

FRIENDS OF FONDATION DE FRANCE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friends of Fondation de France, Inc.

Opinion

We have audited the accompanying financial statements of Friends of Fondation de France, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 Friends of Fondation de France, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Lotz + Carr, LLP

New York, New York
June 16, 2023

FRIENDS OF FONDATION DE FRANCE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash (Notes 1b and 7)	\$ 370,899	\$ 340,228
Contributions receivable (Notes 1c and 4)		
With donor restrictions	12,859	-
Without donor restrictions	245	170,775
Accounts receivable	40,497	22,222
Prepaid expenses	5,750	-
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 6)	5,396	7,146
Donated assets held for sale (Note 5)	<u>1,750,590</u>	<u>1,651,370</u>
Total Assets	<u><u>\$2,186,236</u></u>	<u><u>\$2,191,741</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 52,639</u>	<u>\$ 24,855</u>
Commitments (Notes 9 and 10)		
Net Assets		
Without donor restrictions	805,066	857,663
With donor restrictions (Note 3)	<u>1,328,531</u>	<u>1,309,223</u>
Total Net Assets	<u>2,133,597</u>	<u>2,166,886</u>
Total Liabilities and Net Assets	<u><u>\$2,186,236</u></u>	<u><u>\$2,191,741</u></u>

See notes to financial statements.

FRIENDS OF FONDATION DE FRANCE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Support		
Contributions (Note 1a)	\$ 145,111	\$ 109,158
Realized loss on sale of assets held for sale (net of commissions) (Note 5)	(3,066)	(7,312)
Interest and other income (loss)	11,889	(4,325)
Net assets released from restrictions Satisfaction of program restrictions	<u>2,957,004</u>	<u>3,140,561</u>
Total Revenue and Support	<u>3,110,938</u>	<u>3,238,082</u>
Expenses		
Program Services	2,972,648	3,001,858
Supporting Services		
Management and general	121,448	76,785
Fundraising	<u>69,439</u>	<u>-</u>
Total Expenses	<u>3,163,535</u>	<u>3,078,643</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>(52,597)</u>	<u>159,439</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 1a)	2,524,156	3,078,418
Donated assets (Note 5)	458,297	459,108
Realized loss on sale of assets held for sale (net of commissions) (Note 5)	(6,141)	(14,645)
Net assets released from restrictions	<u>(2,957,004)</u>	<u>(3,140,561)</u>
Increase in Net Assets With Donor Restrictions	<u>19,308</u>	<u>382,320</u>
Increase (decrease) in net assets	(33,289)	541,759
Net assets, beginning of year	<u>2,166,886</u>	<u>1,625,127</u>
Net Assets, End of Year	<u><u>\$2,133,597</u></u>	<u><u>\$2,166,886</u></u>

See notes to financial statements.

FRIENDS OF FONDATION DE FRANCE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021				
	Program Services	Supporting Services		Total Expenses	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising			Management and General	Fundraising	
Salaries, payroll taxes and employee benefits	\$ 43,439	\$ 21,720	\$ 43,439	\$ 108,598	\$ -	\$ -	\$ -	\$ -
Program grants	2,909,561	-	-	2,909,561	3,001,858	-	-	3,001,858
Management fees	-	60,000	-	60,000	-	47,840	-	47,840
Professional fees	-	22,144	-	22,144	-	11,225	-	11,225
Website maintenance	734	367	734	1,835	-	2,040	-	2,040
Office expense	9,704	4,852	9,704	24,260	-	666	-	666
Meetings and travel	8,510	4,255	8,510	21,275	-	780	-	780
Miscellaneous	-	7,760	6,352	14,112	-	12,630	-	12,630
Total expenses before depreciation	2,971,948	121,098	68,739	3,161,785	3,001,858	75,181	-	3,077,039
Depreciation	700	350	700	1,750	-	1,604	-	1,604
Total Expenses	<u>\$2,972,648</u>	<u>\$ 121,448</u>	<u>\$ 69,439</u>	<u>\$3,163,535</u>	<u>\$3,001,858</u>	<u>\$ 76,785</u>	<u>\$ -</u>	<u>\$3,078,643</u>

See accompanying notes and independent accountants' review report.

FRIENDS OF FONDATION DE FRANCE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (33,289)	\$541,759
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	1,750	1,604
Realized (gain) loss on sale of investments	(892)	4,475
Donated investments	(113,454)	(137,150)
Realized loss on sale of assets held for sale, net of commissions	9,207	21,957
Donated assets	(458,277)	(459,108)
(Increase) decrease in:		
Contributions receivable	157,671	(168,794)
Accounts receivable	(18,275)	(22,222)
Prepaid expenses	(5,750)	-
Increase (decrease) in accounts payable and accrued expenses	27,784	(3,262)
Net Cash Used By Operating Activities	<u>(433,525)</u>	<u>(220,741)</u>
Cash Flows From Investing Activities		
Proceeds from sale of assets held for sale	349,850	105,887
Proceeds from sale of investments	114,346	132,675
Payment for website costs	-	(4,750)
Net Cash Provided By Investing Activities	<u>464,196</u>	<u>233,812</u>
Net increase in cash	30,671	13,071
Cash, beginning of year	<u>340,228</u>	<u>327,157</u>
Cash, End of Year	<u><u>\$370,899</u></u>	<u><u>\$340,228</u></u>

See notes to financial statements.

