

BRAZIL FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED**

DECEMBER 31, 2018 and 2017

BRAZIL FOUNDATION

| <u>Table of Contents</u> | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1-2 |
| Financial Statements | |
| Statements of Combining Financial Position as of December 31, 2018 (with comparative totals As of December 31, 2017) | 3 |
| Statements of Combining Activities and Changes in Net Assets for the Years Ended December 31, 2018 and 2017..... | 4 |
| Statements of Combining Cash Flows for the Years Ended December 31, 2018 and 2017 | 5 |
| Notes to Financial Statements | 6-13 |
| Schedules of Functional Expenses for the Year Ended December 31, 2018 and 2017 | 14-17 |

Michael S. Libock & Co., LLC

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Brazil Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Brazil Foundation (a nonprofit organization), which comprise the combining statements of financial position as of December 31, 2018 and 2017 and the related combining statements of activities and changes in net assets, functional expenses, and combining cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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 (see Note 9) and combined with Brazil Foundation. Those financial statements reflect total assets of \$1,538,293 and \$1,717,330 as of December 31, 2018 and 2017, respectively, and total revenues of \$1,630,342 and \$1,194,734 for the years then ended. Those financial statements were audited by other auditors in accordance with Brazilian statutes, 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 audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Michael S. Libock & Co., LLC

Certified Public Accountants

Auditors' Responsibility - continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Brazil Foundation as of December 31, 2018 and 2017, 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.

Michael S. Libock & Co., LLC

Westwood, NJ

May 24, 2019

BRAZIL FOUNDATION
Combining Statements of Financial Position

| | December 31, | | | | 2017 (Restated) | |
|---|----------------------|---------------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | 2018 | | 2017 | | (Restated) | |
| | Brazil Foundation | Associacao Brazil Foundation | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| (a) | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash | \$ 642,821 | \$ 1,521,789 | \$ 2,164,610 | \$ 1,424,967 | \$ 739,643 | \$ 2,164,610 |
| Investments | 1,179,170 | | 1,179,170 | 118,272 | 1,060,898 | 1,179,170 |
| Prepaid expenses and other current assets | 68,871 | 14,093 | 82,964 | 82,964 | | 82,964 |
| Total current assets | <u>1,890,862</u> | <u>1,535,882</u> | <u>3,426,744</u> | <u>1,626,203</u> | <u>1,800,541</u> | <u>3,426,744</u> |
| Property and equipment, at cost, (net of accumulated depreciation of \$ 48,334 and \$ 30,805) | 7,516 | 2,411 | 9,927 | 9,927 | | 9,927 |
| Security deposit | <u>15,600</u> | | <u>15,600</u> | <u>15,600</u> | | <u>15,600</u> |
| Total Assets | <u>\$ 1,913,978</u> | <u>\$ 1,538,293</u> | <u>\$ 3,452,271</u> | <u>\$ 1,651,730</u> | <u>\$ 1,800,541</u> | <u>\$ 3,452,271</u> |
| Liabilities and Net Assets | | | | | | |
| Liabilities | | | | | | |
| Accounts payable and accrued expenses | \$ 1,652 | \$ 31,596 | \$ 33,248 | \$ 33,248 | | \$ 33,248 |
| Deferred rent | 5,152 | | 5,152 | 5,152 | | 5,152 |
| Grants payable | - | 21,033 | 21,033 | 21,033 | | 21,033 |
| Total liabilities | <u>6,804</u> | <u>52,629</u> | <u>59,433</u> | <u>59,433</u> | | <u>59,433</u> |
| Net Assets | | | | | | |
| Without donor restrictions | 717,663 | 874,634 | 1,592,297 | 1,592,297 | - | 1,592,297 |
| With donor restrictions | <u>1,189,511</u> | <u>611,030</u> | <u>1,800,541</u> | <u>1,800,541</u> | <u>1,800,541</u> | <u>1,800,541</u> |
| Total Net Assets | <u>1,907,174</u> | <u>1,485,664</u> | <u>3,392,838</u> | <u>1,592,297</u> | <u>1,800,541</u> | <u>3,392,838</u> |
| Total Liabilities and Net Assets | <u>\$ 1,913,978</u> | <u>\$ 1,538,293</u> | <u>\$ 3,452,271</u> | <u>\$ 1,651,730</u> | <u>\$ 1,800,541</u> | <u>\$ 3,452,271</u> |

(a) Brazilian reais converted into United States dollars using the rate of 3.880927 reais per USD. The rate is provided by X-rates at December 31, 2018.

