

Global Brigades, Inc. and Affiliates

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

December 31, 2022 and 2021

Global Brigades, Inc. and Affiliates

Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	12

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, 2022 and 2021, 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, 2022 and 2021, and the changes in their net assets and their 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 audits.

CohnReznick LLP

Los Angeles, California
April 29, 2024

Global Brigades, Inc. and Affiliates

**Consolidated Statements of Financial Position
December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 2,189,319	\$ 4,077,133
Accounts receivable, net	173,165	607,347
Current portion of notes receivable, net	2,885,534	1,170,082
Employee retention credit receivable	282,203	-
Inventory	327,328	391,174
Prepaid expenses	1,247,069	382,492
	<hr/>	<hr/>
Total current assets	7,104,618	6,628,228
Notes receivable long-term, net	334,579	139,077
Restricted cash	95,873	-
Related party note receivable	1,000,000	-
Other assets	190,206	21,842
Goodwill, net	169,143	211,428
Property and equipment, net	1,076,678	1,028,732
	<hr/>	<hr/>
Total assets	<u>\$ 9,971,097</u>	<u>\$ 8,029,307</u>

Global Brigades, Inc. and Affiliates

**Consolidated Statements of Financial Position
December 31, 2022 and 2021**

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable	\$ 616,191	\$ 125,032
Accrued expenses	462,623	131,675
Lines of credit	718,019	1,129,497
Paycheck Protection Program loan	-	188,582
	<u>1,796,833</u>	<u>1,574,786</u>
Deferred revenue	704,858	74,028
Long-term debt	<u>620,000</u>	<u>497,122</u>
	<u>3,121,691</u>	<u>2,145,936</u>
Commitments and contingencies		
Net assets		
Without donor restrictions		
Controlling interest	2,060,329	(1,022,732)
Noncontrolling interest	<u>1,607,539</u>	<u>1,064,191</u>
Total without donor restrictions	3,667,868	41,459
With donor restrictions	<u>3,181,538</u>	<u>5,841,912</u>
	<u>6,849,406</u>	<u>5,883,371</u>
Total liabilities and assets	<u>\$ 9,971,097</u>	<u>\$ 8,029,307</u>

See Notes to Consolidated Financial Statements.

Global Brigades, Inc. and Affiliates

**Consolidated Statement of Activities
Year Ended December 31, 2022**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 1,386,256	\$ 4,349,712	\$ 5,735,968
Program service income	981,817	-	981,817
Forgiveness of Paycheck Protection Program loan	188,582	-	188,582
Interest income	395,507	-	395,507
Gain on sale of program	2,500,000	-	2,500,000
Other income	867,337	-	867,337
Net assets released from donor restrictions	<u>7,010,086</u>	<u>(7,010,086)</u>	<u>-</u>
 Total revenues	 <u>13,329,585</u>	 <u>(2,660,374)</u>	 <u>10,669,211</u>
Expenses			
Program services	6,765,102	-	6,765,102
Management and general	2,911,071	-	2,911,071
Fundraising	<u>617,147</u>	<u>-</u>	<u>617,147</u>
 Total expenses	 <u>10,293,320</u>	 <u>-</u>	 <u>10,293,320</u>
Loss on foreign currency exchange	<u>39,500</u>	<u>-</u>	<u>39,500</u>
Change in net assets	2,996,765	(2,660,374)	336,391
Net assets, beginning	41,459	5,841,912	5,883,371
Noncontrolling interest-net capital contributions	<u>629,644</u>	<u>-</u>	<u>629,644</u>
Net assets, end	<u>\$ 3,667,868</u>	<u>\$ 3,181,538</u>	<u>\$ 6,849,406</u>

See Notes to Consolidated Financial Statements.

Global Brigades, Inc. and Affiliates

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

	Without donor restrictions	With donor restrictions	Total
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
Noncontrolling 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 Functional Expenses
Year Ended December 31, 2022

