

THE BROTHER'S BROTHER FOUNDATION
Pittsburgh, Pennsylvania

Financial Statements
For the years ended December 31, 2022 and 2021
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Brother's Brother Foundation (Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 audits. 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.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
May 19, 2023

THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,297,324	\$ 2,835,248
Restricted cash and cash equivalents	2,817,444	1,545,367
	<u>5,114,768</u>	<u>4,380,615</u>
Accounts receivable	42,633	37,282
Investments	243,910	243,817
Inventory	28,713,763	9,879,642
Prepaid expenses	72,542	91,479
Property and equipment, net	<u>2,547,813</u>	<u>2,244,780</u>
 Total Assets	 <u><u>\$ 36,735,429</u></u>	 <u><u>\$ 16,877,615</u></u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 222,567	\$ 198,743
 Total Liabilities	 <u>222,567</u>	 <u>198,743</u>
NET ASSETS		
Net Assets Without Donor Restrictions	33,714,119	15,133,016
Net Assets With Donor Restrictions:		
Purpose restricted	2,377,372	1,115,676
Perpetual in nature	421,371	430,180
	<u>2,798,743</u>	<u>1,545,856</u>
	<u>36,512,862</u>	<u>16,678,872</u>
 Total Liabilities And Net Assets	 <u><u>\$ 36,735,429</u></u>	 <u><u>\$ 16,877,615</u></u>

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>			<u>With</u>	<u>Total</u>
	<u>General</u>	<u>In-Kind</u>	<u>Total</u>	<u>Donor</u>	
	<u>Operating</u>			<u>Restrictions</u>	
REVENUE AND PUBLIC SUPPORT					
Donated materials and supplies	-	\$102,945,328	\$102,945,328	-	\$102,945,328
Individuals	\$2,013,022	-	2,013,022	\$2,304,124	4,317,146
Foundations	71,060	-	71,060	824,933	895,993
Program service fees	461,554	-	461,554	-	461,554
Corporations	28,252	-	28,252	168,580	196,832
Civic, social clubs and education	12,343	-	12,343	156,367	168,710
Religious organizations	40,602	-	40,602	293,507	334,109
	<u>2,626,833</u>	<u>102,945,328</u>	<u>105,572,161</u>	<u>3,747,511</u>	<u>109,319,672</u>
Investment and other income, net	12,775	-	12,775	34	12,809
Rental income	2,650	-	2,650	-	2,650
Special event income	10,000	-	10,000	373,722	383,722
Net assets released from restrictions	2,868,380	-	2,868,380	(2,868,380)	-
	<u>5,520,638</u>	<u>102,945,328</u>	<u>108,465,966</u>	<u>1,252,887</u>	<u>109,718,853</u>
FUNCTIONAL EXPENSES					
Program services	3,781,302	84,303,164	88,084,466	-	88,084,466
Support services:					
Management and general	910,330	-	910,330	-	910,330
Fundraising	890,067	-	890,067	-	890,067
Total Support Services	<u>1,800,397</u>	<u>-</u>	<u>1,800,397</u>	<u>-</u>	<u>1,800,397</u>
Total Functional Expenses	<u>5,581,699</u>	<u>84,303,164</u>	<u>89,884,863</u>	<u>-</u>	<u>89,884,863</u>
	(61,061)	18,642,164	18,581,103	1,252,887	19,833,990
NET ASSETS					
Beginning of year	<u>5,317,916</u>	<u>9,815,100</u>	<u>15,133,016</u>	<u>1,545,856</u>	<u>16,678,872</u>
End of year	<u>\$5,256,855</u>	<u>\$ 28,457,264</u>	<u>\$ 33,714,119</u>	<u>\$2,798,743</u>	<u>\$ 36,512,862</u>

