market Value Measurements (continued)

The following information pertains to those alternative investments recorded at NAV as of December 31, 2019:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
ELCA Endowment Pooled Trust Fund	\$ 4,539,990	n/a	10 days

There were no unfunded commitments for the above fund as of December 31, 2019.

Net investment return consists of the following for the year ended December 31, 2019:

Interest and dividends	\$ 227,723
Net realized and unrealized gain	632,243
Less: investment fees	<u>(13,388)</u>
Total investment return, net	<u>\$ 846,578</u>

### 7. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Leasehold improvements	\$ 1,806,973
Furniture and equipment	223,327
Software	<u>27,010</u>
Total property and equipment	2,057,310
Less: accumulated depreciation and amortization	<u>(1,560,431)</u>
Property and equipment, net	<u>\$ 496,879</u>

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 8. Net Assets With Donor Restrictions

At December 31, 2019, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:		
Public education and other programs	\$	2,244,323
Subject to the passage of time:		
Time restricted		2,443,953
Endowments:		
Subject to appropriation and expenditure when specified event occurs		157,219
Subject to endowment spending policy		678,074
		<hr/>
Total net assets with donor restrictions	\$	<u>5,523,569</u>

### 9. Endowment

Bread and the Institute's endowment includes both donor-restricted endowment funds and funds designated by the Boards of Directors to function as an endowment. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Boards of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Boards of Directors of Bread and the Institute have interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Bread and the Institute classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Bread and the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA.

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2019

### **9. Endowment (continued)**

#### Interpretation of Relevant Law (continued)

In accordance with UPMIFA, Bread and the Institute consider the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of Bread and the Institute and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of Bread and the Institute; and (7) investment policies of both Bread and the Institute.

#### Return Objectives, Risk Parameters, and Strategies

Bread and the Institute follow a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Should significant, new donations be made to the endowment assets, both Bread and the Institute's investment policy would permit a strategy of long-term growth of the endowment assets. Under such a policy, the endowment assets would be invested in a manner that is intended to produce results exceeding major investment benchmarks while assuming a moderate level of risk. All earnings of the investments are reinvested within both the Board-designated and donor-restricted endowment funds.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

Bread and the Institute have a policy of appropriating 5% of the trailing four-year average of the endowed assets for use in operations each year. Bread and the Institute intend for the Board-designated endowment to be used only upon approval of 2/3 of the members of the Boards of Directors with fiduciary authority.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by both Bread and the Institute in net assets without donor restrictions. There were no fund deficiencies for the year ended December 31, 2019.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 9. Endowment (continued)

#### Composition of Funds

Endowment net asset composition was as follows at December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 4,386,628	\$ -	\$ 4,386,628
Donor-restricted endowment funds	<u>-</u>	<u>835,293</u>	<u>835,293</u>
Total funds	<u>\$ 4,386,628</u>	<u>\$ 835,293</u>	<u>\$ 5,221,921</u>

#### Changes in Endowment Net Assets

For the year ended December 31, 2019, changes in endowment net assets were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds, December 31, 2018	\$ 3,670,509	\$ 745,748	\$ 4,416,257
Investment return:			
Interest and dividends	144,899	27,923	172,822
Realized and unrealized gain	492,752	95,627	588,379
Investment fees	<u>(10,474)</u>	<u>(2,031)</u>	<u>(12,505)</u>
Total investment return	<u>627,177</u>	<u>121,519</u>	<u>748,696</u>
Contributions	254,484	-	254,484
Appropriation of assets for expenditure	<u>(165,542)</u>	<u>(31,974)</u>	<u>(197,516)</u>
Endowment funds, December 31, 2019	<u>\$ 4,386,628</u>	<u>\$ 835,293</u>	<u>\$ 5,221,921</u>

## **Bread for the World, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2019

### **10. Retirement Plan**

Bread sponsors a defined-contribution retirement plan that covers all employees who have completed at least one year of service and have worked at least 1,000 hours. Employer contributions are discretionary and are computed as 8.6% of the participant's compensation, plus 4.3% of such compensation that exceeds 25% of the Social Security wage base (the 2019 wage base was \$132,900). For the year ended December 31, 2019, the Organization recorded contributions to the plan totaling \$575,554.

