

KING BAUDOIN FOUNDATION UNITED STATES, INC.

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2020 AND 2019

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, 2020 and the related statements of activities and changes in net assets, statement of functional expenses, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**New York, New York
March 30, 2021**

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 5,133,462	\$ 5,145,048
Investments <i>(Note 2)</i>	21,868,628	20,248,174
Grants receivable <i>(Note 3)</i>	4,670,075	3,375,217
Prepaid expenses and other assets	881,769	996,357
Donated artwork and other donated collection <i>(Note 4)</i>	3,821,000	5,745,678
Security deposit	<u>8,446</u>	<u>7,200</u>
Total assets	<u>\$ 36,383,380</u>	<u>\$ 35,517,674</u>
LIABILITIES		
Accounts payable and other accrued expenses	\$ 14,997	\$ 48,924
Grants payable <i>(Note 5)</i>	5,556,790	4,628,167
Refundable advance	862,769	993,332
Deferred revenue	<u>65,000</u>	<u>65,000</u>
Total liabilities	<u>6,499,556</u>	<u>5,735,423</u>
NET ASSETS		
Without donor restrictions		
General operations	6,692,250	5,020,667
Advised gifts in process	347,944	504,711
American Friends Funds	6,652,049	8,149,143
Disaster response	582	-
Art Works	<u>3,821,000</u>	<u>5,745,678</u>
Total without donor restrictions	<u>17,513,825</u>	<u>19,420,199</u>
With donor restrictions <i>(Note 6)</i>	<u>12,369,999</u>	<u>10,362,052</u>
Total net assets	<u>29,883,824</u>	<u>29,782,251</u>
Total liabilities and net assets	<u>\$ 36,383,380</u>	<u>\$ 35,517,674</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020 With Summarized Information For 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
REVENUE AND OTHER SUPPORT				
Contributions – General	\$ 41,205,085	\$ 9,632,952	\$ 50,838,037	\$ 21,003,786
Gifts In-kind	926,000	-	926,000	2,725,000
U.S. Government grants	2,178,820	-	2,178,820	1,942,947
Investment income	277,771	31,341	309,112	562,255
Consulting	-	-	-	47,000
Management and investment fees	1,213,216	-	1,213,216	837,054
Net assets released from restrictions <i>(Note 6)</i>	<u>7,938,643</u>	<u>(7,938,643)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>53,739,535</u>	<u>1,725,650</u>	<u>55,465,185</u>	<u>27,118,042</u>
EXPENSES				
Grants and program expenses	55,903,712	-	55,903,712	21,316,592
Management and general expenses	<u>1,323,645</u>	<u>-</u>	<u>1,323,645</u>	<u>1,324,649</u>
Total expenses	<u>57,227,357</u>	<u>-</u>	<u>57,227,357</u>	<u>22,641,241</u>
Excess of operating support and revenue over expenses	(3,487,822)	1,725,650	(1,762,172)	4,476,801
NON-OPERATING CHANGES				
Realized and unrealized gains (losses)	<u>1,581,448</u>	<u>282,297</u>	<u>1,863,745</u>	<u>3,168,433</u>
Change in net assets	(1,906,374)	2,007,947	101,573	7,645,234
NET ASSETS				
Beginning of year	<u>19,420,199</u>	<u>10,362,052</u>	<u>29,782,251</u>	<u>22,137,017</u>
End of year	<u>\$ 17,513,825</u>	<u>\$ 12,369,999</u>	<u>\$ 29,883,824</u>	<u>\$ 29,782,251</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020 With Summarized Information For 2019

