FINANCIAL STATEMENTS

DECEMBER 31, 2022

BROOKE USA INC

LEXINGTON, KENTUCKY

Turner & Associates LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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Independent Auditors' Report

The Board of Directors
Brooke USA, Inc.
Key Largo, Florida

We have audited the Company financial statements of Brooke USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of revenues and expenses, changes in net assets, schedule of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brooke USA, Inc. Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brooke USA, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brooke USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Turner & Associates, LLP

Weston, Florida
June 1, 2023

BROOKE USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$ 1,264,978	
Investments	13,240	
Prepaid expenses	19,163	
Total Current Assets		$ 1,297,381
Total Assets		$ 1,297,381

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses		$ 36,469
Total Liabilities		36,469
NET ASSETS		
Without donors restrictions:		
Board designated for discretionary grants	$ 152,476	
Board designated for operating reserve	100,000	
Undesignated	1,008,436	
Total without donor restrictions:	1,260,912	
With donors restrictions	-	
Total Net Assets		1,260,912
Total Liabilities and Net Assets		$ 1,297,381

BROOKE USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donors Restrictions	With Donors Restrictions	Total
REVENUE, SUPPORT AND GAINS			
Contributions	$ 828,678	$ -	$ 828,678
In-kind contributions	733	-	733
Donated stocks	156,335	-	156,335
Interest income	5,789	-	5,789
Net realized/unrealized gain on investment	3,332	-	3,332
Gross special events	183,015	-	183,015
Less cost of direct benefit to donors	(165,264)	-	(165,264)
Net special events revenue	17,751	-	17,751
Net assets released from restrictions	-	-	-
Total revenues, support and gains	1,012,618	-	1,012,618
EXPENSES			
Program services:			
Fundraising and awareness	356,104	-	356,104
Grants to other charities	525,054	-	525,054
Total program services	881,158	-	881,158
Support services:			
Management	279,701	-	279,701
Total supporting services	279,701	-	279,701
Total expenses	1,160,859	-	1,160,859
CHANGE IN NET ASSETS	(148,241)	-	(148,241)
NET ASSETS, January 1, 2022	1,409,153	-	1,409,153
NET ASSETS, December 31, 2022	$ 1,260,912	$ -	$ 1,260,912

See independent auditors’ report and notes to financial statements.

BROOKE USA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Support Services	
	Fundraising and Awareness	Grants to Other Charities	Subtotal	Management	Total Expenses
FUNCTIONAL EXPENSES					
Advertising	$ 12,533	$ 5,013	$ 17,547	$ 7,520	$ 25,067
Bank fees	8,883	3,553	12,437	5,330	17,767
Grants to other charities	39,150	313,200	352,350	39,150	391,500
Insurance	2,707	1,083	3,790	1,624	5,415
Occupancy	6,194	1,770	7,963	885	8,848
Office expenses	61,989	24,796	86,785	37,194	123,979
Salaries, payroll taxes and benefits	164,917	65,967	230,884	98,950	329,835
Services and professional fees	39,188	101,456	140,644	76,723	217,367
Travel	18,094	7,238	25,331	10,856	36,188
Utilities	2,447	979	3,426	1,468	4,895
TOTAL FUNCTIONAL EXPENSES	$ 356,104	$ 525,054	$ 881,158	$ 279,701	$ 1,160,859

BROOKE USA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$	(148,241)		
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Fair value of donated investments securities		(156,335)		
Net realized and unrealized losses on investments		(3,332)		
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable		787		
Prepaid expenses		11,402		
Accounts payable and accrued expenses		12,908		
Net cash used in operating activities			$	(282,811)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of securities	$	154,033		
Purchases on Investments		(91)		
Net cash provided by investing activities				153,942
NET DECREASE IN CASH AND CASH EQUIVALENT				(128,869)
CASH AND CASH EQUIVALENTS, January 1, 2022				1,393,847
CASH AND CASH EQUIVALENTS, December 31, 2022			$	1,264,978

See independent auditors’ report and notes to financial statements.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

General

Brooke USA, Inc ("the Organization") is a non-profit organization, incorporated on April 5, 2007, in the State of Delaware. The Organization has been granted a license to use their brand name and image in the United States by Brooke United Kingdom ("Brooke"). The Organization was established to support sustainable equine welfare programs across Asia, Africa, the Middle East and Latin America through fundraising and stewarding donations to the areas of greatest need. Brooke USA Inc collaborates with Brooke globally to improve the welfare of working equines in the third world.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Method of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and are stated at carrying cost at year-end which approximates fair value. Investments are stated at fair value.

