



BrazilFoundation

## **BRAZIL FOUNDATION – NEW YORK**

### **Financial Statements**

*For the Year Ended December 31, 2023*

*(With Summarized Financial Information for the Year Ended December 31, 2022)*



**and  
Report Thereon**



**BRAZIL FOUNDATION – NEW YORK**

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**For the Year Ended December 31, 2023**

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
July 15, 2024

**BRAZIL FOUNDATION – NEW YORK**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2023**  
**(With Summarized Financial Information as of December 31, 2022)**

	2023	2022
<b>ASSETS</b>		
Cash	\$ 918,792	\$ 3,585,724
Investments	10,190,499	6,774,287
Contributions receivable, net	850,000	71,340
Property and equipment, net	7,348	10,412
Security deposit	26,400	26,400
Right of use asset – operating lease	488,062	559,485
<b>TOTAL ASSETS</b>	<b>\$ 12,481,101</b>	<b>\$ 11,027,648</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 20,678	\$ 754,822
Lease liability – operating lease	565,137	628,017
<b>TOTAL LIABILITIES</b>	<b>585,815</b>	<b>1,382,839</b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	4,753,905	4,683,215
Designated by the Board for Endowment	5,659,894	4,505,386
With donor restrictions	1,481,487	456,208
<b>TOTAL NET ASSETS</b>	<b>11,895,286</b>	<b>9,644,809</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,481,101</b>	<b>\$ 11,027,648</b>

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

**BRAZIL FOUNDATION – NEW YORK**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2023**

**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 2,430,824	\$ 3,045,448	\$ 5,476,272	\$ 8,381,148
Fundraising and special event income, net of donor direct benefits	1,205,407	-	1,205,407	626,291
Donated services	54,824	-	54,824	71,344
Other income	11,727	-	11,727	1,428
Investment income (loss)	1,078,642	-	1,078,642	(778,855)
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>2,020,169</u>	<u>(2,020,169)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>6,801,593</u>	<u>1,025,279</u>	<u>7,826,872</u>	<u>8,301,356</u>
<b>EXPENSES</b>				
Program Services				
Grants awarded	3,924,576	-	3,924,576	4,585,023
Program administration	<u>193,370</u>	<u>-</u>	<u>193,370</u>	<u>121,799</u>
Total Program Services	<u>4,117,946</u>	<u>-</u>	<u>4,117,946</u>	<u>4,706,822</u>
Supporting Services:				
Management and general	396,560	-	396,560	413,530
Fundraising	<u>1,061,889</u>	<u>-</u>	<u>1,061,889</u>	<u>382,454</u>
Total Supporting Services	<u>1,458,449</u>	<u>-</u>	<u>1,458,449</u>	<u>795,984</u>
<b>TOTAL EXPENSES</b>	<u>5,576,395</u>	<u>-</u>	<u>5,576,395</u>	<u>5,502,806</u>
<b>CHANGE IN NET ASSETS</b>	1,225,198	1,025,279	2,250,477	2,798,550
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>9,188,601</u>	<u>456,208</u>	<u>9,644,809</u>	<u>6,846,259</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,413,799</u>	<u>\$ 1,481,487</u>	<u>\$ 11,895,286</u>	<u>\$ 9,644,809</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, 2023**

**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	Program Services			Supporting Services			2023 Total	2022 Total
	Grants Awarded	Program Administration	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Grant expenses	\$ 3,924,576	\$ -	\$ 3,924,576	\$ -	\$ -	\$ -	\$ 3,924,576	\$ 4,585,023
Event promotions	-	-	-	-	700,646	700,646	700,646	28,779
Salaries and fringe benefits	-	193,370	193,370	128,912	322,283	451,195	644,565	592,266
Professional fees	-	-	-	119,767	-	119,767	119,767	110,815
Occupancy and utilities	-	-	-	93,105	-	93,105	93,105	81,523
Office equipment and supplies	-	-	-	22,632	30,001	52,633	52,633	65,687
Miscellaneous	-	-	-	25,428	-	25,428	25,428	23,102
Travel	-	-	-	-	8,959	8,959	8,959	8,252
Bank service charges	-	-	-	3,653	-	3,653	3,653	4,484
Depreciation	-	-	-	3,063	-	3,063	3,063	2,875
<b>TOTAL EXPENSES</b>	<b>\$ 3,924,576</b>	<b>\$ 193,370</b>	<b>\$ 4,117,946</b>	<b>\$ 396,560</b>	<b>\$ 1,061,889</b>	<b>\$ 1,458,449</b>	<b>\$ 5,576,395</b>	<b>\$ 5,502,806</b>

