

**BRAZIL FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 and 2009**

# **Brazil Foundation**

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# Michael S. Libock & Co., LLC, CPA'S

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Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Brazil Foundation

We have audited the accompanying statements of financial position of Brazil Foundation as of December 31, 2010 and 2009 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Associacao Brazil Foundation, an affiliated non government organization organized under the laws in Brazil and combined with Brazil Foundation. Those financial statements reflect total assets of \$1,525,034 and \$540,810 as of December 31, 2010 and 2009, respectively, and total revenues of \$2,197,252 and \$747,852 for the years then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Associacao Brazil Foundation, is based solely on the report of the other auditors.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material aspects, the financial position of Brazil Foundation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Michael S. Libock & Co., LLC, CPA's***

Michael S. Libock & Company, LLC, CPA's  
June 27, 2011  
New York, New York

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**Brazil Foundation**  
**Combining Statements of Financial Position**

	December 31, 2010		
	Brazil Foundation	Associacao Brazil Foundation	Total
<b>Assets</b>			
Cash	\$ 790,890	\$ 78,459	\$ 869,349
Investments	65,102	1,433,210	1,498,312
Unconditional promises to give	25,000		25,000
Prepaid expenses and other current assets	1,143	990	2,133
Property and equipment, at cost, (net of accumulated depreciation of \$8,354 and \$4,753)	3,488	12,375	15,863
Security deposit	15,600		15,600
<b>Total Assets</b>	\$ 901,223	\$ 1,525,034	\$ 2,426,257
 <b>Liabilities and Net Assets</b>			
Liabilities			
Accounts payable and accrued expenses	\$ 13,156	\$ 5,568	\$ 18,724
Grants payable	21,148		21,148
	34,304	5,568	39,872
Commitments			
Net Assets	866,919	1,519,466	2,386,385
<b>Total Liabilities and Net Assets</b>	\$ 901,223	\$ 1,525,034	\$ 2,426,257

See independent auditor's report and accompanying notes to financial statements.

December 31, 2010				2009
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
\$ 132,627	\$ 260,766	\$ 475,956	\$ 869,349	\$ 888,746
1,498,312			1,498,312	504,057
25,000			25,000	
2,133			2,133	1,143
15,863			15,863	15,487
15,600			15,600	15,600
<u>\$ 1,689,535</u>	<u>\$ 260,766</u>	<u>\$ 475,956</u>	<u>\$ 2,426,257</u>	<u>\$ 1,425,033</u>
\$ 18,724			\$ 18,724	\$ 7,074
	\$ 21,148		21,148	133,033
<u>18,724</u>	<u>21,148</u>		<u>39,872</u>	<u>140,107</u>
<u>1,670,811</u>	<u>239,618</u>	<u>475,956</u>	<u>2,386,385</u>	<u>1,284,926</u>
<u>\$ 1,689,535</u>	<u>\$ 260,766</u>	<u>\$ 475,956</u>	<u>\$ 2,426,257</u>	<u>\$ 1,425,033</u>

See independent auditor's report and accompanying notes to financial statements.

**Brazil Foundation**  
**Combining Statements of Activities**

	<b>For the Year Ended December 31,</b>		
	<b>2010</b>		
	<b>Brazil Foundation</b>	<b>Associacao Brazil Foundation</b>	<b>Total</b>
<b>Public Support and Revenue</b>			
Contributions			
Foundations	\$ 1,000	\$ 739,959	\$ 740,959
Corporations	4,091	7,942	12,033
Individuals	141,137	549	141,686
In-kind gifts	6,163		6,163
Investment income	405	46,545	46,950
Fundraising gala income (net of expenses of \$425,058)	307,852	689,808	997,660
Donor advised fund income	854,883	33,361	888,244
Endowment fund income (net of expenses of \$1,596)	285,809	190,147	475,956
Carioca fund income	10,390	5,101	15,491
Events income and other income (net of expenses of \$5,631)	44,263		44,263
Contributions from Brazil Foundation		483,840	483,840
Net assets released from restriction			
<b>Total Public Support and Revenue</b>	<b>1,655,993</b>	<b>2,197,252</b>	<b>3,853,245</b>
<b>Expenses</b>			
Program Services			
Associacao Brazil Foundation	483,840	770,040	1,253,880
Discretionary grants		400,000	400,000
Donor advised grants	818,846	33,361	852,207
Other	127,216		127,216
<b>Total Program Services</b>	<b>1,429,902</b>	<b>1,203,401</b>	<b>2,633,303</b>
Supporting Services			
Management and general	71,682	29,858	101,540
Fundraising	49,346	6,759	56,105
<b>Total Supporting Services</b>	<b>121,028</b>	<b>36,617</b>	<b>157,645</b>
<b>Total Expenses</b>	<b>1,550,930</b>	<b>1,240,018</b>	<b>2,790,948</b>
Increase in net assets before foreign exchange gain (loss)	105,063	957,234	1,062,297
Foreign exchange gain (loss)	10,861	28,301	39,162
Increase in net assets	115,924	985,535	1,101,459
Net assets, beginning of year	750,995	533,931	1,284,926
<b>Net Assets, End of Year</b>	<b>\$ 866,919</b>	<b>\$ 1,519,466</b>	<b>\$ 2,386,385</b>