Investments

The Organization accounts for its investments in accordance with FASB ASC 958-320 Investments Debt & Equity Securities. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair values determined by quoted market prices in the statement of financial position and unrealized gain and losses are reported in the statement of activities. Investments other than debt and equity securities without readily determinable fair vales are reported at cost.

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

During 2022, the Organization received approximately $156,000 donated securities and it was recorded as a contribution at the fair value of the securities on the date received. The Organization usually sells donated securities shortly after receipt, often within a few days. Any difference between the proceeds received from the sale of donated securities and the fair value on the date the donated securities were received is recognized as a realized gain or loss. At December 31, 2022, $13,240 remains as investments in these financial statements.

Fair Value Measurements

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. Refer to Note 5 for the fair value of the investment.

Property and Equipment

Acquisitions of property and equipment in excess of $5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the accelerated method over the estimated useful lives of the assets. There is no property and equipment balance at December 31, 2022.

Leases

During 2022 the Organization adopted the ASU 2016-02, "Leases (Topic 842)". ASU 2016-02 sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to recognize a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to previous guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The Organization policy is to expense all leases less than $5,000. Refer to Note 7 for the lease disclosures.

Contributions and Grants Receivable

Contributions and grants receivable that represent unconditional promises to give are recognized as revenues when the promise is received. Contributions and grants receivable that are expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of promise. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Basis of Presentation

The Organization follows the recommendations of the FASB Accounting Standards Codification, (ASC), under statement ASC 958, in its statement presentation. During 2018, the organization
adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit-Entities (Topic 958): Presentation of Financial Statements of Non-for-Profit Entities. This guidance is intended to improve the net asset classification requirements, and the information presented in the financial statements and notes about a non-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restriction when the associated long-lived assets is placed in serviced; a recognition of underwater endowment funds as a reduction in net assets with donor restriction. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restriction, liquidity, and expenses by both their natural and functional classification. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restriction - Net assets available for general use and not subject to donor restrictions. The organization's policy is to designated net assets without donor restrictions at the discretion of the Board of Director.

The Board of Directors has designated net assets without restrictions for the following use:
Designated for discretionary grants– Cash reserve for discretionary grants.
Designated for operating reserve– Cash reserve designated for future operating needs.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by the passage of time or can be fulfilled and removed by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There are no temporary or permanently restricted net assets as of December 31, 2022.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in net assets without donor restriction. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. 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.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference, if any. The Organization recognizes special events revenue equal to the

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

fair value of direct benefits to donors when the special event takes place. A special event revenue contribution element is recognized immediately, unless a right to return is provided if the event does not occur. When the cost of the ticket is comparable to the benefit received, such as meals and entertainment, it is reported as special event revenue. Sponsorships and auction revenues are also included in the events revenue. In 2022, two major events were included in the event revenue caption. All goods and services are transferred at a point in time.

Donated Goods and Services

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Use of Estimates

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

Income Taxes

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(3). This exemption is subject to periodic review by the Internal Revenue Code and is not a private foundation. Additionally, Topic 740 provides guidance on measurement, recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. In accordance with the disclosure requirements, the Organization's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of total interest expense and other expenses, respectively. At December 31, 2022, the Organization did not have any uncertain tax positions and thus has not recognized any interest and penalties in these financial statements. Tax years that remain subject to examination by federal authorities are 2019, 2020, 2021, and 2022.

