<u>THE BROTHER'S BROTHER FOUNDATION</u>
Pittsburgh, Pennsylvania

Financial Statements
For the year ended December 31, 2008

and Independent Auditors' Report Thereon

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SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Brother's Brother Foundation
Pittsburgh, Pennsylvania

We have audited the accompanying statements of financial position of The Brother's Brother Foundation (Foundation) as of December 31, 2008 and 2007 and the related statements of activities and changes in net assets, functional expenses, and statements of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2007 summarized comparative information pertaining to the Foundation's activities and changes in net assets has been derived from the Foundation's 2007 financial statements, and, in our report dated June 12, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Foundations' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Brother's Brother Foundation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
June 19, 2009

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THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31 2008	December 31 2007
ASSETS		
Cash and cash equivalents	$ 1,965,870	$ 1,457,970
Accounts receivable	164,405	308,139
Investments	2,172,659	2,979,322
Inventory	13,216,752	14,726,934
Prepaid expenses	15,447	14,968
Property and equipment, net	836,043	514,607
Total Assets	$18,371,176	$20,001,940
LIABILITIES		
Accounts payable and accrued liabilities	$ 146,982	$ 193,882
NET ASSETS		
Unrestricted	17,705,626	18,997,170
Temporarily restricted	273,888	443,502
Permanently restricted	244,680	367,386
Total Net Assets	18,224,194	19,808,058
Total Liabilities and Net Assets	$18,371,176	$20,001,940

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Comparative Totals for 2007)

	Unrestricted		
	General Operating	In-Kind	Total
REVENUE AND PUBLIC SUPPORT			
Donated materials and supplies	-	$1,082,640,070	$1,082,640,070
Individuals	$ 660,061	-	660,061
Foundations	316,818	-	316,818
Program service fees	1,631,763	-	1,631,763
Government grants	-	-	-
Corporations	27,763	-	27,763
Civic and social clubs	3,350	-	3,350
Religious organizations	34,678	-	34,678
	2,674,433	1,082,640,070	1,085,314,503
Investment (loss) income	(745,193)	-	(745,193)
Net assets released from restrictions	548,518	-	548,518
Total Revenue and Public Support	2,477,758	1,082,640,070	1,085,117,828
FUNCTIONAL EXPENSES			
Program services	1,526,422	1,084,150,250	1,085,676,672
Support services:			
Management and general	572,107	-	572,107
Fundraising	160,593	-	160,593
Total Support Services	732,700	-	732,700
Total Functional Expenses	2,259,122	1,084,150,250	1,086,409,372
Changes in Net Assets	218,636	(1,510,180)	(1,291,544)
NET ASSETS			
Beginning of year	4,270,238	14,726,932	18,997,170
End of year	$4,488,874	$ 13,216,752	$ 17,705,626

See notes to financial statements.

Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
-	-	$1,082,640,070	$ 328,230,922
$ 23,825	-	683,886	1,032,564
11,560	-	328,378	350,558
-	-	1,631,763	608,207
307,495	-	307,495	342,929
27,500	-	55,263	14,619
-	-	3,350	14,625
1,615	-	36,293	20,353
371,995	-	1,085,686,498	330,614,777
-	$(115,797)	(860,990)	169,527
(541,609)	(6,909)	-	-
(169,614)	(122,706)	1,084,825,508	330,784,304
-	-	1,085,676,672	336,793,298
-	-	572,107	479,677
-	-	160,593	176,987
-	-	732,700	656,664
-	-	1,086,409,372	337,449,962
(169,614)	(122,706)	(1,583,864)	(6,665,658)
443,502	367,386	19,808,058	26,473,716
$ 273,888	$ 244,680	$ 18,224,194	$ 19,808,058

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
(With Comparative Totals for 2007)

