

Global Brigades, Inc. and Affiliates

**Consolidated Financial Statements
and Independent Auditor's Report**

December 31, 2021 and 2020

Global Brigades, Inc. and Affiliates

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Independent Auditor's Report

To the Board of Directors
Global Brigades, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of Global Brigades, Inc. and Affiliates, a not-for-profit organization, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Global Brigades, Inc. and Affiliates as of December 31, 2021 and 2020, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Global Brigades, Inc. and Affiliates 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and 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 consolidated 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 consolidated 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 consolidated 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 Global Brigades, Inc. and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Brigades, Inc. and Affiliates' 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.

CohnReznick LLP

Los Angeles, California
October 30, 2023

Global Brigades, Inc. and Affiliates

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 4,077,133	\$ 2,722,113
Accounts receivable, net	607,347	374,887
Current portion of notes receivable, net	1,170,082	-
Inventory	391,174	398,129
Deposits	-	400,342
Prepaid expenses	<u>382,492</u>	<u>38,550</u>
 Total current assets	 6,628,228	 3,934,021
Notes receivable long-term, net of current portion	139,077	-
Other assets	21,842	31,454
Goodwill, net	211,428	253,714
Property and equipment, net	<u>1,028,732</u>	<u>1,053,400</u>
 Total assets	 <u>\$ 8,029,307</u>	 <u>\$ 5,272,589</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 125,032	\$ 271,321
Accrued expenses	131,675	177,721
Lines of credit	1,129,497	6,153
Paycheck Protection Program loan	<u>188,582</u>	<u>154,293</u>
 Total current liabilities	 <u>1,574,786</u>	 <u>609,488</u>
Deferred revenue	74,028	1,692
Long-term debt	<u>497,122</u>	<u>150,000</u>
 Total liabilities	 2,145,936	 761,180
Commitments and contingencies		
Net assets		
Without donor restrictions		
Controlling interest	(1,022,732)	440,813
Non-controlling interest	<u>1,064,191</u>	<u>-</u>
Total without donor restrictions	41,459	440,813
With donor restrictions	<u>5,841,912</u>	<u>4,070,596</u>
 Total net assets	 <u>5,883,371</u>	 <u>4,511,409</u>
 Total liabilities and assets	 <u>\$ 8,029,307</u>	 <u>\$ 5,272,589</u>

See Notes to Consolidated Financial Statements.

Global Brigades, Inc. and Affiliates

**Consolidated Statement of Activities
Year Ended December 31, 2021**

	2021		Total
	Without donor restrictions	With donor restrictions	
Revenues			
Contributions	\$ 974,902	\$ 4,482,441	\$ 5,457,343
Program service income	571,395	-	571,395
Forgiveness of Paycheck Protection Program loan	144,236	-	144,236
Interest and other	391,158	-	391,158
Net assets released from donor restrictions	<u>2,711,125</u>	<u>(2,711,125)</u>	<u>-</u>
Total revenues	<u>4,792,816</u>	<u>1,771,316</u>	<u>6,564,132</u>
Expenses			
Program services	3,259,631	-	3,259,631
Management and general	2,531,901	-	2,531,901
Fundraising	<u>678,284</u>	<u>-</u>	<u>678,284</u>
Total expenses	<u>6,469,816</u>	<u>-</u>	<u>6,469,816</u>
Loss on foreign currency exchange	<u>38,049</u>	<u>-</u>	<u>38,049</u>
Change in net assets	(1,715,049)	1,771,316	56,267
Net assets, beginning	440,813	4,070,596	4,511,409
Non-controlling interest - net capital contributions	<u>1,315,695</u>	<u>-</u>	<u>1,315,695</u>
Net assets, end	<u>\$ 41,459</u>	<u>\$ 5,841,912</u>	<u>\$ 5,883,371</u>

See Notes to Consolidated Financial Statements.

