

KING BAUDOIN FOUNDATION UNITED STATES, INC.

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

DECEMBER 31, 2016 AND 2015

KING BAUDOIN FOUNDATION UNITED STATES, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

**King Baudouin Foundation United States, Inc.
New York, New York**

We have audited the accompanying financial statements of King Baudouin Foundation United States, Inc. which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of King Baudouin Foundation United States, Inc. as of December 31, 2016, 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.

**Board of Directors
King Baudouin Foundation United States, Inc.
New York, New York**

Report on Summarized Comparative Information

We have previously audited King Baudouin Foundation United States, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

**New York, New York
March 21, 2017**

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 5,838,061	\$ 3,382,295
Investments (<i>Note 2</i>)	13,980,373	13,225,438
Grants receivable (<i>Note 3</i>)	4,330,814	4,958,831
Accounts receivable	18,972	52,256
Prepaid expenses and other assets	327,284	150,582
Donated artwork and other donated collection (<i>Note 4</i>)	3,598,054	1,098,054
Security deposit	<u>7,200</u>	<u>7,200</u>
Total assets	<u>\$ 28,100,758</u>	<u>\$ 22,874,656</u>
LIABILITIES		
Accounts payable and other accrued expenses	\$ 25,526	\$ 67,238
Grants payable (<i>Note 5</i>)	7,958,808	5,889,729
Deferred revenue	<u>357,284</u>	<u>364,875</u>
Total liabilities	<u>8,341,618</u>	<u>6,321,842</u>
NET ASSETS		
Unrestricted		
General operations	224,024	405,325
Art Works	3,598,054	1,098,054
Advised gifts in process	507,233	640,703
American Friends Funds	<u>2,983,514</u>	<u>2,147,227</u>
Total unrestricted	<u>7,312,825</u>	<u>4,291,309</u>
Temporarily restricted (<i>Note 6</i>)	5,351,212	5,166,402
Permanently restricted (<i>Note 6</i>)	<u>7,095,103</u>	<u>7,095,103</u>
Total net assets	<u>19,759,140</u>	<u>16,552,814</u>
Total liabilities and net assets	<u>\$ 28,100,758</u>	<u>\$ 22,874,656</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2016 With Summarized Information For 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
REVENUE AND OTHER SUPPORT					
Contributions – General	\$ 8,929,941	\$ 13,049,152	\$ -	\$ 21,979,093	\$ 14,734,465
Gifts In-kind	2,576,000	-	-	2,576,000	642,394
U.S. Government grants	448,218	-	-	448,218	1,021,256
Investment income (loss)	120,402	723,964	-	844,366	(194,492)
Consulting	72,500	-	-	72,500	-
Management and investment fees	656,859	-	-	656,859	519,225
Net assets released from restrictions (<i>Note 6</i>)	<u>13,588,306</u>	<u>(13,588,306)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>26,392,226</u>	<u>184,810</u>	<u>-</u>	<u>26,577,036</u>	<u>16,722,848</u>
EXPENSES					
Grants and program expenses	22,398,278	-	-	22,398,278	17,677,439
Management and general expenses	<u>972,432</u>	<u>-</u>	<u>-</u>	<u>972,432</u>	<u>1,015,983</u>
Total expenses	<u>23,370,710</u>	<u>-</u>	<u>-</u>	<u>23,370,710</u>	<u>18,693,422</u>
Change in net assets	3,021,516	184,810	-	3,206,326	(1,970,574)
NET ASSETS					
Beginning of year	<u>4,291,309</u>	<u>5,166,402</u>	<u>7,095,103</u>	<u>16,552,814</u>	<u>18,523,388</u>
End of year	<u>\$ 7,312,825</u>	<u>\$ 5,351,212</u>	<u>\$ 7,095,103</u>	<u>\$ 19,759,140</u>	<u>\$ 16,552,814</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 3,206,326	\$ (1,970,574)
<i>Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities</i>		
Unrealized (gain) loss on investments	(286,593)	1,289,238
(Gain) loss on sale of investments	55,282	(732,365)
(Increase) decrease in		
Prepaid expenses and other assets	(176,702)	275,642
Grants receivable	628,017	265,346
Accounts receivable	33,284	(7,671)
Security deposit	-	(1,900)
Increase (decrease) in		
Accounts and grants payable	2,027,367	(1,006,675)
Deferred revenue	<u>(7,591)</u>	<u>(74,161)</u>
Net cash provided by (used for) operating activities	<u>5,479,390</u>	<u>(1,963,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,563,260)	(3,274,419)
Proceeds from sales of investments	1,039,636	2,214,661
Donated artwork	<u>(2,500,000)</u>	<u>(642,394)</u>
Net cash used for investment activities	<u>(3,023,624)</u>	<u>(1,702,152)</u>
Net increase (decrease) in cash	2,455,766	(3,665,272)
CASH		
Beginning of year	<u>3,382,295</u>	<u>7,047,567</u>
End of year	<u>\$ 5,838,061</u>	<u>\$ 3,382,295</u>