	Program services											Supporting services			Total	
	GB USA	Panama Brigades	Eskala Panama	Logistics Brigades	Honduras Brigades	Eskala, Inc	Guatemala Brigades	Nicaragua Brigades	Ghana Brigades	Ghana Pharmacy	Greece Brigades	Eliminations	Total Program Services	General and Administration		Fundraising
Salaries	\$ 387,575	\$ 390,807	\$ 78,000	\$ 35,637	\$ 626,700	\$ 230,875	\$ 13,448	\$ 57,360	\$ 57,001	\$ 9,919	\$ 108,622	\$ -	\$ 1,995,944	\$ 1,205,145	\$ 277,379	\$ 3,478,468
Employee benefits	3,208	51,524	25,272	8,141	203,152	25,129	-	2,579	10,086	1,762	8,174	-	339,027	209,781	32,052	580,860
Organization expenses	875	-	-	-	-	-	-	-	-	-	-	-	875	6,399	-	7,274
Accounting and auditing fees	12,823	-	-	-	-	-	-	-	-	-	-	-	12,823	264,383	-	277,206
Outside contractors	36,384	27,051	455	-	2,885	1,053	-	-	8,543	5,729	71	-	82,171	165,016	12,724	259,911
Legal fees	-	3,091	3,235	-	324	228	-	332	-	202	-	-	7,412	59,592	-	67,004
Travel expenses	7,431	346,811	21,855	27,439	216,673	5,514	130,770	5,169	81,563	624	101,671	-	945,520	44,086	8,461	998,067
Office expenses	2,293	52,593	26,191	71,829	102,208	1,221	5,390	484	3,907	6,759	24,761	-	297,636	478,621	6,188	782,445
Payroll taxes	8,736	20,585	15,114	705	34,406	-	-	2,855	4,165	1,141	9,967	-	97,674	84,447	17,193	199,314
Telephone	2,849	6,631	4,785	29	1,563	-	26	513	299	92	1,590	-	18,377	64,172	1,719	84,268
Brigades transportation	-	129,498	-	-	122,060	-	22,405	1,701	26,453	-	22,650	-	324,767	-	-	324,767
Other	-	35,650	-	-	16,767	461	560	154	2,308	-	583	-	56,483	54,900	-	111,383
Vehicles operating and maintenanc	-	25,624	-	-	2,139	6	-	1,285	2,699	-	-	-	31,753	6,447	-	38,200
Direct program expense	6,084,361	165,909	-	9,216	503,750	-	19,048	25,892	32,729	-	4,161	(4,968,783)	1,876,283	2,746	-	1,879,029
Depreciation	-	-	-	-	19,189	-	-	-	-	-	-	-	19,189	50,213	-	69,402
Staff development	-	24,212	-	82	4,001	2,705	220	-	-	65	16,901	-	48,186	25,721	-	73,907
Bank service charges	2,027	-	-	-	-	-	-	73	2	-	-	-	2,102	19,976	46,625	68,703
Exchange Differential	-	-	-	-	-	10,333	-	-	-	-	-	163,730	174,063	25,583	954	200,600
Donations	-	-	-	1,961	-	-	-	-	304	-	-	-	2,265	151	-	2,416
Taxes and fines	-	5	-	-	68	-	198	50	-	-	160	-	481	52,685	-	53,166
Fundraising fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,499	29,499
Public relation fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,100	16,100
Advertising and promotion	15,836	-	-	-	-	-	-	-	-	-	-	-	15,836	31,932	163,335	211,103
Conference and conventions	3,482	-	-	-	-	-	-	-	-	-	-	-	3,482	3,806	4,918	12,206
Interest	-	-	1,675	-	-	461	-	-	-	-	-	-	2,136	55,069	-	57,205
Membership and dues	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200
Amorization	42,286	-	-	-	-	-	-	-	-	-	-	-	42,286	-	-	42,286
Cost of goods sold	-	118,343	-	98,505	59,217	-	18,827	1,929	6,728	42,353	22,429	-	368,331	-	-	368,331
Total functional expenses	\$ 6,610,166	\$ 1,398,334	\$ 176,582	\$ 253,544	\$ 1,915,102	\$ 277,986	\$ 210,892	\$ 100,376	\$ 236,787	\$ 68,646	\$ 321,740	\$ (4,805,053)	\$ 6,765,102	\$ 2,911,071	\$ 617,147	\$ 10,293,320

