

BREADCOIN FOUNDATION LTD
AUDITED FINANCIAL STATEMENTS
Years Ended December 31, 2024
and 2023

HOZIK & COMPANY, P.L.C.

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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 statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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.

Henrik & Company, P.L.C.

Vienna, Virginia
June 23, 2025

BREADCOIN FOUNDATION LTD
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

ASSETS	<u>2024</u>	<u>2023</u>
Cash	\$ 140,832	\$ 209,257
Cash reserve for future Breadcoin redemptions	216,846	152,318
Accounts receivable	14,388	12,691
Grant receivable, net	122,150	-
Micro loans receivable, net	42,094	6,728
Breadcoin inventory	90,238	92,344
Prepaid expenses	5,040	1,970
Operating lease right-of-use asset	<u>9,679</u>	<u>17,549</u>
	641,267	492,857
PROPERTY AND EQUIPMENT		
Computer	1,007	1,112
Website	10,050	8,625
Accumulated depreciation and amortization	<u>(4,274)</u>	<u>(2,479)</u>
	6,783	7,258
TRADEMARK	<u>1,950</u>	<u>1,950</u>
TOTAL ASSETS	<u>\$ 650,000</u>	<u>\$ 502,065</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Account payable and accrued expenses	\$ 6,739	\$ 10,589
Liability for Breadcoins not yet redeemed	<u>216,846</u>	<u>152,318</u>
	223,585	162,907
OPERATING LEASE LIABILITY	9,057	16,927
NET ASSETS		
Without donor restrictions		
Undesignated	272,640	296,552
With donor restrictions	<u>144,718</u>	<u>25,679</u>
	<u>417,358</u>	<u>322,231</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 650,000</u>	<u>\$ 502,065</u>

See notes to financial statements.

BREADCOIN FOUNDATION LTD
STATEMENTS OF ACTIVITIES
Years ended December 31, 2024 and 2023

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 512,315	\$ 189,173	\$ 701,488	\$ 442,362	\$ -	\$ 442,362
Donated legal services	13,500	-	13,500	13,500	-	13,500
Sale of Breadcoin and related fees	145,777	-	145,777	119,350	-	119,350
Investment and interest income	5,782	-	5,782	2,415	-	2,415
Other income	100	-	100	-	-	-
TOTAL SUPPORT AND REVENUE	677,474	189,173	866,647	577,627	-	577,627
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of contributions and grants restrictions	70,134	(70,134)	-	14,321	(14,321)	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	747,608	119,039	866,647	591,948	(14,321)	577,627
EXPENSES						
Program	616,717	-	616,717	461,142	-	461,142
General and administrative	128,357	-	128,357	108,089	-	108,089
Fundraising	26,446	-	26,446	17,907	-	17,907
	<u>771,520</u>	<u>-</u>	<u>771,520</u>	<u>587,138</u>	<u>-</u>	<u>587,138</u>
(DECREASE) INCREASE IN NET ASSETS	(23,912)	119,039	95,127	4,810	(14,321)	(9,511)
NET ASSETS AT BEGINNING OF YEAR	296,552	25,679	322,231	291,742	40,000	331,742
NET ASSETS AT END OF YEAR	\$ 272,640	\$ 144,718	\$ 417,358	\$ 296,552	\$ 25,679	\$ 322,231

See notes to financial statements.

BREADCOIN FOUNDATION LTD
STATEMENTS OF CASH FLOWS
Years ended December 31, 2024 and 2023