Global Brigades, Inc. and Affiliates

**Consolidated Statement of Activities
Year Ended December 31, 2020**

	2020		
	Without donor restrictions	With donor restrictions	Total
Revenues			
Contributions	\$ 531,500	\$ 4,810,987	\$ 5,342,487
Program service income	362,250	-	362,250
Interest and other	65,696	-	65,696
Net assets released from donor restrictions	5,390,041	(5,390,041)	-
			-
Total revenues	<u>6,349,487</u>	<u>(579,054)</u>	<u>5,770,433</u>
Expenses			
Program services	4,457,249	-	4,457,249
Management and general	2,554,756	-	2,554,756
Fundraising	493,266	-	493,266
Total expenses	<u>7,505,271</u>	<u>-</u>	<u>7,505,271</u>
Gain on foreign currency exchange	<u>(31,835)</u>	<u>-</u>	<u>(31,835)</u>
Change in net assets	(1,123,949)	(579,054)	(1,703,003)
Net assets, beginning	<u>1,564,762</u>	<u>4,649,650</u>	<u>6,214,412</u>
Net assets, end	<u>\$ 440,813</u>	<u>\$ 4,070,596</u>	<u>\$ 4,511,409</u>

See Notes to Consolidated Financial Statements.

Global Brigades, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program services										Supporting services				
	GB USA	Nicaragua Brigades	Honduras Brigades	Ghana Brigades	Panama Brigades	Eskala, Inc	Greece Brigades	Guatemala Brigades	Logistics Brigades	Eskala Panama	Eliminations	Total Program Services	General and Administration	Fundraising	Total
Salaries	\$ 827,036	\$ 21,974	\$ 298,404	\$ 26,774	\$ 61,105	\$ 177,369	\$ 60,878	\$ 12,884	\$ 36,374	\$ 35,139	\$ -	\$ 1,557,937	\$ 784,228	\$ 396,772	\$ 2,738,937
Employee benefits	5,210	-	-	3,515	3,751	14,116	-	-	-	14,620	-	41,212	84,864	15,045	141,121
Organization expenses	-	-	-	-	-	-	-	-	-	-	-	-	3,158	-	3,158
Accounting and auditing fees	36,914	-	-	-	-	-	-	-	-	-	-	36,914	225,919	-	262,833
Outside contractors	48,359	-	-	-	-	-	5,216	-	-	-	-	53,575	287,555	-	341,130
Legal fees	-	-	3,105	19,516	7,626	-	212	-	-	-	-	30,459	133,175	-	163,634
Travel expenses	2,071	5,005	32,340	27,489	20,887	4,204	48,698	58,920	19,962	7,140	-	226,716	127,727	2,347	356,790
Office expenses	6,255	46	6,383	4,760	6,014	-	173	4,761	35,540	690	-	64,622	355,723	49,176	469,521
Payroll taxes	10,488	1,154	79,454	-	2,383	-	9,546	1,387	7,866	5,040	-	117,318	185,970	15,577	318,865
Telephone	-	102	575	183	1,732	-	96	26	-	284	-	2,998	47,778	-	50,776
Brigades transportation	-	741	34,480	9,134	7,574	1,830	5,146	7,176	-	-	-	66,081	13,861	-	79,942
Other	14,469	-	758	1,718	-	679	1,180	335	2,081	-	-	21,220	2,185	-	23,405
Vehicles operating and maintenance	-	307	1,535	7	764	-	-	-	-	314	-	2,927	16,554	-	19,481
Direct program expense	3,049,446	48,804	299,163	27,303	4,229	-	6,732	25,887	-	-	(2,884,283)	577,281	45,499	-	622,780
Depreciation	-	-	998	-	-	-	-	-	-	-	-	998	69,069	-	70,067
Staff development	-	-	8,805	1,167	2,972	-	2,228	936	1,107	-	-	17,215	32,654	-	49,869
Bank service charges	-	-	-	-	-	-	-	-	41	-	-	41	22,405	30	22,476
Donations	-	-	208	-	-	349,558	-	-	198	-	-	349,964	347	-	350,311
Taxes and fines	-	-	-	-	-	-	-	-	-	-	-	-	26,376	-	26,376
Fundraising fees	-	-	-	-	-	-	-	-	-	-	-	-	-	31,491	31,491
Public relation fees	-	-	-	-	-	-	-	-	-	-	-	-	-	47,176	47,176
Human resources consultants	-	-	-	-	-	-	-	-	-	-	-	-	5,087	-	5,087
Advertising and promotion	683	-	-	-	-	-	-	-	-	-	-	683	18,864	113,433	132,980
Conference and conventions	275	-	-	-	-	-	-	-	-	-	-	275	3,715	6,402	10,392
Interest	-	-	-	-	-	266	-	-	-	-	-	266	38,190	-	38,456
Membership and dues	-	-	-	-	-	-	-	-	-	-	-	-	998	835	1,833
Bad debt expense	48,643	-	-	-	-	-	-	-	-	-	-	48,643	-	-	48,643
Amortization	42,286	-	-	-	-	-	-	-	-	-	-	42,286	-	-	42,286
Total functional expenses	\$ 4,092,135	\$ 78,133	\$ 766,208	\$ 121,566	\$ 119,037	\$ 548,022	\$ 140,105	\$ 112,312	\$ 103,169	\$ 63,227	\$ (2,884,283)	\$ 3,259,631	\$ 2,531,901	\$ 678,284	\$ 6,469,816