KING BAUDOUIIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 And 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

King Baudouin Foundation United States, Inc. (the “*Foundation*” or “*KBFUS*”) is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation was organized in 1997. Its objective is to facilitate the flow of philanthropic funds from the United States to Europe and Africa. The Foundation assists United States donors wishing to support non-profit initiative on these two continents, and provides cost effective solutions to European and African non-profit organization seeking to raise funds in the United States.

BASIS OF ACCOUNTING

The Foundation prepares its financial statements on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when owed under the accrual basis.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

INCOME TAX STATUS

Management has reviewed the tax positions for each of the open tax years (2013 – 2015) or expected to be taken in the Foundation’s 2016 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

CONCENTRATION OF CREDIT RISK

The Foundation occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

INVESTMENTS

Investments are reported at their fair values with associated income and gains and losses recorded on the accompanying statement of activities. The fair value of investments traded on a securities exchange is determined based on quoted market prices. Contributions of marketable securities are recorded at their market values on the dates of donation.

PROPERTY AND EQUIPMENT

Purchased property and equipment are recorded at acquisition cost. Donated property and equipment are recorded at their fair value. Property and equipment are depreciated over the estimated useful lives of the assets.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

NET ASSETS

For accounting and reporting purposes, all of the Foundation's resources are categorized as unrestricted as defined below.

Unrestricted Net Assets – General Operations – include the revenues and expenses associated with the principal mission of the Foundation.

Unrestricted Net Assets – Art Work – include the various works of art donated to the Foundation.

Unrestricted Net Assets – KBFUS Cultural Heritage Fund – include contributions received for the KBFUS Cultural Heritage Fund, an initiative that acquires important Belgian works of art and historical documents in an effort to keep these works in Belgium to be viewed by a broad audience, and enable them to be preserved for future generations.

Unrestricted Net Assets – Advised Gifts in Process – include contributions received with recommendations that the Foundation use the gift to support a specific non-profit organization.

Unrestricted Net Assets – American Friends Funds – include contributions received from U.S. donors for various non-profit organizations established in Europe and Africa.

Temporarily Restricted Net Assets – include contributions and other assets received with donor stipulations that limit the use of the donated asset to a particular field of interest. When the donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as *“net assets released from restrictions.”*

Permanently Restricted Net Assets – include gifts, trusts and pledges, which require by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

GOVERNMENT GRANTS AND OTHER CONTRACTS

The Foundation records revenue from government and other contracts as the underlying work is performed, as these contracts are structured as exchange transactions and not as restricted or unrestricted grants.

CONTRIBUTIONS

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts-in-kind are recorded at fair value on the date of receipt.

Pledges (contributions receivable) are recorded as income in the periods in which they are received in writing.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2015, from which the summarized information was derived.

(2) INVESTMENTS

Cost and market values at December 31 are summarized as follows:

<u>Net Assets</u>	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Unrestricted	\$ 649,886	\$ 686,782	\$ 618,204	\$ 639,140
Temporarily Restricted	4,723,707	4,979,303	4,670,593	4,848,764
Permanently Restricted	<u>7,867,619</u>	<u>8,314,288</u>	<u>7,484,073</u>	<u>7,737,534</u>
Total	<u>\$ 13,241,212</u>	<u>\$ 13,980,373</u>	<u>\$ 12,772,870</u>	<u>\$ 13,225,438</u>

