

KING BAUDOIN FOUNDATION UNITED STATES, INC.

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

DECEMBER 31, 2008 AND 2007

KING BAUDOIN FOUNDATION UNITED STATES, INC.

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TAIT, WELLER & BAKER LLP

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

King Baudouin Foundation United States, Inc.

New York, New York

We have audited the accompanying statement of financial position of King Baudouin Foundation United States, Inc. as of December 31, 2008, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year information has been derived from the Foundation's 2007 financial statements and, in our report dated June 26, 2008, we expressed an unqualified opinion on those financial statements.

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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming the opinion on the basic financial statements referred to above taken as a whole. The accompanying supplemental information on pages 10 to 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



New York, New York

June 17, 2009

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$3,126,520	\$2,139,722
Investments (<i>Note 2</i>)	2,052,248	921,894
Grants receivable (<i>Note 3</i>)	1,797,000	20,800
Equipment, net (<i>Note 4</i>)	22,878	-
Donated artwork (<i>Note 4</i>)	30,000	-
Security deposit	2,539	2,539
Prepaid expenses	100	-
Total assets	<u>\$7,031,285</u>	<u>\$3,084,955</u>
LIABILITIES		
Accounts payable	\$ 94,677	\$ 91,233
Grants payable (<i>Note 5</i>)	3,665,687	769,844
Deferred revenue	25,000	-
Total liabilities	<u>3,785,364</u>	<u>861,077</u>
NET ASSETS		
Unrestricted		
General operations	412,288	251,655
Art Works	30,000	-
Advised gifts in process	608,674	489,012
American Friends Funds	906,820	54,925
Total unrestricted	<u>1,957,782</u>	<u>795,592</u>
Temporarily restricted (<i>Note 6</i>)	<u>1,288,139</u>	<u>1,428,286</u>
Total net assets	<u>3,245,921</u>	<u>2,223,878</u>
Total liabilities and net assets	<u>\$7,031,285</u>	<u>\$3,084,955</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2008 with summarized information for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
REVENUE AND OTHER SUPPORT				
Contributions – General	\$ 3,464,148	\$ 6,297,591	\$ 9,761,739	\$6,199,151
Management and investment fees	259,362	-	259,362	143,792
KBF operational	416,617	-	416,617	361,405
Investment income (loss)	(5,185)	(50,310)	(55,495)	65,215
Consulting	36,000	-	36,000	32,150
Net assets released from restrictions (<i>Note 6</i>)	<u>6,387,428</u>	<u>(6,387,428)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>10,558,370</u>	<u>(140,147)</u>	<u>10,418,223</u>	<u>6,801,713</u>
EXPENSES				
Grants and program expenses	8,913,531	-	8,913,531	5,446,708
Management and general expenses	<u>482,649</u>	<u>-</u>	<u>482,649</u>	<u>460,821</u>
Total expenses	<u>9,396,180</u>	<u>-</u>	<u>9,396,180</u>	<u>5,907,529</u>
Change in net assets	1,162,190	(140,147)	1,022,043	894,184
NET ASSETS				
Beginning of year	<u>795,592</u>	<u>1,428,286</u>	<u>2,223,878</u>	<u>1,329,694</u>
End of year	<u>\$ 1,957,782</u>	<u>\$ 1,288,139</u>	<u>\$ 3,245,921</u>	<u>\$2,223,878</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 1,022,043	\$ 894,184
<i>Adjustments to reconcile the net change in net assets to net cash provided by (used for) operating activities</i>		
Unrealized loss on investments	134,987	608
Loss on sale of investments	21	109
Depreciation expense	4,576	-
(Increase) decrease in		
Prepaid expenses	(100)	-
Grants receivable	(1,776,200)	(20,800)
Increase (decrease) in		
Accounts and grants payable	2,899,287	771,059
Deferred revenue	<u>25,000</u>	<u>-</u>
Net cash provided by operating activities	<u>2,309,614</u>	<u>1,645,160</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,241,764)	(788,772)
Proceeds from sales of investments	976,402	9,974
Purchase of equipment	(27,454)	-
Donated artwork	<u>(30,000)</u>	<u>100,000</u>
Net cash used for investment activities	<u>(1,322,816)</u>	<u>(678,798)</u>
Net increase in cash	986,798	966,362
CASH		
Beginning of year	<u>2,139,722</u>	<u>1,173,360</u>
End of year	<u>\$ 3,126,520</u>	<u>\$2,139,722</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

(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 help U.S. donors achieve their philanthropic goals in Europe and Sub-Saharan Africa. From one-time grants to long-term structured and effective giving programs, the Foundation provides solutions that can be tailored to their needs, interests and priorities.

