

**KING BAUDOIN FOUNDATION UNITED STATES, INC.**

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

**DECEMBER 31, 2022 AND 2021**

# 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**

### *Opinion*

We have audited the accompanying financial statements of the King Baudouin Foundation United States, Inc. (the “*Foundation*” or “*KBFUS*”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of 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.

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

### *Auditor’s Responsibilities for the Audit of the Financial Statements*

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

***Report on Summarized Comparative Information***

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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  
April 25, 2023**

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2022 And 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$16,602,298	\$28,763,857
Investments <i>(Note 2)</i>	28,759,252	24,376,651
Grants receivable <i>(Note 3)</i>	10,440,975	12,185,111
Prepaid expenses and other assets	888,366	486,822
Donated artwork and other donated collection <i>(Note 4)</i>	6,714,000	5,493,000
Right-of-use asset	2,448,387	-
Office furniture, net of accumulated depreciation of \$5,381 in 2022	102,235	-
Security deposit	<u>62,500</u>	<u>8,446</u>
Total assets	<u>\$66,018,013</u>	<u>\$71,313,887</u>
<b>LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 123,381	\$ 60,770
Grants payable <i>(Note 5)</i>	8,239,434	18,508,665
Refundable advance	346,635	465,128
Operating lease liability	2,454,487	-
Deferred revenue	<u>65,000</u>	<u>65,000</u>
Total liabilities	<u>11,228,937</u>	<u>19,099,563</u>
<b>NET ASSETS</b>		
Without donor restrictions		
General operations	6,105,339	8,965,389
Advised gifts in process	3,992,258	3,151,981
American Friends Funds	21,967,130	19,752,298
Disaster response	54,341	921
Art Works	<u>6,714,000</u>	<u>5,493,000</u>
Total without donor restrictions	<u>38,833,068</u>	<u>37,363,589</u>
With donor restrictions <i>(Note 6)</i>	<u>15,956,008</u>	<u>14,850,735</u>
Total net assets	<u>54,789,076</u>	<u>52,214,324</u>
Total liabilities and net assets	<u>\$66,018,013</u>	<u>\$71,313,887</u>

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2022 With Summarized Information For 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>	<u>Total 2021</u>
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions – General	\$ 87,744,330	\$ 13,601,253	\$ 101,345,583	\$73,660,268
Gifts In-kind	1,392,000	-	1,392,000	1,672,000
U.S. Government grants	1,896,769	-	1,896,769	2,318,701
Investment income	376,498	41,457	417,955	871,398
Consulting	-	-	-	48,500
Management and investment fees	2,266,919	-	2,266,919	1,477,869
Net assets released from restrictions <i>(Note 6)</i>	<u>11,895,735</u>	<u>(11,895,735)</u>	<u>-</u>	<u>-</u>
<b>Total revenue and other support</b>	<u>105,572,251</u>	<u>1,746,975</u>	<u>107,319,226</u>	<u>80,048,736</u>
<b>EXPENSES</b>				
Grants and program expenses	98,812,948	-	98,812,948	58,133,659
Management and general expenses	<u>2,046,305</u>	<u>-</u>	<u>2,046,305</u>	<u>1,492,134</u>
<b>Total expenses</b>	<u>100,859,253</u>	<u>-</u>	<u>100,859,253</u>	<u>59,625,793</u>
<b>Excess of operating support and revenue over expenses</b>	4,712,998	1,746,975	6,459,973	20,422,943
<b>NON-OPERATING CHANGES</b>				
Realized and unrealized gains (losses)	<u>(3,243,519)</u>	<u>(641,702)</u>	<u>(3,885,221)</u>	<u>1,907,557</u>
<b>Change in net assets</b>	1,469,479	1,105,273	2,574,752	22,330,500
<b>NET ASSETS</b>				
Beginning of year	<u>37,363,589</u>	<u>14,850,735</u>	<u>52,214,324</u>	<u>29,883,824</u>
<b>End of year</b>	<u>\$ 38,833,068</u>	<u>\$ 15,956,008</u>	<u>\$ 54,789,076</u>	<u>\$52,214,324</u>

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022 With Summarized Information For 2021