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2024</u>	<u>2023</u>
Increase (decrease) in net assets	\$ 95,127	\$ (9,511)
Adjustment to reconcile net increase (decrease) in net assets to net cash used by operating activities:		
Depreciation and amortization of property and equipment	2,128	1,662
Amortization of operating lease right-of-use asset	7,877	6,898
Increase in allowance for grant receivable	2,880	-
Increase in allowance for micro loans receivable	2,000	-
In-kind donation of legal services for trademark	-	(450)
Changes in operating assets and liabilities:		
Accounts receivable	(1,697)	(5,281)
Grant receivable	(125,030)	-
Micro loans receivable	(37,366)	6,369
Breadcoin inventory	2,106	(16,588)
Prepaid expenses	(3,070)	(790)
Accounts payable and accrued expenses	(3,850)	(22,491)
Liability for Breadcoins not yet redeemed	64,528	38,523
Operating lease liability	<u>(7,877)</u>	<u>(7,520)</u>
NET CASH USED BY OPERATING ACTIVITIES	(2,244)	(9,179)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,653)</u>	<u>(1,425)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,653)</u>	<u>(1,425)</u>
 DECREASE IN CASH AND CASH RESERVE	(3,897)	(10,604)
 CASH AND CASH RESERVE AT BEGINNING OF YEAR	<u>361,575</u>	<u>372,179</u>
 CASH AND CASH RESERVE AT END OF YEAR	<u>\$ 357,678</u>	<u>\$ 361,575</u>

SUPPLEMENTAL INFORMATION

Noncash operating activity:

In-kind donation of legal services for trademark	\$ -	\$ 450
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See notes to financial statements.

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

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 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.

During 2024 and 2023, 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>2024</u>	<u>2023</u>
Legal services for trademark	\$ -	\$450
Legal services	<u>13,500</u>	<u>13,050</u>
	<u>\$13,500</u>	<u>\$13,500</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.

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, 2024 and 2023, contract receivables consisted of \$14,388 and \$12,691 of accounts receivable from purchasers of Breadcoins, respectively. There were no contract assets or contract liabilities at December 31, 2024 and 2023.

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 deposit accounts at a bank, 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:

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Reserve (Continued)

	<u>2024</u>	<u>2023</u>
Cash	\$140,832	\$209,257
Cash reserve for future Breadcoin redemptions	<u>216,846</u>	<u>152,318</u>
Total cash and cash reserve as shown in the statements of cash flows	<u>\$357,678</u>	<u>\$361,575</u>

Accounts Receivable

Accounts receivable are reported on the statements of financial position at outstanding principal balance adjusted for any write-offs. Uncollectible accounts receivable 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 on accounts receivable is considered necessary at December 31, 2024 and 2023.

Grants Receivable

Unconditional grants are recognized as revenues in the period received. Conditional grants are recognized only when the condition on which they depend are substantially met and the grant becomes unconditional. Grants receivable are reported in the statements of financial position at the outstanding grants balance adjusted for any write-offs and an allowance for doubtful accounts. No allowance for doubtful accounts was necessary at December 31, 2024 and 2023. Grants anticipated to be received beyond one year are discounted to their net present value at a risk adjusted rate, unless clearly insignificant.

Micro Loans Receivable

Micro loans receivable are recorded at their outstanding principal balance plus accrued interest. Interest on 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. An allowance is made for credit losses on micro loans receivable based on management's judgment past collection experience, reasonable and supportable forecasts, and other relevant factors. Uncollectible micro loans receivable are written off when it is finally determined they are uncollectible.

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.

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2024, the federal and state statute of limitations remains open for the December 31, 2021 through the December 31, 2024 tax years.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 23, 2025, the date the financial statements were available to be issued. None were noted.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2024 and 2023:

Financial assets at year end:	<u>2024</u>	<u>2023</u>
Cash	\$140,832	\$209,257
Cash reserve for future Breadcoin redemptions	216,846	152,318
Accounts receivable	14,388	12,691
Grant receivable, net	122,150	-
Micro loans receivable, net	<u>42,094</u>	<u>6,728</u>
	536,310	380,994
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>(144,718)</u>	<u>(25,679)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$391,592</u>	<u>\$355,315</u>

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

BREADCOIN FOUNDATION LTD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - MICRO LOANS RECEIVABLE

Micro loans receivable from vendors are repayable in monthly installments with interest rates of 5.0% and 5.9% and maturity dates through December 2025.