See Notes to Consolidated Financial Statements.

Global Brigades, Inc. and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	Program services											Supporting services			
	GB USA	Nicaragua Brigades	Honduras Brigades	Ghana Brigades	Panama Brigades	Eskala, Inc	Greece Brigades	Guatemala Brigades	Logistics Brigades	Ghana pharmacy	Eliminations	Total	General and Administration	Fundraising	Total
Salaries	\$ 616,587	\$ 26,034	\$ 163,692	\$ 71,072	\$ 189,232	\$ -	\$ 34,237	\$ 1,214	\$ 21,584	\$ -	\$ -	\$ 1,123,652	\$ 1,157,427	\$ 208,504	\$ 2,489,583
Employee benefits	26,807	-	-	-	16	-	-	-	-	-	-	26,823	55,827	27,998	110,648
Organization expenses	14	-	-	-	-	-	-	-	-	-	14	14	3,003	-	3,017
Accounting and auditing fees	-	-	-	-	-	-	-	-	-	-	18,902	18,902	185,591	-	204,493
Outside contractors	7,312	-	-	-	-	-	8,730	-	-	-	-	16,042	45,609	17,409	79,060
Legal fees	6,629	-	36,683	5,603	-	-	-	-	-	-	-	48,915	63,217	-	112,132
Travel expenses	-	-	2,165	140	2,686	-	-	-	929	-	471,654	477,574	90,135	1,441	569,150
Office expenses	14,789	-	8,634	4,126	10,557	-	18,483	6,823	2,016	8,059	-	73,487	307,328	79,316	460,131
Payroll taxes	20,513	15,797	10,199	20,669	-	-	8,330	669	751	-	-	76,928	345,153	13,099	435,180
Telephone	-	-	100	85	711	-	-	-	-	-	-	896	48,901	-	49,797
Brigades transportation	-	-	60,080	14,547	63,758	-	-	311	-	-	-	138,696	22,162	-	160,858
Other	1,359	-	141	420	20,755	-	-	-	13	-	974	23,662	3,890	-	27,552
Vehicles operating and maintenance	-	-	11	-	-	-	-	-	-	-	-	11	25,200	-	25,211
Direct program expense	4,873,533	46,885	73,675	18,723	32,918	-	1,453	9,388	-	-	(2,678,690)	2,377,885	42,425	-	2,420,310
Depreciation	-	-	246	-	-	-	-	-	-	11	-	257	63,875	-	64,132
Staff development	590	-	746	102	3,387	-	-	-	-	-	-	4,825	12,779	490	18,094
Bank service charges	-	-	1,119	-	67	-	-	-	-	-	-	1,186	18,529	-	19,715
Donations	-	-	63,653	-	-	-	-	-	-	-	(62,048)	1,605	5,078	-	6,683
Taxes and fines	-	-	1,228	-	-	-	-	-	-	-	-	1,228	12,955	-	14,183
Custom fees on travels	-	-	-	-	-	-	-	-	-	-	-	-	9,797	-	9,797
Fundraising fees	-	-	-	-	-	-	-	-	-	-	-	-	-	36,761	36,761
PR Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	12,600	12,600
Human resources consultants	-	-	-	-	-	-	-	-	-	-	-	-	1,275	-	1,275
Advertising and promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	89,375	89,375
Conference and conventions	2,375	-	-	-	-	-	-	-	-	-	-	2,375	3,509	4,773	10,657
Interest	-	-	-	-	-	-	-	-	-	-	-	-	30,197	-	30,197
Membership and dues	-	-	-	-	-	-	-	-	-	-	-	-	894	1,500	2,394
Amortization	42,286	-	-	-	-	-	-	-	-	-	-	42,286	-	-	42,286
Total functional expenses	\$ 5,612,794	\$ 88,716	\$ 422,372	\$ 135,487	\$ 324,087	\$ -	\$ 71,233	\$ 18,405	\$ 25,293	\$ 8,070	\$ (2,249,208)	\$ 4,457,249	\$ 2,554,756	\$ 493,266	\$ 7,505,271