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, 2023**

**(With Summarized Financial Information for the Year Ended December 31, 2022)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,250,477	\$ 2,798,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contributions	-	(36,602)
Net realized and unrealized (gain) loss	(582,124)	1,039,456
Depreciation	3,063	2,875
Amortization of right of use asset – operating lease	71,423	71,424
Changes in assets and liabilities:		
Contributions receivable	(778,660)	383,684
Accounts payable and accrued expenses	(734,144)	740,085
Lease liability – operating lease	<u>(62,880)</u>	<u>(36,565)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>167,155</u>	<u>4,962,907</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(3,535)
Purchases of investments	(3,537,749)	(5,270,212)
Proceeds from sales of investments	<u>703,662</u>	<u>36,165</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(2,834,087)</u>	<u>(5,237,582)</u>
<b>NET DECREASE IN CASH</b>	(2,666,932)	(274,675)
<b>CASH, BEGINNING OF YEAR</b>	<u>3,585,724</u>	<u>3,860,399</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 918,792</u></u>	<u><u>\$ 3,585,724</u></u>
<b>Supplemental Information</b>		
Noncash investing transactions:		
Right of use asset – operating lease	<u>\$ -</u>	<u>\$ 630,909</u>
Lease liability – operating	<u>\$ -</u>	<u>\$ 664,582</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, 2023

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#### 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.

##### **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.

##### **Prior Year Summarized Information**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended December 31, 2022, from which the summarized information was derived.

##### **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. The Foundation has determined that the gross amounts due approximate the present value of the anticipated future receipts, as such, no present value discount was recorded for the year ended December 31, 2023. No allowance for doubtful accounts was established for balances as of December 31, 2023 as management believes such amounts are fully collectible.

## BRAZIL FOUNDATION – NEW YORK

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

##### **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.

##### **Right of Use Assets and Liabilities**

At the inception of an agreement, the Foundation evaluates whether the agreement meets the criteria for a lease. The right-of-use asset (“ROU”) and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using a risk-free rate of return that coincides with the date and term of the lease. The asset is amortized over the lease term and is reflected as occupancy expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as occupancy expense on a straight-line basis over the lease term.

##### **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 assets 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.

## BRAZIL FOUNDATION – NEW YORK

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

##### **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.
- **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.

## BRAZIL FOUNDATION – NEW YORK

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

##### **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.

##### **Newly Adopted Accounting Pronouncements**

In June 2016, the FASB issued guidance (FASB ASC 326), Current Expected Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosure only.

#### 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.

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.

## BRAZIL FOUNDATION – NEW YORK

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 2. Investments and Fair Value Measurement (continued)

##### 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. Property and Equipment and Accumulated Depreciation

The Foundation held the following property and equipment as of December 31, 2023:

Office equipment and furniture	\$ 70,394
Less: Accumulated Depreciation	<u>(63,046)</u>
Property and Equipment, Net	<u>\$ 7,348</u>

Depreciation expense totaled \$3,063 for the year ended December 31, 2023.

#### 4. Right of Use Asset and Liability – Operating Lease

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, 2023 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%.

## BRAZIL FOUNDATION – NEW YORK

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

#### 4. Right of Use Asset and Liability – Operating Lease (continued)

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2023:

Right-of-use asset – operating lease	<u>\$ 488,062</u>
Lease liability – operating lease	<u>\$ 565,137</u>

Weighted average discount rate was 3.58%.

Future minimum lease payments under the non-cancelable operating lease as of December 31, 2023 are as follows:

<u>For the Year Ending December 31,</u>	
2024	\$ 86,309
2025	88,683
2026	91,121
2027	93,627
2028	95,500
Thereafter	<u>183,803</u>
Total	639,043
Less: Interest	<u>(73,906)</u>
Total Operating Lease Liability	<u>\$ 565,137</u>

#### 5. Net Assets With Donor Restrictions

Net assets with donor restrictions that remained as of December 31, 2023, were available for the following purposes or period:

Subject to expenditure for specified purpose:	
Pass-through contributions	\$ 128,319
Donor specified funds	<u>503,168</u>
Total Purpose-Restricted	631,487
Subject to occurrence of passage of time:	<u>850,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,481,487</u>

#### 6. 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. These contributions 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, 2023

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#### 6. Board Designated Endowment Fund (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 has the option to make an appropriation of the accumulated earnings, based on the Foundation's spending policy, to be used for general operations.

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.

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.

## BRAZIL FOUNDATION – NEW YORK

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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#### 6. Board Designated Endowment Fund (continued)

##### **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.

##### **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, 2023.

#### 7. 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, 2023, and, therefore, bear some risk, the Foundation has not experienced, nor does it anticipate, any loss of funds.

#### 8. 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, 2023, were as follows:

Cash	\$ 918,792
Contributions to be received within one year	550,000
Investments	<u>10,190,499</u>
Total Financial Assets at Year-End	11,659,291



**BRAZIL FOUNDATION – NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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8. Availability and Liquidity

*(continued)*

Board-designations:	
Endowment fund	\$ (5,659,894)
Contractual or donor-imposed restrictions:	
Donor restrictions for specified purpose	<u>(1,481,487)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,517,910</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.

9. In-kind Contributions

For the year ended December 31, 2023, 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>\$ 54,824</u>

10. 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, 2023, 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, 2023, 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, 2023, 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, 2023, the Foundation had no accruals for interest and/or penalties.

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**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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11. Related Party Transactions

During the year ended December 31, 2023, the Foundation transferred approximately \$698,774 in funds to Associacao Brazil Foundation, an affiliate, for support of ongoing projects.

12. Subsequent Events

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, events and transactions through July 15, 2024, 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.