BRAZIL FOUNDATION
Combining Statements of Activities and Changes in Net Assets

For the Year Ended December 31,

| | 2018 | | | | 2017 | | | |
|---|----------------------|--|--------------|-------------------------------|----------------------------|--------------|--------------|--|
| | Brazil Foundation | Associacao Brazil Foundation (a) | Total | Without Donor Restrictions | With Donor Restrictions | Total | Total | |
| Public Support and Revenue | | | | | | | | |
| Contributions | | | | | | | | |
| Foundations | \$ 17,715 | \$ 17,715 | \$ 17,715 | \$ 17,715 | \$ | \$ 17,715 | \$ 77,164 | |
| Corporations | 68,388 | 4,483 | 72,871 | 72,871 | | 72,871 | 35,698 | |
| Individuals | 88,924 | 255 | 89,179 | 89,179 | | 89,179 | 49,320 | |
| Investment income (loss) | (62,626) | 69,760 | 7,134 | 138,839 | \$ (131,705) | 7,134 | 330,598 | |
| Fundraising gala income (net of expenses of \$408,851 and \$183,275) | 645,582 | 377,948 | 1,023,530 | 1,023,530 | | 1,023,530 | 900,988 | |
| Donor advised fund income | 1,886,159 | | 1,886,159 | | 1,886,159 | 1,886,159 | 1,891,680 | |
| Partnership income | 150,830 | 535,686 | 686,516 | | 686,516 | 686,516 | 226,906 | |
| Events income and other income (net of expenses of \$76,250) | 158,776 | 170,470 | 329,246 | 329,246 | | 329,246 | 327,465 | |
| Contributions from Brazil Foundation | | 471,740 | * | | 471,740 | * | * | |
| Net assets released from restriction | | | | 2,651,020 | (2,651,020) | | | |
| Satisfaction of program restrictions | | | | 328,692 | (328,692) | | | |
| Expiration of time restrictions | | | | | | | | |
| | | | | | | | | |
| | 2,953,748 | 1,630,342 | 4,112,350 | 4,651,092 | (67,002) | 4,112,350 | 3,839,819 | |
| Total Public Support and Revenue | | | | | | | | |
| Expenses | | | | | | | | |
| Program Services | | | | | | | | |
| Associacao Brazil Foundation | 471,740 | 366,127 | 366,127 | 366,127 | | 366,127 | 408,083 | |
| Grants to Associacao Brazil Foundation | | | * | 471,740 | | * | * | |
| Discretionary grants | | 1,011,801 | 1,011,801 | 1,011,801 | | 1,011,801 | 514,384 | |
| Donor advised grants | 1,810,229 | | 1,810,229 | 1,810,229 | | 1,810,229 | 1,785,024 | |
| Other | 237,940 | | 237,940 | 237,940 | | 237,940 | 230,799 | |
| Total Program Services | 2,519,909 | 1,377,928 | 3,426,097 | 3,897,837 | | 3,426,097 | 2,938,290 | |
| Supporting Services | | | | | | | | |
| Management and general | 247,729 | 89,768 | 337,497 | 337,497 | | 337,497 | 318,152 | |
| Fundraising | 203,438 | | 203,438 | 203,438 | | 203,438 | 192,367 | |
| Total Supporting Services | 451,167 | 89,768 | 540,935 | 540,935 | | 540,935 | 510,519 | |
| | | | | | | | | |
| | 2,971,076 | 1,467,696 | 3,967,032 | 4,438,772 | | 3,967,032 | 3,448,809 | |
| Other items | | | | | | | | |
| Temporarily restricted grant income | | 1,158,258 | 1,158,258 | | 1,158,258 | 1,158,258 | 670,791 | |
| Temporarily restricted grant expense | | (1,086,906) | (1,086,906) | | (1,086,906) | (1,086,906) | (474,575) | |
| Total Other items | | 71,352 | 71,352 | | 71,352 | 71,352 | 196,216 | |
| Changes in net assets before loss due to foreign currency translation | (17,328) | 233,998 | 216,670 | 212,320 | 4,350 | 216,670 | 587,226 | |
| Loss due to foreign currency translation | | (170,302) | (170,302) | (170,302) | | (170,302) | (57,310) | |
| Changes in net assets | (17,328) | 63,696 | 46,368 | 42,018 | 4,350 | 46,368 | 529,916 | |
| Net assets, beginning of year | 1,924,502 | 1,665,752 | 3,590,254 | 1,794,063 | 1,796,191 | 3,590,254 | 3,060,338 | |
| Loss due to foreign currency translation - previous year | | (243,784) | (243,784) | (243,784) | | (243,784) | | |
| Net Assets, End of Year | \$ 1,907,174 | \$ 1,485,664 | \$ 3,392,838 | \$ 1,592,297 | \$ 1,800,541 | \$ 3,392,838 | \$ 3,590,254 | |

*Interfund transfers of \$471,740, and \$532,434 are eliminated in the combination of the funds for the years ended December 31, 2018 and 2017, respectively.