Micro loans receivable at December 31, 2024 are expected to be paid as follows:

<u>Year ending December 31,</u>	
2025	\$44,094
Allowance for credit losses	<u>(2,000)</u>
	<u>\$42,094</u>

NOTE 5 - GRANT RECEIVABLE

Unconditional grant receivable as of December 31, 2024 is due as follows:

Receivable in less than one year	\$75,000
Receivable in one to five years	<u>50,000</u>
Total grant receivable	125,000
Less discount to net present value	<u>(2,850)</u>
Net unconditional grant receivable	<u>\$122,150</u>

Payments on the grant receivable due twelve months or more after the statement of financial position date are discounted by 5.7% per annum. There was no grant receivable at December 31, 2023.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions at December 31, 2024 and 2023 are as follows:

Subject to restriction for specific purpose or		
Passage of time:	<u>2024</u>	<u>2023</u>
Breadcoin Florida	\$15,501	\$25,679
Breadcoin Table	31,041	
Breadcoin Virginia	1,026	-
Time restricted	<u>97,150</u>	<u>-</u>
	<u>\$144,718</u>	<u>\$25,679</u>

Net assets released from restrictions during the years ended December 31, 2024 and 2023 are as follows:

Purpose or period restrictions accomplished:	<u>2024</u>	<u>2023</u>
Breadcoin in Florida	\$25,679	\$14,321
Breadcoin Table	<u>44,455</u>	<u>-</u>
	<u>\$70,134</u>	<u>\$14,321</u>

BREADCOIN FOUNDATION LTD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - MAJOR DONORS

Approximately 20% of support and revenue for the year ended December 31, 2024 was provided by one donor. There were no major donors for the year ended December 31, 2023.

NOTE 8 - RELATED PARTY TRANSACTIONS

Transactions with related parties during the years ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Contributions from Board members ¹	\$47,919	\$66,532
Sales of Breadcoin to Board members ¹	\$ -	\$21,493

¹ Contributions and sales of Breadcoin include amounts received from a nonprofit organization whose executive director is a Breadcoin Board member.

NOTE 9 - 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.

Total expense for the SIMPLE IRA plan for 2024 and 2023 is \$4,254 and \$3,198, respectively.

NOTE 10 - FUNCTIONAL EXPENSES

The costs of providing the various programs and activities for the year ended December 31, 2024 have been summarized on a functional basis below.

	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Vendor redemptions	\$ 391,536	\$ -	\$ -	\$ 391,536
Community network contractors	37,465	-	-	37,465
Salary and benefits	158,382	29,375	18,994	206,751
Contract services	3,435	73,490	592	77,517
Rent expense	10,272	3,424	-	13,696
Transaction fees	-	12,949	-	12,949
Miscellaneous expenses	9,925	2,772	3,648	16,345
Technology	4,000	2,751	3,212	9,963
Insurance	-	3,170	-	3,170
Depreciation and amortization	1,702	426	-	2,128
	<u>\$ 616,717</u>	<u>\$ 128,357</u>	<u>\$ 26,446</u>	<u>\$ 771,520</u>

BREADCOIN FOUNDATION LTD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - FUNCTIONAL EXPENSES (CONTINUED)

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>	<u>General and 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>

NOTE 11 - 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.

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, 2024 is as follows:

<u>Year ending December 31,</u>	
2025	\$8,562
2026	<u>714</u>
Total minimum lease payments	9,276
Less present value discount	<u>(219)</u>
Present value of net minimum lease payments	<u>\$9,057</u>

Operating lease cost for the years ended December 31, 2024 and 2023 was \$13,696 and \$10,203, respectively.

The remaining weighted-average lease terms and the weighted-average average discount

BREADCOIN FOUNDATION LTD
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - COMMITMENTS AND RENT EXPENSE (CONTINUED)

rates were as follows:

Weighted-average remaining lease term in years:	<u>2024</u>	<u>2023</u>
Operating lease	1.08	2.08
Weighted-average discount rate:		
Operating lease	4.8%	4.8%

The following summarizes cash paid for operating lease liabilities and other non-cash information as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of operating lease liability	\$8,477	\$7,700
Right-of-use assets obtained in exchange for operating lease obligation		\$23,748