



*Report of Independent Auditors and
Financial Statements*

Born This Way Foundation, Inc.

December 31, 2021 and 2020



MOSSADAMS

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Report of Independent Auditors

To the Board of Directors
Born This Way Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Born This Way Foundation, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Born This Way Foundation, Inc., as of December 31, 2021 and 2020, 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 (GAAS). 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 Born This Way Foundation, 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 Born This Way Foundation, Inc.'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 GAAS 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 GAAS, 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 Born This Way Foundation, 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 Born This Way Foundation, 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.

Moss Adams LLP

San Francisco, California
July 13, 2022

Financial Statements

Born This Way Foundation, Inc.
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 979,440	\$ 2,608,957
Investments	3,874,512	3,123,772
Pledges receivable	1,225,000	24,062
Other assets, net	<u>14,558</u>	<u>17,125</u>
Total assets	<u>\$ 6,093,510</u>	<u>\$ 5,773,916</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	<u>\$ 542,849</u>	<u>\$ 41,089</u>
Total liabilities	<u>542,849</u>	<u>41,089</u>
NET ASSETS		
Net assets - without donor restrictions	4,325,661	5,732,827
Net assets - with donor restrictions	<u>1,225,000</u>	<u>-</u>
Total net assets	<u>5,550,661</u>	<u>5,732,827</u>
Total liabilities and net assets	<u>\$ 6,093,510</u>	<u>\$ 5,773,916</u>

Born This Way Foundation, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions	\$ 2,231,728	\$ 2,615,554
Contributed goods and services	714,079	374,000
Investment income, net	57,568	146,894
Merchandise income	12,642	18,890
Book advance	-	1,530,000
Other income	3,570	-
Total support and revenue	<u>3,019,587</u>	<u>4,685,338</u>
EXPENSES		
Program	2,357,731	1,988,255
General and administrative	1,068,851	502,683
Fundraising	550,171	314,594
Total expenses	<u>3,976,753</u>	<u>2,805,532</u>
OTHER CHANGES IN NET ASSETS		
Loss on contributions	(450,000)	-
Changes in net assets without donor restrictions	(1,407,166)	1,879,806
Net assets, without donor restrictions, beginning of year	5,732,827	3,853,021
Net assets, without donor restrictions, end of year	<u>4,325,661</u>	<u>5,732,827</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,225,000	-
Changes in net assets with donor restrictions	1,225,000	-
Net assets, with donor restrictions, beginning of year	-	-
Net assets, with donor restrictions, end of year	<u>1,225,000</u>	<u>-</u>
CHANGE IN TOTAL NET ASSETS	(182,166)	1,879,806
TOTAL NET ASSETS, beginning of year	5,732,827	3,853,021
TOTAL NET ASSETS, end of year	<u>\$ 5,550,661</u>	<u>\$ 5,732,827</u>

Born This Way Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program	General and administrative	Fundraising	Total
EXPENSES				
Contracted services	\$ 989,681	\$ 633,935	\$ 48,908	\$ 1,672,524
Salaries	942,293	122,068	461,064	1,525,425
Professional fees	136,530	117,815	-	254,345
Partnership and programmatic contributions	158,806	-	-	158,806
Payroll taxes	82,068	10,631	40,156	132,855
Insurance	17,546	96,055	-	113,601
Travel	16,116	37,557	43	53,716
Office expenses	14,691	32,137	-	46,828
Legal fees	-	16,086	-	16,086
Amortization and depreciation	-	2,567	-	2,567
Total expenses	<u>\$ 2,357,731</u>	<u>\$ 1,068,851</u>	<u>\$ 550,171</u>	<u>\$ 3,976,753</u>