(a) Brazilian reais converted into United States dollars using the rate of 3.880927 reais per USD. The rate is provided by X-rates on December 31, 2018

(b) The discretionary grants disbursed by Brazil in 2018 have been reduced due to the currency conversion rates and adjustments necessary to conform to US GAAP guidelines.

Total Brazilian grants disbursed in 2018 were R\$3,926,728

See independent auditors' report and accompanying notes to financial statements.

BRAZIL FOUNDATION
Combining Statements of Cash Flows

| | For the Year Ended December 31, | | | |
|---|---------------------------------|--------------------------|---------------------|---------------------|
| | 2018 | 2017 | | |
| | Brazil | Associacao Brazil | Total | Total |
| | Foundation | Foundation | | |
| Cash Flows from Operating Activities | | | | |
| Changes in net assets | \$ (17,328) | \$ 63,696 | \$ 46,368 | \$ 529,916 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | | | |
| Depreciation expense | 7,948 | 2,137 | 10,085 | 10,796 |
| (Increase) decrease in cash attributable to changes in assets and liabilities: | | | | |
| Prepaid expenses and other current assets | 36,337 | 74,121 | 110,458 | (144,429) |
| Accounts payable and accrued expenses | (2,582) | (1,210) | (3,792) | 758 |
| Deferred rent | (975) | | (975) | 1,066 |
| Grants payable | | 2,261 | 2,261 | (99,006) |
| Net cash provided by (used in) operating activities | <u>23,400</u> | <u>141,005</u> | <u>164,405</u> | <u>299,101</u> |
| Cash Flows from Investing Activities | | | | |
| Capital expenditures | (1,536) | (311) | (1,847) | (1,889) |
| Purchase of investments-net | 63,063 | | 63,063 | (236,742) |
| Proceeds from sale of investments | | | - | 24,639 |
| Net cash used in investing activities | <u>61,527</u> | <u>(311)</u> | <u>61,216</u> | <u>(213,992)</u> |
| Net (decrease) increase in cash | 84,927 | 140,694 | 225,621 | 85,109 |
| Cash, beginning of year | 557,894 | 1,624,879 | 2,182,773 | 2,097,664 |
| Cash, End of Year | <u>\$ 642,821</u> | <u>\$ 1,765,573</u> | <u>\$ 2,408,394</u> | <u>\$ 2,182,773</u> |
| Non-cash operating activities | | | | |
| Loss due to foreign currency translation recorded arising from contributions made that were converted into Brazilian currency | | \$ (170,302) | \$ (170,302) | \$ (57,310) |
| Supplementary Cash Flow Disclosures: | | | | |
| Cash paid during the period for | | | | |
| Interest | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Income tax | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

See independent auditors' report and accompanying notes to financial statements.

**BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Nature of 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.

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Service Code and has been classified as a publicly supported organization as described in Code sections 509(a)(1) and 170(b)(A)(VI).

Note 2 – Summary of Significant Accounting Policies

Accounting Method

The financial statements of the Foundation have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Net Asset Accounting

The Organization’s net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. In August 2016, FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The amendments in this ASU are effective for the fiscal years beginning after December 15, 2017. The new guidance reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – The part of the net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

With Donor Restrictions – Net assets resulting from contributions and other inflows of assets whose use is limited by the donor or have imposed stipulations that either expire by the passage of time or can be fulfilled and removed by the actions of the organization pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets.

**BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Summary of Significant Accounting Policies – continued

Income Taxes

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Income Taxes*, the Foundation applies the “more likely than not” threshold to the recognition and derecognition of tax positions for its financial statements. Using that guidance, the Foundation believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of December 31, 2018 and 2017.

The Internal Revenue Service (“IRS”) has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code (the “Code”) and from state and local income taxes under comparable laws. As a not-for-profit entity, the Foundation is subject to unrelated business income tax (“UBIT”), if applicable. For the tax years ended December 31, 2018 and 2017, the Organization did not owe any UBIT.