See independent auditor's report and accompanying notes to financial statements.

**For the Year Ended December 31,**

**2010**

**2009**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Total</b>
\$ 1,000	\$ 739,959		\$ 740,959	\$ 52,303
4,091	7,942		12,033	85,360
141,686			141,686	145,080
6,163			6,163	1,102
46,950			46,950	1,817
307,852	689,808		997,660	268,431
	888,244		888,244	643,062
		\$ 475,956	475,956	
	15,491		15,491	
44,263			44,263	51,287
200,000	283,840		483,840	747,852
310,552	(310,552)			
<u>1,062,557</u>	<u>2,314,732</u>	<u>475,956</u>	<u>3,853,245</u>	<u>1,996,294</u>
200,000	1,053,880		1,253,880	962,034
	400,000		400,000	
	852,207		852,207	722,641
127,216			127,216	
<u>327,216</u>	<u>2,306,087</u>		<u>2,633,303</u>	<u>1,684,675</u>
101,540			101,540	131,782
56,105			56,105	66,773
<u>157,645</u>			<u>157,645</u>	<u>198,555</u>
484,861	2,306,087		2,790,948	1,883,230
577,696	8,645	475,956	1,062,297	113,064
39,162			39,162	(28,010)
616,858	8,645	475,956	1,101,459	85,054
<u>1,053,953</u>	<u>230,973</u>		<u>1,284,926</u>	<u>1,199,872</u>
<u>\$ 1,670,811</u>	<u>\$ 239,618</u>	<u>\$ 475,956</u>	<u>\$ 2,386,385</u>	<u>\$ 1,284,926</u>

See independent auditor's report and accompanying notes to financial statements.



**Brazil Foundation**  
**Combining Statements of Cash Flows**

	<b>For the Year Ended December 31,</b>		
	<b>2010</b>		
	<b>Brazil</b>	<b>Associacao Brazil</b>	<b>Total</b>
	<b>Foundation</b>	<b>Foundation</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Increase in net assets	\$ 115,924	\$ 985,535	\$ 1,101,459
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:			
Depreciation expense	1,055	2,546	3,601
(Increase) decrease in assets:			
Unconditional promises to give	(25,000)		(25,000)
Prepaid expenses and other current assets		(990)	(990)
Accounts payable and accrued expenses	12,960	(1,311)	11,649
(Decrease) increase in liabilities:			
Grants payable	(111,885)		(111,885)
<b>Net cash (used in) / provided by operating activities</b>	<b>(6,946)</b>	<b>985,780</b>	<b>978,834</b>
 <b>Cash Flows From Investing Activities</b>			
Capital expenditures	(1,310)	(2,667)	(3,977)
Purchase of investments-net	(22)	(994,232)	(994,254)
<b>Net cash (used in) / provided by investing activities</b>	<b>(1,332)</b>	<b>(996,899)</b>	<b>(998,231)</b>
Net (decrease) increase in cash	(8,278)	(11,119)	(19,397)
Cash, beginning of year	799,168	89,578	888,746
 <b>Cash, End of Year</b>	<b>\$ 790,890</b>	<b>\$ 78,459</b>	<b>\$ 869,349</b>
 <b><u>Non-cash operating activities</u></b>			
Foreign exchange gain (loss) recorded arising from contributions made that were converted into Brazilian currency	\$ 10,861	\$ 28,301	\$ 39,162

See independent auditor's report and accompanying notes to financial statements.

