



BrazilFoundation

BRAZIL FOUNDATION – NEW YORK

Financial Statements

For the Year Ended December 31, 2020



**and
Report Thereon**



BRAZIL FOUNDATION – NEW YORK

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For the Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Brazil Foundation – New York

Report on the Financial Statements

We have audited the accompanying financial statements of Brazil Foundation – New York (the Foundation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 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 from 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 auditors' 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Washington, DC
July 29, 2021

BRAZIL FOUNDATION – NEW YORK
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Cash	\$ 1,146,823
Investments	1,788,640
Contributions receivable	423,000
Property and equipment, net	8,604
Security deposit	<u>42,000</u>

TOTAL ASSETS \$ 3,409,067

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 35,921
Note payable	102,422
Deferred rent	<u>1,677</u>

TOTAL LIABILITIES 140,020

Net Assets

Without donor restrictions	
Undesignated	854,250
Designated by the Board for Endowment	1,833,468
With donor restrictions	<u>581,329</u>

TOTAL NET ASSETS 3,269,047

TOTAL LIABILITIES AND NET ASSETS \$ 3,409,067

The accompanying notes are an integral part of these financial statements.

BRAZIL FOUNDATION – NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,270,690	\$ 2,093,349	\$ 3,364,039
Donated services	146,888	-	146,888
Investment income	353,476	-	353,476
Fundraising and special event income	296,075	-	296,075
Net assets released from restrictions:			
Satisfaction of program restrictions	1,581,213	(1,581,213)	-
TOTAL REVENUE AND SUPPORT	3,648,342	512,136	4,160,478
EXPENSES			
Program Services			
Grants awarded	2,054,662	-	2,054,662
Program administration	113,134	-	113,134
Total Program Services	2,167,796	-	2,167,796
Supporting Services:			
Management and general	491,302	-	491,302
Fundraising	417,375	-	417,375
Total Supporting Services	908,677	-	908,677
TOTAL EXPENSES	3,076,473	-	3,076,473
CHANGE IN NET ASSETS	571,869	512,136	1,084,005
NET ASSETS, BEGINNING OF YEAR	2,115,849	69,193	2,185,042
NET ASSETS, END OF YEAR	\$ 2,687,718	\$ 581,329	\$ 3,269,047

The accompanying notes are an integral part of these financial statements.

BRAZIL FOUNDATION – NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services			Supporting Services			Total
	Grants Awarded	Program Administration	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grant expenses	\$ 2,054,662	\$ -	\$ 2,054,662	\$ -	\$ -	\$ -	\$ 2,054,662
Salaries and fringe benefits	-	98,351	98,351	163,918	284,124	448,042	546,393
Professional fees	-	-	-	237,312	-	237,312	237,312
Event promotions	-	-	-	-	89,709	89,709	89,709
Occupancy & utilities	-	14,510	14,510	24,184	41,918	66,102	80,612
Office equipment and supplies	-	-	-	49,496	-	49,496	49,496
Bank service charges	-	-	-	14,375	-	14,375	14,375
Depreciation	-	273	273	456	790	1,246	1,519
Travel	-	-	-	969	242	1,211	1,211
Miscellaneous	-	-	-	592	592	1,184	1,184
	TOTAL	EXPENSES	TOTAL	EXPENSES	TOTAL	EXPENSES	TOTAL
	\$ 2,054,662	\$ 113,134	\$ 2,167,796	\$ 491,302	\$ 417,375	\$ 908,677	\$ 3,076,473

The accompanying notes are an integral part of these financial statements.

BRAZIL FOUNDATION – NEW YORK
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,084,005
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Noncash contributions	(13,466)
Net realized and unrealized (gain) loss	(332,827)
Depreciation	1,519
Changes in assets and liabilities:	
Contributions receivable	(423,000)
Prepaid expenses and other assets	11,912
Security deposit	(26,400)
Accounts payable and accrued expenses	28,399
Deferred rent	<u>(396)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>329,746</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(7,325)
Proceeds from sales of investments	<u>19,352</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,027</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable	<u>102,422</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>102,422</u>
NET INCREASE IN CASH	444,195
CASH, BEGINNING OF YEAR	<u>702,628</u>
CASH, END OF YEAR	<u><u>\$ 1,146,823</u></u>

The accompanying notes are an integral part of these financial statements.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies

Organization

Brazil Foundation – New York (the Foundation) promotes and raises awareness of education, health, economic and social justice in Brazil and within Brazilian communities. The Foundation is established as a New York not-for-profit organization and raises funds through various U.S. initiatives and sponsors its affiliate the Associacao Brazil Foundation, a not-for-profit public interest organization under the laws of Brazil, which carries out and oversees the implementation of the Brazilian programs. Associacao Brazil Foundation is not included in the Foundation – New York’s financial statements. The Brazilian entity is audited by other auditors under Brazilian statutory accounting and audit procedures and Brazilian law.

