

KING BAUDOIN FOUNDATION UNITED STATES, INC.

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

DECEMBER 31, 2017 AND 2016

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, 2017 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 page 15 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 30, 2018**

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 3,530,217	\$ 5,838,061
Investments (<i>Note 2</i>)	15,854,408	13,980,373
Grants receivable (<i>Note 3</i>)	4,255,657	4,330,814
Accounts receivable	-	18,972
Prepaid expenses and other assets	453,032	327,284
Donated artwork and other donated collection (<i>Note 4</i>)	3,602,072	3,598,054
Security deposit	<u>7,200</u>	<u>7,200</u>
Total assets	<u>\$ 27,702,586</u>	<u>\$ 28,100,758</u>
LIABILITIES		
Accounts payable and other accrued expenses	\$ 18,215	\$ 25,526
Grants payable (<i>Note 5</i>)	4,761,165	7,958,808
Deferred revenue	<u>476,689</u>	<u>357,284</u>
Total liabilities	<u>5,256,069</u>	<u>8,341,618</u>
NET ASSETS		
Unrestricted		
General operations	(877)	224,024
Art Works	3,602,072	3,598,054
Advised gifts in process	284,483	507,233
American Friends Funds	<u>4,208,358</u>	<u>2,983,514</u>
Total unrestricted	<u>8,094,036</u>	<u>7,312,825</u>
Temporarily restricted (<i>Note 6</i>)	7,257,378	5,351,212
Permanently restricted (<i>Note 6</i>)	<u>7,095,103</u>	<u>7,095,103</u>
Total net assets	<u>22,446,517</u>	<u>19,759,140</u>
Total liabilities and net assets	<u>\$ 27,702,586</u>	<u>\$ 28,100,758</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017 With Summarized Information For 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
REVENUE AND OTHER SUPPORT					
Contributions – General	\$10,624,857	\$ 7,192,513	\$ -	\$17,817,370	\$21,979,093
Gifts In-kind	459,678	-	-	459,678	2,576,000
U.S. Government grants	836,829	-	-	836,829	448,218
Investment income	362,615	2,357,417	-	2,720,032	844,366
Consulting	25,200	-	-	25,200	72,500
Management and investment fees	716,577	-	-	716,577	656,859
Net assets released from restrictions (<i>Note 6</i>)	<u>7,643,764</u>	<u>(7,643,764)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>20,669,520</u>	<u>1,906,166</u>	<u>-</u>	<u>22,575,686</u>	<u>26,577,036</u>
EXPENSES					
Grants and program expenses	18,798,973	-	-	18,798,973	22,398,278
Management and general expenses	<u>1,089,336</u>	<u>-</u>	<u>-</u>	<u>1,089,336</u>	<u>972,432</u>
Total expenses	<u>19,888,309</u>	<u>-</u>	<u>-</u>	<u>19,888,309</u>	<u>23,370,710</u>
Change in net assets	781,211	1,906,166	-	2,687,377	3,206,326
NET ASSETS					
Beginning 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>
End of year	<u>\$ 8,094,036</u>	<u>\$ 7,257,378</u>	<u>\$ 7,095,103</u>	<u>\$22,446,517</u>	<u>\$19,759,140</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 2,687,377	\$ 3,206,326
<i>Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities</i>		
Unrealized gain on investments	(1,601,512)	(286,593)
(Gain) loss on sale of investments	(725,517)	55,282
(Increase) decrease in		
Prepaid expenses and other assets	(125,748)	(176,702)
Grants receivable	75,157	628,017
Accounts receivable	18,972	33,284
Increase (decrease) in		
Accounts and grants payable	(3,204,954)	2,027,367
Deferred revenue	<u>119,405</u>	<u>(7,591)</u>
Net cash provided by (used for) operating activities	<u>(2,756,820)</u>	<u>5,479,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,785,381)	(1,563,260)
Proceeds from sales of investments	6,238,375	1,039,636
Donated artwork	<u>(4,018)</u>	<u>(2,500,000)</u>
Net cash provided by (used for) investment activities	<u>448,976</u>	<u>(3,023,624)</u>
Net increase (decrease) in cash	(2,307,844)	2,455,766
CASH		
Beginning of year	<u>5,838,061</u>	<u>3,382,295</u>
End of year	<u>\$ 3,530,217</u>	<u>\$ 5,838,061</u>

KING BAUDOUIIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 And 2016

(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 (2014 – 2016) or expected to be taken in the Foundation’s 2017 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, 2017 And 2016

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 Works – include the various works of art donated to the Foundation.

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.

