

BRAZIL FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011 and 2010

Brazil Foundation

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Michael S. Libock & Co., LLC

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, 2011 and 2010 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 \$2,153,792 and \$1,525,034 as of December 31, 2011 and 2010, respectively, and total revenues of \$2,623,237 and \$2,197,252 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, 2011 and 2010, 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
August 27, 2012
New York, New York

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Brazil Foundation
Combining Statements of Financial Position

	December 31, 2011		
	Brazil Foundation	Associacao Brazil Foundation	Total
Assets			
Cash	\$ 1,244,089	\$ 167,683	\$ 1,411,772
Investments	66,468	1,973,353	2,039,821
Unconditional promises to give			
Prepaid expenses and other current assets	1,254	632	1,886
Property and equipment, at cost, (net of accumulated depreciation of \$12,889 and \$8,354)	5,893	12,124	18,017
Security deposit	15,600		15,600
Total Assets	\$ 1,333,304	\$ 2,153,792	\$ 3,487,096
 Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 251	\$ 12,976	\$ 13,227
Grants payable	3,270		3,270
	3,521	12,976	16,497
Commitments			
Net Assets	1,329,783	2,140,816	3,470,599
Total Liabilities and Net Assets	\$ 1,333,304	\$ 2,153,792	\$ 3,487,096

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

December 31, 2011				2010
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
\$ 9,103	\$ 256,095	\$ 1,146,574	\$ 1,411,772	\$ 869,349
2,039,821			2,039,821	1,498,312
1,886			1,886	25,000
18,017			18,017	2,133
15,600			15,600	15,863
<u>\$ 2,084,427</u>	<u>\$ 256,095</u>	<u>\$ 1,146,574</u>	<u>\$ 3,487,096</u>	<u>\$ 2,426,257</u>
\$ 13,227			\$ 13,227	\$ 18,724
	\$ 3,270		3,270	21,148
<u>13,227</u>	<u>3,270</u>		<u>16,497</u>	<u>39,872</u>
<u>2,071,200</u>	<u>252,825</u>	<u>1,146,574</u>	<u>3,470,599</u>	<u>2,386,385</u>
<u>\$ 2,084,427</u>	<u>\$ 256,095</u>	<u>\$ 1,146,574</u>	<u>\$ 3,487,096</u>	<u>\$ 2,426,257</u>

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

Brazil Foundation
Combining Statements of Activities

	For the Year Ended December 31,		
	2011		
	Brazil Foundation	Associacao Brazil Foundation	Total
Public Support and Revenue			
Contributions			
Foundations	\$ 1,520		\$ 1,520
Corporations	23,823	\$ 4,080	27,903
Individuals	80,008	2,990	82,998
In-kind gifts			
Investment income	2,077	138,933	141,010
Fundraising gala income (net of expenses of \$265,439)	431,487	664,984	1,096,471
Donor advised fund income	1,714,539	100,496	1,815,035
Endowment fund income (net of expenses of \$1,382)	433,118	237,500	670,618
Carioca fund income (net of expenses of \$2,325)	148,067	234,863	382,930
Partnership Income		835,540	835,540
Events income and other income (net of expenses of \$12,003)	31,084	6,857	37,941
Contributions from Brazil Foundation NY		396,994	*
Net assets released from restriction			
Total Public Support and Revenue	<u>2,865,723</u>	<u>2,623,237</u>	<u>5,091,966</u>
Expenses			
Program Services			
Associacao Brazil Foundation		1,106,772	1,106,772
Grants to Associacao Brazil Foundation	396,994		*
Discretionary grants		653,166	653,166
Donor advised grants	1,625,276	174,499	1,799,775
Other	143,158		143,158
Total Program Services	<u>2,165,428</u>	<u>1,934,437</u>	<u>3,702,871</u>
Supporting Services			
Management and general	116,815	86,627	203,442
Fundraising	120,616	10,208	130,824
Total Supporting Services	<u>237,431</u>	<u>96,835</u>	<u>334,266</u>
Total Expenses	<u>2,402,859</u>	<u>2,031,272</u>	<u>4,037,137</u>
Increase in net assets before foreign exchange gain (loss)	462,864	591,965	1,054,829
Foreign exchange gain (loss)		29,385	29,385
Increase (decrease) in net assets	462,864	621,350	1,084,214
Net assets, beginning of year	<u>866,919</u>	<u>1,519,466</u>	<u>2,386,385</u>
Net Assets, End of Year	<u>\$ 1,329,783</u>	<u>\$ 2,140,816</u>	<u>\$ 3,470,599</u>

* Interfund transfers of \$396,994 and \$483,840 are eliminated in the combination of the funds for the years ended December 31, 2011 and 2010, respectively.

