



BrazilFoundation

BRAZIL FOUNDATION – NEW YORK

Financial Statements

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)



**and
Report Thereon**



BRAZIL FOUNDATION – NEW YORK

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For the Year Ended December 31, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Brazil Foundation – New York (the Foundation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
August 30, 2023

BRAZIL FOUNDATION – NEW YORK
STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

	2022	2021
ASSETS		
Cash	\$ 3,585,724	\$ 3,860,399
Investments	6,774,287	2,543,094
Contributions receivable, net	71,340	455,024
Property and equipment, net	10,412	9,752
Security deposit	26,400	26,400
Right of use asset – operating lease	559,485	-
	\$ 11,027,648	\$ 6,894,669
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 754,822	\$ 14,737
Deferred rent	-	33,673
Lease liability – operating lease	628,017	-
	1,382,839	48,410
TOTAL LIABILITIES		
Net Assets		
Without donor restrictions		
Undesignated	4,683,215	3,529,040
Designated by the Board for Endowment	4,505,386	2,480,036
With donor restrictions	456,208	837,183
	9,644,809	6,846,259
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 11,027,648	\$ 6,894,669

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

BRAZIL FOUNDATION – NEW YORK

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
REVENUE AND SUPPORT				
Contributions	\$ 6,106,075	\$ 2,275,073	\$ 8,381,148	\$ 5,742,124
Fundraising and special event income, net of donor direct benefits	626,291	-	626,291	732,410
Donated services	71,344	-	71,344	99,969
Other income	1,428	-	1,428	48,420
Investment (loss) income	(778,855)	-	(778,855)	575,269
Debt forgiveness – PPP loans	-	-	-	188,732
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>2,656,048</u>	<u>(2,656,048)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>8,682,331</u>	<u>(380,975)</u>	<u>8,301,356</u>	<u>7,386,924</u>
EXPENSES				
Program Services				
Grants awarded	4,585,023	-	4,585,023	2,846,671
Program administration	<u>121,799</u>	<u>-</u>	<u>121,799</u>	<u>49,980</u>
Total Program Services	<u>4,706,822</u>	<u>-</u>	<u>4,706,822</u>	<u>2,896,651</u>
Supporting Services:				
Management and general	413,530	-	413,530	579,619
Fundraising	<u>382,454</u>	<u>-</u>	<u>382,454</u>	<u>333,442</u>
Total Supporting Services	<u>795,984</u>	<u>-</u>	<u>795,984</u>	<u>913,061</u>
TOTAL EXPENSES	<u>5,502,806</u>	<u>-</u>	<u>5,502,806</u>	<u>3,809,712</u>
CHANGE IN NET ASSETS	3,179,525	(380,975)	2,798,550	3,577,212
NET ASSETS, BEGINNING OF YEAR	<u>6,009,076</u>	<u>837,183</u>	<u>6,846,259</u>	<u>3,269,047</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,188,601</u></u>	<u><u>\$ 456,208</u></u>	<u><u>\$ 9,644,809</u></u>	<u><u>\$ 6,846,259</u></u>

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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Program Services			Supporting Services			2022 Total	2021 Total
	Grants Awarded	Program Administration	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Grant expenses	\$ 4,585,023	\$ -	\$ 4,585,023	\$ -	\$ -	\$ -	\$ 4,585,023	\$ 2,784,195
Salaries and fringe benefits	-	106,607	106,607	177,680	307,979	485,659	592,266	526,803
Professional fees	-	-	-	110,815	-	110,815	110,815	209,925
Travel	-	-	-	6,602	1,650	8,252	8,252	1,100
Office equipment and supplies	-	-	-	65,687	-	65,687	65,687	50,284
Occupancy and utilities	-	14,674	14,674	24,457	42,392	66,849	81,523	95,417
Event promotions	-	-	-	-	28,779	28,779	28,779	8,210
Bad debt expense	-	-	-	-	-	-	-	119,670
Miscellaneous	-	-	-	22,943	159	23,102	23,102	276
Bank service charges	-	-	-	4,484	-	4,484	4,484	11,295
Depreciation	-	518	518	862	1,495	2,357	2,875	2,537
TOTAL EXPENSES	\$ 4,585,023	\$ 121,799	\$ 4,706,822	\$ 413,530	\$ 382,454	\$ 795,984	\$ 5,502,806	\$ 3,809,712

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, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,798,550	\$ 3,577,212
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of debt – PPP loan	-	(188,732)
Noncash contributions	(36,602)	(79,820)
Net realized and unrealized loss (gain)	1,039,456	(549,531)
Depreciation	2,875	2,537
Amortization of right of use asset – operating lease	71,424	-
Changes in assets and liabilities:		
Contributions receivable	383,684	(32,024)
Security deposit	-	15,600
Accounts payable and accrued expenses	740,085	(21,184)
Deferred rent	-	31,996
Lease liability – operating lease	<u>(36,565)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,962,907</u>	<u>2,756,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,535)	(3,685)
Purchases of investments	(5,270,212)	(210,158)
Proceeds from sales of investments	<u>36,165</u>	<u>85,055</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(5,237,582)</u>	<u>(128,788)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	<u>-</u>	<u>86,310</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>86,310</u>
NET (DECREASE) INCREASE IN CASH	<u>(274,675)</u>	<u>2,713,576</u>
CASH, BEGINNING OF YEAR	<u>3,860,399</u>	<u>1,146,823</u>
CASH, END OF YEAR	<u><u>\$ 3,585,724</u></u>	<u><u>\$ 3,860,399</u></u>
Supplemental Information		
Noncash investing transactions:		
Right of use asset – operating lease	<u>\$ 630,909</u>	<u>\$ -</u>
Lease liability – operating	<u>\$ 664,582</u>	<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, 2022

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.