The components of marketable securities at December 31 are:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash equivalents	\$ 724,999	\$ 724,999	\$ 709,654	\$ 709,654
Mutual Funds				
Bond	1,454,270	1,440,804	1,541,086	1,524,877
Equity	<u>11,061,943</u>	<u>11,814,570</u>	<u>10,522,130</u>	<u>10,990,907</u>
	<u>\$ 13,241,212</u>	<u>\$ 13,980,373</u>	<u>\$ 12,772,870</u>	<u>\$ 13,225,438</u>

As of December 31, 2016 and 2015, net unrealized gains consisted of \$739,161 and \$452,568, respectively.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

The Foundation utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instruments on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Foundation’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Foundation’s assets that are carried at fair value as of December 31, 2016 and 2015 are as follows:

	2016			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Equivalents	\$ 724,999	\$ 724,999	\$ -	\$ -
Mutual Funds				
Bond	1,440,804	1,440,804	-	-
Equity	<u>11,814,570</u>	<u>11,814,570</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,980,373</u>	<u>\$ 13,980,373</u>	<u>\$ -</u>	<u>\$ -</u>

	2015			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Equivalents	\$ 709,654	\$ 709,654	\$ -	\$ -
Mutual Funds				
Bond	1,524,877	1,524,877	-	-
Equity	<u>10,990,907</u>	<u>10,990,907</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,225,438</u>	<u>\$ 13,225,438</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2016 and 2015.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

(3) GRANTS RECEIVABLE

Grants receivable are due as follows at December 31:

	<u>2016</u>	<u>2015</u>
Receivable in one year	\$ 1,761,807	\$ 3,520,749
Receivable in one to five years	2,240,210	1,486,807
Receivable in more than five years	<u>448,877</u>	<u>-</u>
Total grants receivable	4,450,894	5,007,556
Less: discount to present value at 2.26% in 2016 and 1.68% in 2015	<u>(120,080)</u>	<u>(48,725)</u>
Total grants receivable - net	<u>\$ 4,330,814</u>	<u>\$ 4,958,831</u>

(4) PROPERTY AND EQUIPMENT

In 2016, the Foundation received donated artwork, valued at \$2,500,000, which is on loan to the King Baudouin Foundation in Belgium.

In 2015, the Foundation received a library on the history of Medieval Europe consisting of 8,894 titles, valued at \$637,394. These works are currently on loan to the Musée de l'Abbaye de Cluny in Cluny, France. Also in 2015, the Foundation received a Roman bronze Sestertius coin of the Emperor Didius Julianus, valued at \$5,000. This coin is currently on loan to the Coin Cabinet of the Royal Library of Belgium in Belgium.

In 2012, the Foundation received various historical letters and documents, valued at \$5,000. These works are currently on loan to the King Baudouin Foundation in Belgium. Also in 2012, the Foundation received the full ownership including rights and title in the translations of Van Gogh family letters and other source materials on the artist Vincent Van Gogh, valued at \$335,660. These documents are currently on loan to the Van Gogh Museum in the Netherlands.

In 2010, the Foundation received a sculpture, valued at \$50,000. The artwork is currently on loan to the King Baudouin Foundation in Belgium. Also in 2010, the Foundation received five pieces of donated artwork, valued at \$35,000. One of these pieces of artwork is currently on loan to the Royal Museums of Fine Arts of Belgium with the remaining pieces currently on loan to Beaux-Arts Mons in Belgium.

In 2008, the Foundation received donated artwork, valued at \$30,000 which is on loan to the Belvue Museum in Belgium.

(5) GRANTS PAYABLE

Unconditional grants are recorded as expense during the year of approval. Grants subject to certain conditions are recorded as expense during the year in which conditions are substantially met or the possibility that the conditions will not be met is remote, as determined by management.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

The fair value of grants payable as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Payable in one year	\$ 5,379,299	\$ 4,797,501
Payable in one to five years	2,250,710	1,125,000
Payable in more than five years	<u>448,879</u>	<u>-</u>
Total grants payable	8,078,888	5,922,501
Less: discount to present value at 2.26% in 2016 and 1.68% in 2015	<u>(120,080)</u>	<u>(32,772)</u>
Total grants payable – net	<u>\$ 7,958,808</u>	<u>\$ 5,889,729</u>