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

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

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.

Investments

Investments consist of equities that are part of the Foundation’s investment portfolio. These investments are recorded in the accompanying financial statements at their 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.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Foundation has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Contributions Receivable

Contributions receivable consists of amounts due from donors for which the Foundation has an unconditional right to receive payment. Contributions receivable are stated at the amount management expects to collect. Management has determined that all amounts are fully collectible and that no allowance for bad debt expense is necessary at December 31, 2020.

Property and Equipment and Related Depreciation and Amortization

All property and equipment with a useful life of more than one year and a cost of \$2,000 or more will be capitalized and depreciated over its estimated useful life using the straight-line method of depreciation. Office equipment and furniture has a useful life of 5 to 7 years. Expenditures for repairs and maintenance are charged to expense as incurred.

Classification of Net Assets

The Foundation's net assets are reported as follows:

- Net assets without donor restrictions represent revenue and contributions received without donor-imposed restrictions. These net assets are available for the Foundation's operations and the Foundation has grouped its net assets without donor restrictions into the following categories:
 - Undesignated net assets – represent funds available to carry on the operations of the Foundation.
 - Board designated net assets – represent net asset without donor restrictions whose use is subject to designation for specific purposes either as a reserve or by action of the Foundation's Board of Directors (the Board).

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets (continued)

- Net assets with donor restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions of a perpetual nature at December 31, 2020. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

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. The Foundation will occasionally hold special events in which revenue from tickets sold is recognized at the time the event occurs.

Grant Programs

The Foundation has several donation options to engage donors:

- Pass-through Contributions and Designated Funds: are contributions received by donors for the purpose of transferring them to donor-designated receiving entities who are responsible for carrying out program initiatives. They are recognized as contributions with donor restrictions when variance power is explicitly retained by the Foundation. The corresponding grant distributions to the receiving entities and related expenditures incurred are recognized as expenses. When variance power is not explicitly retained, the Foundation will record the transaction as a funds held for others on the accompanying statement of financial position, until the funds have been disbursed to the designated beneficiary.
- Advised Funds: Donor-advised funds allow donors to recommend grant recipients, subject to the Foundation's due diligence and approval. However, in such cases, the Foundation retains variance power.
- Field of Interest Funds: Field of interest funds enable donors to identify a broad charitable purpose or a category of interest related to the Foundation's mission and allows the Foundation to select the appropriate nonprofit recipient.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Services and Materials

Donated services and materials are recorded at fair value as revenue and expense in the accompanying statement of activities. Services are recognized as in-kind contributions if the services received create or enhance long-lived assets or if they require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not donated

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributed to specific functional areas of the Foundation are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas are allocated among the program and supporting services benefited based on ratios determined by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investment Income Allocation to Operations

The Foundation's spending policy allows for an annual allocation of investment income to support operations while preserving the long-term earning power of the investments. At the Board of Directors' discretion, the annual allocation may be up to 5% of the five-year moving average balance of the unrestricted investment reserve market value as of December 31 of the prior year. For the year ended December 31, 2020, the Foundation did not elect to make an allocation to operations.

2. Investments and Fair Value Measurement

All investments are held in equity exchange traded funds that are valued at Level 1 in the fair value hierarchy based on quoted market prices in active markets.

3. Contributions Receivable

As of December 31, 2020, contributions receivable consisted of unconditional promises to give received by the Foundation, which were expected to be received as follows:

Amounts due in:	
Less than one year	\$ 251,000
One to five years	<u>172,000</u>
Total Contributions Receivable	<u>\$ 423,000</u>

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

3. Contributions Receivable (continued)

No discount was calculated on the multiyear contributions as management determined the amount to be immaterial to the financial statements as a whole.

4. Property and Equipment and Accumulated Depreciation

The Foundation held the following property and equipment as of December 31, 2020:

Office equipment and furniture	\$ 63,175
Less: Accumulated Depreciation	<u>(54,571)</u>
Property and Equipment, Net	<u>\$ 8,604</u>

Depreciation expense totaled \$1,519 for the year ended December 31, 2020.

5. PPP Note Payable

On May 1, 2020, the Foundation entered into a Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$102,422. The loan will mature on May 1, 2022, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest will commence ten months after the end of the forgiveness covered period. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. The Foundation was notified on March 30, 2021, that the Small Business Administration loan was fully forgiven.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions subject to purpose restrictions as of December 31, 2020 consisted of pass-through contributions and designated funds amounting to \$283,329 that were subject to distributions to donor-specified beneficiaries for their ongoing projects. There were \$298,000 of net assets with donor restrictions subject to passage of time as of December 31, 2020, resulting in total net assets with donor restriction of \$581,329.