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. No allowance for doubtful accounts was established for balances as of December 31, 2022 as management believes such amounts are fully collectible.

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.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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

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).
- 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. 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. 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.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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

Grant Programs (continued)

- **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.

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, 2022, the Foundation did not elect to make an allocation to operations.

Newly Adopted Accounting Pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases (FASB ASC 842)*, which requires lessees to put most leases on their statement of financial position. ASU 2016-02 states that a lessee would recognize a

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

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

Newly Adopted Accounting Pronouncements (continued)

lease liability for the obligation to make lease payments and a right-of-use (ROU) asset for the right to use the underlying asset for the lease term. Effective January 1, 2022, the Foundation adopted FASB ASC 842. The Foundation determined if an arrangement contained a lease at inception based on whether the Foundation has the right to control the leased asset during the contract period and other facts and circumstances. The Foundation elected the package of practical expedients permitted under the transition guidelines within the new standard, which allowed it to carryforward the historical lease classification. The Foundation's proportionate share of the building's real estate and operating expenses are considered as variable lease payments, thus are not included in the measurement of the lease assets or liability and are recognized as variable costs when incurred. The adoption of FASB ASC 842 resulted in the recognition of a ROU asset – operating lease, net of existing lease incentives and deferred rent liabilities, of \$630,909 and lease liability – operating lease of \$664,582 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with the Foundation's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Foundation's results of operations and cash flows for the year ended December 31, 2022.

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires separate line items for contributed nonfinancial assets on the statement of activities and a disaggregation by type if there are many different kinds of nonfinancial assets that are received in the notes. The guidance also requires qualitative information about whether gifts-in-kind were either monetized or held and used, policy requirements for monetizing gifts-in-kind rather than utilizing them, descriptions of donor-imposed restrictions, description of valuation techniques used to estimate fair value at initial recognition, and principal or most advantageous market used to arrive at a fair value only if the donor restricts the sale or use of the assets in that market. The Foundation adopted ASU 2020-07 retrospectively on January 1, 2022. Other than the expanded disclosures in Note 11 below, there was no significant effect on these financial statements as a result of the adoption of this pronouncement.

2. Investments and 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, 2022**

2. Investments and 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.

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, 2022, contributions receivable consisted of unconditional promises to give received by the Foundation, which were expected to be received in the next year and are expected to be fully collectible.

4. Property and Equipment and Accumulated Depreciation

The Foundation held the following property and equipment as of December 31, 2022:

Office equipment and furniture	\$ 70,394
Less: Accumulated Depreciation	<u>(59,982)</u>
Property and Equipment, Net	<u>\$ 10,412</u>

Depreciation expense totaled \$2,875 for the year ended December 31, 2022.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

5. Right of Use Asset and Liability – Operating Lease

As discussed in Note 1, on January 1, 2022, the Foundation adopted ASU 2016-02. The ROU asset – operating lease represents the Foundation’s right to use the underlying asset for the lease term, and the lease liability represent the Foundation’s obligation to make lease payments arising from the lease. The ROU asset and lease liability, which arises from the Foundation’s operating lease for its headquarters office, was calculated based on the present value of the future lease payments over the lease term. As the office lease agreement did not provide an implicit rate, based on the information available at the commencement date, the Foundation elected to use a risk-free rate. The remaining lease term as of December 31, 2022 was eight years and the risk-free discount rate utilized to present value the future lease payments was 0.29%. The Foundation’s operating office lease is described below.

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, along with three months of free rental credit in the first year of the lease and one-month credit in the second year of the lease. On June 6, 2022, the Foundation entered into an amendment to the non-cancelable operating lease for its headquarters in New York, New York, to terminate the original lease and to relocate into another office location in the same building as the original lease. The amended lease starts at the time the space is delivered to the Foundation through November 30, 2030. The lease amendment calls for an initial incremental monthly rental payment of \$6,782 and annual rent escalations of 3%.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2022:

Right-of-use asset – operating lease	<u>\$ 559,485</u>
Lease liability-operating lease:	
Current portion of lease liability-operating lease	\$ 62,880
Lease liability-operating lease	<u>565,137</u>
Total Lease Liability-Operating Lease	<u>\$ 628,017</u>

Weighted average discount rate was 3.58%.