See Notes to Consolidated Financial Statements

Global Brigades, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 56,267	\$ (1,703,003)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	48,643	-
Depreciation	70,067	64,132
Amortization	42,286	42,286
Stock based compensation	140,692	-
Forgiveness on Paycheck Protection Program loan	(144,236)	-
Changes in operating assets and liabilities		
Accounts receivable	(281,103)	(345,748)
Inventory	6,955	26,127
Deposits	400,342	(400,342)
Prepaid expenses	(343,942)	1,599,820
Other assets	9,612	195,421
Accounts payable	(146,289)	91,647
Accrued expenses	(46,046)	40,942
Deferred revenue	72,336	(777)
	(114,416)	(389,495)
Net cash used in operating activities		
Cash flows from investing activities		
Advances of notes receivable	(1,309,159)	-
Purchase of property and equipment	(45,399)	(8,662)
	(1,354,558)	(8,662)
Net cash used in investing activities		
Cash flows from financing activities		
Capital contributions	1,175,003	-
Borrowings on Paycheck Protection Program loan	178,525	154,293
Borrowings on long-term debt	360,000	150,000
Borrowings (payments) on lines of credit	1,123,344	(693,847)
Payments on long-term debt	(12,878)	(140,000)
	2,823,994	(529,554)
Net cash provided by (used in) financing activities		
Net change in cash and cash equivalents	1,355,020	(927,711)
Cash and cash equivalents, beginning	2,722,113	3,649,824
Cash and cash equivalents, end	\$ 4,077,133	\$ 2,722,113
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 38,671	\$ 30,655

See Notes to Consolidated Financial Statements

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 1 - Business activity and summary of significant accounting policies

Business activity

Global Brigades, Inc. ("GBI USA") and Affiliates (collectively, the "Organization") is an international nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization was established in 2007 for the purpose of empowering communities to meet their health and economic goals through university volunteers and local teams. Through student-led brigades, participating student and professional volunteers empower communities in developing countries with sustainable solutions that improve quality of life and environment, while respecting local culture. The Organization is one of the world's largest student-led volunteer relief organizations.

GBI USA works with the affiliates located in Central America, Europe and Africa to achieve the Organization's mission. The affiliates are separate legal entities that are controlled by GBI USA and are consolidated for financial reporting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of GBI USA, registered as a nonprofit public benefit corporation in the State of California, and the following Affiliates: GBO Ghana, registered as a company limited by guarantee under the Companies Act in 1963 in Ghana and created in 2017; Global Brigades Ventures, Inc. ("GBVI"), registered as a benefit corporation in the State of California; Global Brigades Foundation of Panama ("GBP"), registered as a private foundation in Panama; and Global Brigades Logistics, S.A. ("GBL") registered as a for-profit company in Honduras.

Eskala, Inc. was incorporated in October 2020 as a Delaware Public Benefit Corporation and was 72% and 100% owned by GBI USA as of December 31 2021, and 2020, respectively. Eskala Honduras, S.A. was formed on December 22, 2020 and wholly owned by Eskala, Inc. The Company's primary source of revenue is through its local subsidiary. The Company is in the process of establishing operations in Panama and Nicaragua. Eskala Honduras, S.A. started making loans and micro investments into rural community banks and providing rural banks with technical support and training in Honduras in fiscal year 2021.

In addition, the Affiliates have the following controlled entities: Global Brigades Pharmacy Limited, a private limited company, was 100% incorporated by GBO Ghana in 2020; Global Brigades Greece, a nonprofit partnership, is 50% owned by GBI USA and 50% owned by GBL since June 2019; Global Brigades Logistics S.A. Guatemala, a for-profit corporation, was formed in January 2020 and is owned by two stakeholders of GBI USA who each own 50%; Montemar Logistics, S.A. was incorporated in July 2018 and is wholly owned by GBL; Eskala Ventures, S.A. was formed in May 2021 and was incorporated in Panama and is wholly owned by GBP. As of December 31, 2021 and 2020, Montemar Logistics does not have any assets, liabilities, or operations.