	<u>Program</u>	<u>Management And General</u>	<u>2020</u>	<u>2019</u>
Grants and educational programs	\$ 55,903,712	\$ -	\$ 55,903,712	\$ 21,276,592
Salaries, taxes, & benefits	-	771,628	771,628	656,513
Travel, conferences, and meals	-	39,438	39,438	113,614
Professional services	-	188,872	188,872	254,367
Occupancy	-	104,046	104,046	86,535
Office supplies and postage	-	17,851	17,851	13,636
Website and publications	-	66,709	66,709	75,325
Events and related expenses	-	6,300	6,300	88,089
Information technology	-	62,639	62,639	32,228
Insurance	-	17,057	17,057	14,953
Dues and memberships	-	24,121	24,121	14,586
Bank charges	-	14,884	14,884	10,793
Miscellaneous	-	10,100	10,100	4,010
Total expenses – 2020	<u>\$ 55,903,712</u>	<u>\$ 1,323,645</u>	<u>\$ 57,227,357</u>	
Total expenses – 2019	<u>\$ 21,316,592</u>	<u>\$ 1,324,649</u>		<u>\$ 22,641,241</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 101,573	\$ 7,645,234
<i>Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities</i>		
Unrealized gain on investments	(669,801)	(2,843,286)
Gain on sale of investments	(1,193,944)	(325,147)
(Increase) decrease in		
Prepaid expenses and other assets	114,588	(650,833)
Grants receivable	(1,294,858)	(414,387)
Accounts receivable	-	26,967
Security deposit	(1,246)	-
Increase (decrease) in		
Accounts and grants payable	894,696	143,285
Refundable advance	<u>(130,563)</u>	<u>672,223</u>
Net cash provided by (used for) operating activities	<u>(2,179,555)</u>	<u>4,254,056</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(16,060,993)	(5,859,448)
Proceeds from sales of investments	16,304,284	3,268,523
Donated artwork, net	<u>1,924,678</u>	<u>(2,725,000)</u>
Net cash provided by (used for) investment activities	<u>2,167,969</u>	<u>(5,315,925)</u>
Net decrease in cash	(11,586)	(1,061,869)
CASH		
Beginning of year	<u>5,145,048</u>	<u>6,206,917</u>
End of year	<u>\$ 5,133,462</u>	<u>\$ 5,145,048</u>

KING BAUDOUIIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

(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, Africa and other parts of the globe. 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.

In October 2020, the Foundation signed a memorandum of understanding with Give2Asia. Give2Asia is a United States based non-profit organization that serves donors in the United States, by supporting charities in 23 countries across the Asian Pacific. This collaboration will provide individual donors and philanthropists, corporation and foundations with more geographic options for tax-exempt giving, a wider network of vetted non-profits and grantees, and a higher quality of services and philanthropic advice with a similar global fee structure.

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 (2017 – 2019) or expected to be taken in the Foundation’s 2020 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, 2020 And 2019

NET ASSETS

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary mission of the Foundation.

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

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

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

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

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts; pledges; and investment returns on “true” endowment funds. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

REVENUE AND REVENUE RECOGNITION

The Foundation 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 right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Foundation’s revenue is derived from cost-reimbursable federal grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Foundation received cost-reimbursable grants of \$862,769 and \$993,332 that have not been recognized at December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred, with these amounts recognized in the statement of financial position as a refundable advance.

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, donor restricted net assets are reclassified to net assets without donor restrictions 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, 2020 And 2019

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, 2019, from which the summarized information was derived.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Foundation's various programs and supporting services has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Foundation plans to adopt the new ASU at the required implementation date.

(2) INVESTMENTS

The components of marketable securities at December 31 are:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash equivalents	\$ 2,114,289	\$ 2,114,289	\$ 166,041	\$ 166,041
U.S. Treasury Bills	888,448	899,910	2,697,476	2,714,900
Mutual Funds				
Bond	2,413,649	2,472,801	2,457,587	2,467,134
Equity	<u>12,474,030</u>	<u>16,381,628</u>	<u>11,618,659</u>	<u>14,900,099</u>
	<u>\$ 17,890,416</u>	<u>\$ 21,868,628</u>	<u>\$ 16,939,763</u>	<u>\$ 20,248,174</u>

As of December 31, 2020 and 2019, net unrealized gains consisted of \$3,978,212 and \$3,308,411, respectively.

The following summarizes the investment return for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income, net of investment expenses of \$18,103 and \$18,472, respectively	\$ 309,112	\$ 562,255
Realized gain on sale of investments	1,193,944	325,147
Unrealized gain on investments	<u>669,801</u>	<u>2,843,286</u>
Total investment income	<u>\$ 2,172,857</u>	<u>\$ 3,730,688</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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 investments as of December 31, 2020 and 2019 are as follows:

	2020			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 2,114,289	\$ 2,114,289	\$ -	\$ -
U.S. Treasury Bills	899,910	-	899,910	-
Mutual Funds				
Bond	2,472,801	2,472,801	-	-
Equity	<u>16,381,628</u>	<u>16,381,628</u>	<u>-</u>	<u>-</u>
	<u>\$ 21,868,628</u>	<u>\$ 20,968,718</u>	<u>\$ 899,910</u>	<u>\$ -</u>

