

BREADCOIN FOUNDATION LTD
FINANCIAL STATEMENTS AND INDEPENDENT
ACCOUNTANTS' REVIEW REPORT

Years Ended December 31, 2022 and 2021

HOZIK & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
374 MAPLE AVENUE EAST, SUITE 305
VIENNA, VIRGINIA 22180
TELEPHONE (703) 272-7109
WEBSITE www.hozikcpa.com

*Member of the American Institute
of Certified Public Accountants*

Partners
Karen Fleming
James Hozik

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Breadcoin Foundation Ltd
Washington, DC

We have reviewed the accompanying financial statements of Breadcoin Foundation Ltd (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Foundation management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Breadcoin Foundation Ltd and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hozik & Company, P.L.C.

Vienna, Virginia
June 7, 2023

BREADCOIN FOUNDATION LTD
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash	\$ 258,384	\$ 154,454
Cash reserve for future Breadcoin redemptions	113,795	71,717
Accounts receivable	7,410	-
Contributions receivable	-	12,290
Micro loans receivable	13,097	-
Breadcoin inventory	75,756	50,252
Prepaid expenses	<u>1,180</u>	<u>970</u>
	469,622	289,683
PROPERTY AND EQUIPMENT		
Computer	1,112	-
Website	7,200	-
Accumulated depreciation and amortization	<u>(817)</u>	<u>-</u>
	7,495	-
TRADEMARK	<u>1,500</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 478,617</u>	<u>\$ 289,683</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Account payable and accrued expenses	\$ 33,080	\$ 26,390
Liability for Breadcoins not yet redeemed	<u>113,795</u>	<u>71,717</u>
	146,875	98,107
NET ASSETS		
Without donor restrictions		
Undesignated	291,742	191,576
With donor restrictions	<u>40,000</u>	<u>-</u>
	<u>331,742</u>	<u>191,576</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 478,617</u>	<u>\$ 289,683</u>

See accompanying notes and independent accountants' review report.

BREADCOIN FOUNDATION LTD
 STATEMENTS OF ACTIVITIES
 Years ended December 31, 2022 and 2021

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions
SUPPORT AND REVENUE				
Contributions and grants	\$ 360,420	\$ 40,000	\$ 400,420	\$ 275,273
Donated legal services	1,500	-	1,500	-
Donated food and supplies	911	-	911	-
Sale of Breadcoin and related fees	65,020	-	65,020	29,565
Interest income	240	-	240	-
TOTAL SUPPORT AND REVENUE	428,091	40,000	468,091	304,838
EXPENSES				
Program	281,771	-	281,771	158,727
General and administrative	44,491	-	44,491	19,170
Fundraising	1,663	-	1,663	170
	327,925	-	327,925	178,067
INCREASE IN NET ASSETS	100,166	40,000	140,166	126,771
NET ASSETS AT BEGINNING OF YEAR	191,576	-	191,576	64,805
NET ASSETS AT END OF YEAR	\$ 291,742	\$ 40,000	\$ 331,742	\$ 191,576

See accompanying notes and independent accountants' review report.

BREADCOIN FOUNDATION LTD
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2022 and 2021

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2022</u>	<u>2021</u>
Increase in net assets	\$ 140,166	\$ 126,771
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	817	-
In-kind donation of legal services for trademark	(1,500)	-
Changes in operating assets and liabilities:		
Accounts receivable	(7,410)	(23,856)
Contributions receivable	12,290	16,792
Micro loans receivable	(13,097)	-
Breadcoin inventory	(25,504)	(35,092)
Prepaid expenses	(210)	(970)
Accounts payable and accrued expenses	6,690	24,855
Liability for Breadcoins not yet redeemed	42,078	37,413
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>154,320</u>	<u>145,913</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(8,312)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(8,312)</u>	<u>-</u>
INCREASE IN CASH AND CASH RESERVE	146,008	145,913
 CASH AND CASH RESERVE AT BEGINNING OF YEAR	<u>226,171</u>	<u>80,258</u>
CASH AND CASH RESERVE AT END OF YEAR	<u>\$ 372,179</u>	<u>\$ 226,171</u>

SUPPLEMENTAL INFORMATION

Noncash operating activity:

In-kind donation of legal services for trademark	\$ 1,500	\$ -
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See accompanying notes and independent accountants' review report.

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2022 and 2021

NOTE 1 - NATURE OF ACTIVITIES

Breadcoin Foundation Ltd (the “Foundation”) was incorporated in the District of Columbia on November 28, 2017. The Foundation mints and distributes Breadcoins - a food token that works like a community-wide gift certificate - for the purchase food at participating locations. The community uses Breadcoins to ensure the hungry are fed, to set community tables inclusive of marginalized populations, and to promote food vendors that are committed to feeding their communities. The Foundation funds its programs and supporting services primarily through contributions and grants and sales of Breadcoins.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, revenues and expenses are recognized in the period to which they relate.