In addition to these separate legal entities, GBI USA has program operations and is registered as a nongovernmental organization in Nicaragua and Honduras.

All inter-organization balances and transactions have been eliminated upon consolidation. The Organization works with other related entities throughout the world. These other entities do not meet the criteria for consolidation in accordance with GAAP.

Non-controlling interest includes stock compensation from stock options issued by Eskala, Inc. of \$140,692 and \$0 as of December 31, 2021 and 2020, respectively.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 2 - Summary of significant accounting policies

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Principles of consolidation

The consolidated financial statements include the accounts of Global Brigades, Inc. and Affiliates. All significant inter-organization balances and transactions have been eliminated upon consolidation.

Non-controlling interests

GAAP requires classification of non-controlling interest as a separate component of net assets and requires income attributable to the non-controlling interest to be clearly identified and presented as a separate component in the consolidated statements of activities.

Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. They are described as follows:

Net assets without donor restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for specific purposes by action of the Board of Directors.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose 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 resources was restricted has been fulfilled, or both.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and disclosure of contingent assets and liabilities expenses at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include deposits and all highly-liquid investments with initial maturities of three months or less that are available for current use. The Organization also has cash held in foreign countries and held in foreign currencies.

Accounts receivable

The Organization's accounts receivable consists primarily of amounts due from unconsolidated related parties. Accounts receivables are stated at the amount management expects to collect on the outstanding balances. Allowance for uncollectible accounts was \$48,643 and \$0 as of December 31, 2021 and 2020, respectively. The Organization had accounts receivable totaling \$29,139 at January 1, 2020.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Notes receivable

As of December 31, 2021 and 2020, Eskala, Inc. had notes receivables of \$1,309,159 and \$0, respectively, for loans to local community banks. As of December 31, 2021, there are no past due notes receivable. The Organization has reviewed loans not yet collected and reserved for amounts that are determined uncollectible. The Organization has a rating scale for the loans based on an aging and payments of the loan. A percentage is applied as an allowance based on the loan rating. As of December 31, 2021 and 2020, there was no allowance for doubtful accounts.

Notes receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. They are classified as notes receivable on the balance sheets. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status. There were no deferred loan fees at December 31, 2021 and 2020. Interest rates on loans range from 1.33 percent to 1.83 percent per month and have maturities from six months to four years.

Income on nonaccrual loans is subsequently recognized only to the extent that cash is received, and the loan's principal balance is deemed collectible. Loans are designated as nonaccrual loans when principal or interest is past due 90 days based on the contractual terms of the loan.

Notes receivable that are due within one year of the consolidated statements of financial position date are classified as short-term on the consolidated statements of financial position and notes receivable that are due one year after the consolidated statements of financial position date are classified as long-term on the consolidated statements of financial position.

Inventory

The Organization's inventory consists of medical supplies on hand that are used by volunteers of the global brigades. The medical supplies are recorded at cost, which is considered to be the lower of cost or net realizable value. Medical supplies are generally used within one year.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation if purchased or fair value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from 2 to 40 years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Minor repairs and maintenance costs are charged to expense as incurred. The Organization maintains a capitalization policy for expenditures in excess of \$10,000.

Goodwill

Goodwill, arising from business combinations, represents the excess of purchase price over the estimated fair value of net assets acquired in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350-20, *Intangibles - Goodwill and Other - Goodwill* ("ASC 350-20").

As permitted under GAAP, the Organization elected to apply the simplified accounting alternative for goodwill for the business acquisitions that allows for the amortization of goodwill by private companies. Accordingly, goodwill is being amortized on a straight-line basis over seven years. In addition, goodwill will be subject to testing for impairment under "entity-wide" basis, upon the

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

occurrence of certain triggering events, whereby triggering events are described as events or circumstances that might indicate the reporting entity's fair value is less than its carrying amount.

Upon the occurrence of a triggering event, the Organization first assesses qualitative factors to determine whether a quantitative impairment test is necessary. If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, a quantitative impairment test is required, and a one-step impairment test would be performed. The amount of the impairment would be measured by calculating the difference between the carrying amount of the entity and its fair value. Management determined that there were no triggering events during the years ended December 31, 2021 and 2020.