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	<u>Program</u>	<u>Management And General</u>	<u>2022</u>	<u>2021</u>
Grants and educational programs	\$98,812,948	\$ -	\$ 98,812,948	\$58,133,659
Salaries, taxes, & benefits	-	1,110,288	1,110,288	821,895
Travel, conferences, and meals	-	135,009	135,009	93,769
Professional services	-	232,009	232,009	150,068
Occupancy	-	121,631	121,631	105,740
Office supplies and postage	-	49,318	49,318	20,617
Website and publications	-	109,623	109,623	143,085
Events and related expenses	-	90,794	90,794	43,318
Information technology	-	101,223	101,223	53,380
Insurance	-	24,515	24,515	22,146
Dues and memberships	-	46,171	46,171	25,112
Bank charges	-	20,343	20,343	11,905
Depreciation	-	5,381	5,381	
Miscellaneous	-	-	-	1,099
<b>Total expenses – 2022</b>	<u>\$98,812,948</u>	<u>\$2,046,305</u>	<u>\$100,859,253</u>	
<b>Total expenses – 2021</b>	<u>\$58,133,659</u>	<u>\$1,492,134</u>		<u>\$59,625,793</u>

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 And 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 2,574,752	\$ 22,330,500
<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	3,906,771	(339,834)
Gain on sale of investments	(21,550)	(1,567,723)
Depreciation	5,381	-
Amortization of right-of-use asset	34,260	-
(Increase) decrease in		
Prepaid expenses and other assets	(401,544)	394,947
Grants receivable	1,744,136	(7,515,036)
Security deposit	(54,054)	-
Increase (decrease) in		
Accounts and grants payable	(10,206,620)	12,997,648
Refundable advance	<u>(118,493)</u>	<u>(397,641)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>(2,536,961)</u>	<u>25,902,861</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(18,696,289)	(6,606,981)
Proceeds from sales of investments	10,428,467	6,006,515
Purchase of office furniture	(107,616)	-
Donated artwork, net	<u>(1,221,000)</u>	<u>(1,672,000)</u>
<b>Net cash used for investment activities</b>	<u>(9,596,438)</u>	<u>(2,272,466)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest on lease liability	16,234	-
Operating lease liability payments	<u>(44,394)</u>	<u>-</u>
<b>Net cash used for financing activities</b>	<u>(28,160)</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	(12,161,559)	23,630,395
<b>CASH</b>		
Beginning of year	<u>28,763,857</u>	<u>5,133,462</u>
<b>End of year</b>	<u>\$ 16,602,298</u>	<u>\$ 28,763,857</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Right-of-use asset in exchange for new financing liability	<u>\$ 2,482,648</u>	<u>\$ -</u>



# KING BAUDOUIIN FOUNDATION UNITED STATES, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 And 2021

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### (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 thoughtful, effective giving across borders. The Foundation assists United States donors wishing to support non-profit initiatives overseas and provides foreign nonprofit organizations with cost effective solutions 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 and enables them to support charities across Asia and the Asia-Pacific region.

Thanks to Myriad, the alliance for borderless giving, and its strategic partnership with Give2Asia, the Foundation facilitates grants to nonprofits all around the globe.

#### **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 (2019 – 2021) or expected to be taken in the Foundation’s 2022 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, 2022 And 2021

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### **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 overseas.

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

**Disaster Response Funds** – include contributions received for trusted local nonprofits based in communities overseas affected by a disaster.

**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 \$346,635 and \$465,128 that have not been recognized at December 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred, with these amounts recognized in the statement of financial position as a refundable advance.

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## *NOTES TO FINANCIAL STATEMENTS – (Continued)*

December 31, 2022 And 2021

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### ***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.

### ***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, 2021, 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.

### ***NEW ACCOUNTING PRONOUNCEMENTS ADOPTED***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Topic 842 requires an organization to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The Foundation implemented the provisions of ASU 2016-02 as of January 1, 2022 by applying the modified retrospective transition approach for leases existing as of the beginning of the period of adoption. As such, the Foundation has not adjusted the statement of financial position for comparative periods; and this ASU did not result in a cumulative effect adjustment to the opening balance of net assets. The Foundation has elected to apply the package of practical expedients within ASU 2016-02 such that the Foundation did not reassess: (1) if expired or existing contracts are, or contain, leases; (2) lease classification for any expired or existing leases; and (3) initial direct costs for any existing leases. The Foundation has elected, as a practical expedient, not to separate non-lease components from lease components, and instead account for each separate component as a single lease component for all lease arrangements, as lessee. In addition, the Foundation has elected, as a practical expedient, not to apply lease recognition requirements to short-term lease arrangements, generally those with a lease term of less than 12-months, for all classes of underlying assets. Refer to Note 8 for additional details.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and requires additional disclosures related to contributed nonfinancial assets. This ASU must be applied on a retrospective basis and was adopted by the Foundation during the year ended December 31, 2022. The adoption of ASU 2020-07 did not have a material effect on the financial statements.