Concentration of Credit Risk

The Organization is subject to some credit risk through short-term cash investments which are placed with high credit quality financial institutions. The Organization maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2022, the Organization's uninsured cash balance was $280,773.

Function Expenses

The cost of providing the various program and supporting services have been summarized on a functional basis in the Schedule of Functional Expenses. Support expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Therefore, expenses required allocation on reasonable basis that is consistently applied. All expenses are allocated on the basis of estimated time and efforts.

Note 2 – Prepaid Expenses

Prepaid expenses at December 31, 2022 consist primarily of prepaid insurance and deposits made for a special event that will be held in a future date.

Note 3 - Concentrations

All of the Organization's support is generated through contributions from other organizations or individuals. Approximately 21% of the Organization's revenue is derived from one donor. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to the Organization.

During 2022, the Organization donated $346,500 to other Brooke's programs around the world, including projects in Africa and Asia. Also, the Organization donated $45,000 to other Foundations.

Note 4 – Donated Services

The Organization receives donated services from a variety of unpaid volunteers assisting the Program in its education programs. No amounts have been recognized in the Organization statement of activities because the criteria for recognition of such volunteer effort under FASB ASC No. 605 have not been satisfied. The Organizations records donated professional services at the respective fair values of the services received. No significant contributions of such professional services were received during the year ended December 31, 2022.

Note 5 – Investments and Fair Value Measurements

FASB Topic 820 Fair Value Measurements and Disclosures establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quotes prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level significant input to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's investments value at December 31, 2022 are reported at fair value as follows:

Category	Fair Value	Quoted Prices: (Level 1)	Significant Other Inputs (Level 2)	Non-observable Inputs (Level 3)
Stocks	$ 5,634	$ 5,634	$ -	$ -
Mutual funds	7,606	7,606	-	-
Total	$ 13,240	$ 13,240	$ -	$ -

Note 6 – 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 sheet date, comprise of the following:

		2022
Cash and cash equivalents	$	1,264,978
Investments		13,240
		1,278,218
Less those unavailable for general expenditures within one year, due to:		
Board Designations		(252,476)
Financial assets available to meet cash needs for general expenditures within one year.	$	1,025,742

Note 6 – Liquidity and Availability (Continued)

Brooke USA, Inc. has designated a reserve of $100,000 for its liquidity operating reserve, as well as a reserve of $152,476 for special projects in India, Ethiopia and Ukraine as part of its liquidity management program. According to the governing board's policy, the Organization structures its financial assets so that they are readily available when its general expenditures, liabilities, and other obligations are due. The Organization invests in liquid investments in excess of its daily requirements. In this financial statement, the investments are presented as cash and cash equivalents or investments at December 31, 2022.

Note 7 - Leases

The Organization enters, in the ordinary course of business, into operating leases for the remote office premises. These contracts generally do not include purchase options or residual value guarantees. The Organization identifies leases when it has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. The Organization recognizes right-of-use assets ("ROU assets") and lease liabilities related to operating and finance leases on its Balance Sheet. For finance leases, interest is recognized on the lease liability separately from the amortization of the ROU asset, whereas for operating leases a single lease cost is recognized so that the cost of the lease is allocated over the lease term on a straight-line basis. Impairments on ROU assets are evaluated under the guidance for impairment or disposal of long-lived assets. There were no finance leases during 2022.

The two remote offices are non-cancellable operating leases that expired in 2023 for which they have elected the short-term lease practical expedient. A total expense of approximately $4,000 was incurred in 2022 for these short-term leases. The Organization is not reasonably certain that it will exercise its right to renew these leases at the end of its non-cancellable period. Also, the Organization incurred approximately $5,000 for storages lease under cancellable operating leases.

Note 8 – Subsequent Events

As of January 2023, the Organization has entered into an agreement with an external institution to borrow $476,900, with interest-only payments due each month and principal payments due at the end of the term, which is January 2028.

The Organization has evaluated subsequent events through June 1, 2023, which is the date the financial statements were available to be issued and has determined that no adjustments are needed to the financial statements.