Basis of Presentation

In accordance with the *Not-For-Profit Entities-Presentation of Financial Statements* sub topic of the FASB Accounting Standards Codification, the Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors that will be satisfied by action of the Foundation or by the passage of time.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions are accounted for in accordance with the *Not-For-Profit Entities - Revenue Recognition* topic of the FASB Accounting Standards Codification. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) net assets are reclassified from net assets with donor restrictions to net asset without donor restrictions in the statements of activities as net assets released from restrictions. Contributions with donor restrictions that are received and released in the same year are

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

reported as contributions without donor restrictions in the statements of activities.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded as revenue at their fair values in the period received. Donated legal services are valued at discounted hourly rates charged for those services. Donated food and supplies are valued at their retail value.

During 2022, the Foundation received contributed legal services and food and supplies for general operations. The fair value of the in-kind donations is as follows:

Legal services for trademark	\$1,500
Food and supplies	<u>911</u>
	<u>\$2,411</u>

The fair value of legal services for the trademark has been recognized as an asset and an in-kind contribution in the accompanying financial statements. The fair value of the food and supplies has been recognized as an in-kind contribution and expense in the accompanying financial statements. There were no in-kind donations in 2021.

Sale of Breadcoins and Related Fees

The Foundation's revenue from contracts with customers (purchasers of Breadcoins) is comprised of the sale of Breadcoins and related fees. All of the revenue for the sale of Breadcoins and related fees is recognized at the time the Breadcoin is sold. Payment for the sale of Breadcoins and related fees is due at the time of the sale. At December 31, 2022 and 2021, contract receivables consisted of \$7,410 and \$0 of accounts receivable from purchasers of Breadcoins, respectively. There were no contract assets or contract liabilities at December 31, 2022 and 2021.

Financial and Credit Risks

The Foundation maintains cash balances in financial institutions, which at times may exceed Federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash.

Cash and Cash Reserve

Cash consists of a checking account, of which a portion is allocated to the cash reserve for future Breadcoin redemptions.

The following table provides a reconciliation of cash and cash reserve reported within the statements of financial position that sum to the total of the same such amounts as shown in the statements of cash flows as of December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$258,384	\$154,454

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Reserve (Continued)

Cash reserve for future Breadcoin redemptions	113,795	71,717
Total cash and cash reserve as shown in the statements of cash flows	<u>\$372,179</u>	<u>\$226,171</u>

Accounts Receivable

Accounts receivable are reported on the statements of financial position at outstanding principal balance adjusted for any write-offs. Uncollectible accounts receivables are written off when they are finally determined to be uncollectible. Receivables are considered past due based on contractual payment terms. No allowance for doubtful accounts is considered necessary at December 31, 2022 and 2021.

Contributions Receivable

Unconditional contributions are recognized as revenue in the period received. Conditional contributions are recognized only when the conditions on which they depend are substantially met and the contributions become unconditional. Uncollectible accounts receivable are written off when it is finally determined they are uncollectible. Contributions receivable at December 31, 2021 were collected in the subsequent year. No allowance for doubtful accounts was necessary at December 31, 2021.

Micro Loans Receivable

Micro loans receivable are recorded at their outstanding principal balance plus accrued interest. Interest on the micro loans receivable are recorded as earned over the term of the loan. Micro loans receivable are considered past due based on contractual payment terms. No allowance for doubtful micro loans receivable was necessary at December 31, 2022. There were no micro loans receivable at December 31, 2021.

Breadcoin Inventory

Inventory, which consists of Breadcoins, is recorded at the lower of cost (average cost method) or net realizable value.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value if donated. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets of five years. The Foundation's policy is to capitalize all purchases or donations of property and equipment in excess of \$500.

Trademark

The trademark is recorded at cost.

Functional Allocation of Expenses

The cost of providing program and other activities has been summarized on a functional basis in the statements of activities. Expenses directly attributable to a specific functional area of

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

the Foundation are reported as expenses of those functional areas. Salary and benefit expenses been allocated across program and other supporting services based on the estimated time and effort spent by the employees in each area. Depreciation and amortization expense has been allocated based on the salary and benefit expense allocation.

Income Taxes

The Foundation is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2022, the federal and state statute of limitations remains open for the December 31, 2019 through the December 31, 2022 tax years.