Management has evaluated the Foundation’s tax positions for all open tax years and has concluded that the Foundation had taken no uncertain tax position that require adjustment to the financial statements to comply with the provisions of GAAP. Generally, the Foundation is no longer subject to income tax examinations by U.S. Federal, State or Local tax authorities for years before 2015, which is the standard statute of limitations look-back period.

Unconditional Promises to Give and Contributions

Unconditional grants, contributions, and gifts including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

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. Expenditures for repairs and maintenance are charged to expense as incurred.

**BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Summary of Significant Accounting Policies - continued

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Organization's gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the new standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Summary of Significant Accounting Policies - continued

Use of 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.

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.

Subsequent Events

The Foundation has evaluated subsequent events through May 24, 2019, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure on these financial statements.

Comparative totals

The financial statements and notes to the financial statements for the year ended December 31, 2017 are presented only to provide a basis for comparison with the year 2018. The 2017-year financial statements and notes to the financial statements are not intended to present all information necessary for the fair presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year December 31, 2017 from which the summarized information was derived. Certain 2017 accounts have been recombined in order to be comparative with the 2018 financial statement format.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use assets and a lease liability and the disclosure of key information pertaining to leasing agreements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted.

BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 3 – Concentration of Credit Risk

The Foundation maintains cash amounts with several financial institutions in Brazil and the United States. As of December 31, 2018, accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and by the Fundo Garantidor de Creditos up to R\$250,000. At December 31, 2018, the uninsured cash balances aggregate approximately \$1,655,989.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's financial position.

Note 4 – Restriction on Assets

Net assets with donor restrictions in the amount of \$164,339 were restricted in 2017 for operations until 2018, when they were released from restriction.

Additionally, contributions received in Brazil of \$1,158,258 that have not been completed or expended as of December 31, 2018, are classified as revenues with donor restrictions for 2018.

The Foundation has secured long-term grants for an endowment fund for which the principal will be in net asset with donor restrictions. As of December 31, 2018, \$1,500,147 has been collected for this fund.

Donor restricted grants paid to Brazil Foundation aggregated \$1,886,159 for the year ended December 31, 2018.

Note 5 – Lease Commitments

The Foundation renewed a five-year lease for office space in New York City under a non-cancelable operating lease that expires in June 2020.

Future minimum lease payments under the non-cancelable operating lease as of December 31, 2018 are as follows:

| <u>Year Payable</u> | <u>Operating Lease</u> |
|---------------------|------------------------|
| 2019 | \$ 72,204 |
| 2020 | <u>36,635</u> |
| | <u>\$ 108,839</u> |

Future minimum lease payments are expensed on a straight-line basis over the life of the lease term.

**BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 6 – Foreign Currency Translation

The Brazilian part of the Foundation translates its Brazilian reals into U.S. dollars based upon an exchange rate on December 31, 2018. The value of the Brazilian real declined in relation to the U.S. dollar with an average exchange rate of 3.312 in 2017 to 3.881 in 2018. Therefore, for the years ended December 31, 2018 and 2017, Brazil Foundation recorded losses due to foreign currency translation of \$170,302 and \$57,310, respectively.

Note 7 – Related Party Transactions

During the years ended December 31, 2018 and 2017, the Foundation transferred \$471,740 and \$532,434, respectively, in funds to Associacao Brazil Foundation, an affiliate, for support of ongoing projects.

Note 8 – Property and Equipment

Property and equipment consisted of the following:

| | Life | | 2018 |
|--------------------------------|--------------|----|-------------|
| Office Equipment and Furniture | 5 to 7 years | \$ | 89,066 |
| Less: Accumulated Depreciation | | | 79,139 |
| | | | \$9,927 |

Note 9 – Associacao Brazil Foundation

The financial statements of Associacao Brazil Foundation for 2018 and 2017 have been audited and accounted for in accordance with Brazilian laws and regulations. This reporting framework differs from US Generally Accepted Accounting Principles (“GAAP”) in the with donor restrictions income and expense are recorded as a liability for Brazilian regulatory purposes. For this report, in accordance with US GAAP, the liability for with donor restrictions revenue and expense has been reclassified into with donor restrictions revenues and expenses on the Statement of Changes in Net Assets.

**BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 10 – Fair Value Measurements

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Foundation's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of December 31, 2018 and 2017:

| | Level 1: Quoted Prices in Active Markets for Identical Assets | Level 2: Significant Other Observable Inputs | Level 3: Significant Unobservable Inputs | Total at December 31, 2018 | Valuation Technique |
|-----------------------|---|--|---|----------------------------------|------------------------|
| Exchange Traded Funds | \$ 1,060,898 | | | \$ 1,060,898 | (a) |
| Bank Sweep | 118,272 | | | 118,272 | (a) |
| Total | <u>\$ 1,179,170</u> | | | <u>\$ 1,179,170</u> | |

| | Level 1: Quoted Prices in Active Markets for Identical Assets | Level 2: Significant Other Observable Inputs | Level 3: Significant Unobservable Inputs | Total at December 31, 2017 | Valuation Technique |
|-----------------------|---|--|---|----------------------------------|------------------------|
| Exchange Traded Funds | \$ 1,142,466 | | | \$ 1,142,466 | (a) |
| Bank Sweep | 99,767 | | | 99,767 | (a) |
| Total | <u>\$ 1,242,233</u> | | | <u>\$ 1,242,233</u> | |

During the years ended December 31, 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

Mutual funds in the above chart were valued at the funds' closing prices reported in an active market that the Foundation has the ability to access.

**BRAZIL FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

| | <u>2018</u> |
|--|-------------------------|
| Subject to expenditure for specified purpose: | |
| Casa da Esperanca | 941 |
| Casa do Jardim | 776 |
| CIESPI | 1,439 |
| Creche Recanto Feliz | 2,352 |
| Fundacao Estudar | 6,116 |
| Heart for Kids | 6,014 |
| Institute Blind (Cegos) Bahia | 33,950 |
| IPTI | 32,510 |
| Projeto Agua Limpa | 21,340 |
| Sou Digna | 21,340 |
| SMDL Solar Meninos de Luz | 1,835 |
| Renova Partnership | 30,559 |
| C&A/Womanity Project | <u>140,528</u> |
| Total subject to expenditure for specified purpose | <u>299,700</u> |
| Endowment Fund | |
| Amounts required to be invested in Endowment Fund | <u>1,500,841</u> |
| Total Net Assets with donor restrictions | <u><u>1,800,541</u></u> |

Note 12 – Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | <u>2018</u> |
|---|----------------------------|
| Cash | \$ 2,164,610 |
| Investment | 1,179,170 |
| Receivables | <u>11,359</u> |
| Total financial assets | 3,355,139 |
| Contractual or donor-imposed restrictions: | |
| Endowment funds | (1,500,841) |
| Donor restrictions for specified purpose | (299,700) |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 1,554,598</u></u> |

BRAZIL FOUNDATION
Schedules of Functional Expenses - New York
Year Ended December 31, 2018

| | Program Services | | | Supporting Services | | | 2018 Total Expenses |
|------------------------------------|---------------------------|----------------------|---------------------------|---------------------------|-------------|------------|---------------------------|
| | New York Program Costs | Donor Advised Grants | Total Program Services | Management and General | Fundraising | Total | |
| Grants made | \$ 471,740 | 1,810,229 | \$ 2,281,969 | | | | \$ 2,281,969 |
| Salaries and fringe benefits | 185,371 | | 185,371 | \$ 115,857 | 162,200 | \$ 278,057 | 463,428 |
| Professional fees | 6,761 | | 6,761 | 43,949 | 16,904 | 60,853 | 67,614 |
| Travel | 996 | | 996 | | 249 | 249 | 1,245 |
| Utilities | 2,451 | | 2,451 | 2,758 | 919 | 3,677 | 6,128 |
| Office equipment and supplies | 13,632 | | 13,632 | 15,284 | 12,393 | 27,677 | 41,309 |
| Occupancy | 28,729 | | 28,729 | 32,320 | 10,773 | 43,093 | 71,822 |
| Bank service charges | | | | 29,613 | | 29,613 | 29,613 |
| Total expenses before depreciation | 709,680 | 1,810,229 | 2,519,909 | 239,781 | 203,438 | 443,219 | 2,963,128 |
| Depreciation | | | | 7,948 | | 7,948 | 7,948 |
| Total Expenses | \$ 709,680 | \$ 1,810,229 | \$ 2,519,909 | \$ 247,729 | \$ 203,438 | \$ 451,167 | \$ 2,971,076 |

See independent auditors' report on additional information.