**For the Year Ended December 31,**

<b>2010</b>				<b>2009</b>
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Total</b>
\$ 616,858	\$ 8,645	\$ 475,956	\$ 1,101,459	\$ 85,054
3,601			3,601	4,264
(25,000)			(25,000)	202,732
(990)			(990)	25,998
11,649			11,649	(21,222)
<u>(45,078)</u>	<u>(66,807)</u>		<u>(111,885)</u>	<u>109,779</u>
<u>561,040</u>	<u>(58,162)</u>	<u>475,956</u>	<u>978,834</u>	<u>406,605</u>
(3,977)			(3,977)	(1,017)
(994,254)			(994,254)	18,478
<u>(998,231)</u>			<u>(998,231)</u>	<u>17,461</u>
(437,191)	(58,162)	475,956	(19,397)	424,066
<u>569,818</u>	<u>318,928</u>		<u>888,746</u>	<u>464,680</u>
<u>\$ 132,627</u>	<u>\$ 260,766</u>	<u>\$ 475,956</u>	<u>\$ 869,349</u>	<u>\$ 888,746</u>
<u>\$ 39,162</u>			<u>\$ 39,162</u>	<u>\$ (28,010)</u>

See independent auditor's report and accompanying notes to financial statements.

**Brazil Foundation**  
**Notes to Financial Statements**

**Note 1 – Organization and Summary of Significant Accounting Policies**

a. Organization

Brazil Foundation (“The Foundation”) promotes and raises awareness of education, health, economic and social justice in Brazil and within Brazilian communities. The Foundation consists of two (2) separate entities. Brazil Foundation is established as a New York not-for-profit organization and Associacao Brazil Foundation is a not-for-profit public interest organization under the laws of Brazil. Brazil Foundation raises funds through various U.S. initiatives and the Associacao Brazil Foundation carries out and oversees the implementation of the Brazilian programs.

b. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

c. Investments

In accordance with ASC subtopic 958-320 (formerly SFAS No. 124), *Accounting for Certain Investments Held by Not-for-Profit Organizations*, the Foundation reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Income earned on investments that is restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

d. Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

e. Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful life of the asset.

**Brazil Foundation**  
**Notes to Financial Statements**

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

f. Tax Status

Brazil Foundation is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is a public corporation.

g. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h. Financial Statement Presentation

The financial statements are presented in accordance with ASC subtopic 958-205 (formerly SFAS No. 117), *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Note 2 – Concentration of Credit Risk**

The Foundation maintains cash amounts with several financial institutions. As of December 31, 2010, accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured balance aggregates approximately \$257,000.

**Note 3 – Restriction on Assets**

Temporarily restricted net assets in the amount of \$310,552 were restricted in 2009 for operations until 2010, when they were released from restriction.

Additionally, contributions received in Brazil of \$995,897 that have not been completed or expended as of December 31, 2010, are classified as temporarily restricted revenues for 2010.

The foundation is in the process of securing long-term grants for an endowment fund for which the principal will be permanently restricted. As of December 31, 2010 \$487,942 has been collected for this fund.

**Brazil Foundation**  
**Notes to Financial Statements**

**Note 3 – Restriction on Assets (continued)**

Donor restricted grants paid to Brazil Foundation aggregated \$930,731 for the year ended December 31, 2010.

**Note 4 – Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	<b>2010</b>
Due in less than one year	\$ <u>25,000</u>

Uncollectible promises are expected to be insignificant.

**Note 5 – Property and Equipment**

Property and equipment consist of the following:

	<b>Life</b>	<b>2010</b>
Office Equipment and Furniture	5 to 7 years	\$ 24,217
Less: Accumulated depreciation		<u>8,354</u>
		\$ <u>15,863</u>

Depreciation expense for the year ended December 31, 2010 was \$3,601.

**Note 6 – Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services in reasonable ratios determined by management.

**Brazil Foundation**  
**Notes to Financial Statements**

**Note 7 – Commitments**

The Foundation entered into a lease with its landlord in order to lease office space for its office in New York City. The Foundation occupies office space under a lease agreement, which provides for minimum annual payments as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2011	\$ 43,900
2012	45,200
2013	46,600
2014	<u>35,700</u>
	<u>\$ 171,400</u>

The lease also required the Foundation to provide a security deposit to the landlord.