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>			<u>With</u>	<u>Total</u>
	<u>General</u>	<u>In-Kind</u>	<u>Total</u>	<u>Donor</u>	
	<u>Operating</u>			<u>Restrictions</u>	
REVENUE AND PUBLIC SUPPORT					
Donated materials and supplies	-	\$112,923,073	\$112,923,073	-	\$112,923,073
Individuals	\$2,230,426	-	2,230,426	\$ 547,906	2,778,332
Foundations	193,700	-	193,700	346,497	540,197
Program service fees	448,237	-	448,237	-	448,237
Corporations	26,485	-	26,485	134,917	161,402
Civic, social clubs and education	2,915	-	2,915	8,765	11,680
Religious organizations	18,865	-	18,865	31,402	50,267
Paycheck Protection Program loan	379,850	-	379,850	-	379,850
	<u>3,300,478</u>	<u>112,923,073</u>	<u>116,223,551</u>	<u>1,069,487</u>	<u>117,293,038</u>
Investment and other income, net	7,939	-	7,939	157	8,096
Rental income	2,950	-	2,950	-	2,950
Special event income	-	-	-	86,375	86,375
Net assets released from restrictions	666,878	-	666,878	(666,878)	-
	<u>3,978,245</u>	<u>112,923,073</u>	<u>116,901,318</u>	<u>489,141</u>	<u>117,390,459</u>
FUNCTIONAL EXPENSES					
Program services	1,373,337	118,837,276	120,210,613	-	120,210,613
Support services:					
Management and general	1,086,368	-	1,086,368	-	1,086,368
Fundraising	586,036	-	586,036	-	586,036
Total Support Services	<u>1,672,404</u>	<u>-</u>	<u>1,672,404</u>	<u>-</u>	<u>1,672,404</u>
	<u>3,045,741</u>	<u>118,837,276</u>	<u>121,883,017</u>	<u>-</u>	<u>121,883,017</u>
	932,504	(5,914,203)	(4,981,699)	489,141	(4,492,558)
NET ASSETS					
Beginning of year	<u>4,385,412</u>	<u>15,729,303</u>	<u>20,114,715</u>	<u>1,056,715</u>	<u>21,171,430</u>
End of year	<u>\$5,317,916</u>	<u>\$ 9,815,100</u>	<u>\$ 15,133,016</u>	<u>\$1,545,856</u>	<u>\$ 16,678,872</u>

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Program Services

	Health	Infrastructure	Disaster	Education	Total
Pharmaceuticals, medical equipment and supplies	\$ 81,490,175	-	\$1,635,995	-	\$ 83,126,170
Salaries and employee benefits	523,175	\$ 41,084	126,490	\$ 41,072	731,821
Educational materials	-	-	-	1,176,994	1,176,994
Grants	83,000	119,206	509,441	71,449	783,096
Miscellaneous	101,424	-	31,924	-	133,348
	-				
Packaging and shipping	270,144	-	531,085	4,828	806,057
Consulting and outside services	170	-	-	-	170
Dues and subscriptions	144	-	-	-	144
Utilities and maintenance	65,374	-	-	5,467	70,841
Accounting and insurance	-	-	-	-	-
Office supplies	37,490	-	77	2,781	40,348
Purchased program supplies	76,154	-	998,086	-	1,074,240
Meals and travel	8,158	-	-	-	8,158
Rent	-	-	-	-	-
Total Expenses Before Depreciation	82,655,408	160,290	3,833,098	1,302,591	87,951,387
Depreciation	117,663	5,784	-	9,632	133,079
Total Functional Expenses	<u>\$ 82,773,071</u>	<u>\$ 166,074</u>	<u>\$3,833,098</u>	<u>\$1,312,223</u>	<u>\$ 88,084,466</u>

Support Services

Management and General	Fundraising	Total	Total
-	-	-	\$ 83,126,170
\$ 379,263	\$ 387,066	\$ 766,329	1,498,150
-	-	-	1,176,994
7,625	-	7,625	790,721
97,229	164,535	261,764	395,112
1,247	-	1,247	807,304
6,627	194,055	200,682	200,852
78,316	55,109	133,425	133,569
61,401	8,188	69,589	140,430
89,099	-	89,099	89,099
36,401	71,259	107,660	148,008
12,931	-	12,931	1,087,171
18,340	9,293	27,633	35,791
8,352	-	8,352	8,352
796,831	889,505	1,686,336	89,637,723
113,499	562	114,061	247,140
<u>\$ 910,330</u>	<u>\$ 890,067</u>	<u>\$1,800,397</u>	<u>\$ 89,884,863</u>