BRAZIL FOUNDATION
Schedules of Functional Expenses - Brazil
Year Ended December 31, 2018

| | Program Services | | | Supporting Services | | 2018 Total Expenses |
|------------------------------------|-------------------------|--------------|---------------------------|---------------------------|----------------------|---------------------------|
| | Brazil Program Costs | Grants | Total Program Services | Management and General | Fundraising Total | |
| Program Expenses | | | | | | |
| Programmatic partnerships | \$ 67,577 | \$ | \$ 67,577 | | | \$ 67,577 |
| Carioca fund | | | - | | | - |
| Grants | | \$ 1,011,801 | 1,011,801 | | | 1,011,801 |
| Salaries and fringe benefits | 222,770 | | 222,770 | \$ 74,257 | \$ | 297,027 |
| Professional fees | 36,881 | | 36,881 | 6,509 | 6,509 | 43,390 |
| Occupancy | 12,745 | | 12,745 | 2,249 | 2,249 | 14,994 |
| Office equipment and supplies | 20,278 | | 20,278 | 3,579 | 3,579 | 23,857 |
| Other operating costs | 5,876 | | 5,876 | 1,037 | 1,037 | 6,913 |
| Total expenses before depreciation | 366,127 | 1,011,801 | 1,377,928 | 87,631 | 87,631 | 1,465,559 |
| Depreciation/Amortization | | | | 2,137 | 2,137 | 2,137 |
| Total Expenses | \$ 366,127 | \$ 1,011,801 | \$ 1,377,928 | \$ 89,768 | \$ 89,768 | \$ 1,467,696 |

See independent auditors' report on additional information.

BRAZIL FOUNDATION
Statement of Functional Expenses - New York
Year Ended December 31, 2017

| | Program Services | | | Supporting Services | | 2017 Total Expenses |
|------------------------------------|---------------------------|----------------------|---------------------------|---------------------------|-------------|---------------------------|
| | New York Program Costs | Donor Advised Grants | Total Program Services | Management and General | Fundraising | |
| Grants made | \$ 532,434 | 1,785,024 | \$ 2,317,458 | | | \$ 2,317,458 |
| Salaries and fringe benefits | 182,858 | | 182,858 | \$ 114,286 | 160,000 | 457,144 |
| Professional fees | 4,413 | | 4,413 | 28,688 | 11,034 | 44,135 |
| Travel | 1,579 | | 1,579 | | 395 | 1,974 |
| Utilities | 3,930 | | 3,930 | 4,421 | 1,474 | 9,825 |
| Office equipment and supplies | 9,752 | | 9,752 | 10,934 | 8,864 | 29,550 |
| Occupancy | 28,267 | | 28,267 | 31,801 | 10,600 | 70,668 |
| Bank service charges | | | | 19,654 | | 19,654 |
| Total expenses before depreciation | 763,233 | 1,785,024 | 2,548,257 | 209,784 | 192,367 | 2,950,408 |
| Depreciation | | | | 8,379 | | 8,379 |
| Total Expenses | \$ 763,233 | \$ 1,785,024 | \$ 2,548,257 | \$ 218,163 | \$ 192,367 | \$ 2,958,787 |

See independent auditors' report on additional information.

BRAZIL FOUNDATION
Statement of Functional Expenses - Brazil
Year Ended December 31, 2017

| | Program Services | | Total Program Services | Supporting Services | | 2017 Total Expenses |
|---|-------------------------|------------|---------------------------|---------------------------|-------------|---------------------------|
| | Brazil Program Costs | Grants | | Management and General | Fundraising | |
| Program Expenses | | | | | | |
| Programmatic partnerships | \$ 71,983 | \$ | 71,983 | | | \$ 71,983 |
| Carioca fund | | | - | | | - |
| Grants | | \$ 514,384 | 514,384 | | | 514,384 |
| Annual selection, monitoring, capacity building | | | - | | | - |
| Salaries and fringe benefits | 245,452 | | 245,452 | \$ 81,575 | \$ | 327,027 |
| Professional fees | 43,482 | | 43,482 | 7,673 | | 51,155 |
| Occupancy | 13,634 | | 13,634 | 2,406 | | 16,040 |
| Office equipment and supplies | 15,463 | | 15,463 | 2,729 | | 18,192 |
| Other operating costs | 18,069 | | 18,069 | 3,189 | | 21,258 |
| Fundraising | | | | | | |
| Total expenses before depreciation Depreciation/Amortization | 408,083 | 514,384 | 922,467 | 97,572 | 97,572 | 1,020,039 |
| | | | | 2,417 | 2,417 | 2,417 |
| Total Expenses | \$ 408,083 | \$ 514,384 | \$ 922,467 | \$ 99,989 | \$ 99,989 | \$ 1,022,456 |

See independent auditors' report on additional information.