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.

CONCENTRATION OF CREDIT RISK

The Foundation occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 107 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, 2008 and 2007

NET ASSETS

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

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

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

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

(2) INVESTMENTS

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

<u>Net Assets</u>	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Unrestricted	\$ 1,543,364	\$ 1,478,964	\$ 183,053	\$ 186,452
Temporarily Restricted	<u>645,684</u>	<u>573,284</u>	<u>740,654</u>	<u>735,442</u>
Total	<u>\$ 2,189,048</u>	<u>\$ 2,052,248</u>	<u>\$ 923,707</u>	<u>\$ 921,894</u>

The components of marketable securities at December 31 are:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash equivalents	\$ 79,274	\$ 79,274	\$ 605,561	\$ 605,561
U.S. Government Obligations	1,479,285	1,484,686	-	-
Mutual Funds				
Bond	194,200	199,960	71,529	71,729
Equity	<u>436,289</u>	<u>288,328</u>	<u>246,617</u>	<u>244,604</u>
	<u>\$ 2,189,048</u>	<u>\$ 2,052,248</u>	<u>\$ 923,707</u>	<u>\$ 921,894</u>

As of December 31, 2008 and 2007, net unrealized losses consisted of \$136,800 and \$1,813, respectively.

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

On January 1, 2008, the Foundation adopted Financial Accounting Standards Board No. 157, “*Fair Value Measurements*” (“*FAS 157*”) which was issued in September 2006 effective for fiscal years beginning after November 15, 2007. For financial statements elements currently required to be measured at fair value, FAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Foundation’s own assumptions in determining the fair value of investments)

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The summary of inputs used to value the Foundation’s assets that are carried at fair value as of December 31, 2008 is as follows:

	<u>Investments</u>
Level 1	\$ 567,562
Level 2	1,484,686
Level 3	-
	<u>\$2,052,248</u>

(3) GRANTS RECEIVABLE

Grants receivable are due as follows at December 31:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 617,000	\$20,800
Receivable in less than two years	<u>1,180,000</u>	-
	<u>\$1,797,000</u>	<u>\$20,800</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

(4) PROPERTY AND EQUIPMENT

At December 31, 2008, equipment consisted of the following:

Software	\$27,454
Less: Accumulated depreciation	<u>4,576</u>
	<u>\$22,878</u>

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

In 2005, the Foundation received donated artwork, valued at \$100,000. This artwork was donated to Rijksmuseum in Amsterdam in 2007.

(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, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Payable in one year	\$2,305,687	\$769,844
Payable in one to five years	<u>1,360,000</u>	<u>-</u>
Total grants payable	<u>\$3,665,687</u>	<u>\$769,844</u>

(6) NET ASSETS

Temporarily restricted net assets at December 31, 2008 and 2007 consist of:

	<u>2008</u>	<u>2007</u>
Johnson & Johnson International Health Fund	\$ 360,820	\$ 324,416
Starbucks Charitable Fund	127,200	163,600
Matara Fund	1,593	6,793
Sten & Margitha Akerlund Fund	14,926	-
Life Giving Water Fund	15,412	11,508
Patton – Plusczyk Fund	15,840	15,097
Barry Gaberman Lecture Fund	61,137	83,021
Friends of Belgium in America Fund	46,973	29,909
Wrigley Global Giving Fund	412,981	518,600
CS Busch Fund	41,497	85,342
Pfizer Foundation Fund	70,000	190,000
Alcatel Lucent Foundation Fund	4,200	-
Catepillar Foundation Fund	<u>115,560</u>	<u>-</u>
	<u>\$1,288,139</u>	<u>\$1,428,286</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2008:

	<u>2008</u>
Johnson & Johnson International Health Fund	\$ 681,327
Life Giving Water Fund	50,000
Starbucks Charitable Fund	35,000
Friends of Belgium in America Fund	14,601
CS Busch Fund	360,000
Pfizer Foundation Fund	2,980,000
Matara Fund	5,000
Sten & Margitha Akerlund Fund	5,000
Wrigley Global Giving Fund	110,000
Dow Chemical Company Foundation Fund	2,065,500
Alcatel Lucent Foundation Fund	20,000
Richard J. Massey Foundation Fund	50,000
Catepillar Foundation Fund	<u>11,000</u>
	<u>\$6,387,428</u>

(7) RELATED PARTY TRANSACTIONS

The Foundation was originally organized with the assistance of King Baudouin Foundation (“**KBF**”), a non-profit organization based in Belgium. The Foundation receives grants from and provides grants to KBF.