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				
	Health	Infrastructure	Disaster	Education	Total
Pharmaceuticals, medical equipment and supplies	\$112,769,648	-	\$5,097,305	-	\$117,866,953
Salaries and employee benefits	351,580	\$ 3,259	10,307	\$ 18,647	383,793
Educational materials	-	-	-	970,323	970,323
Grants	25,566	\$ 147,620	225,554	9,825	408,565
Miscellaneous	89,139	-	-	976	90,115
Packaging and shipping	172,783	-	22,394	5,586	200,763
Consulting and outside services	1,165	-	-	-	1,165
Dues and subscriptions	520	-	100	2,005	2,625
Utilities and maintenance	74,777	-	-	8,309	83,086
Accounting and insurance	-	-	-	-	-
Office Supplies	18,679	-	6	1,281	19,966
Purchased program supplies	80,183	-	-	2,220	82,403
Meals and travel	879	-	-	61	940
Rent	-	-	-	-	-
Total Expenses Before Depreciation	113,584,919	150,879	5,355,666	1,019,233	120,110,697
Depreciation	90,615	-	-	9,301	99,916
Total Functional Expenses	<u>\$113,675,534</u>	<u>\$ 150,879</u>	<u>\$5,355,666</u>	<u>\$1,028,534</u>	<u>\$120,210,613</u>

Support Services			
Management and General	Fundraising	Total	Total
		-	
-	-	-	\$117,866,953
\$ 650,787	\$ 265,242	\$ 916,029	1,299,822
-	-	-	970,323
600	-	600	409,165
64,705	53,736	118,441	208,556
185	-	185	200,948
28,624	167,681	196,305	197,470
80,829	57,622	138,451	141,076
46,700	269	46,969	130,055
94,018	-	94,018	94,018
30,329	32,294	62,623	82,589
-	-	-	82,403
6,724	8,792	15,516	16,456
13,445	-	13,445	13,445
1,016,946	585,636	1,602,582	121,713,279
69,422	400	69,822	169,738
<u>\$1,086,368</u>	<u>\$ 586,036</u>	<u>\$1,672,404</u>	<u>\$121,883,017</u>

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ 19,833,990	\$ (4,492,558)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	247,140	169,738
Realized and unrealized (gain) loss on investment, net	(2,375)	5,590
Inventory, net	(18,834,121)	5,921,167
Changes in assets and liabilities:		
Accounts receivable	(5,351)	24,885
Prepaid expenses	18,937	(26,433)
Accounts payable and accrued liabilities	23,824	27,740
Deferred grant revenue	-	(379,850)
Net Cash Provided By Operating Activities	<u>1,282,044</u>	<u>1,250,279</u>
INVESTING ACTIVITIES		
Purchases of investments	(150,956)	(63,733)
Proceeds from sale of investments	153,238	563,139
Purchases of property and equipment	(550,173)	(262,485)
Net Cash (Used In) Provided By Investing Activities	<u>(547,891)</u>	<u>236,921</u>
Net Increase In Cash And Cash Equivalents	734,153	1,487,200
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>4,380,615</u>	<u>2,893,415</u>
End of year	<u>\$ 5,114,768</u>	<u>\$ 4,380,615</u>

See notes to financial statements.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION

The Brother's Brother Foundation (Foundation) helps bridge the gap between aid and sustainability by supporting localized programs and providing essential resources in the areas of Healthcare, Infrastructure, Disaster Response, and Education (H.I.D.E). All programs are designed to fulfill the Foundation's mission by providing aid and developing sustainable projects. The Foundation has operations in Pittsburgh, Pennsylvania and Maryland.