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 maintainar	-	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 Statements of Cash Flows
Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 336,391	\$ 56,267
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	-	48,643
Depreciation	69,402	70,067
Amortization	42,285	42,286
Stock based compensation	129,644	140,692
Forgiveness on Paycheck Protection Program loan	(188,582)	(144,236)
Gain on sale of program	(2,500,000)	-
Changes in operating assets and liabilities		
Accounts receivable	434,182	(281,103)
Employee retention credit receivable	(282,203)	-
Deposits	-	400,342
Inventory	63,846	6,955
Prepaid expenses	(864,577)	(343,942)
Other assets	(168,364)	9,612
Accounts payable	491,159	(146,289)
Accrued expenses	330,948	(46,046)
Deferred revenue	630,830	72,336
	<u>(1,475,039)</u>	<u>(114,416)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Advances of notes receivable	(1,910,954)	(1,309,159)
Proceeds from sale of program	1,500,000	-
Purchase of property and equipment	(117,348)	(45,399)
	<u>(528,302)</u>	<u>(1,354,558)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Capital contributions	500,000	1,175,003
Borrowings on Paycheck Protection Program loan	-	178,525
Borrowings on long-term debt	620,000	360,000
Borrowings (payments) on lines of credit	(411,478)	1,123,344
Payments on long-term debt	(497,122)	(12,878)
	<u>211,400</u>	<u>2,823,994</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents and restricted cash	(1,791,941)	1,355,020
Cash and cash equivalents and restricted cash, beginning	<u>4,077,133</u>	<u>2,722,113</u>
Cash and cash equivalents and restricted cash, end	<u>\$ 2,285,192</u>	<u>\$ 4,077,133</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 57,205</u>	<u>\$ 38,671</u>

Global Brigades, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Supplemental disclosure of noncash investing and financing activities		
Increase in related party notes receivable from sale of program	\$ 1,000,000	\$ -
The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position		
Cash and cash equivalents	\$ 2,189,319	\$ 4,077,133
Restricted cash	95,873	-
	\$ 2,285,192	\$ 4,077,133

See Notes to Consolidated Financial Statements.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Note 1 - Business activity and summary of significant accounting policies

Business activity

Global Brigades, Inc. ("GBI USA") and Affiliates (collectively, the "Organization" or "Global Brigades") 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 66% and 72% owned by GBI USA as of December 31, 2022, and 2021, respectively. Eskala Honduras, S.A. was formed on December 22, 2020 and wholly-owned by Eskala, Inc (collectively "Eskala"). Eskala's primary source of revenue is through its local subsidiary. Eskala, Inc. 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%, but is considered to be controlled by GBI USA; 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 employees, but is considered to be controlled by GBP.

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

On July 19, 2022, Global Brigades Ventures, Inc., was fully dissolved.

During the year ended December 31, 2022, 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: \$1,500,000 cash, \$1,000,000 in the form of a promissory note

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

and received approximately 30% of GMB stock as a stock award and approximately 5% ownership of MedSchoolCoach, LLC, an entity related to GMB Sponsor Holdings, LLC, as a donation. 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. The GMB stock and ownership in MedSchoolCoach, LLC has no value as of December 31, 2022 on the accompanying consolidated financial statements.

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.

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.

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.

Noncontrolling interests

GAAP requires classification of noncontrolling interest as a separate component of net assets and requires income attributable to the noncontrolling interest to be clearly identified and presented as a separate component in the consolidated statements of activities. Noncontrolling interest includes stock compensation from stock options issued by Eskala, Inc. of \$129,644 and \$140,692 during the years ended December 31, 2022 and 2021, respectively.

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.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

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.

Restricted cash

Restricted cash consists of deposits in community banks.

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 \$0 and \$48,643 as of December 31, 2022 and 2021, respectively. The Organization had accounts receivable totaling \$374,887 at January 1, 2021.

Notes receivable

Notes receivable consists of loans to community banks 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 statements of financial position. 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, 2022 and 2021.

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 10 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.

Prepaid expenses

Prepaid expenses consist of advance payments for brigades and other items.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

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 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, 2022 and 2021.

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, 2022 and 2021.

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, 2022, 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. Service income is from the medical, dental, water, engineering and public health programs.

Gain on the sale of program

Gain is recorded when the transaction is completed and consists of income from the sale of GMB.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

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, 2022 and 2021.

Advertising cost

Advertising and related costs are expensed as incurred. Advertising costs for the years ended December 31, 2022 and 2021, were \$211,103 and \$132,980, 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 Ghanian Cedi and the Greek Euro. The foreign currency translation amount is not considered material at December 31, 2022 and 2021. 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, 2022 and 2021. 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 consolidated 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 consolidated financial statements include any uncertain tax positions. The Organization's federal and state income tax returns prior to fiscal years 2020 and 2019, 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, 2022 and 2021, there was \$22,286 and \$14,469 provision for income taxes, respectively, related to Eskala, Inc. As of December 31, 2022, Eskala, Inc. has approximately \$840,000 of federal net operating losses, resulting in a deferred tax asset of \$176,000. At 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

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

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

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases ("Topic 842"), which establishes the principles to report transparent and economical neutral information about the assets and liabilities that arise from leases. This guidance results in a more faithful representation of the rights and obligations arising from operating and capital leases in the statements of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The Organization has elected to apply the deferrals provided by ASU 2020-05, and thereafter adopted Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis with a cumulative effect transition adjustment as of the beginning of the period that includes initial adoption of the standard. The Organization evaluated the potential impact of adoption, and due to not having significant operating leases that are longer than twelve months at December 31, 2022 and 2021, there was no material impact on the consolidated financial statements.

