

BREADCOIN FOUNDATION LTD

FINANCIAL STATEMENTS

Years Ended December 31, 2023 (Audited)
and 2022 (Reviewed)

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 AUDITORS' REPORT

To the Board of Directors
Breadcoin Foundation Ltd
Washington, DC

Opinion

We have audited the accompanying financial statements of Breadcoin Foundation Ltd (a nonprofit organization), which comprise statement of financial position as of December 31, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breadcoin Foundation Ltd as of December 31, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Breadcoin Foundation Ltd and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Breadcoin Foundation Ltd'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Breadcoin Foundation Ltd'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.

Other Matter – 2022 Financial Statements

The 2022 financial statements were reviewed by us and our report thereon, dated June 7, 2023, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Henrik & Company, P.L.C.

Vienna, Virginia
April 30, 2024

BREADCOIN FOUNDATION LTD
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	Audited <u>2023</u>	Reviewed <u>2022</u>
ASSETS		
Cash	\$ 209,257	\$ 258,384
Cash reserve for future Breadcoin redemptions	152,318	113,795
Accounts receivable	12,691	7,410
Micro loans receivable	6,728	13,097
Breadcoin inventory	92,344	75,756
Prepaid expenses	1,970	1,180
Operating lease right-of-use asset	<u>17,549</u>	<u>-</u>
	492,857	469,622
 PROPERTY AND EQUIPMENT		
Computer	1,112	1,112
Website	8,625	7,200
Accumulated depreciation and amortization	<u>(2,479)</u>	<u>(817)</u>
	7,258	7,495
 TRADEMARK	<u>1,950</u>	<u>1,500</u>
	TOTAL ASSETS	\$ 478,617
	<u>\$ 502,065</u>	<u>\$ 478,617</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Account payable and accrued expenses	\$ 10,589	\$ 33,080
Liability for Breadcoins not yet redeemed	<u>152,318</u>	<u>113,795</u>
	162,907	146,875
 OPERATING LEASE LIABILITY	16,927	-
 NET ASSETS		
Without donor restrictions		
Undesignated	296,552	291,742
With donor restrictions	<u>25,679</u>	<u>40,000</u>
	322,231	331,742
	TOTAL LIABILITIES AND NET ASSETS	\$ 478,617
	<u>\$ 502,065</u>	<u>\$ 478,617</u>

See notes to financial statements.

BREADCOIN FOUNDATION LTD
STATEMENTS OF ACTIVITIES
Years ended December 31, 2023 and 2022

	Audited 2023			Reviewed 2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 442,362	\$ -	\$ 442,362	\$ 360,420	\$ 40,000	\$ 400,420
Donated legal services	13,500	-	13,500	1,500	-	1,500
Donated food and supplies	-	-	-	911	-	911
Sale of Breadcoin and related fees	119,350	-	119,350	65,020	-	65,020
Investment and interest income	2,415	-	2,415	240	-	240
TOTAL SUPPORT AND REVENUE	577,627	-	577,627	428,091	40,000	468,091
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of contributions and grants restrictions	14,321	(14,321)	-	-	-	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	591,948	(14,321)	577,627	428,091	40,000	468,091
EXPENSES						
Program	461,142	-	461,142	281,771	-	281,771
General and administrative	108,089	-	108,089	44,491	-	44,491
Fundraising	17,907	-	17,907	1,663	-	1,663
	587,138	-	587,138	327,925	-	327,925
INCREASE (DECREASE) IN NET ASSETS	4,810	(14,321)	(9,511)	100,166	40,000	140,166
NET ASSETS AT BEGINNING OF YEAR	291,742	40,000	331,742	191,576	-	191,576
NET ASSETS AT END OF YEAR	\$ 296,552	\$ 25,679	\$ 322,231	\$ 291,742	\$ 40,000	\$ 331,742

See notes to financial statements.

BREADCOIN FOUNDATION LTD
STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

	Audited <u>2023</u>	Reviewed <u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (9,511)	\$ 140,166
Adjustment to reconcile net (decrease) increase in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization of property and equipment	1,662	817
Amortization of operating lease right-of-use asset	6,898	-
In-kind donation of legal services for trademark	(450)	(1,500)
Changes in operating assets and liabilities:		
Accounts receivable	(5,281)	(7,410)
Contributions receivable	-	12,290
Micro loans receivable	6,369	(13,097)
Breadcoin inventory	(16,588)	(25,504)
Prepaid expenses	(790)	(210)
Accounts payable and accrued expenses	(22,491)	6,690
Liability for Breadcoins not yet redeemed	38,523	42,078
Operating lease liability	<u>(7,520)</u>	<u>-</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(9,179)	154,320
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,425)</u>	<u>(8,312)</u>
NET CASH USED BY INVESTING ACTIVITIES	(1,425)	(8,312)
 (DECREASE) INCREASE IN CASH AND CASH RESERVE	(10,604)	146,008
 CASH AND CASH RESERVE AT BEGINNING OF YEAR	<u>372,179</u>	<u>226,171</u>
 CASH AND CASH RESERVE AT END OF YEAR	<u>\$ 361,575</u>	<u>\$ 372,179</u>

SUPPLEMENTAL INFORMATION

Noncash operating activity:

In-kind donation of legal services for trademark	\$ 450	\$ 1,500
Right of use asset obtained in exchange for new operating lease obligation	\$ 23,748	\$ -
Cash paid for amounts included in the measurement of operating lease liability	\$ 7,700	\$ -

See notes to financial statements.

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2023 and 2022

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. Breadcoin serves communities in Washington D.C., Virginia, Maryland, Florida, and Pennsylvania. 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.