The Foundation depends principally upon cash donors, donations of materials and supplies, and third-party reimbursement arrangements to carry out its program activities.

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 (U.S. GAAP) 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 - 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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that may or will be satisfied by actions of the Foundation and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that the assets be maintained in perpetuity by the Foundation.

All unconditional donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions.

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. The Foundation also has restricted cash funds that will be used at the direction of the donor for the Foundation's various programs.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021 will be immaterial. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change. As of December 31, 2022 and 2021, no allowance for doubtful accounts is considered necessary.

Investments - Investment securities are carried at fair value based on published quotations, or estimates when such quotations are not available. These valuations may be at other than the current date and are estimated as of the statements of financial position dates. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of investments could differ from the values that would have been used had a ready market existed for the investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis. Unrealized appreciation and depreciation on investments is reflected within net investment gain or loss in the statements of activities. Investment gain or loss is reported net of internal and external expenses.

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 net realizable value on the date of donation. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic Fair Value Measurement, net realizable value was determined using transactional data in similar markets. See Note 10 - Gifts-In-Kind (GIK) for further valuation information. The Foundation evaluates the net realizable value of the inventory donated during the year and may make additional adjustments based on the evaluation. During 2022 and 2021, inventory adjustments based on the net realizable value at the date of donation related mostly to the Foundation's planned decision to destroy medical supplies believed not suitable for distribution, and totaled approximately \$100,000 and \$600,000, respectively. These inventory adjustments are included as in-kind program services on the accompanying statement of activities and changes in net assets, as well as medical equipment and supplies on the accompanying statement of functional expenses.

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 of property and equipment over \$1,000 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. Upon identification of indicators of impairment, management first compares the carrying value of its long-lived assets to the undiscounted cash flows of such assets. If the carrying value is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds fair value. Fair values are determined based on quoted market value, discounted cash flows or appraisals, as applicable. There were no such impairments identified during 2022 or 2021.

Public Support and Revenue - The Foundation is funded by contributions and GIK donations from individuals, foundations, corporations, civic and social clubs and religious organizations. All public support and revenue are considered to be available without donor restriction use unless specifically restricted by the donor. At its discretion, the Board of Directors (Board) may designate funds for specific purposes. There were no Board-designated funds as of December 31, 2022 and 2021.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Fees - Program service fee revenue consists of billings for shipments of containers to third-world countries and recognized as revenue at time of the shipment. The Foundation records the costs of shipping and handling in program services. These costs were approximately \$807,000 and \$201,000 for the years ended December 31, 2022 and 2021, respectively.

Advertising Costs - Advertising costs are charged to expense during the period in which they are incurred. Total advertising costs were approximately \$162,000 and \$168,000 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes - The Foundation is a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is also classified as an entity that is not a private foundation under the meaning of Section 509(a) of the IRC. In addition, the Foundation has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. The Foundation is no longer subject to examinations by taxing authorities in any major tax jurisdiction for year before December 31, 2019.

Donated Services - The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation also receives contributed services from volunteers who donate time to the Foundation's activities. No amounts have been recognized in the accompanying statement of activities and changes in net assets for those services, since they would not have been purchased had they not been donated.

Though Board members have donated a substantial amount of time to the operation of the Foundation, no amounts have been reflected in the accompanying financial statements for donated services because no objective basis is available to measure the value of such services.

Recently Issued Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The Foundation adopted this ASU effective January 1, 2022 with no significant impact on the Foundation's financial statements and related disclosures.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958) (ASU 2020-07), related to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is intended to improve financial reporting by providing new presentation and disclosure requirements on contributed nonfinancial assets. The Foundation will be required to create a separate line item on the statement of activities to include contributed nonfinancial items, separated from contributions of cash and other financial assets. Enhanced disclosures will include disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial asset and further information about each category of contributed nonfinancial asset recognized. The Foundation adopted this ASU effective January 1, 2022 with no significant impact on the Foundation's financial statements and related disclosures.