### **11. Commitments**

#### Operating Leases

The Organization leases office facilities in Washington, DC, under a noncancelable office lease, which expires on September 30, 2021. This lease agreement includes certain additional storage space in the building and contains a provision for an increase in rent of 2.5% per annum on the anniversary date of the lease for the first five years of the base rent. At the beginning of the sixth lease year, there was a one-time increase of approximately 6% of the base rent, which will revert back to the original 2.5% per annum in lease year seven through the end of the lease. All terms, covenants, and conditions of the office space lease apply with respect to the storage space, except operating charges and real estate taxes. The office lease also contains both a lease incentive (tenant allowance) for construction and rent abatements for the first ten months from the commencement date of the lease.

In accordance with accounting principles generally accepted in the United States of America, all fixed rent increases are recognized on a straight-line basis over the terms of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying consolidated statement of financial position.

On January 4, 2019, the Organization entered into a sublease with a separate organization for a portion of its current office space, which commenced on January 11, 2019, and shall terminate on September 29, 2021. The sublease agreement provided one month of rental abatement and calls for base rental payments of \$11,776, payable monthly, with a 5% escalation each year, which takes effect on the anniversary date of the lease. The difference between the straight-line rental income and the rent receipts is not reflected as deferred rent receivable in the accompanying consolidated statement of financial position due to immateriality.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 11. Commitments (continued)

#### Operating Leases (continued)

Sublease rental income was \$113,666 for the year ended December 31, 2019, and is recorded in other income in the accompanying consolidated statement of activities.

As of December 31, 2019, the future minimum rental payments required under the office lease, less sublease receipts, are as follows for the years ending December 31:

	<u>Payments</u>	<u>Receipts</u>	<u>Net</u>
2020	\$ 751,037	\$ (148,386)	\$ 602,651
2021	573,885	(116,854)	457,031
Total future minimum payments	<u>\$ 1,324,922</u>	<u>\$ (265,240)</u>	<u>\$ 1,059,682</u>

The Organization also leases office equipment under the terms of various operating leases. Rent and utilities expense totaled \$1,079,805 for the year ended December 31, 2019, and is recorded as facilities expense in the accompanying consolidated statement of functional expenses.

### 12. Related Party

The Organization shares its premises and some administrative and program personnel with the Alliance to End Hunger (“the Alliance”), an organization that is exempt from income tax under Internal Revenue Code (IRC) Section 501(c)(3). Costs are allocated between the entities based on actual expenses incurred and an overhead allocation, as described in the shared services agreement between the organizations. As of December 31, 2019, the Organization has a receivable from the Alliance in the amount of \$308,787 under this agreement. These amounts are included in the accompanying consolidated statement of financial position.

## Bread for the World, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2019

### 13. Allocation of Joint Costs

The Organization achieves some of its programmatic goals by direct mail, informational materials, and similar campaigns that include requests for donations. The cost of conducting those campaigns was allocated as follows for the year ended December 31, 2019:

Public education	\$ 1,156,184
Fundraising	<u>424,122</u>
Total joint costs	<u>\$ 1,580,306</u>

### 14. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

### 15. Income Taxes

Bread is exempt from the payment of income taxes on its exempt activities under IRC Section 501(c)(4). The Institute is exempt from the payment of income taxes on its exempt activities under IRC Section 501(c)(3). At December 31, 2019, no tax provision was made as the Organization had no significant unrelated business income. Management has evaluated the Organization's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying consolidated financial statements.

## **SUPPLEMENTARY INFORMATION**

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**Bread for the World, Inc. and Affiliate**