Long-lived assets

Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Organization periodically reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. No impairment loss was recorded during the years ended December 31, 2021 and 2020.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2021, there were no conditional contributions for which amounts had been received in advance and have not been recognized in the accompanying consolidated financial statements.

Service income

Service income is recorded when the service is provided.

Grant payments

Grants are charged against operations when authorized by the Organization's Board of Directors. The actual payment of the grant may not necessarily occur in the year of authorization. There were no grants payable at December 31, 2021 and 2020.

Advertising cost

Advertising and related costs are expensed as incurred. Advertising costs for the years ended December 31, 2021 and 2020, were \$132,980 and \$89,375, respectively.

Foreign currency

The consolidated financial statements of the subsidiary are translated into United States dollars, using current and historical exchange rates, as appropriate. The functional currencies are the Honduran lempira, Panamanian Balboa, Guatemalan Quetzal, and the Ghanaian Cedi and the Greek

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Euro. The foreign currency translation amount is not considered material at December 31, 2021 and 2020. Gains and losses on transactions recorded using the foreign currencies are recorded in the consolidated statements of activities.

Income taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Section 23701(d) of the State Revenue and Taxation Code.

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2021 and 2020. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions that must be considered for disclosure. The Organization does not believe their financial statements include any uncertain tax positions. The Organization's federal and state income tax returns prior to fiscal years 2019 and 2018, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Organization recognizes interest and penalties associated with tax matters as part of general and administrative expense and included accrued interest and penalties with the related accrued liability in the consolidated statement of financial position.

The Organization files tax returns as required in the respective countries in which the Affiliates are located.

For the years ended December 31, 2021 and 2020, there was \$14,469 and \$0 provision for income taxes, respectively, related to Eskala, Inc. As of December 31, 2021, Eskala, Inc. has approximately \$590,000 of federal net operating losses, resulting in a deferred tax asset of \$124,000. The entire asset is fully reserved by the valuation allowance for a net deferred tax asset of \$0.

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the percentage of time spent by the Organization. Direct costs on a specific programs have been allocated in its entirety.

Recently adopted accounting pronouncement

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("Topic 606") in May 2014, providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenue.

The Organization adopted the new revenue recognition guidance on January 1, 2020, using a modified retrospective approach. Results for reporting periods beginning after January 1, 2020 are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the prior guidance. Under Topic 606, the Organization recognizes revenue when the risk of loss transferred to the customers, which was when services were rendered.

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

There were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period. Adoption of the new revenue recognition guidance did not have an impact on the timing of the Organization's revenue recognition nor the financial statement presentation thereof.

Subsequent events

The Organization has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2021 and 2020 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through October 30, 2023, the date these consolidated financial statements were available to be issued (see Note 13).

Note 3 - Liquidity and availability

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31:

	2021	2020
Cash and cash equivalents	\$ 4,077,133	\$ 2,722,113
Accounts receivable, net	607,347	374,887
Current portion of notes receivable, net	1,170,082	-
	<u>\$ 5,854,562</u>	<u>\$ 3,097,000</u>

Financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due.

Note 4 - Property and equipment

Property and equipment consisted of the following as of December 31:

	2021	2020
Land	\$ 391,478	\$ 394,470
Building	514,503	520,993
Furniture and equipment	89,983	73,437
Computer and communications equipment	35,298	20,047
Dental and medical equipment	83,401	60,499
Vehicles	128,973	128,791
	1,243,636	1,198,237
Less: accumulated depreciation	<u>(214,904)</u>	<u>(144,837)</u>
	<u>\$ 1,028,732</u>	<u>\$ 1,053,400</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$70,067 and \$64,132, respectively.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 5 - Goodwill

The Organization's goodwill as of December 31, 2021 and 2020 was \$211,428 and \$253,714, respectively, net of accumulated amortization. The amortization expense for the years ended December 31, 2021 and 2020 was \$42,286 and \$42,286, respectively. Goodwill is being amortized over its estimated useful life of seven years.