Reclassification

Certain balances at December 31, 2021 have been reclassified to conform to the December 31, 2022 presentation.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 7, 2023, the date the financial statements were available to be issued. See Note 10.

New Accounting Standard

During February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) No. 2016-02, *Leases (Topic 842)* (“ASC 842”). Under the new standard, lessees are required to recognize the following for all leases with a term of twelve months or greater at the commencement date: (a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use (“ROU”) asset, representing the lessee’s right to use, or control the use of, a specified asset for the lease term. Leases are classified as either operating or finance leases (formerly referred to as capital leases). Recognition, measurement, and presentation of expenses and cash flows arising from a lease are determined by a lease’s classification. The Foundation adopted the new standard on January 1, 2022. The Foundation had no leases during 2022 and therefore there was no impact to the Foundation’s financial statements.

In September of 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard improves transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is applied retrospectively and is effective for years beginning after June 15, 2021. Management adopted ASU 2020-07 effective January 1, 2022. There was no material impact to the financial statements as a result of adoption.

BREADCOIN FOUNDATION LTD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2022 and 2021:

Financial assets at year end:	<u>2022</u>	<u>2021</u>
Cash	\$258,384	\$154,454
Cash reserve for future Breadcoin redemptions	113,795	71,717
Accounts receivable	7,410	-
Contributions receivable	-	12,290
Micro loans receivable	<u>13,097</u>	<u>-</u>
	392,686	238,461
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>(40,000)</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$352,686</u>	<u>\$238,461</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 4 - MICRO LOANS RECEIVABLE

Micro loans receivable from vendors are repayable in monthly installments with interest rates of 5.50% and 5.92% and maturity dates through September 2024.

Micro loans receivable at December 31, 2022 are expected to be paid as follows:

<u>Year ending December 31,</u>	
2023	\$8,052
2024	<u>5,045</u>
	<u>\$13,097</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 were restricted for establishing Breadcoin Tampa. There were no net assets with donor restrictions at December 31, 2021.

NOTE 6 - MAJOR CONTRIBUTIONS AND GRANTS

Approximately 12% of support and revenue for the year ended December 31, 2022 was provided by one donor. Approximately 18% of support and revenue for the year ended December 31, 2021 was provided by one donor.

BREADCOIN FOUNDATION LTD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - RELATED PARTY TRANSACTIONS

Transactions with related parties during the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Contributions from Board members	\$82,534	\$75,554

NOTE 8 - SIMPLE IRA PLAN

The Foundation established a SIMPLE IRA plan as of October 1, 2022 as a fringe benefit for its employees. Eligible employees, as defined in the plan document, are allowed to contribute to the plan subject to the IRS limits. The Foundation is required to make a matching contribution equal to the employee's contribution up to of 3% of compensation.

The total expense for the SIMPLE IRA plan for 2022 is \$630.

NOTE 9 - FUNCTIONAL EXPENSES

The costs of providing the various programs and activities for the year ended December 31, 2022 have been summarized on a functional basis below.

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Vendor redemptions	\$ 212,617	\$ -	\$ -	\$ 212,617
Community network contractors	47,450	-	-	47,450
Salary and benefits	15,658	7,829	-	23,487
Contract services	1,666	27,192	355	29,213
Transaction fees	-	5,377	-	5,377
Miscellaneous expenses	3,493	400	-	3,893
Technology	233	1,728	1,308	3,269
Insurance	-	1,802	-	1,802
Depreciation and amortization	654	163	-	817
	<u>\$ 281,771</u>	<u>\$ 44,491</u>	<u>\$ 1,663</u>	<u>\$ 327,925</u>

The costs of providing the various programs and activities for the year ended December 31, 2021 have been summarized on a functional basis below.

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Vendor redemptions	\$ 212,617	\$ -	\$ -	\$ 212,617
Community network contractors	47,450	-	-	47,450
Salary and benefits	15,658	7,829	-	23,487
Contract services	1,666	27,192	355	29,213
Transaction fees	-	5,377	-	5,377
Miscellaneous expenses	3,493	400	-	3,893
Technology	233	1,728	1,308	3,269

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - FUNCTIONAL EXPENSES (CONTINUED)

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Insurance	-	1,802	-	1,802
Depreciation and amortization	654	163	-	817
	<u>\$ 281,771</u>	<u>\$ 44,491</u>	<u>\$ 1,663</u>	<u>\$ 327,925</u>

NOTE 10 - SUBSEQUENT EVENT

In November 2022, the Foundation signed a three year lease for office space in Washington D.C. that begins on February 1, 2023 and that expires on January 31, 2026. The lease contains an additional three year option to extend at the prevailing market rate for comparable space. Monthly rent is \$700 and increases 1% annually.