	2019			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 166,041	\$ 166,041	\$ -	\$ -
U.S. Treasury Bills	2,714,900	-	2,714,900	-
Mutual Funds				
Bond	2,467,134	2,467,134	-	-
Equity	<u>14,900,099</u>	<u>14,900,099</u>	<u>-</u>	<u>-</u>
	<u>\$ 20,248,174</u>	<u>\$ 17,533,274</u>	<u>\$ 2,714,900</u>	<u>\$ -</u>

KING BAUDOUIIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(3) GRANTS RECEIVABLE

Grants receivable are due as follows at December 31:

	<u>2020</u>	<u>2019</u>
Receivable in one year	\$ 2,786,777	\$ 2,262,957
Receivable in one to five years	1,858,000	1,018,964
Receivable in more than five years	<u>48,877</u>	<u>148,878</u>
Total grants receivable	4,693,654	3,430,799
Less: discount to present value at .48% in 2020 and 1.69% in 2019	<u>(23,579)</u>	<u>(55,582)</u>
Total grants receivable - net	<u>\$ 4,670,075</u>	<u>\$ 3,375,217</u>

(4) DONATED ARTWORK

In 2020, the Foundation received artwork by Alex Israel, valued at \$700,000. This artwork is currently on loan to the Museum Boijmans van Beuningen in Rotterdam, Netherlands. Also, in 2020, the Foundation received artwork by Robert De Niro Sr., valued at \$225,000. The Foundation is currently in negotiation to loan the artwork to the Musee Fabre in Montpellier, France.

In 2019, the Foundation received artwork by Hans Memling, valued at \$2,700,000. This artwork is currently on loan to the Musea Brugge in Bruges, Belgium. Also, in 2019, the Foundation received artwork by Eduard Charlemont, valued at \$25,000. This artwork is currently on loan to the Belvedere in Vienna, Austria.

In 2018, the Foundation received artwork by Jean-Francois De Troy, valued at \$45,000. Also, in 2018, the Foundation received artwork by Louis Le Sueur, valued at \$16,000. These works are currently on loan to Petit Palais in France.

In 2017, the Foundation received a collection of photographs documenting works of art by early Italian artists, valued at \$167,178. These works were loaned to Fondazione Federico Zeri at the University of Bologna in Italy. In 2020, the photographs were donated to the University. Also in 2017, the Foundation received fourteen fine art photographs by Ed vander Elsken, valued at \$182,500. These works were loaned to the Rijks Museum in the Netherlands. In 2020, the photographs were donated to the Museum. 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 was on loan to the King Baudouin Foundation in Belgium. In 2020, this artwork was donated to the King Baudouin Foundation in Belgium.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Payable in one year	\$ 4,519,668	\$ 3,115,907
Payable in one to five years	1,001,757	1,418,964
Payable in more than five years	<u>48,879</u>	<u>148,878</u>
Total grants payable	5,570,304	4,683,749
Less: discount to present value at .48% in 2020 and 1.69% in 2019	<u>(13,514)</u>	<u>(55,582)</u>
Total grants payable – net	<u>\$ 5,556,790</u>	<u>\$ 4,628,167</u>

(6) NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a special purpose:		
Purpose restricted grants	<u>\$ 5,027,199</u>	<u>\$ 3,025,097</u>
Perpetual in nature:		
General use – KBF Endowment	6,630,200	6,630,200
Program activities – Tony Julius Designated Fund	<u>464,903</u>	<u>464,903</u>
	<u>7,095,103</u>	<u>7,095,103</u>
Accumulated income on endowments:		
Accumulated Endowment Income – Tony Julius Designated Fund	<u>247,697</u>	<u>241,852</u>
	<u>\$ 12,369,999</u>	<u>\$ 10,362,052</u>

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

	<u>2020</u>
Purpose restricted grants	<u>\$ 7,938,643</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

ENDOWMENT FUNDS

The Foundation's endowment fund consists of two donor-restricted endowment funds. 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.