FRIENDS OF FONDATION DE FRANCE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Friends of Fondation de France, Inc. (the "Organization") is a not-for-profit organization, classified as a public charity that was incorporated under the laws of the State of New York. The Organization was organized to provide charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986. This shall include conducting activities that: (1) Support or benefit Fondation de France, a foreign organization that meets the requirements of Code Section 501(c)(3) and is the equivalent of a U.S. public charity. In performing these functions, the Organization will conduct any activities that may be necessary, useful or desirable for furtherance or accomplishment of the foregoing purposes, including but not limited to the support of education, arts, culture, the environment and relief of the poor and needy, (2) Cooperate with other charitable organizations for any of the foregoing purposes, and (3) May be necessary, useful, and desirable for the furtherance or accomplishment of the foregoing purposes.

In 2022, the Organization had more than 119 contributors, with four contributors representing approximately 62% of the contribution revenue. In 2021, the Organization had 94 contributors, with three contributors representing approximately 42% of the contribution revenue.

b - Cash

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid debt instruments, purchased with a maturity of three months or less, to be cash.

c - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Generally, it is the Organization's policy to withhold a percentage for each contribution, which is used towards management and general expenses.

d - Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

FRIENDS OF FONDATION DE FRANCE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Financial Statement Presentation**

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

f - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g - Tax Status

Friends of Fondation de France, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity described in Section 509(a)(1) which is not a supporting organization and which is not a private foundation.

h - Functional Allocation of Expenses

For the year ended December 31, 2022, the financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes and employee benefits, website maintenance, office expense, meetings and travel, and depreciation are allocated on the basis of employee time and effort.

For the year ended December 31, 2021, the financial statements reported expenses that were directly attributable to program and management and general services. Fundraising activities were conducted by the Board of Directors and other volunteers.

FRIENDS OF FONDATION DE FRANCE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****i - Leases**

For leases with an initial term greater than twelve months, the Organization's operating lease liability is initially recorded at the present value of the unpaid lease payments at the lease commencement date. The Organization's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, prepayments and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term. The Organization's current operating lease (Note 10) has a term of twelve months and payments are recognized on a straight-line basis over the lease term.

j - Subsequent Events

The Organization has evaluated subsequent events through June 16, 2023, the date that the financial statements are considered available to be issued.

k - New Accounting Standards

During 2022, the Organization adopted Accounting Standards Update ("ASU") 2016-02, *Leases ("Topic 842")*. The core principles of Topic 842 change the way organizations account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. The adoption of Topic 842 did not have an impact on the Organization's net assets as of January 1, 2022.

For 2022, the Organization also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Note 2 - Information Regarding Liquidity and Availability

The Organization establishes a budget for each year based on the revenues expected to be available to fund anticipated expenses. The majority of annual revenue is comprised of contribution revenue. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and general and administrative and fundraising activities undertaken to support those services.

FRIENDS OF FONDATION DE FRANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization regularly monitors liquidity to meet its operating needs and other commitments. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain all of its financial assets in cash or cash equivalents so that they are available to cover expenditures as they arise.

The Organization's financial assets as of December 31, 2022 and 2021 available to meet cash needs for general expenditures within one year are summarized as follows:

	2022	2021
Financial Assets at Year End:		
Cash	\$370,899	\$340,228
Contributions receivable	13,104	170,775
Accounts receivable	40,497	22,222
Financial Assets Available to Meet General Expenditures within One Year	\$424,500	\$533,225

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future grants.

Note 4 - Contributions Receivable

Contributions receivable as of December 31, 2022 and 2021 are due within one year. The balances largely consist of receivables from two (2022) and one (2021) donors. Uncollectible contributions receivable are expected to be insignificant.

Note 5 - Donated Assets Held for Resale

Over the past several years (2018 through 2022), the Organization received contributions of GIA certified diamonds which were recorded at market value at the time of the donation. The diamonds are held by an established broker at a secure location in New York City. The diamonds are held for sale and during 2022 and 2021, nine and six of the diamonds were sold, respectively. The net proceeds will be used for grants and operations.

FRIENDS OF FONDATION DE FRANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Website	5 years	\$8,750	\$8,750
Less: Accumulated depreciation		(3,354)	(1,604)
		<u>\$5,396</u>	<u>\$7,146</u>

Note 7 - Concentration of Credit Risk

The Organization maintains its cash accounts in two financial institutions in New York City. The balances are insured by the Federal Deposit Insurance Corporation up to certain limits.

Note 8 - Related Parties

Two Directors of the Organization are also employees of Fondation de France.

Note 9 - Pension Plan

Effective in 2022, the Organization maintains a 401(k) defined contribution pension plan for the benefit of eligible employees. Employees are permitted to make elective deferrals up to statutory limits. The Organization may make elective discretionary contributions. During the year ended December 31, 2022 expenses related to this plan totaled \$522.

FRIENDS OF FONDATION DE FRANCE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 10 - Lease Commitment**

The Organization occupies office space under a lease agreement with a one-year term ending February 15, 2023 and a total lease obligation of \$11,375. The Organization has subsequently continued to occupy the space on a month-to-month basis.