Consolidating Schedule of Financial Position  
December 31, 2019

	<u>Bread</u>	<u>The Institute</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 2,083,834	\$ 1,889,930	\$ -	\$ 3,973,764
Pledges receivable	893,705	1,283,778	-	2,177,483
Due from the Institute	1,748,203	-	(1,748,203)	-
Due from (to) the Alliance	343,082	(34,295)	-	308,787
Investments	2,839,095	7,183,848	-	10,022,943
Prepaid expenses	100,185	62,664	-	162,849
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	8,008,104	10,385,925	(1,748,203)	16,645,826
Deposits	-	237,515	-	237,515
Pledges receivable, long-term, net	10,000	756,468	-	766,468
Property and equipment, net	-	496,879	-	496,879
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 8,018,104</u>	<u>\$ 11,876,787</u>	<u>\$ (1,748,203)</u>	<u>\$ 18,146,688</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 1,058,628	\$ 125,606	\$ -	\$ 1,184,234
Due to Bread	-	1,748,203	(1,748,203)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	1,058,628	1,873,809	(1,748,203)	1,184,234
Deferred rent and lease incentive liability	111,165	342,455	-	453,620
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,169,793</u>	<u>2,216,264</u>	<u>(1,748,203)</u>	<u>1,637,854</u>
<b>Net Assets</b>				
Without donor restrictions:				
Undesignated	5,019,514	1,579,123	-	6,598,637
Board-designated (Founder's Fund)	502,844	3,883,784	-	4,386,628
	<hr/>	<hr/>	<hr/>	<hr/>
Total without donor restrictions	5,522,358	5,462,907	-	10,985,265
With donor restrictions	1,325,953	4,197,616	-	5,523,569
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	<u>6,848,311</u>	<u>9,660,523</u>	<u>-</u>	<u>16,508,834</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 8,018,104</u>	<u>\$ 11,876,787</u>	<u>\$ (1,748,203)</u>	<u>\$ 18,146,688</u>

**Bread for the World, Inc. and Affiliate**

Consolidating Schedule of Activities  
For the Year Ended December 31, 2019

	Bread	The Institute	Eliminations	Total
<b>Revenue and Support Without Donor Restrictions</b>				
Contributions and membership	\$ 4,075,188	\$ 3,134,566	\$ -	\$ 7,209,754
Foundation grants	-	11,201	-	11,201
Endowments and bequests	453,289	487,031	-	940,320
Conferences and events	-	4,972	-	4,972
Other income	117,742	64,590	-	182,332
Sales of materials	37,063	-	-	37,063
Net assets released from restrictions:				
Satisfaction of program restrictions	10,387	1,109,355	-	1,119,742
Satisfaction of time restrictions	797,691	851,000	-	1,648,691
<b>Total revenue and support without donor restrictions</b>	<b>5,491,360</b>	<b>5,662,715</b>	<b>-</b>	<b>11,154,075</b>
<b>Expenses</b>				
Program services:				
Public education	2,456,144	3,896,923	-	6,353,067
Outreach and advocacy	1,037,550	1,619,492	-	2,657,042
Public policy	769,358	1,894,593	-	2,663,951
<b>Total program services</b>	<b>4,263,052</b>	<b>7,411,008</b>	<b>-</b>	<b>11,674,060</b>
Supporting services:				
Fundraising	775,612	515,118	-	1,290,730
Management and general	379,754	315,837	-	695,591
<b>Total supporting services</b>	<b>1,155,366</b>	<b>830,955</b>	<b>-</b>	<b>1,986,321</b>
<b>Total expenses</b>	<b>5,418,418</b>	<b>8,241,963</b>	<b>-</b>	<b>13,660,381</b>
<b>Change in net assets without donor restrictions</b>	<b>72,942</b>	<b>(2,579,248)</b>	<b>-</b>	<b>(2,506,306)</b>
<b>Net Assets With Donor Restrictions</b>				
Contributions and membership	1,078,448	2,043,992	-	3,122,440
Foundation grants	-	625,816	-	625,816
Endowments and bequests	22,902	-	-	22,902
Released from restrictions:				
Satisfaction of program restrictions	(10,387)	(1,109,355)	-	(1,119,742)
Satisfaction of time restrictions	(797,691)	(851,000)	-	(1,648,691)
<b>Change in Net Assets from Operations</b>	<b>366,214</b>	<b>(1,869,795)</b>	<b>-</b>	<b>(1,503,581)</b>
<b>Non-Operating Activities</b>				
Net investment return – without donor restrictions	88,051	637,008	-	725,059
Net investment return – with donor restrictions	39,530	81,989	-	121,519
<b>Total non-operating activities</b>	<b>127,581</b>	<b>718,997</b>	<b>-</b>	<b>846,578</b>
<b>Change in Net Assets</b>	<b>493,795</b>	<b>(1,150,798)</b>	<b>-</b>	<b>(657,003)</b>
<b>Net Assets, beginning of year</b>	<b>6,354,516</b>	<b>10,811,321</b>	<b>-</b>	<b>17,165,837</b>
<b>Net Assets, end of year</b>	<b>\$ 6,848,311</b>	<b>\$ 9,660,523</b>	<b>\$ -</b>	<b>\$ 16,508,834</b>