Subsequent Events - Subsequent events are defined as events or transactions that occur after the statement of financial position, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through May 19, 2023, the date that the financial statements were issued, and determined that there have been no events that have occurred that would require adjustments to disclosures in the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Foundation receives grants and contributions with donor restrictions to be used in accordance with the stated purpose or associated time restriction. These funds are not available to be used as operating funds in the year received.

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Foundation manages its cash available to meet general and program expenditures by forecasting future needs and activities, and proactively applying for anticipated funds needed.

The Foundation's cash flows have seasonal variations during the year, attributable to revenue fluctuations tied to specific events. Grant funds received as restricted due to time or purpose are used accordingly, while other revenue is not restricted and can be accessed for operational requirements.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY (Continued)

The table below presents financial assets available for general expenditures within one year at December 31:

	2022	2021
Total financial assets:		
Cash and cash equivalents	\$ 2,297,324	\$ 2,835,248
Restricted cash and cash equivalents	2,817,444	1,545,367
Accounts receivable	42,633	37,282
Investments	243,912	243,817
Endowment - Spending rate appropriation	8,591	8,843
	5,409,904	4,670,557
Less donor-imposed restrictions:		
Funds subject to purpose restrictions	2,377,372	1,115,676
Funds restricted in perpetuity	421,371	430,180
	2,798,743	1,545,856
Financial assets available to meet general expenditures	\$ 2,611,161	\$ 3,124,701

NOTE 4 - INVESTMENTS

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

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Money Market Fund	\$ 241,449	\$ 241,449	\$ 241,345	\$ 241,345
Stock	2,461	2,447	2,472	2,520
Total investments	\$ 243,910	\$ 243,896	\$ 243,817	\$ 243,865

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.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 - FAIR VALUE MEASUREMENT

The Foundation has implemented FASB ASC topic Fair Value Measurement, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurement. Fair value is 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.

The Foundation discloses the category of 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 fair value hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or 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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of inputs significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation measures fair value based on actively traded markets where prices are either based on direct market quotes or observed transactions, where available. While the Foundation believes that these valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

The valuations of the Foundation's investment of money market and stock are classified as Level 1 investment by the fair value hierarchy at December 31, 2022 and 2021.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 6 - INVENTORY

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

	<u>2022</u>		<u>2021</u>
Pharmaceuticals	\$ 25,432,356	\$	6,023,045
Medical equipment and supplies	2,875,652		3,457,538
Educational materials	15,638		11,793
Humanitarian supplies	<u>390,117</u>		<u>387,266</u>
	\$ <u>28,713,763</u>	\$	<u>9,879,642</u>

NOTE 7 - PROPERTY AND EQUIPMENT

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

	<u>2022</u>		<u>2021</u>
Building and improvements	\$ 2,603,473	\$	2,264,900
Equipment and furniture	<u>1,276,212</u>		<u>1,064,612</u>
	3,879,685		3,329,512
Less - Accumulated depreciation	<u>1,545,073</u>		<u>1,297,933</u>
	2,334,612		2,031,579
Land	<u>213,201</u>		<u>213,201</u>
Property and equipment, net	\$ <u>2,547,813</u>	\$	<u>2,244,780</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Purpose-restricted net assets with donor restriction at December 31, 2022 and 2021 consisted of approximately \$2,377,000 and \$1,116,000, respectively, restricted for worldwide health and educational programs. Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose were \$2,868,380 and \$666,878 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - ENDOWMENT

The endowment consists of an investment fund established primarily for programming and operating needs of the Foundation and includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 9 - ENDOWMENT (Continued)

Interpretation of Relevant Law - The Board of Trustees of the Foundation has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141) for the donor-restricted endowment funds. Act 141 is a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board must elect, in writing, a spending rate of between 2% and 7%. This percentage is applied to the average market value of the investments at the end of the prior year. Average market value is based on the previous 12 quarters. The Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The undistributed amounts earned are included net assets with donor restrictions as well. In accordance with Act 141, the Foundation has adopted a written investment policy, of which a section specifically relates to the endowment fund. The Foundation considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund;
2. Preserving the spending power of the assets;
3. Obtaining maximum investment return with reasonable risk and operational consideration; and
4. Complying with applicable laws.