	<u>2008</u>	<u>2007</u>
Grants from King Baudouin Foundation for operational purposes	<u>\$416,617</u>	<u>\$361,405</u>

(8) COMMITMENTS

The Foundation leases office space in New York under an operating lease running from February 1, 2007 through January 31, 2009. Monthly rent, exclusive of operating and real estate escalations, is \$1,624 per month. Rent expense for the year ended December 31, 2008 and 2007 was \$25,248 and \$25,208, respectively.

In February 2009, the Foundation agreed to extend the term of its lease. Beginning February 1, 2009, monthly rent, exclusive of operating and real estate escalations, will be \$1,694 per month through January 31, 2011.

SUPPLEMENTAL INFORMATION

KING BAUDOIN FOUNDATION UNITED STATES, INC.

SCHEDULE OF REVENUES AND OTHER SUPPORT

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Contributions – General:		
Advised gifts	\$ 1,439,361	\$1,777,658
American Friends Fund	1,990,979	167,799
KBFUS Programs	33,808	2,125
Johnson & Johnson International Health Fund	716,679	568,340
Starbucks Charitable Fund	(1,400)	(400)
Matara Fund	(200)	-
Global 2020 Fund	-	69,348
Life Giving Water Fund	57,494	19,230
Patton – Plusczyk Fund	743	10,097
Barry Gaberman Lecture Fund	150	13,598
Salzburg Festival Fund	-	1,272,429
Friends of Belgium in America Fund	31,665	126,409
Wrigley Global Giving Fund	(4,400)	-
CS Busch Fund	350,800	128,400
Dirk Nowitzki	-	194,118
Pfizer Foundation Fund	2,860,000	1,850,000
Sten & Margitha Akerlund Fund	19,800	-
Dow Chemical Company Foundation Fund	2,065,500	-
Alcatel Lucent Foundation Fund	24,200	-
Richard J. Massey Foundation Fund	50,000	-
Catepillar Foundation Fund	<u>126,560</u>	<u>-</u>
Total Contributions – General	9,761,739	6,199,151
Management and investment fees	259,362	143,792
Consulting	36,000	32,150
KBF Operational Contributions	416,617	361,405
Investment Income (Loss)	<u>(55,495)</u>	<u>65,215</u>
Total Revenues and Other Support	<u>\$ 10,418,223</u>	<u>\$6,801,713</u>

KING BAUDOIN FOUNDATION UNITED STATES, INC.

SCHEDULES OF GRANTS AND PROGRAM EXPENSES AND MANAGEMENT AND GENERAL EXPENSES

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Grants and Program Expenses		
Advised gifts	\$1,319,699	\$1,431,410
American Friends Fund	1,139,084	113,086
Johnson & Johnson International Health Fund	681,327	357,500
Starbucks Charitable Fund	35,000	10,000
Global 2020 Fund	-	82,691
Matara Fund	5,000	-
Life Giving Water Fund	50,000	31,000
Salzburg Festival Fund	-	1,272,429
Friends of Belgium In America Fund	14,601	97,000
CS Busch Fund	360,000	40,000
Dirk Nowitzski Fund	-	194,118
Pfizer Foundation Fund	2,980,000	1,660,000
Wrigley Global Giving Fund	110,000	-
Dow Chemical Company Foundation Fund	2,065,500	-
Sten & Margitha Akerlund Fund	5,000	-
Alcatel Lucent Foundation Fund	20,000	-
Richard J. Massey Foundation Fund	50,000	-
Catpillar Foundation Fund	11,000	-
Other Grants	-	100,000
KBFUS Programs	<u>67,320</u>	<u>57,474</u>
Total Grants and Program Expenses	<u>\$8,913,531</u>	<u>\$5,446,708</u>
Management and General Expenses		
Salaries and payroll taxes	\$ 283,147	\$ 272,893
Executive Secretary travel expense	33,259	30,644
Expense reimbursements	1,364	1,154
Professional services		
Legal fees	23,322	27,217
Consulting fees	25,950	26,900
Accounting	7,000	6,500
Payroll fees	997	851
Occupancy	25,248	25,208
Office supplies and postage	6,460	12,640
Printing and website	7,632	12,571
Events and publications	14,223	16,098
Information technology	4,800	-
Insurance	7,472	7,126
Dues and memberships	12,650	8,168
Bank charges	842	898
Depreciation	4,576	-
Miscellaneous	<u>23,707</u>	<u>11,953</u>
Total Management and General Expenses	<u>\$ 482,649</u>	<u>\$ 460,821</u>