Estimated amortization expense for each of the five succeeding years subsequent to December 31, 2021 is as follows:

2022	\$	42,286
2023		42,286
2024		42,286
2025		42,286
2026		42,284
		<hr/>
	\$	211,428

Note 6 - Lines of credit

On March 31, 2015, the Organization entered into a credit agreement with Kiva Microfunds, for a secured revolving line of credit in the amount of \$430,000 used to disburse loans in Honduras. The line of credit is secured by the Organization's assets and bears no interest. Periodic payments are due monthly until paid in full. The outstanding balance is \$403,678 and \$6,153 at December 31, 2021 and 2020, respectively.

On January 26, 2021, the Organization entered into another revolving line of credit with a bank for a maximum of \$500,000. Interest on this note is 3.10% plus Prime rate. Prime rate was 3.25% at December 31, 2021. The line of credit is secured by all the Organization's accounts receivable, and it expires on the final availability date. Draws on the line of credit may be used only to provide working capital for the Organization. The outstanding balance at December 31, 2021 is \$475,519.

On November 10, 2021, Eskala, Inc. entered into a line of credit with Beneficial State Bank for \$350,000. The line of credit matures on November 10, 2025 and the interest rate is the U.S. prime rate (3.25% at December 31, 2021). Payments of all unpaid accrued interest are due monthly. The principal and any remaining unpaid accrued interest are due on the maturity date. As of December 31, 2021, the Organization had outstanding principal and interest of \$250,300.

Note 7 - Long-term debt

In April 2020, the Organization received approval from a lending institution for funding of \$154,293 under the Paycheck Protection Program ("PPP") provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a two-year term, accrues interest at 1% per annum, and a portion of the loan may be forgiven if proceeds are used for specific business costs, as outlined in the PPP provisions and Small Business Administration ("SBA") guidance. The Organization applied for and received forgiveness of \$144,236 in February 2021. As of December 31, 2021 and 2020, the outstanding balance was \$10,057 and \$154,293, respectively.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2021 and 2020

In May 2021, the Organization received a second PPP loan in the amount of \$178,525. The second PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the SBA. Similar to the first PPP loan, interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. The PPP loan was forgiven in June 2022 (see Note 13). As of December 31, 2021 and 2020, the outstanding balance was \$178,525 and \$0, respectively.

In June 2020, the Organization received an Economic Injury Disaster Loan of \$150,000 from the SBA, along with a grant of \$10,000. The loan was secured by substantially all assets of the Organization. During 2021, the Organization applied for a second draw on the Economic Injury Disaster Loan of \$500,000, which was approved in December 2021. The loan matures on May 20, 2030. Interest is calculated at the fixed rate of 2.75%. As of December 31, 2021 and 2020 the outstanding balance was \$497,122 and \$150,000, respectively. The balance was paid in full in 2023 (see Note 13).

Note 8 - Net assets

Net assets consisted of the following as of December 31:

	2021				
	Without donor restrictions			With donor restrictions	Total net assets
	Controlling Interest	Non-controlling Interest	Total		
Balance, at the beginning of the year	\$ 440,813	\$ -	\$ 440,813	\$ 4,070,596	\$ 4,511,409
Capital contributions	-	1,175,003	1,175,003	-	1,175,003
Stock compensation	-	140,692	140,692	-	140,692
Change in net assets	(1,463,545)	(251,504)	(1,715,049)	1,771,316	56,267
Balance, end of year	<u>\$ (1,022,732)</u>	<u>\$ 1,064,191</u>	<u>\$ 41,459</u>	<u>\$ 5,841,912</u>	<u>\$ 5,883,371</u>
	2020				
	Without donor restrictions			With donor restrictions	Total net assets
	Controlling Interest	Non-controlling Interest	Total		
Balance, at the beginning of the year	\$ 1,564,762	\$ -	\$ 1,564,762	\$ 4,649,650	\$ 6,214,412
Change in net assets	(1,123,949)	-	(1,123,949)	(579,054)	(1,703,003)
Balance, end of year	<u>\$ 440,813</u>	<u>\$ -</u>	<u>\$ 440,813</u>	<u>\$ 4,070,596</u>	<u>\$ 4,511,409</u>

Global Brigades, Inc. and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2021 and 2020**