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

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### (2) INVESTMENTS

The components of marketable securities at December 31 are:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash equivalents	\$ 2,435,569	\$ 2,435,569	\$ 2,657,172	\$ 2,657,172
U.S. Treasury Bills	2,643,882	2,674,021	-	-
Corporate Time Deposits	3,611,067	3,611,067	-	-
Mutual Funds				
Bond	4,114,884	3,936,340	3,606,295	3,627,324
Equity	<u>15,542,575</u>	<u>16,102,255</u>	<u>13,795,138</u>	<u>18,092,155</u>
	<u>\$28,347,977</u>	<u>\$28,759,252</u>	<u>\$20,058,605</u>	<u>\$24,376,651</u>

As of December 31, 2022 and 2021, net unrealized gains consisted of \$411,275 and \$4,318,046, respectively.

The following summarizes the investment return for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividend income, net of investment expenses of \$26,860 and \$23,419, respectively	\$ 417,955	\$ 871,398
Realized gain on sale of investments	21,550	1,567,723
Unrealized gain on investments	<u>(3,906,771)</u>	<u>339,834</u>
Total investment income	<u>\$(3,467,266)</u>	<u>\$2,778,955</u>

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.

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

The summary of inputs used to value the Foundation's investments as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 2,435,569	\$ 2,435,569	\$ -	\$ -
U.S. Treasury Bills	2,674,021	-	2,674,021	-
Corporate Time Deposits	3,611,067	3,611,067	-	-
Mutual Funds				
Bond	3,936,340	3,936,340	-	-
Equity	<u>16,102,255</u>	<u>16,102,255</u>	-	-
	<u>\$28,759,252</u>	<u>\$26,085,231</u>	<u>\$2,674,021</u>	<u>\$ -</u>

  

	<u>2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 2,657,172	\$ 2,657,172	\$ -	\$ -
Mutual Funds				
Bond	3,627,324	3,627,324	-	-
Equity	<u>18,092,155</u>	<u>18,092,155</u>	-	-
	<u>\$24,376,651</u>	<u>\$24,376,651</u>	<u>\$ -</u>	<u>\$ -</u>

### (3) GRANTS RECEIVABLE

Grants receivable are due as follows at December 31:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 6,783,673	\$ 8,292,564
Receivable in one to five years	<u>4,042,564</u>	<u>3,948,371</u>
Total grants receivable	10,826,237	12,240,935
Less: discount to present value at 4.27% to 4.55% in 2022 and .33% to 1.26% in 2021	<u>(385,262)</u>	<u>(55,824)</u>
Total grants receivable - net	<u>\$10,440,975</u>	<u>\$12,185,111</u>

### (4) DONATED ARTWORK

In 2022, the Foundation received a collection of Asian textiles and garments of artistic and historical interest from Samuel Myers, valued at \$1,392,000. This collection is currently on loan to Guimet National Museum of Asian Arts, in Paris, France.

In 2021, the Foundation received artwork by Samuel Meyers, valued at \$1,672,000. This artwork is currently on loan to the Guimet National Museum of Asian Arts, in Paris, France.

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. This artwork is currently on loan to the Musee Fabre in Montpellier, France.

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

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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 were donated to Petit Palais in France in fiscal year 2022 after approval of the Foundations Board

In 2017, the Foundation received donated artwork, valued at \$110,000. After being on loan to Petit Palais in France, in fiscal year 2022, this artwork was donated to Petit Palais after approval of the Foundations Board.

### (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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Payable in one year	\$ 6,690,067	\$ 15,984,075
Payable in one to five years	<u>1,714,804</u>	<u>2,548,444</u>
Total grants payable	8,404,871	18,532,519
Less: discount to present value at 4.55% in 2022 and .33% to 1.26% in 2021	<u>(165,437)</u>	<u>(23,854)</u>
Total grants payable – net	<u>\$ 8,239,434</u>	<u>\$ 18,508,665</u>

### (6) NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Subject to expenditure for a special purpose:</b>		
Purpose restricted grants	<u>\$ 8,640,274</u>	<u>\$ 7,398,104</u>
<b>Perpetual in nature:</b>		
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>
<b>Accumulated income on endowments:</b>		
Accumulated Endowment Income – Tony Julius Designated Fund	<u>220,631</u>	<u>357,528</u>
	<u>\$ 15,956,008</u>	<u>\$ 14,850,735</u>