The KBF Endowment Fund (the "**Fund**") was transferred to the Foundation by the King Baudouin Foundation, Belgium ("**KBF Belgium**"). The agreement consists of a transfer of \$6,630,200 to the Foundation. The Foundation has full and unrestricted control and complete discretion over the use of any and all income from investment of the Fund, including, but not limited to, interest, dividends, and capital gains earned by the Fund, regardless of whether the Foundation has taken any action expressly to appropriate such investment income for expenditure. Income can be either immediately allocated in agreement with the Foundation's spending policy or accumulated for later allocation to the funding of current or future expenses associated with the Foundation's general operations, educational programs or other exempt purposes, at the sole discretion of the Foundation's Board of Directors. The initial agreement was signed November 24, 2011, for a six-year term, and automatically renewed for an additional six years at the end of the initial term. The agreement can be terminated by either party with 90 days written notice of any six-year term. In the event of termination by either party, the Foundation shall return to KBF Belgium, within 30 days of the effective date of the termination, the lesser of the original corpus donated of \$6,630,200, or the balance in the Fund on the effective date of the termination, as valued by the Foundation. The accumulated earnings in excess of the true endowment fund are fully available to the Foundation and are not subject to the spending rate. As such, in 2019, \$3,301,870 of accumulated earnings previously classified with donor restrictions, were released to net assets without donor 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

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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. The donor-restricted portion of the endowment also includes \$464,903 for the Tony Julius Designated Fund at December 31, 2020 and 2019. These funds are subject to the 4% annual spending rate of the Foundation and can be distributed to programmatic grants as outlined by the grant agreement, then subsequently approved by the Foundation, as they become available. A distribution of \$78,216 was made during the year ended December 31, 2020. There was no distribution from the Tony Julius Designated Fund for the year ended December 31, 2019. Accumulated earnings on the Tony Julius Designated Fund were \$247,697 and \$241,860 at December 31, 2020 and 2019, respectively, and are included in net assets with donor restrictions.

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, 2020 and 2019, no donor restricted endowment funds have fallen below the required.

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>		
	<u>Accumulated Income</u>	<u>Corpus</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$247,697</u>	<u>\$7,095,103</u>	<u>\$7,342,800</u>

	<u>2019</u>		
	<u>Accumulated Income</u>	<u>Corpus</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$241,852</u>	<u>\$7,095,103</u>	<u>\$7,336,955</u>

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

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

Changes in endowment net assets for the year ended December 31, 2020 and 2019 are as follows:

	2020		
	Accumulated Income	Corpus	Total
Endowment net assets, beginning of year	\$ 241,852	\$ 7,095,103	\$ 7,336,955
Investment return	84,061	-	84,061
Amount appropriated for expenditure	<u>(78,216)</u>	<u>-</u>	<u>(78,216)</u>
	<u>\$ 247,697</u>	<u>\$ 7,095,103</u>	<u>\$ 7,342,800</u>
	2019		
	Accumulated Income	Corpus	Total
Endowment net assets, beginning of year	\$ 3,396,208	\$ 7,095,103	\$ 10,491,311
Release of accumulated earnings –			
KBF Endowment	(3,301,870)	-	(3,301,870)
Investment return	<u>147,514</u>	<u>-</u>	<u>147,514</u>
	<u>\$ 241,852</u>	<u>\$ 7,095,103</u>	<u>\$ 7,336,955</u>

(7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Foundation strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Foundation's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual and/or donor restriction or internal board designations.

Financial Assets	2020	2019
Cash	\$ 5,133,462	\$ 5,145,048
Investments	21,868,628	20,348,174
Grants receivable	<u>4,670,075</u>	<u>3,375,217</u>
Total financial assets	31,672,165	28,868,439
Less:		
Grants receivable due in more than a year, net	(1,883,298)	(1,112,260)
Net assets with donor restrictions	(12,369,999)	(10,362,052)
Board-designated net assets	<u>(7,000,575)</u>	<u>(8,653,854)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,418,293</u>	<u>\$ 8,740,273</u>

Amounts not available include certain board-designated net assets received with recommendations for various non-profit organizations established in Europe and Africa. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(8) COMMITMENTS

The Foundation leases office space in New York under an operating lease which expires February 28, 2023. Rent expense for the years ended December 31, 2020 and 2019 was \$104,076 and \$86,535, respectively.

Future minimum rental commitments under this lease are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 104,199
2022	104,199
2023	<u>17,366</u>
	<u>\$ 225,764</u>

(9) 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, 2020 and 2019 was \$43,296 and \$40,373, respectively.

(5) COVID-19

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on the Foundation’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Foundation’s funders, donors, employees and vendors, all of which are uncertain and cannot be predicted.

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available, March 30, 2021, have been evaluated in the preparation of the financial statements.