Future minimum lease payments under the non-cancelable operating lease as of December 31, 2022 are as follows:

For the Year Ending <u>December 31,</u>	
2023	\$ 83,999
2024	86,309
2025	88,683
2026	91,121
2027	93,627
Thereafter	<u>279,303</u>
Total	<u>\$ 723,042</u>

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

6. Net Assets With Donor Restrictions

Net assets with donor restrictions that remained as of December 31, 2022, were available for the following purposes or period:

Subject to expenditure for specified purpose:	
Pass-through contributions	\$ 193,850
Designated funds	<u>196,018</u>
Total Purpose-Restricted	389,868
Subject to occurrence of passage of time:	
Time-restricted for board appropriation	<u>66,340</u>
Total Net Assets With Donor Restrictions	<u>\$ 456,208</u>

7. Board Designated Endowment Fund

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 \$3,544,119 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.

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, 2022, the Board Designated Endowment Fund was \$4,505,386.

8. Endowment Funds

The Foundation's Board of Directors has interpreted the New York's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as perpetual endowment funds (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment funds is classified as net assets with donor-imposed purpose restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

8. Endowment Funds (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds.
- The purposes of the Foundation and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under these policies, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy the Foundation's long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's current asset allocation for Board-designated and endowment funds targets a composition of cash and cash equivalents (with a range of 0-100%), equity (with a range of 0-75%), fixed income (with a range of 0-45%) and alternative assets (with a range of 0-40%).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's endowment spending policy takes the average combined value of the endowment fund during the previous 5 years, and calculates 5% annually of the rolling amount for release into current operations. If an endowment fund has a deficiency, the Board of Directors has the discretion to forgo any appropriation from that fund until the fund deficiency is replenished. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets for a specified term, as well as to provide additional real growth through investment returns.

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

8. Endowment Funds (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. It's the Foundation's interpretation and policy under UPMIFA that it has the ability and will continue to spend from underwater funds. There were no such deficiencies as of December 31, 2022.

Composition and Activity of Endowment Funds by Net Asset Category

The endowment's net asset composition by type of fund is as follows as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Time Restrictions</u>	<u>Total</u>
Board-designated funds	\$ 4,228,252	\$ -	\$ 4,228,252
Time-restricted funds:			
Historical gift value	<u>-</u>	<u>66,340</u>	<u>66,340</u>
Total Funds	<u>\$ 4,228,252</u>	<u>\$ 66,340</u>	<u>\$ 4,294,592</u>

Changes in endowment net assets are as follows for the year ended December 31, 2022:

	<u>Without Donor Restriction</u>	<u>With Time Restriction</u>	<u>Total</u>
Endowment net assets, January 1, 2022	\$ 2,480,036	\$ 120,524	\$ 2,600,560
Investment loss	(751,784)	-	(751,783)
Contributions	2,500,000	-	2,500,000
Release	<u>-</u>	<u>(54,184)</u>	<u>(54,184)</u>
Endowment Net Assets December 31, 2022	<u>\$ 4,228,252</u>	<u>\$ 66,340</u>	<u>\$ 4,294,592</u>

Net Assets With Donor Restrictions

Endowment Funds With Donor-Imposed Purpose Restrictions:

The portion of endowment funds subject to a purpose restriction under UPMIFA:

With purpose restrictions	\$ 66,340
Funds awaiting board appropriation	<u>-</u>
Total Endowment Funds With Donor-Imposed Purpose Restrictions	<u>\$ 66,340</u>

BRAZIL FOUNDATION – NEW YORK

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022**

9. Commitments and Risks

Concentration of Credit Risk

The Foundation holds cash and cash equivalents in various U.S.-based financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per institution. While the amounts at times exceed the amount guaranteed by FDIC as is the case as of December 31, 2022, and, therefore, bear some risk, the Foundation has not experienced, nor does it anticipate, any loss of funds.

10. 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, 2022, were as follows:

Cash	\$ 3,585,724
Contributions to be received within one year	71,340
Investments	<u>6,774,287</u>
Total Financial Assets at Year-End	10,431,351
Board-designations:	
Endowment fund	(4,505,386)
Contractual or donor-imposed restrictions:	
Donor restrictions for specified purpose	<u>(456,208)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,469,757</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.

11. In-kind Contributions

For the year ended December 31, 2022, The Foundation's in-kind contributions consisted of the following:

<u>Contribution Category</u>	<u>Contribution Type</u>	<u>Donor Restrictions</u>	<u>Service Area</u>	<u>Valuation Basis</u>	<u>Amount</u>
In-kind Services	Legal Services	None	Management and General	Standard industry pricing	<u>\$ 71,344</u>

BRAZIL FOUNDATION – NEW YORK

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

12. 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, 2022, 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, 2022, 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, 2022, 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, 2022, the Foundation had no accruals for interest and/or penalties.

13. 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 \$304,000 were provided to the Foundation and were passed through to the designated beneficiaries during the year ended December 31, 2022. Due to their nature as funds held for others, these transactions are not included on the accompanying statement of activities.

14. Related Party Transactions

During the year ended December 31, 2022, the Foundation transferred approximately \$1,358,051 in funds to Associacao Brazil Foundation, an affiliate, for support of ongoing projects.

15. Subsequent Events

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, events and transactions through August 30, 2023, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in the financial statements.