Rent expense for the years ended December 31, 2010 and 2009 was \$42,600 and \$42,238, respectively.

The Foundation also committed \$32,500 of funds to hold its annual gala on September 22, 2011 in New York City.

**Note 8 – Significant Grants**

During the year ended December 31, 2009, the Foundation received approximately 17% of its contributions from one Foundation.

**Note 9 – Foreign Currency Translation**

The Foundation translates its Brazilian currency into U.S. dollars based upon an average of high and low exchange rates when transactions take place. For the years ended December 31, 2010 and 2009, Brazil Foundation realized a foreign exchange gain (loss) of \$39,162 and (\$28,010) respectively, based upon the average method of exchange rate translation.

**ADDITIONAL INFORMATION**

# Michael S. Libock & Co., LLC, CPA'S

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Certified Public Accountants

## Independent Auditor's Report on Additional Information

To the Board of Directors of  
Brazil Foundation

Our report, along with other auditors' reports on the audits of the basic financial statements of Brazil Foundation for 2010 and 2009, appears on page 1. We conducted our audit in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended December 31, 2010 with comparative totals for 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Michael S. Libock & Co., LLC, CPA's***

Michael S. Libock & Co., LLC, CPA's  
New York, New York  
June 27, 2011



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**Brazil Foundation**  
**Statements of Functional Expenses - New York**  
**Year Ended December 31, 2010**

	<b>Program Services</b>		
	<b>Brazilian Program Costs</b>	<b>Donor Advised Grants</b>	<b>Total Program Services</b>
Grants made	\$ 483,840	\$ 818,846	\$ 1,302,686
Salaries and fringe benefits	101,815		101,815
Professional fees	1,104		1,104
Postage and delivery	91		91
Travel	1,448		1,448
Utilities	2,050		2,050
Office equipment and supplies	3,254		3,254
Occupancy	17,454		17,454
Bank Service Charges	_____	_____	_____
Total expenses before depreciation	611,056	818,846	1,429,902
Depreciation	_____	_____	_____
Total Expenses	\$ 611,056	\$ 818,846	\$ 1,429,902

See independent auditor's report and accompanying notes to financial statements.

<b>Supporting Services</b>			<b>2010</b>
<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total Expenses</b>
			\$ 1,302,686
\$ 33,939	\$ 33,939	\$ 67,878	169,693
7,180	2,762	9,942	11,046
102	34	136	227
	2,172	2,172	3,620
2,306	768	3,074	5,124
3,820	3,126	6,946	10,200
19,635	6,545	26,180	43,634
3,645		3,645	3,645
70,627	49,346	119,973	1,549,875
1,055		1,055	1,055
\$ <u>71,682</u>	\$ <u>49,346</u>	\$ <u>121,028</u>	\$ <u>1,550,930</u>

See independent auditor's report and accompanying notes to financial statements.

**Brazil Foundation**  
**Statements of Functional Expenses - Brazil**  
**Year Ended December 31, 2010**

	<b>Program Services</b>		
	<b>Brazilian Program Costs</b>	<b>Donor Advised Grants</b>	<b>Total Program Services</b>
Program costs and expenses	\$ 325,429	\$ 33,361	\$ 358,790
Discretionary grants	400,000		400,000
Salaries and fringe benefits	133,344		133,344
Professional fees	187,414		187,414
Occupancy	17,075		17,075
Office equipment and supplies	76,930		76,930
Other operating costs	29,848		29,848
Fundraising	_____	_____	_____
Total expenses before depreciation	1,170,040	33,361	1,203,401
Depreciation	_____	_____	_____
Total Expenses	<u>\$ 1,170,040</u>	<u>\$ 33,361</u>	<u>\$ 1,203,401</u>

See independent auditor's report and accompanying notes to financial statements.

<b>Supporting Services</b>			<b>2010</b>
<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total Expenses</b>
			\$ 358,790
			400,000
\$ 27,312		\$ 27,312	160,656
			187,414
			17,075
			76,930
			29,848
	\$ 6,759	6,759	6,759
27,312	6,759	34,071	1,237,472
2,546		2,546	2,546
\$ 29,858	\$ 6,759	\$ 36,617	\$ 1,240,018

See independent auditor's report and accompanying notes to financial statements.