Change in the endowment fund for the years ended December 31 is represented as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets beginning of year	\$ 430,180	\$ 438,633
Investment return:		
Net appreciation	<u>34</u>	<u>157</u>
	430,214	438,790
Appropriation of endowment assets for expenditure	<u>(8,843)</u>	<u>(8,610)</u>
Endowment net assets end of year	<u>\$ 421,371</u>	<u>\$ 430,180</u>

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding for programs and initiatives supported by the endowment. The policies are also intended to protect the integrity of the assets and achieve the optimal return possible within the specified risk parameters. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity and fixed-income peer groups.

Strategies Employed for Achieving Objectives - To satisfy its 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 targets a diversified asset allocation, viewing the assets as having a long-term horizon with moderate liquidity needs, and has taken a long-term investment posture, which favors equity holdings.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 9 - ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy - In accordance with Act 141, the Foundation annually transfers between 2% and 7% of the previous three years' market value average of the endowment fund to unrestricted net assets for use in operations. In 2022 and 2021, the spendable return totaled 2% or \$8,843 and \$8,610, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted Act 141 to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation has no underwater endowment funds at December 31, 2022 and 2021. The original corpus of the endowment funds is \$300,000.

NOTE 10 - GIFTS-IN-KIND

Recognition of donated materials and supplies or GIK revenue is limited to such contributions that the Foundation takes possession of, or gains 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. As a practice, the Foundation does not monetize any of these donations and they are redistributed for charitable purposes. During 2022 and 2021, the Foundation had three and two contributors that donated medical materials that aggregated 71% and 80%, respectively, of total contributed materials.

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.

The valuation methodology for donated pharmaceuticals utilized 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. The valuation methodology for donated educational materials utilized net price, which according to publishers is the lowest price at which the title will be available. The valuation methodology for donated medical supplies and equipment utilized published pricing guidelines from the Medline third-party website, a global manufacturer and distributor of essential medical supplies, discounted to reflect the value of donated materials compared to new materials. The total of all net prices provided is divided by the total number of units donated to calculate an average cost per unit, which is determined as net realizable value.

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 10 - GIFTS-IN-KIND (continued)

GIK recognized within the statement of activities for the years ended December 31 are as follows (approximately):

<u>Inventory</u>	<u>Program</u>	<u>Donor- imposed Restrictions</u>	<u>2022</u>	<u>2021</u>
Pharmaceuticals	Health	Without Restrictions	\$ 91,678,955	\$ 108,740,531
Medical equipment and supplies	Health	Without Restrictions	9,696,797	3,785,508
Education materials	Education	Without Restrictions	1,188,468	68,265
Humanitarian supplies	Disaster Response	Without Restrictions	<u>381,108</u>	<u>328,769</u>
			\$ <u>102,945,328</u>	\$ <u>112,923,073</u>

NOTE 11 - RETIREMENT PLANS

The Foundation has a noncontributory simplified employee 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. The Foundation's contributions to the plan approximated \$65,000 for 2022 and 2021.

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

THE BROTHER'S BROTHER FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 the percentage of total revenues and expenses of each program.

NOTE 13 - GOVERNMENTAL GRANT

The Foundation was a recipient of a Paycheck Protection Program (PPP) loan with Key Bank of approximately \$380,000 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was reflected as deferred grant revenue as of December 31, 2020. The PPP loan was evidenced by promissory note bearing interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. The PPP loan was unsecured and guaranteed by the United States SBA. Under the program terms, PPP loans are forgiven and recognized as grant revenue if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the loan. The PPP loan was fully forgiven in 2021 and was recognized as revenue on the statements of activities and changes in net assets.

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