(6) NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Johnson & Johnson International Health Fund	\$ 110	\$ -
Starbucks Charitable Fund	216	216
Life Giving Water Fund	33,880	132,918
Patton – Stiftung Sustainable Trust	(350)	(350)
Barry Gaberman Lecture Fund	77,063	73,571
Wrigley Global Giving Fund	84,305	6,945
Alcatel Lucent Foundation Fund	2,976	2,430
Adobe Foundation Fund	3	3
Caterpillar Foundation Fund	19,872	18,179
FEI Solidarity Fund	970	970
Fidelity Charitable Fund	9,999	150,000
Partners Against Arthritis in East Africa Fund	11,037	11,037
Science House Foundation Fund	-	294
Maurice Amado Foundation Fund	-	10,000
CIGNA Foundation Fund	31,090	31,090
Amgen Foundation Fund	8,659	8,659
Guillaume Bastiens Family Fund	1,277,255	1,268,995
Not for Naught Fund	9,478	9,478
The Costa Fund for Africa	490,273	494,995
MetLife Foundation Fund	-	48,249
Bill & Melinda Gates Foundation	498,062	1,236,607
Friends of the Club Méditerranée Fund	38	9,488
Restoration of the Trebevic Zicara Cable Car Fund	-	10,000
Harley Davidson Fund	29,999	-
Marnix and Mary Heersink Fund	24	-
Avery Dennison Foundation Granting Wishes Fund	136,500	-
Pfizer Foundation Global Health Partnership Fund	315,000	-
Synopsys Foundation Fund for Europe	6,812	-
Texarcadia Fund	5,250	-
Dunefsky–Louckx Term – Endowment Fund	500	-
Accumulated Endowment Income – KBF Endowment Fund	2,194,260	1,569,799
Accumulated Endowment Income – Tony Julius Designated Fund	<u>107,931</u>	<u>72,829</u>
	<u>\$ 5,351,212</u>	<u>\$ 5,166,402</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2016:

Johnson & Johnson International Health Fund	\$ 119,500
Life Giving Water Fund	120,750
Starbucks Charitable Fund	429,132
Wrigley Global Giving Fund	50,000
Maurice Amado Foundation Fund	120,028
Alcatel Lucent Foundation Fund	160,480
Dirk Nowitzki Fund	193,138
Adobe Foundation Fund	8,000
Guillaume Bastiens Family Fund	34,500
Pfizer Foundation Global Health Partnership Fund	200,000
Amgen Foundation Fund	155,000
Avery Denison Fund	20,000
Caterpillar Foundation Fund	69,994
Columbus Foundation Fund	94,762
International Community Foundation Fund	55,000
American Express Fund	253,714
Meyer J. and Norma L. Ragir Fund	23,810
Lunt Fund	577,767
The Costa Fund for Africa	20,140
Synopsys Foundation Fund for Europe	88,750
Texarcadia Fund	9,286
Marnix and Mary Heersink Fund	467,500
Science Fund	294
Daniel Sachs Fund	31,745
MetLife Foundation Fund	70,000
Fidelity Charitable Fund	516,537
Friends of the Club Méditerranée Foundation	9,000
Restoration of the Trebevic Zicara Cable Car Fund	3,900,402
Bill and Melinda Gates Foundation	722,663
Time restricted grants	<u>5,066,414</u>
	<u>\$ 13,588,306</u>

Permanently restricted net assets at December 31, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
KBF Endowment Fund	\$ 6,630,200	\$ 6,630,200
Tony Julius Designated Fund	<u>464,903</u>	<u>464,903</u>
	<u>\$ 7,095,103</u>	<u>\$ 7,095,103</u>

ENDOWMENT FUNDS

The Foundation's endowment fund consists of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP in the United States, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

INTERPRETATION OF RELEVANT LAW

The Foundation is incorporated in the state of Georgia, which has enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). UPMIFA governs donor institutional funds for not-for-profit corporations, including endowment funds. The Foundation has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring a prudent appropriation of the endowment fund’s assets, taking into account any explicit donor stipulations or restrictions on the appropriation or expenditure of assets. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

RETURN OBJECTIVES AND RISK PARAMETERS

The total rate of return (net of fees) is expected to equal or exceed a passive investment in commonly quoted market indices (benchmarks) based on a long-term optimal asset allocation.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY

In 2012, the Foundation adopted a spending policy whereby beginning in 2015, 4% of the endowment fund’ average market value over the three previous years will be distributed to the Foundation to be used for operational and program expenses. However, the Foundation elected not to make a distribution under its spending policy for the years ended December 31, 2016 and 2015.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state standards require the Foundation to retain as a fund of perpetual duration. At December 31, 2016, no donor restricted endowment funds have fallen below the required.