	Program Services			
	International Education	International Health	International Humanitarian	Total
Educational materials	$314,900,333	-	-	$ 314,900,333
Medical equipment and supplies	-	$764,537,610	-	764,537,610
Humanitarian supplies	-	-	$4,712,307	4,712,307
Grants	10,500	10,000	-	20,500
Packaging and shipping	727,919	152,119	188,064	1,068,102
Salaries	87,555	127,233	18,937	233,725
Payroll taxes	7,086	10,474	1,768	19,328
Pension	4,958	2,522	-	7,480
Employee benefits - other	11,161	16,886	1,901	29,948
Consulting services	-	-	-	-
Outside services	14,835	13,861	1,691	19,367
Utilities	10,526	19,549	-	30,075
Printing expense	-	-	155	155
Maintenance	2,597	4,824	-	7,421
Telephone	-	-	-	-
Postage	288	13,260	996	14,544
Training expense	-	-	-	-
Audit and accounting	-	-	-	-
Insurance	3,286	6,103	-	9,389
Office supplies	3,232	20,411	95	23,738
Miscellaneous	499	432	-	931
Meals	143	98	128	369
Truck expense	1,091	2,026	-	3,117
Travel	375	845	1,482	2,702
Rent	702	1,303	-	2,005
Dues and subscriptions	-	-	-	-
Total Expenses Before Depreciation	315,787,086	764,939,556	4,927,524	1,085,654,166
Depreciation	7,877	14,629	-	22,506
Total Functional Expenses	$315,794,963	$764,954,185	$4,927,524	$1,085,676,672

See notes to financial statements.

Support Services			Total	
Management and General	Fundraising	Total	2008	2007
-	-	-	$ 314,900,333	$ 90,856,215
-	-	-	764,537,610	242,013,324
-	-	-	4,712,307	2,734,205
$ 100	-	$ 100	20,600	297,555
-	-	-	1,068,102	525,922
328,148	$ 96,882	425,030	658,755	595,150
23,645	7,799	31,444	50,772	49,207
14,297	6,018	20,315	27,795	25,688
11,147	6,980	18,127	48,075	40,731
2,977	-	2,977	2,977	3,133
37,197	15,292	52,489	82,876	45,404
5,683	-	5,683	35,758	33,446
3,224	12,077	15,301	15,456	26,690
16,716	745	17,461	24,882	17,612
9,869	-	9,869	9,869	10,669
2,851	11,554	14,405	28,949	25,498
876	-	876	876	120
27,340	-	27,340	27,340	21,020
6,455	-	6,455	15,844	14,266
8,431	-	8,431	32,169	21,908
17,714	1,150	18,864	19,795	17,192
24,472	929	25,401	25,770	3,755
-	-	-	3,117	2,504
7,501	1,167	8,668	11,370	17,265
6,305	-	6,305	8,310	8,166
5,433	-	5,433	5,433	9,872
560,381	160,593	720,974	1,086,375,140	337,416,517
11,726	-	11,726	34,232	33,445
$572,107	$160,593	$732,700	$1,086,409,372	$ 337,449,962

THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING ACTIVITIES		
Changes in net assets	$(1,583,864)	$(6,665,658)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	34,232	33,445
Realized and unrealized losses on investments, net	1,013,108	68,844
Changes in assets and liabilities:		
Accounts receivable	143,734	(163,013)
Inventory	1,510,182	7,372,820
Prepaid expenses	(479)	(2,877)
Accounts payable and accrued liabilities	(46,900)	41,903
Net Cash Provided By Operating Activities	1,070,013	685,464
INVESTING ACTIVITIES		
Proceeds from sale of investments	31,650	23,507
Purchases of property and equipment	(355,668)	(17,673)
Purchases of investments	(238,095)	(1,550,386)
Net Cash Used In Investing Activities	(562,113)	(1,544,552)
Net Increase (Decrease) In Cash and Cash Equivalents	507,900	(859,088)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,457,970	2,317,058
End of year	$ 1,965,870	$ 1,457,970

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 1 - ORGANIZATION

The Brother's Brother Foundation (Foundation) is an organization formed for the purpose of coordinating efforts and resources for the benefit of the ill and needy worldwide. The Foundation promotes international health and education through the distribution and provision of donated medical, educational and other resources.

The Foundation depends principally upon cash donors, donors of materials and supplies and third-party reimbursement arrangements to carry out its program activities. The Foundation seeks reimbursement for certain costs related to carrying out its programs, including freight, distribution and overhead costs. Net related program service fees recognized in the accompanying financial statements for the years ended December 31, 2008 and 2007 were $1,631,763 and $608,207, respectively.