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

	<u>2022</u>
Purpose restricted grants	<u>\$ 11,895,735</u>

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# KING BAUDOUIIN FOUNDATION UNITED STATES, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

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### 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, 2022 And 2021

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### 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, 2022 and 2021. 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. There was no distribution from the Tony Julius Designated Fund for the years ended December 31, 2022 and 2021. Accumulated earnings on the Tony Julius Designated Fund were \$220,631 and \$357,528 at December 31, 2022 and 2021, 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, 2022 and 2021, no donor restricted endowment funds have fallen below the required.

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>		
	<u>Accumulated Income</u>	<u>Corpus</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$220,631</u>	<u>\$7,095,103</u>	<u>\$7,315,734</u>

  

	<u>2021</u>		
	<u>Accumulated Income</u>	<u>Corpus</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$357,528</u>	<u>\$7,095,103</u>	<u>\$7,452,631</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, 2022 And 2021

Changes in endowment net assets for the year ended December 31, 2022 and 2021 are as follows:

	2022		
	<u>Accumulated Income</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 357,528	\$ 7,095,103	\$ 7,452,631
Investment return	<u>(136,897)</u>	<u>-</u>	<u>-</u>
	<u>\$ 220,631</u>	<u>\$ 7,095,103</u>	<u>\$ 7,315,734</u>

  

	2021		
	<u>Accumulated Income</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 247,697	\$ 7,095,103	\$ 7,342,800
Investment return	<u>109,831</u>	<u>-</u>	<u>109,831</u>
	<u>\$ 357,528</u>	<u>\$ 7,095,103</u>	<u>\$ 7,452,631</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, 2022 and 2021, 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	2022	2021
Cash	\$ 16,602,298	\$ 28,763,857
Investments	28,759,252	24,376,651
Grants receivable	<u>10,440,975</u>	<u>12,185,111</u>
Total financial assets	55,802,525	65,325,619
Less:		
Grants receivable due in more than a year, net	(3,657,302)	(3,892,547)
Net assets with donor restrictions	(15,956,008)	(14,850,735)
Board-designated net assets	<u>(26,013,729)</u>	<u>(22,905,200)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,175,486</u>	<u>\$ 23,677,137</u>

Amounts not available include certain board-designated net assets received with recommendations for various non-profit organizations established overseas. 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, 2022 And 2021

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### (8) LEASES

The Foundation leases office space in New York under a lease agreement with an initial term greater than 12 months. The Foundation determines whether an agreement is or contains a lease at lease inception. Right-of-use assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the the Foundation's obligation to make lease payments arising from the lease, measured at an amount equal to the present value of the minimum lease payments over the remaining expected term of the lease. Amortization expense and interest expense related to the Foundation's operating leases are included in occupancy and office expense on the statement of functional expenses.

In determination of the lease term, the Foundation considers the likelihood of lease renewal options and lease termination provisions.

The discount rate for a lease is derived from the rate implicit in the lease whenever readily determinable or the Foundation's incremental borrowing rate.

The following quantitative data related to the Foundation's operating leases for the year ended December 31, 2022 is as follows:

#### Operating Lease Amounts:

Right-of-use assets	\$ 2,448,387
Lease liabilities	2,454,487

#### Other Information:

Operating outgoing cash flows for operating leases	\$ 14,391
Weighted-average remaining lease term	9.83 years
Weighted average discount rate	3.97%

Lease cost information for the year ended December 31, 2022 is as follows:

Operating lease cost	<u>\$ 44,394</u>
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Future lease payments at December 31, 2022 are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2023	\$ 267,616
2024	275,153
2025	282,917
2026	290,914
2027	299,150
2028 and thereafter	<u>1,569,485</u>
Total undiscounted cash flows	2,985,235
Less: present value adjustment	<u>(530,748)</u>
Lease liability	<u>\$ 3,454,487</u>

# KING BAUDOIN FOUNDATION UNITED STATES, INC.

## *NOTES TO FINANCIAL STATEMENTS – (Continued)*

**December 31, 2022 And 2021**

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### **(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, 2022 and 2021 was \$44,832 and \$49,322, respectively.

### **(10) SUBSEQUENT EVENTS**

Subsequent events after the balance sheet date through the date that the financial statements were available, April 25, 2023, have been evaluated in the preparation of the financial statements.