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 are as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$2,302,191</u>	<u>\$7,095,103</u>	<u>\$9,397,294</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$1,642,629</u>	<u>\$7,095,103</u>	<u>\$8,737,732</u>

The Foundation classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Income earned on such gifts is classified as temporarily restricted until it is expended in accordance with the Uniform Prudent Management of Institutional Funds Act as enacted by the State of Georgia.

Changes in endowment net assets for the year ended December 31, 2016 and 2015 are as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 1,642,629	\$ 7,095,103	\$ 8,737,732
Investment return	-	659,562	-	659,562
Endowment income designated for grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 2,302,191</u>	<u>\$ 7,095,103</u>	<u>\$ 9,397,294</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 1,761,782	\$ 7,095,103	\$ 8,856,885
Investment return	-	(119,153)	-	(119,153)
Endowment income designated for grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,642,629</u>	<u>\$ 7,095,103</u>	<u>\$ 8,737,732</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

(7) COMMITMENTS

The Foundation leases office space in New York under an operating lease which expires January 31, 2017. The Foundation is in the process of renegotiating the lease. Rent expense for the years ended December 31, 2016 and 2015 was \$86,535 and \$83,518, respectively. The Foundation is currently in the process of renegotiating their office lease in New York.

Future minimum rental commitments under this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	<u>\$7,211</u>

(8) PENSION PLAN

Beginning in 2011, substantially all employees of the Foundation became enrolled in a defined contribution pension plan. Contributions to this plan are based upon earnings for all eligible employees after completing one year of service. The Foundation will match employee deferrals up to 8% of eligible compensation. Pension expenses for the years ended December 31, 2016 and 2015 was approximately \$30,800 and \$29,900, respectively.

(9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available, March 21, 2017, have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

KING BAUDOIN FOUNDATION UNITED STATES, INC.

SCHEDULE OF REVENUES AND OTHER SUPPORT

Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
Contributions – General:		
Advised gifts *	\$ 804,761	\$ 1,384,624
American Friends Fund *	13,099,968	8,873,663
KBFUS Programs	75,743	74,927
Contributed Artwork	2,576,000	642,394
Johnson & Johnson International Health Fund	119,610	(5,083)
Starbucks Charitable Fund	429,132	562,205
Life Giving Water Fund	21,712	140,674
Patton – Stiftung Sustainable Trust	-	(349)
Friends of Belgium in America Fund	-	6,850
Wrigley Global Giving Fund	127,360	269,505
Dirk Nowitzki Fund	193,137	95,238
Alcatel Lucent Foundation Fund	161,026	216,909
Maurice Amado Foundation Fund	110,028	120,476
American Express Fund	253,714	107,619
Adobe Foundation Fund	8,000	7,500
Fidelity Charitable Fund	376,536	150,000
Guillaume Bastiaens Family Fund	(1,725)	(1,893)
Harley Davidson Foundation Fund	30,000	28,571
Marnix and Mary Heersink Fund	467,524	-
The Costa Fund for Africa	(1,007)	(167)
Amgen Foundation Fund	155,000	382,000
Avery Dennison Foundation Granting Wishes Fund	156,500	90,000
International Community Foundation Fund	55,000	25,000
CIGNA Foundation Fund	-	47,054
Pfizer Foundation Global Health Partnership Fund	515,000	1,800,000
Caterpillar Foundation Fund	71,687	171,157
Columbus Foundation Fund	94,762	57,143
Lunt Fund	577,768	95,238
MetLife Foundation Fund	21,751	(4,603)
Friends of the Club Méditerranée Foundation	(450)	8,778
Trebevic Zicara Cable Car Restoration Fund	3,890,402	-
Meyer J. and Norma L. Ragir Fund	23,810	31,429
Synopsys Foundation Fund for Europe	95,563	-
Texacardia Fund	14,536	-
Dunefsky–Louckx Term – Endowment Fund	500	-
Daniel Sachs Fund	31,745	-
Total Contributions – General	24,555,093	15,376,859
U.S. Government Grants	448,218	1,021,256
Investment Income (Loss)	844,366	(194,492)
Consulting	72,500	-
Management and Investment Fees	656,859	519,225
Total Revenues and Other Support	<u>\$ 26,577,036</u>	<u>\$ 16,722,848</u>

* Net of discount to present value

KING BAUDOIN FOUNDATION UNITED STATES, INC.