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Contributions with donor restrictions that are received and released in the same year are 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 2023 and 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:

	<u>2023</u>	<u>2022</u>
Legal services for trademark	\$450	\$1,500
Legal services	13,050	-
Food and supplies	<u>-</u>	<u>911</u>
	<u>\$13,500</u>	<u>\$2,411</u>

The fair value of legal services has been recognized as an administrative expense (or as an asset for the trademark) 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.

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, 2023 and 2022, contract receivables consisted of \$12,691 and \$7,410 of accounts receivable from purchasers of Breadcoins, respectively. There were no contract assets or contract liabilities at December 31, 2023 and 2022.

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 credit 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.

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Reserve (Continued)

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>2023</u>	<u>2022</u>
Cash	\$209,257	\$258,384
Cash reserve for future Breadcoin redemptions	<u>152,318</u>	<u>113,795</u>
Total cash and cash reserve as shown in the statements of cash flows	<u>\$361,575</u>	<u>\$372,179</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 credit losses is considered necessary at December 31, 2023 and 2022.

Micro Loans Receivable

Micro loans receivable are recorded at their outstanding principal balance plus accrued interest. Interest on the micro loans receivable is recorded as earned over the term of the loan. Micro loans receivable are considered past due based on contractual payment terms. No allowance for credit losses micro loans receivable was necessary at December 31, 2023 and 2022.

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 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

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

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. Rent has been allocated based on estimated square footage used by each functional area.

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, 2023, the federal and state statute of limitations remains open for the December 31, 2020 through the December 31, 2023 tax years.

Reclassification

Certain balances at December 31, 2022 have been reclassified to conform to the December 31, 2023 presentation.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 30, 2024, the date the financial statements were available to be issued. See Note 4.

New Accounting Standard

On January 1, 2023, the Foundation adopted FASB ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on recognition and measurement of credit losses and related disclosures. The amendments replace the existing incurred loss impairment model with a methodology to measure and recognize lifetime expected credit losses for all in-scope financial assets, including accounts receivable and contract assets. The adoption did not have an impact on the Foundation's financial statements.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2023 and 2022:

Financial assets at year end:	<u>2023</u>	<u>2022</u>
Cash	\$209,257	\$258,384
Cash reserve for future Breadcoin redemptions	152,318	113,795
Accounts receivable	12,691	7,410
Micro loans receivable	<u>6,728</u>	<u>13,097</u>
	380,994	392,686
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>(25,679)</u>	<u>(40,000)</u>

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - AVAILABILITY AND LIQUIDITY (CONTINUED)

Financial assets available to meet general expenditures over the next twelve months	<u>\$355,315</u>	<u>\$352,686</u>
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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 5.66% and 5.92% and maturity dates through August 2024.

Micro loans receivable at December 31, 2023 are expected to be paid as follows:

<u>Year ending December 31,</u> 2024	\$6,728
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During the period from January 1, 2024 through April 30, 2024, the Foundation loaned an additional \$32,400 to vendors.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 and 2022 were restricted for establishing Breadcoin in Florida.

Net assets released from restrictions for the year ended December 31, 2023 were released for establishing Breadcoin in Florida. There were no net assets released from restrictions for the year ended December 31, 2022.

NOTE 6 - MAJOR DONORS

There were no major donors for the year ended December 31, 2023. Approximately 12% of support and revenue for the year ended December 31, 2022 was provided by one donor.

NOTE 7 - RELATED PARTY TRANSACTIONS

Transactions with related parties during the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Contributions from Board members	\$66,532	\$62,589
Sales of Breadcoin to Board members	\$5,150	\$1,735

BREADCOIN FOUNDATION LTD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 2023 and 2022 is \$3,198 and \$630, respectively.

NOTE 9 - FUNCTIONAL EXPENSES

The costs of providing the various programs and activities for the year ended December 31, 2023 have been summarized on a functional basis below.

	<u>Program</u>	General and <u>administrative</u>	<u>Fundraising</u>	<u>Total</u>
Vendor redemptions	\$ 308,338	\$ -	\$ -	\$ 308,338
Community network contractors	51,893	-	-	51,893
Salary and benefits	81,095	25,357	14,999	121,451
Contract services	3,661	64,083	526	68,270
Rent expense	5,102	5,102	-	10,204
Transaction fees	-	7,499	-	7,499
Miscellaneous expenses	8,157	533	284	8,974
Technology	1,566	3,096	2,098	6,760
Insurance	-	2,087	-	2,087
Depreciation and amortization	1,330	332	-	1,662
	<u>\$ 461,142</u>	<u>\$ 108,089</u>	<u>\$ 17,907</u>	<u>\$ 587,138</u>

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>	General and <u>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>

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - COMMITMENTS AND RENT EXPENSE

In November 2022, the Foundation signed a three year lease for office space in Washington D.C. that began 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. The three year renewal term was not included in the lease term as the Foundation was not reasonably certain it would be exercised. Monthly rent is \$700 and increases 1% annually.

The ROU asset and lease obligation were recognized at the present value of the lease payments over the lease term on February 1, 2023. The Foundation elected to use a risk-free discount rate of 4.8%, which is based on the three year Treasury bill rate as of the lease commencement date, to determine the present value of the lease payments.

The future minimum lease payments due under the lease at December 31, 2023 is as follows:

<u>Year ending December 31,</u>	
2024	\$8,477
2025	8,562
2026	<u>714</u>
Total minimum lease payments	17,753
Less present value discount	<u>(826)</u>
Present value of net minimum lease payments	<u>\$16,927</u>

Operating lease cost for the year ended December 31, 2023 was \$10,203.

The remaining weighted-average lease terms and the weighted-average average discount rates were as follows:

Weighted-average remaining lease term in years:	
Operating lease	2.08
Weighted-average discount rate:	
Operating lease	4.8%