Net assets with donor restrictions consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Future Brigades	\$ 2,774,018	\$ 2,509,774
E100 Projects	2,922,002	1,426,639
Memberships	128,362	128,217
Other	<u>17,530</u>	<u>5,966</u>
 Total net assets with donor restrictions	 <u>\$ 5,841,912</u>	 <u>\$ 4,070,596</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Brigades	\$ 1,503,013	\$ 3,902,232
E100 Projects	1,208,112	1,485,964
Memberships	-	195
Other	<u>-</u>	<u>1,650</u>
 Total net assets released from donor restrictions	 <u>\$ 2,711,125</u>	 <u>\$ 5,390,041</u>

Note 9 - Employee retirement benefits

The Board of Directors implemented a policy during the year ended December 31, 2015, in which the Organization may provide a contribution to certain employees' Individual Retirement Accounts ("IRAs"), subject to annual approval of the compensation committee. Approved contributions were \$0 and \$14,666 for the years ended December 31, 2021 and 2020, respectively.

Note 10 - Related party transactions

GBI USA awards grants to affiliates to carry-out each brigade. Grants awarded to consolidated affiliates are eliminated upon consolidation. Grants paid to unconsolidated affiliates totaled \$350,311 and \$6,683 for the year ended December 31, 2021 and 2020.

Note 11 - Concentration of credit risk

Financial instruments which potentially subject the Organization to credit risk consist principally of accounts with financial institutions in excess of federally insured limits.

The Organization has at various times, maintained cash balances in excess of the federally insured limits; however, the Organization believes this risk of loss with respect to financial institutions that hold the Organization's cash and cash equivalents is not significant.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2021 and 2020

As of December 31, 2021 and 2020, there were no customers that represented more than 10% of the accounts receivable balance.

As of December 31, 2021, two customers represented 50% of the Organization's notes receivable balance.

For the years ended December 31, 2021 and 2020, one donor accounted for approximately 47% and 35% of the contribution revenue, respectively.

Note 12 - Commitments and contingencies

Operating leases

The Organization has entered into leases for facilities space in Nicaragua, Ghana, Guatemala, Greece, USA and Panama. The leases in Nicaragua, Ghana and Panama are generally for a term of one year, renewable annually. Rent under these leases range from \$200 to \$7,500 per month. Rent expense was \$135,791 and \$118,997 for the years ended December 31, 2021 and 2020, respectively, and is included in office expenses on the consolidated statements of functional expenses.

Litigation, claims and contingencies

The Organization may become party to various legal actions that arise in the ordinary course of its business. It is impossible at this time to determine the ultimate liabilities that the Organization may incur resulting from any lawsuits, claims and proceedings, audits, commitments, contingencies, and related matters or the timing of these liabilities, if any. If these matters were to be ultimately resolved unfavorably, an outcome not currently anticipated, it is possible that such outcome could have a material adverse effect upon the Organization's financial position or results of operations. However, the Organization believes that the ultimate resolution of such actions will not have a material adverse effect on the Organization's financial position, consolidated statements of activities, or liquidity.

Note 13 - Subsequent events

In June 2022, the PPP loan of \$178,525 was forgiven.

On July 19, 2022, Global Brigades Ventures, Inc., 100% owned by Global Brigades, Inc. was fully dissolved.

Global Brigades executed a spin out of its student-led medical, dental and public health programs into a new company called Global Medical Brigades, Inc. (GMB), a Delaware public benefit corporation. Global Brigades entered into a Stock Purchase Agreement with GMB Sponsor Holdings, LLC on October 17, 2022 in which GMB Sponsor Holdings, LLC acquired 100% of the outstanding shares of GMB, and as a part of the consideration for this transaction, Global Brigades received (1) \$1,500,000 cash; (2) \$2,000,000 in GMB stock; (3) \$1,500,000 in units of MedSchoolCoach, LLC; and (4) \$1,000,000 in the form of a promissory note. Additionally, Global Brigades entered into a fiscal sponsorship arrangement with GMB in which Global Brigades receives a fiscal sponsorship fee equal to 3% of the amount of contributions received and granted in furtherance of GMB's charitable activities.

On December 16, 2022, the revolving line of credit for \$500,000 was paid in full.

As of January 9, 2023, the Economic Injury Disaster Loan of \$500,000 was paid in full.

Global Brigades, Inc. and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2021 and 2020**

In 2023, the Organization applied for an Employee Retention Tax Credit and received a total of \$282,203 for 2020 and 2021 in fiscal year 2023.



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