7. Board Designated Endowment Funds

Board designated endowment fund is an aggregate of prior years' Board contributions and its accumulated earnings, along with any new contributions from the Board. The total principal contributions amounting to \$1,253,538 are earmarked for the long-term investment portfolios by the Board, and the Finance Committee was formed to safeguard the assets and oversee portfolio management pursuant to the Foundation's investment policy adopted by the Board.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

7. Board Designated Endowment Funds (continued)

The investment return from the endowment fund is recorded as net assets without donor restrictions – board designated endowment fund and re-invested in the investment account. On an annual basis, the Board makes an appropriation of the accumulated earnings, based on the Foundation's spending policy, to be used for general operations. As of December 31 2020, the Board Designated Endowment Fund was \$1,833,468.

8. Commitments and Risks

Operating Lease

In June 2015, the Foundation entered into a five year lease commencing in July 2015 and expiring in June 2020. The agreement contained an escalation clause of 3% per year. In June 2020, the Foundation negotiated to continue paying the year-five rate for the months of June through October 2020.

In August 2020, the Foundation entered into a ten year lease commencing in November 2020 and expiring in October 2030. The agreement contained an escalation clause of 2.75% per year.

Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

Future minimum lease payments under the non-cancelable operating lease as of December 31, 2020 are as follows:

For the Year Ending <u>December 31,</u>	
2021	\$ 79,563
2022	81,751
2023	83,999
2024	86,309
2025	88,683
Thereafter	<u>464,050</u>
Total	<u>\$ 884,355</u>

Operating lease costs amounted to \$74,313 during the year ended December 31, 2020.

Risk and Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Foundation has been able to continue operations virtually; however, at this point, the extent to which COVID-19 will impact the Foundation's financial condition or results of operations is necessarily uncertain. Management and the Board are continuously engaged in strategic and generative discussion to develop methods of providing the Foundation's programs under alternative operating scenarios.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. Commitments and Risks (continued)

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of checking and savings accounts with one financial institution in excess of insured limits. These balances fluctuate and at times exceed the \$250,000 limit. Deposits at FDIC-insured institutions are insured up to at least \$250,000 per depositor. The Foundation does not anticipate non-performance by the financial institution. At December 31, 2020, balances at the financial institution exceeded the balance insured by the FDIC in the amount of approximately \$670,000.

9. Availability and Liquidity

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2020, were as follows:

Cash	\$ 1,146,823
Contributions to be received within one year	251,000
Investments	<u>1,788,640</u>
Total Financial Assets at Year-End	3,186,463
Board-designations:	
Endowment fund	(1,833,468)
Contractual or donor-imposed restrictions:	
Donor restrictions for specified purpose	<u>(283,329)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,069,666</u>

The Foundation is primarily funded by contributions from donors that contain restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Foundation must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Foundation also keeps its cash in excess of its daily needs in money market accounts within the investment portfolio.

10. In-Kind Support

During the year ended December 31, 2020, the Foundation received donated professional services and materials totaling \$146,888 primarily consisting of legal services and public relation services. In-kind support is recorded as donated services and materials in the accompanying statement of activities and in various expense line items but predominately professional fees and event promotion expense in the accompanying statement of functional expenses.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

11. Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No significant provision for income taxes is required for the year ended December 31, 2020, as the Foundation had no significant net unrelated business income.

The Foundation performed an evaluation of uncertain tax positions for the year ended December 31, 2020, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2020, the statute of limitations remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Foundation files tax returns; however, there are currently no audits for any tax periods pending or in progress. It is the Foundation's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax or interest expense. As of December 31, 2020, the Foundation had no accruals for interest and/or penalties.

12. Agency Funds

The Foundation received various funding in which the donor specified beneficiaries and the Foundation did not explicitly retain variance power over the funds. Funds of this nature, totaling \$688,500, were provided to the Foundation and were passed through to the designated beneficiaries during the year ended December 31, 2020. Due to their nature as funds held for others, these transactions are not included on the accompanying statement of activities.

13. Related Party Transactions

During the year ended December 31, 2020, the Foundation transferred \$346,428 in funds to Associacao Brazil Foundation, an affiliate, for support of ongoing projects.

14. Subsequent Events

On March 31, 2021, the Foundation entered into an additional Small Business Administration loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$86,310. The loan will mature on March 31, 2026, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest will commence on December 31, 2021. The loan amount, or some portion thereof, may be eligible for forgiveness pursuant to the grant provisions of the PPP.

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, events and transactions through July 29, 2021, the date the financial statements were available to be issued. There were no additional subsequent events identified that require recognition or disclosure in these financial statements, other than the PPP loan forgiveness disclosed in Note 5 and above.