The Foundation's seven largest contributors donated medical and educational materials that aggregated 90% and 86% of all contributed materials in 2008 and 2007, respectively. Three of the contributors in each of those years donated 10% or more of medical and educational materials received in the respective years. One contributor gave 42%, one contributor gave 16%, and one contributor gave 13% of the total received in 2008. One contributor gave 27%, one contributor gave 22%, and one contributor gave 14% of the total received in 2007.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets and Changes Therein - The Foundation classifies and reports net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

> Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be satisfied by actions of the Foundation and/or the passage of time.
>
> Permanently Restricted Net Assets - Net assets subject to the donor-imposed stipulation that the assets be maintained permanently by the Foundation. These assets are invested in a separate investment account to ensure the funds are maintained in perpetuity. The Foundation's investment policy in relation to these funds has 70% of the balance in equity funds and 30% of the balance in fixed-income securities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All unconditional donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

When the Foundation receives a contribution of a long-lived asset or a financial asset designated for acquisition of a long-lived asset that is not subject to a donor stipulation as to how long the asset must be used, the receipt of the related contribution is reported as unrestricted support.

Cash and Cash Equivalents - The Foundation maintains, in several banks in the United States, cash that may at times exceed federally insured amounts. In addition, the Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. All cash equivalents held by investment managers are included in investments.

Accounts Receivable - Accounts receivable are primarily composed of program service fees and are recorded at the amount management expects to collect from balances outstanding. Based on management's assessment of the credit history of those having outstanding balances and current relationships with the Foundation, it believes that realization of losses on balances outstanding at December 31, 2008 will be immaterial. Accordingly, an allowance for doubtful accounts is not necessary at that date.

Investments - The Foundation has an investment policy seeking total return on the Foundation's permanent endowment. The income to be utilized by operations is calculated in accordance with contractual agreements and state statutes. Investments are stated at fair value determined by quoted market prices in accordance with the Financial Accounting Standards Board (FASB) Statement No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." The annual market adjustments are reported as investment income.

Inventory - Inventory consists of undistributed in-kind materials at year-end. The Foundation receives a substantial amount of in-kind goods from various regional and national donors, primarily consisting of medical and educational materials. These materials are included in the financial statements at amounts that approximate fair values on the date of donation. (See Note 12.) In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the valuation of inventory was evaluated for impairment as of December 31, 2008, and there was no impairment noted.

Property and Equipment - Property and equipment are recorded at the lower of cost or fair value at the date of contribution, with depreciation provided on the straight-line method over estimated useful lives. All purchases or property and equipment over $500 are capitalized. Repairs and maintenance that do not extend the lives of the applicable assets are expensed as incurred. Gain or loss from the retirement or other disposition of assets is included in the statement of activities and changes in net assets.

Deferred Revenue - Deferred revenue consists of program service fees received in advance of the period to which they relate. Revenue is recognized to the extent of the qualifying expenses incurred and upon occurrence of the event to which the program service fee relates.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore is not subject to income taxes. Additionally, the Foundation is not a private foundation.

Recent Accounting Pronouncements - In 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes: an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. FIN 48 is effective for the Foundation for fiscal years beginning after December 15, 2008. The Foundation is assessing the impact that the adoption of FIN 48 will have on its financial statements.

In 2008, the Foundation has adopted FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (FAS 159). The fair value option established by FAS 159 permitted entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The adoption of FAS 159 had no impact on the Foundation's financial statements, as it had not elected the fair value option.

NOTE 3 - INVESTMENTS

Investments are presented in the financial statements at fair market value. Fair market value and related cost bases at December 31 are as follows:

	2008		2007	
	Market	Cost	Market	Cost
Money market funds	$ 80,228	$ 80,228	$ 382,004	$ 382,004
Fixed-income mutual funds	735,685	839,150	853,920	837,132
Equity mutual funds	1,356,746	2,185,948	1,743,398	1,701,615
Equity securities	$ 2,172,659	$ 3,105,326	$ 2,979,322	$ 2,920,751

Investment income (loss) for the years ended December 31 is composed of the following:

	2008	2007
Interest	$ 43,164	$ 48,244
Dividends	126,784	190,127
Realized and unrealized losses	(1,030,938)	(68,844)
	$ (860,990)	$ 169,527

NOTE 3 - INVESTMENTS (Continued)

Investments are exposed to various risks such as interest rate, market and credit risks. The Foundation's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the Foundation's investment policy. The degree and concentration of credit risk varies by type of investment. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 4 - FAIR VALUE MEASUREMENTS

Effective for the year ended December 31, 2008, the Foundation implemented the FASB Statement No. 157, "Fair Value Measurements" (FAS 157), which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. FAS 157 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The FAS 157 fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted, quoted prices in active markets for identical assets or liabilities. As of December 31, 2008, the Foundation's investments in equity and fixed-income mutual funds and money market funds are within this level of the fair value hierarchy.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or on quoted prices in markets that are not active, but for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

In 2007, the FASB issued FASB Staff Position FAS 157-2 (FSP 157-2), which provided a one-year deferral for the implementation of FAS 157 for nonfinancial assets and liabilities measured at fair value that are recorded or disclosed on a nonrecurring basis. The Foundation elected to apply the FSP 157-2 deferral. The Foundation is still evaluating the financial statement impact of the implementation of FAS 157 for its nonfinancial assets and liabilities.