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

For the Year Ended December 31,

2011				2010
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
\$ 1,520			\$ 1,520	\$ 740,959
23,823	\$ 4,080		27,903	12,033
82,998			82,998	141,686
141,010			141,010	6,163
431,487	664,984		1,096,471	46,950
	1,815,035		1,815,035	997,660
		\$ 670,618	670,618	888,244
	382,930		382,930	475,956
	835,540		835,540	15,491
37,941			37,941	44,263
	396,994		*	*
805,750	(805,750)			
<u>1,524,529</u>	<u>3,293,813</u>	<u>670,618</u>	<u>5,091,966</u>	<u>3,369,405</u>
626,016	480,756		1,106,772	770,040
50,085	346,909		*	*
	653,166		653,166	400,000
	1,799,775		1,799,775	852,207
143,158			143,158	127,216
<u>819,259</u>	<u>3,280,606</u>		<u>3,702,871</u>	<u>2,149,463</u>
203,442			203,442	101,540
130,824			130,824	56,105
<u>334,266</u>			<u>334,266</u>	<u>157,645</u>
<u>1,153,525</u>	<u>3,280,606</u>		<u>4,037,137</u>	<u>2,790,948</u>
371,004	13,207	670,618	1,054,829	1,062,297
29,385			29,385	39,162
400,389	13,207	670,618	1,084,214	1,101,459
<u>1,670,811</u>	<u>239,618</u>	<u>475,956</u>	<u>2,386,385</u>	<u>1,284,926</u>
<u>\$ 2,071,200</u>	<u>\$ 252,825</u>	<u>\$ 1,146,574</u>	<u>\$ 3,470,599</u>	<u>\$ 2,386,385</u>

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

Brazil Foundation
Combining Statements of Cash Flows

	For the Year Ended December 31,		
	2011		
	Brazil Foundation	Associacao Brazil Foundation	Total
Cash Flows from Operating Activities			
Increase (decrease) in net assets	\$ 462,864	\$ 621,350	\$ 1,084,214
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Depreciation expense	1,585	2,951	4,536
Decrease (increase) in assets:			
Unconditional promises to give	25,000		25,000
Prepaid expenses and other current assets	(111)	358	247
Accounts payable and accrued expenses	(12,905)	7,408	(5,497)
(Decrease) increase in liabilities:			
Grants payable	(17,878)		(17,878)
Net cash provided by / (used in) operating activities	458,555	632,067	1,090,622
 Cash Flows from Investing Activities			
Capital expenditures	(3,989)	(2,700)	(6,689)
Purchase of investments-net	(1,367)	(540,143)	(541,510)
Net cash used in investing activities	(5,356)	(542,843)	(548,199)
 Net increase (decrease) in cash	453,199	89,224	542,423
Cash, beginning of year	790,890	78,459	869,349
 Cash, End of Year	\$ 1,244,089	\$ 167,683	\$ 1,411,772
 <u>Non-cash operating activities</u>			
Foreign exchange gain recorded arising from contributions made that were converted into Brazilian currency	\$	28,301	\$ 28,301

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

For the Year Ended December 31,

2011				2010
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
\$ 400,389	\$ 13,207	\$ 670,618	\$ 1,084,214	\$ 1,101,459
4,536			4,536	3,601
25,000			25,000	(25,000)
247			247	(990)
(5,497)			(5,497)	11,649
	(17,878)		(17,878)	(111,885)
<u>424,675</u>	<u>(4,671)</u>	<u>670,618</u>	<u>1,090,622</u>	<u>978,834</u>
(6,689)			(6,689)	(3,977)
<u>(541,510)</u>			<u>(541,510)</u>	<u>(994,254)</u>
<u>(548,199)</u>			<u>(548,199)</u>	<u>(998,231)</u>
(123,524)	(4,671)	670,618	542,423	(19,397)
<u>132,627</u>	<u>260,766</u>	<u>475,956</u>	<u>869,349</u>	<u>888,746</u>
<u>\$ 9,103</u>	<u>\$ 256,095</u>	<u>\$ 1,146,574</u>	<u>\$ 1,411,772</u>	<u>\$ 869,349</u>
<u>\$ 28,301</u>	<u>\$</u>	<u>\$</u>	<u>\$ 28,301</u>	<u>\$ 39,162</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, 2011, accounts are insured by the Federal Deposit Insurance Corporation up to various levels, which expire on December 31, 2012.