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, 2016, from which the summarized information was derived.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(2) INVESTMENTS

The components of marketable securities at December 31 are:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash equivalents	\$ 30,482	\$ 30,482	\$ 724,999	\$ 724,999
Mutual Funds				
Bond	1,865,465	1,849,563	1,454,270	1,440,804
Equity	<u>11,617,788</u>	<u>13,974,363</u>	<u>11,061,943</u>	<u>11,814,570</u>
	<u>\$13,513,735</u>	<u>\$15,854,408</u>	<u>\$13,241,212</u>	<u>\$13,980,373</u>

As of December 31, 2017 and 2016, net unrealized gains consisted of \$2,340,673 and \$739,161, respectively.

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.

For the years ended December 31, 2017 and 2016, all securities were classified as Level 1.

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2017 and 2016.

KING BAUDOUIIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(3) GRANTS RECEIVABLE

Grants receivable are due as follows at December 31:

	<u>2017</u>	<u>2016</u>
Receivable in one year	\$ 3,578,441	\$ 1,761,807
Receivable in one to five years	435,000	2,240,210
Receivable in more than five years	<u>348,878</u>	<u>448,877</u>
Total grants receivable	4,362,319	4,450,894
Less: discount to present value at 2.64% in 2017 and 2.26% in 2016	<u>(106,662)</u>	<u>(120,080)</u>
Total grants receivable - net	<u>\$ 4,255,657</u>	<u>\$ 4,330,814</u>

(4) DONATED ARTWORK

In 2017, the Foundation received a collection of photographs documenting works of art by early Italian artists, valued at \$167,178. These works are currently on loan to Fondazione Federico Zeri at the University of Bologna in Italy. Also in 2017, the Foundation received fourteen fine art photographs by Ed vander Elskén, valued at \$182,500. These works are currently on loan to the Rijks Museum in the Netherlands. Further in 2017, the Foundation received donated artwork, valued at \$110,000, which is on loan to Petit Palais in France.

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 2017, the Foundation granted various works of art received between 2008 and 2012 to the King Baudouin Foundation in Belgium. This artwork, valued at \$455,660, is included with grant and program expenses on the statement of activities and changes in net assets.

(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.

The fair value of grants payable as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Payable in one year	\$4,088,724	\$ 5,379,299
Payable in one to five years	429,142	2,250,710
Payable in more than five years	<u>348,879</u>	<u>448,879</u>
Total grants payable	4,866,745	8,078,888
Less: discount to present value at 2.64% in 2017 and 2.26% in 2016	<u>(105,580)</u>	<u>(120,080)</u>
Total grants payable – net	<u>\$4,761,165</u>	<u>\$ 7,958,808</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(6) NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</u>
Johnson & Johnson International Health Fund	\$ 110	\$ 110
Starbucks Charitable Fund	-	216
Life Giving Water Fund	13,643	33,880
Patton – Stiftung Sustainable Trust	-	(350)
Barry Gaberman Lecture Fund	74,640	77,063
Wrigley Global Giving Fund	6,945	84,305
Alcatel Lucent Foundation Fund	-	2,976
Adobe Foundation Fund	3	3
Caterpillar Foundation Fund	158,826	19,872
FEI Solidarity Fund	1,220	970
Fidelity Charitable Fund	28,069	9,999
Partners Against Arthritis in East Africa Fund	11,037	11,037
Columbus Foundation Fund	10,500	-
Maurice Amado Foundation Fund	52,999	-
CIGNA Foundation Fund	31,090	31,090
Amgen Foundation Fund	1,909	8,659
Guillaume Bastiens Family Fund	1,413,467	1,277,255
Not for Naught Fund	3,478	9,478
The Costa Fund for Africa	530,358	490,273
MetLife Foundation Fund	12,075	-
Bill & Melinda Gates Foundation	-	498,062
Friends of the Club Méditerranée Fund	5,480	38
Lunt Fund	1,576	-
Harley Davidson Fund	29,998	29,999
Marnix and Mary Heersink Fund	24	24
Avery Dennison Foundation Granting Wishes Fund	100,500	136,500
Pfizer Foundation Global Health Partnership Fund	-	315,000
Synopsys Foundation Fund for Europe	102,312	6,812
Texarcadia Fund	-	5,250
Dunefsky–Louckx Term – Endowment Fund	2,000	500
American Express Fund	71,499	-
Institute for Advanced Study Fund	125	-
Nova Miadost Fund	1,099	-
DUR Fund	13,350	-
Morrison & Foerster Foundation Fund	25,000	-
Van der Meulen Family Fund	50,000	-
Edward & Olga Riisna Term – Endowment Fund	1,000	-
Time restricted grants	203,918	-
Accumulated Endowment Income – KBF Endowment Fund	4,149,612	2,194,260
Accumulated Endowment Income – Tony Julius Designated Fund	<u>149,516</u>	<u>107,931</u>
	<u>\$ 7,257,378</u>	<u>\$ 5,351,212</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2017:

Johnson & Johnson International Health Fund	\$ 154,412
Life Giving Water Fund	43,500
Starbucks Charitable Fund	622,474
Wrigley Global Giving Fund	2,834,963
Maurice Amado Foundation Fund	95,238
Alcatel Lucent Foundation Fund	2,835
Dirk Nowitzki Fund	119,608
Adobe Foundation Fund	20,000
Guillaume Bastiens Family Fund	77,100
Pfizer Foundation Global Health Partnership Fund	300,000
Amgen Foundation Fund	135,000
Avery Denison Fund	120,000
Caterpillar Foundation Fund	75,388
Columbus Foundation Fund	99,774
International Community Foundation Fund	30,000
American Express Fund	47,619
Meyer J. and Norma L. Ragir Fund	29,523
Lunt Fund	753,570
The Costa Fund for Africa	19,500
Synopsys Foundation Fund for Europe	51,905
Texarcadia Fund	5,000
Barry Gaberman Lecture Fund	15,000
Institute for Advanced Study Fund	37,500
Not for Naught Fund	20,000
Nova Miadost Fund	36,191
DUR Fund	307,500
Bikes for Africa Fund	22,880
Owens Corning Foundation Fund	44,566
Daniel Sachs Fund	788,000
MetLife Foundation Fund	57,000
Fidelity Charitable Fund	110,230
Bill and Melinda Gates Foundation	498,062
Endowment Income – Tony Julius Designated Fund	<u>69,426</u>
	<u>\$7,643,764</u>

Permanently restricted net assets at December 31, 2017 and 2016 consist of:

	<u>2017</u>	<u>2016</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>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

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.

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's market value over the three previous years will be distributed to the Foundation to be used for operational and program expenses. For the year ended December 31, 2017, a distribution of \$69,426 was made from the Tony Julius Designated Fund portion of the endowment to support a programmatic grant. The Foundation elected not to make an operating distribution under its spending policy from the KBF Endowment Fund for the years ended December 31, 2017 and 2016.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

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, 2017, no donor restricted endowment funds have fallen below the required.

Endowment net asset composition by type of fund as of December 31, 2017 and 2016 are as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$4,299,128	\$7,095,103	\$11,394,231

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

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, 2017 and 2016 are as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$2,302,191	\$7,095,103	\$ 9,397,294
Investment return	-	2,066,363	-	2,066,363
Endowment income designated for grants	-	(69,426)	-	(69,426)
	<u>\$ -</u>	<u>\$4,299,128</u>	<u>\$7,095,103</u>	<u>\$11,394,231</u>

	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>\$2,302,191</u>	<u>\$7,095,103</u>	<u>\$9,397,294</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

(7) COMMITMENTS

The Foundation leases office space in New York under an operating lease which expires February 29, 2020. Rent expense for the years ended December 31, 2017 and 2016 was \$86,535 and \$86,535, respectively.

Future minimum rental commitments under this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 86,535
2019	86,535
2020	<u>14,422</u>
	<u>\$187,492</u>

(8) PENSION PLAN

Substantially all employees of the Foundation are 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 expense for the years ended December 31, 2017 and 2016 was \$37,960 and \$30,800, respectively.

(9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available, March 30, 2018, have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

KING BAUDOIN FOUNDATION UNITED STATES, INC.

SCHEDULES OF GRANTS AND PROGRAM EXPENSES AND MANAGEMENT AND GENERAL EXPENSES

Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
Grant Expenses		
Total Grant Expenses *	<u>\$ 18,673,180</u>	<u>\$ 22,210,842</u>
Program Expenses		
KBFUS Programs	104,793	129,436
Consulting fees	<u>21,000</u>	<u>58,000</u>
Total Program Expenses	<u>125,793</u>	<u>187,436</u>
Total Grant and Program Expense	<u>18,798,973</u>	<u>22,398,278</u>
Management and General Expenses		
Salaries and payroll taxes	510,376	481,706
Benefits – Pension & Health Insurance	84,681	71,510
Travel, conferences, and meals	115,365	95,290
Professional services		
Consulting	14,500	21,109
Legal fees	53,016	42,000
Accounting	34,650	17,462
Payroll fees	2,134	2,073
Occupancy	86,535	86,535
Office supplies and postage	13,919	14,776
Website and publications	24,379	43,606
Events and related expenses	92,351	50,741
Information technology	20,566	12,652
Insurance	11,523	9,114
Dues and memberships	16,657	19,367
Bank charges	7,232	2,527
Miscellaneous	<u>1,452</u>	<u>1,964</u>
Total Management and General Expenses	<u>1,089,336</u>	<u>972,432</u>
Total Expenses	<u>\$ 19,888,309</u>	<u>\$ 23,370,710</u>

* Net of discount to present value