FRIENDS OF FONDATION DE FRANCE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

LUTZ AND CARR
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Friends of Fondation de France, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 auditors' 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 entity'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 entity'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 Friends of Fondation de France, Inc. as of December 31, 2018 and 2017, 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.

Lutz + Carr, LLP

New York, New York
May 24, 2019

FRIENDS OF FONDATION DE FRANCE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Cash (Notes 1b and 7)	$287,909	$1,543,723
Investments (Notes 1d, 1e and 4)	10,535	35,182
Unconditional promises to give (Notes 1c and 5)		
Without donor restrictions	6,036	4,687
With donor restrictions	-	76,042
Donated assets held for sale (Note 6)	549,183	-
Total Assets	$853,663	$1,659,634
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 12,363	$ 8,000
Net Assets		
Without donor restrictions	398,581	1,402,470
With donor restrictions (Note 3)	442,719	249,164
Total Net Assets	841,300	1,651,634
Total Liabilities and Net Assets	$853,663	$1,659,634

See notes to financial statements.

FRIENDS OF FONDATION DE FRANCE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Changes in Net Assets Without Donor Restrictions		
Revenue and Support		
Contributions (Note 1a)	$ 65,195	$1,256,949
Interest and other income	2,842	7,102
Net assets released from restrictions		
Satisfaction of program restrictions	1,551,467	894,378
Total Revenue and Support	1,619,504	2,158,429
Expenses		
Program Services		
Grants	2,561,369	908,410
Supporting Services		
Management and General		
Management fees	46,000	43,900
Accounting fees	10,002	9,903
Office expenses	913	829
State filing fees and bank charges	5,109	5,030
Total Supporting Services	62,024	59,662
Total Expenses	2,623,393	968,072
Increase (Decrease) in Net Assets Without Donor Restrictions	(1,003,889)	1,190,357
Changes in Net Assets With Donor Restrictions		
Contributions (Note 1a)	1,195,839	970,648
Donated assets (Note 6)	549,183	-
Net assets released from restrictions	(1,551,467)	(894,378)
Increase in Net Assets With Donor Restrictions	193,555	76,270
Increase (decrease) in net assets	(810,334)	1,266,627
Net assets, beginning of year	1,651,634	385,007
Net Assets, End of Year	**$ 841,300**	**$1,651,634**

See notes to financial statements.

FRIENDS OF FONDATION DE FRANCE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ (810,334)	$1,266,627
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Donated assets	(549,183)	-
Decrease in unconditional promises to give	74,693	25,048
Increase (decrease) in:		
Accounts payable and accrued expenses	4,363	-
Refundable contribution	-	(1,204,422)
Net Cash Provided (Used) By Operating Activities	(1,280,461)	87,253
Cash Flows From Investing Activities		
Purchase of investments	(91,139)	(717,437)
Proceeds from sale of investments	115,786	1,881,284
Net Cash Provided By Investing Activities	24,647	1,163,847
Net increase (decrease) in cash	(1,255,814)	1,251,100
Cash, beginning of year	1,543,723	292,623
Cash, End of Year	$ 287,909	$1,543,723

See notes to financial statements.

FRIENDS OF FONDATION DE FRANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Friends of Fondation de France, Inc. 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 2018, the Organization had more than 99 contributors, with two contributors representing approximately 39% of the contribution revenue. In 2017, the Organization had 125 contributors, with one contributor representing approximately 54% of the contribution revenue.

Fundraising activities are conducted by the Board of Directors and other volunteers.

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, except for those short-term investments held in the Organization's investment account.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. 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 5% for each contribution (up to $15,000 per payment), which is used towards management and general expenses.

d - Investments

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

e - Fair Value Measurements
Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

f - Financial Statement Presentation
The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, 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 Foundation. These net assets may be used at the discretion of the Foundation'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, where by the donor has stipulated the funds be maintained in perpetuity.

g - 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.

FRIENDS OF FONDATION DE FRANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

h - Tax Status
The Organization 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.

i - Functional Allocation of Expenses
The financial statements report expenses that are attributable to program and supporting functions. Grants are applied directly to program expenses. Other expenses are directly applied to management and general.

j - Subsequent Events
The Organization has evaluated subsequent events through May 24, 2019, the date that the financial statements are considered available to be issued.

k - Recent Accounting Pronouncement
In 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities.* The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include:(a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for 2017.

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 activities undertaken to support those services.

FRIENDS OF FONDATION DE FRANCE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 available to meet cash needs for general expenditures within one year are summarized as follows:

Financial Assets at Year End:	
Cash	$287,909
Investments	10,535
Unconditional promises to give	6,036
Financial Assets Available to Meet General Expenditures within one year	$304,480

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future grants.

Note 4 - Investments

Investments, measured using Level 1 inputs in the fair value hierarchy, consist of the following at December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash	$10,535	$10,535	$ -	$ -
Common Stocks	-	-	35,275	35,182
	$10,535	$10,535	$35,275	$35,182

Note 5 - <u>Unconditional Promises to Give</u>

Unconditional promises to give are due in less than one year. Uncollectible promises are expected to be insignificant.

Note 6 - <u>Donated Assets</u>

In November 2018, the Organization received a contribution of GIA certified diamonds with a value of $549,183. The diamonds are being held at a storage facility in New York City. The Organization expects to sell the diamonds over the next year and will pay a 15% commission on the sales. The net proceeds will be used for operations and grants.

Note 7 - <u>Concentration of Credit Risk</u>

The Organization maintains a cash account in one financial institution in New York City. The balance up to certain limits is insured by the Federal Deposit Insurance Corporation.

Note 8 - <u>Related Parties</u>

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