SCHEDULES OF GRANTS AND PROGRAM EXPENSES AND MANAGEMENT AND GENERAL EXPENSES

Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
Grant Expenses		
Advised gifts *	\$ 1,644,942	\$ 1,862,634
Contributed Artwork	76,000	-
Cultural Heritage Fund	-	47,341
U.S. Government Grants	427,284	1,009,956
American Friends Fund *	12,263,681	10,192,638
Johnson & Johnson International Health Fund	119,500	104,140
Life Giving Water Fund	120,750	47,000
Friends of Belgium In America Fund	-	15,000
Dirk Nowitzki Fund	193,138	95,238
Wrigley Global Giving Fund	50,000	269,510
Alcatel Lucent Foundation Fund	160,480	214,659
Maurice Amado Foundation Fund	120,028	120,477
Patton – Stiftung Sustainable Trust	-	6,971
Adobe Foundation Fund	8,000	7,500
MetLife Foundation Fund	70,000	92,060
Harley Davidson Foundation Fund	-	28,572
Marnix and Mary Heersink Donor Advised Fund	467,500	-
Amgen Foundation Donor Advised Fund	155,000	380,500
Avery Dennison Foundation Granting Wishes Fund	20,000	90,000
CIGNA Foundation Fund	-	58,910
Starbucks Charitable Foundation	429,132	562,092
American Express Fund	253,714	107,620
Guillaume Bastiens Family Fund	34,500	51,660
Pfizer Foundation Global Health Partnership Fund	200,000	1,800,000
Caterpillar Foundation Fund	69,994	175,327
Columbus Foundation Fund	94,762	57,143
International Community Foundation Fund	55,000	25,000
Friends of the Club Méditerranée Fund	9,000	-
Meyer J. and Norma L. Ragir Fund	23,810	31,429
Lunt Fund	577,767	95,238
The Costa Fund for Africa	20,140	22,750
Synopsys Foundation Fund for Europe	88,750	-
Texarcadia Fund	9,286	-
Daniel Sachs Fund	31,745	-
Fidelity Charitable Fund	516,537	-
Restoration of the Trebevic Zicara Cable Car Fund	<u>3,900,402</u>	<u>-</u>
Total Grant Expenses	<u>22,210,842</u>	<u>17,571,365</u>
Program Expenses		
KBFUS Programs	129,436	106,074
Consulting fees	<u>58,000</u>	<u>-</u>
Total Program Expenses	<u>187,436</u>	<u>106,074</u>
Total Grant and Program Expense	<u>22,398,278</u>	<u>17,677,439</u>

* Net of discount to present value

KING BAUDOIN FOUNDATION UNITED STATES, INC.

SCHEDULES OF GRANTS AND PROGRAM EXPENSES AND MANAGEMENT AND GENERAL EXPENSES – (Continued)

Years Ended December 31, 2016 And 2015

	<u>2016</u>	<u>2015</u>
Management and General Expenses		
Salaries and payroll taxes	\$ 481,706	\$ 468,568
Benefits – Pension & Health Insurance	71,510	61,336
Travel, conferences, and meals	95,290	94,803
Professional services		
Consulting	21,109	49,840
Legal fees	42,000	68,802
Accounting	17,462	17,588
Payroll fees	2,073	1,672
Occupancy	86,535	83,518
Office supplies and postage	14,776	14,601
Website and publications	43,606	32,628
Events and related expenses	50,741	65,875
Information technology	12,652	20,446
Insurance	9,114	9,824
Dues and memberships	19,367	17,056
Bank charges	2,527	4,095
Miscellaneous	<u>1,964</u>	<u>5,331</u>
Total Management and General Expenses	<u>972,432</u>	<u>1,015,983</u>
Total Expenses	<u>\$23,370,710</u>	<u>\$18,693,422</u>