Subsequent events

The Organization has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of December 31, 2022 and 2021 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through April 29, 2024, the date these consolidated financial statements were available to be issued (see Note 14).

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 consolidated statements of financial position date, comprise the following as of December 31:

	2022	2021
Cash and cash equivalents	\$ 2,189,319	\$ 4,077,133
Accounts receivable, net	173,165	607,347
Current portion of notes receivable, net	2,885,534	1,170,082
Employee retention credit receivable	282,203	-
	<u>\$ 5,530,221</u>	<u>\$ 5,854,562</u>

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

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 - Notes receivable

As of December 31, 2022 and 2021, the Organization had notes receivables of \$3,220,113 and \$1,309,159, respectively, for loans to local community banks. As of December 31, 2022 and 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, 2022 and 2021, allowance for doubtful accounts balance is \$1,355 and \$679, respectively. Interest rates on loans range from 1% to 2% percent per month and have maturities from two months to five years.

Note 5 - Property and equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 388,295	\$ 391,478
Building	509,742	514,503
Furniture and equipment	113,222	89,983
Computer and communications equipment	124,396	35,298
Dental and medical equipment	91,147	83,401
Vehicles	<u>98,249</u>	<u>128,973</u>
	1,325,051	1,243,636
Less: accumulated depreciation	<u>(248,373)</u>	<u>(214,904)</u>
	<u>\$ 1,076,678</u>	<u>\$ 1,028,732</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$69,402 and \$70,067, respectively.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Note 6 - Goodwill

The Organization's goodwill as of December 31, 2022 and 2021 was \$169,142 and \$211,428, respectively, net of accumulated amortization. The amortization expense for the years ended December 31, 2022 and 2021 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 succeeding years subsequent to December 31, 2022 is as follows:

2023	\$	42,286
2024		42,286
2025		42,286
2026		42,284
		<hr/>
	\$	169,142
		<hr/> <hr/>

Note 7 - 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 \$377,019 and \$403,678 at December 31, 2022 and 2021, respectively.

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 (7.5% and 3.25% at December 31, 2022 and 2021, respectively). 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, 2022 and 2021, the Organization had outstanding principal and interest of \$341,000 and \$250,300, respectively.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Note 8 - Debt

At December 31, 2022 and 2021, debt consists of the following:

	2022	2021
<p>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 \$10,057 and \$144,236 in 2022 and 2021, respectively.</p>	\$ -	\$ 10,057
<p>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. The second PPP loan was forgiven in June 2022.</p>	-	178,525
<p>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%. Balance was paid in full in 2022.</p>	-	497,122
<p>In January 2022, the Organization secured a loan of \$100,000 from Whole Planet Foundation. The loan was secured by substantially all assets of the Organization. The loan matures on June 30, 2028. Interest is calculated at the fixed rate of 0%.</p>	100,000	-
<p>In July 2022, the Organization secured a loan of \$150,000 from Seton Enablement Fund of the Sisters of Charity of Cincinnati. The loan was secured by substantially all assets of the Organization. The loan matures on July 1, 2027. Interest is calculated at the fixed rate of 3%.</p>	150,000	-
<p>In 2022 Eskala, Inc. entered into various notes payable secured by Eskala's personal and fixture property. The notes accrue interest at 3% to 7.5% per annum which is payable on a quarterly basis. Principal and unpaid interest due upon the maturity dates through August, 2024.</p>	370,000	-
<p>Total</p>		685,704
<p>Less current portion</p>	-	188,582
<p>Long-term debt</p>	\$ 620,000	\$ 497,122

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

Future minimum principal payments on the Organization's debt subsequent to December 31, 2022 are as follows:

2023	\$	-
2024		370,000
2025		-
2026		-
2027		150,000
Thereafter		<u>100,000</u>
	<u>\$</u>	<u>620,000</u>