NOTE 5 - INVENTORY

The Foundation's inventory at December 31 are summarized as follows:

	2008	2007
Pharmaceuticals	$ 8,400,437	$ 8,869,697
Medical equipment and supplies	3,598,904	4,093,379
Education	1,152,091	1,636,423
Humanitarian	65,320	127,435
	$ 13,216,752	$ 14,726,934

NOTE 6 - CHANGE IN ACCOUNTING ESTIMATE

In accordance with FASB Statement No. 154, "Accounting Changes and Error Corrections," the Foundation has changed its estimate of fair value of December 31, 2008 inventory for donated pharmaceuticals. The new valuation is based on a methodology that considers the most current markets of trading information available. The valuation methodology utilizes published reimbursement pricing guidelines from federal (Center for Medicare and Medicaid Services - CMS) and state (West Virginia State Maximum Allowable Cost - WV SMAC) sources as a primary reference. Previously, the valuation methodology relied solely on average wholesale price (AWP) as a primary reference. Management believes the change in valuation methodology is more representative of fair value in measuring donated pharmaceutical inventory. The effect of the change in accounting estimate has materially decreased the Foundation's pharmaceutical inventory, resulting in a $19,026,000 adjustment to inventory and a corresponding decrease to donation income in 2008.

NOTE 7 - PROPERTY AND EQUIPMENT

The Foundation's property and equipment at December 31 are summarized as follows:

	2008	2007
Building and improvements	$ 803,607	$ 540,057
Equipment and furniture	205,543	201,764
Land	113,340	25,000
	1,122,490	766,821
Less - Accumulated depreciation	286,447	252,214
Property and equipment, net	$ 836,043	$ 514,607

NOTE 8 - RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2008 and 2007 of $273,888 and $443,502, respectively, are available for worldwide health and educational programs.

Temporarily restricted net assets were released as follows:

	2008	2007
50th Anniversary celebration for the Foundation	$ 20,315	-
Computer upgrade for the Foundation	11,138	$ 11,138
Pharmacy room at the Foundation's warehouse	6,602	6,602
African Education Initiative	5,027	47,987
Domestic hurricane	-	137,329
Asian tsunami	-	89,761
Sri Lanka relief	-	82,150
Other health and welfare activities	498,527	384,271
	$ 541,609	$ 759,238

Permanently restricted net assets at December 31, 2008 and 2007 of $244,680 and $367,386, respectively, are restricted to investments in perpetuity. Approximately $6,900 and $6,500 were transferred from these net assets to the general operating fund in accordance with Pennsylvania statutes in 2008 and 2007, respectively.

NOTE 9 - LINE OF CREDIT

On November 5, 2008, the Foundation entered into a line of credit through PNC Bank. The total amount of line available to the Foundation is $600,000 and is collateralized by real property. Interest will be charged at the prime rate (3.25% at December 31, 2008) plus 1% on any amount drawn against the line of credit. At December 31, 2008, the Foundation did not have any outstanding balances drawn on the line of credit. The current line of credit agreement is effective through November 5, 2009.

NOTE 10 - GIFTS-IN-KIND

Recognition of gifts-in-kind (GIK) revenue is limited to such contributions that the Foundation takes possession of, or constructive title to, as the original recipient; are received and/or handled in partnership with an end-user agency; or are used in Foundation programs.

The Foundation also assists as an agent in the shipment of GIK that are designated for other charitable organizations. The value of these shipments is minimal and is not reflected in the accompanying financial statements, since the Foundation does not have variance power over these transactions.

NOTE 11 - RETIREMENT PLANS

The Foundation has a noncontributory pension plan covering all qualified personnel. Contributions to the plan are determined by the Foundation but are limited to 15% of the total compensation of the participants for the year. For 2008 and 2007, the Foundation's contributions to the plan approximated $28,000 and $26,000, respectively.

In addition, the Foundation has a Section 403(b) plan covering substantially all employees. Participants may contribute up to 15% of their compensation, but the plan does not provide for contributions by the Foundation.

NOTE 12 - ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and support services benefited based on an analysis of staff time spent on, and/or floor space dedicated to, the related activities.