Note 3 – Restriction on Assets

Temporarily restricted net assets in the amount of \$805,750 were restricted in 2010 for operations until 2011, when they were released from restriction.

Additionally, contributions received in Brazil of \$1,546,109 that have not been completed or expended as of December 31, 2011, are classified as temporarily restricted revenues for 2011.

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, 2011, \$1,146,574 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 \$1,815,035 for the year ended December 31, 2011.

Note 4 – Property and Equipment

Property and equipment consist of the following:

	Life	2011
	5 to 7 years	\$ 30,906
Office Equipment and Furniture		
Less: Accumulated depreciation		12,889
		\$ 18,017

Depreciation expense for the year ended December 31, 2011 was \$3,601.

Note 5 – 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.

Note 6 – 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>
2012	\$ 45,200
2013	46,600
2014	35,700
	\$ 127,500

Brazil Foundation
Notes to Financial Statements

Note 6 – Commitments (continued)

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

Rent expense for the years ended December 31, 2011 and 2010 was \$43,900 and \$42,600, respectively.

Note 7 – 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, 2011 and 2010, Brazil Foundation realized a foreign exchange gain of \$29,385 and \$39,162 respectively, based upon the average method of exchange rate translation.

Note 8 – Related Party Transactions

During the years ended December 31, 2011 and 2010, the Foundation transferred \$396,994 and \$483,840, respectively, in funds to Associacao Brazil Foundation, an affiliate, for support of ongoing projects.

ADDITIONAL INFORMATION

Michael S. Libock & Co., LLC

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 2011 and 2010, 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, 2011 with comparative totals for 2010 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
August 27, 2012

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Brazil Foundation
Statements of Functional Expenses - New York
Year Ended December 31, 2011

	Program Services		
	Brazilian Program Costs	Donor Advised Grants	Total Program Services
Grants made	\$ 396,994	\$ 1,625,276	\$ 2,022,270
Salaries and fringe benefits	113,231		113,231
Professional fees	2,104		2,104
Travel	3,638		3,638
Utilities	2,524		2,524
Office equipment and supplies	3,305		3,305
Occupancy	18,356		18,356
Bank service charges	_____	_____	_____
Total expenses before depreciation	540,152	1,625,276	2,165,428
Depreciation	_____	_____	_____
Total Expenses	<u>\$ 540,152</u>	<u>\$ 1,625,276</u>	<u>\$ 2,165,428</u>

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

Supporting Services			2011
Management and General	Fundraising	Total	Total Expenses
			\$ 2,022,270
\$ 70,769	\$ 99,077	\$ 169,846	283,077
13,678	5,261	18,939	21,043
	5,456	5,456	9,094
2,839	946	3,785	6,309
3,706	2,993	6,699	10,004
20,650	6,883	27,533	45,889
3,588		3,588	3,588
115,230	120,616	235,846	2,401,274
1,585		1,585	1,585
<u>\$ 116,815</u>	<u>\$ 120,616</u>	<u>\$ 237,431</u>	<u>\$ 2,402,859</u>

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

Brazil Foundation
Statements of Functional Expenses - Brazil
Year Ended December 31, 2011

	<u>Program Services</u>		
	<u>Brazilian Program Costs</u>	<u>Grants</u>	<u>Total Program Services</u>
Program Expenses			
Programatic partnerships	\$ 452,449		\$ 452,449
Carioca Fund	51,215		51,215
Grants		\$ 827,665	827,665
Annual selection, monitoring, capacity building	128,945		128,945
Salaries and fringe benefits	219,552		219,552
Professional fees	178,151		178,151
Occupancy	17,800		17,800
Office equipment and supplies	31,193		31,193
Other operating costs	27,467		27,467
Fundraising			
Total expenses before depreciation	1,106,772	827,665	1,934,437
Depreciation			
Total Expenses	<u>\$ 1,106,772</u>	<u>\$ 827,665</u>	<u>\$ 1,934,437</u>

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

Supporting Services			2011
Management and General	Fundraising	Total	Total Expenses
			\$ 452,449
			51,215
			827,665
			128,945
\$ 38,745		\$ 38,745	258,297
31,438		31,438	209,589
3,141		3,141	20,941
5,505		5,505	36,698
4,847		4,847	32,314
	\$ 10,208	10,208	10,208
83,676	10,208	93,884	2,028,321
2,951		2,951	2,951
\$ <u>86,627</u>	\$ <u>10,208</u>	\$ <u>96,835</u>	\$ <u>2,031,272</u>

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