Note 9 - Net assets

Net assets consisted of the following as of December 31:

	2022				
	Without donor restrictions			With donor restrictions	Total net assets
	Controlling Interest	Noncontrolling Interest	Total		
Balance, at the beginning of the year	\$ (1,022,732)	\$ 1,064,191	\$ 41,459	\$ 5,841,912	\$ 5,883,371
Capital contributions	-	500,000	500,000	-	500,000
Stock compensation	-	129,644	129,644	-	129,644
Change in net assets	<u>3,083,061</u>	<u>(86,296)</u>	<u>2,996,765</u>	<u>(2,660,374)</u>	<u>336,391</u>
Balance, end of year	<u>\$ 2,060,329</u>	<u>\$ 1,607,539</u>	<u>\$ 3,667,868</u>	<u>\$ 3,181,538</u>	<u>\$ 6,849,406</u>
	2021				
	Without donor restrictions			With donor restrictions	Total net assets
	Controlling Interest	Noncontrolling 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	<u>(1,463,545)</u>	<u>(251,504)</u>	<u>(1,715,049)</u>	<u>1,771,316</u>	<u>56,267</u>
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>

Global Brigades, Inc. and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2022 and 2021**

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Future Brigades	\$ 3,181,538	\$ 2,774,018
E100 Projects	-	2,922,002
Memberships	-	128,362
Other	<u>-</u>	<u>17,530</u>
 Total net assets with donor restrictions	 <u><u>\$ 3,181,538</u></u>	 <u><u>\$ 5,841,912</u></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 years ended December 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Brigades	\$ 3,942,187	\$ 1,503,013
E100 Projects	2,922,002	1,208,112
Memberships	128,367	-
Other	<u>17,530</u>	<u>-</u>
 Total net assets released from donor restrictions	 <u><u>\$ 7,010,086</u></u>	 <u><u>\$ 2,711,125</u></u>

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 \$2,416 and \$350,311 for the years ended December 31, 2022 and 2021, respectively. GBI USA has prepaid expenses to GMB for brigades in 2023 of \$1,129,069 and \$0 as of December 31, 2022 and 2021, respectively.

GBI USA has a note receivable of \$1,000,000 and \$0 as of December 31, 2022 and 2021, respectively from GMB. Interest accrues at 3% per annum. The loan and interest are payable in seventy-two equal monthly installments calculated on a straight-line amortization over ten years beginning on the first day of the nineteenth month from the date of the note.

GBI USA has sponsorship fees from GMB of \$38,854 and \$0 for the years ended December 31, 2022 and 2021, respectively, and are included in program service income.

GBI USA has a shared service agreement with GMB. Income from shared services is included in other income and was \$134,950 and \$0 for the years ended December 31, 2022 and 2021, respectively.

GBI USA has payables to GMB of \$472,121 and \$0 for the years ended December 31, 2022 and 2021, respectively.

Global Brigades, Inc. and Affiliates

Notes to Consolidated Financial Statements December 31, 2022 and 2021

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.

As of December 31, 2022 and 2021, there were no customers that represented more than 10% of the accounts receivable balance.

As of December 31, 2022 and 2021, two customers represented 24% and 50%, respectively, of the Organization's notes receivable balance.

For the year ended December 31, 2022, there were no donors that represented over 10% of the contribution revenue. For the year ended December 31, 2021 one donor accounted for approximately 46% of contribution revenue.

Note 12 - Employee retention tax credit

The Employee Retention Credit (originally under the CARES Act, and for purposes of the third and fourth calendar quarters of 2021, under Internal Revenue Code Section 3134) is a fully refundable payroll tax credit available for certain eligible employers that continued to compensate and/or provide medical insurance coverage for employees during 2021 and 2020. For the year ended December 31, 2022, the Company earned Employee Retention Credits of \$282,203. The Company recognized those payroll tax credits in its consolidated statement of activities as other income and a corresponding employee retention credit receivable.

Note 13 - 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 \$20 to \$3,000 per month. Rent expense was \$210,886 and \$135,791 for the years ended December 31, 2022 and 2021, 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.

Global Brigades, Inc. and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2022 and 2021**

Note 14 - Subsequent events

In December 2023, the board of directors of the Organization authorized a spin out of the following volunteer programs: Kambia, Squads Abroad, Business Brigades, Legal Empowerment Brigades, Human Rights Brigades into Cliniva, Inc. a Delaware benefit corporation.



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