Born This Way Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Program	General and administrative	Fundraising	Total
EXPENSES				
Contracted services	\$ 800,646	\$ 80,890	\$ 5,448	\$ 886,984
Salaries	751,755	128,649	278,967	1,159,371
Professional fees	315,000	127,120	-	442,120
Partnership and programmatic contributions	15,604	-	-	15,604
Payroll taxes	53,149	9,095	19,723	81,967
Insurance	15,418	72,742	-	88,160
Travel	27,764	18,364	4,690	50,818
Office expenses	8,919	43,352	5,766	58,037
Legal fees	-	19,904	-	19,904
Amortization and depreciation	-	2,567	-	2,567
	<u>\$ 1,988,255</u>	<u>\$ 502,683</u>	<u>\$ 314,594</u>	<u>\$ 1,918,548</u>
Total expenses	<u>\$ 1,988,255</u>	<u>\$ 502,683</u>	<u>\$ 314,594</u>	<u>\$ 1,918,548</u>

Born This Way Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (182,166)	\$ 1,879,806
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization and depreciation expense	2,567	2,567
Changes in operating assets and liabilities:		
Pledges receivable	(1,200,938)	(24,062)
Accounts payable	<u>501,760</u>	<u>(187,109)</u>
Net cash (used in) provided by operating activities	<u>(878,777)</u>	<u>1,671,202</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment	-	(3,733)
Purchase of investments	<u>(750,740)</u>	<u>(44,689)</u>
Net cash used in investing activities	<u>(750,740)</u>	<u>(48,422)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,629,517)	1,622,780
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,608,957</u>	<u>986,177</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 979,440</u></u>	<u><u>\$ 2,608,957</u></u>

NOTE 1 – NATURE OF ORGANIZATION

Born This Way Foundation, Inc. (the “Foundation”), was incorporated on April 15, 2011, as a California Nonprofit Public Benefit Corporation and operating as a public charity. The Foundation was founded by Lady Gaga and Cynthia Germanotta, and is committed to supporting the mental health of young people by working with them to build a kinder, braver world.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation – The financial statements are presented on the accrual basis of accounting with net assets without donor restrictions and net assets with donor restrictions in accordance with accounting principles generally accepted in the United States of America. The Foundation’s activities and related assets and liabilities are classified as net assets with donor restrictions or net assets without donor restrictions, depending upon the terms of the contributions:

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions. There were no board-designated funds as of December 31, 2021 and 2020.
- Net assets with donor restrictions consist of contributed funds, subject to specific donor-imposed or legal restrictions, contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds. The Foundation records donor-restricted contributions whose restrictions are met in the same reporting period as net assets without donor restrictions. When a time restriction ends and/or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions used to purchase fixed and other assets are released from restriction when the asset is placed in service.

Fair value measurements – The Foundation may carry certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation classified its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – Quoted market prices (unadjusted) in active market for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 – Unobservable inputs for the asset or liability that are not corroborated by market data and that are significant to the fair value of the assets or liabilities.

Cash and cash equivalents – Cash equivalents are all highly liquid investments with an original maturity of three months or less from the date of acquisition.

Born This Way Foundation, Inc.

Notes to Financial Statements

Investments – Investments are stated at fair value and consist of equity and fixed-income securities. Realized and unrealized gains and losses on investments, dividends, and interest income are included in investment income net of investment expenses on the statements of activities and changes in net assets. All investments are categorized as Level 1 in the fair value hierarchy.

Pledges receivable – Unconditional promises to give are recorded as receivables. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and recorded in their respective net asset categories. Pledges receivable as of December 31, 2021, are expected to be received as follows: \$1,135,000 due in 2022, and \$90,000 due in 2023. Discounts on pledges receivable as of December 31, 2021, were nominal. The pledges receivable at December 31, 2020, are due within one year and no discount was applied to the balance. An allowance for uncollectible pledges receivable may be provided based upon management's judgment, including such factors as prior collection history. There was no allowance for uncollectible pledges at December 31, 2021 and 2020.

Other assets – Other assets include other receivables, office equipment, and intangibles. Other receivables consist of amounts due from various vendors and are deemed fully collectible. Office equipment is capitalized at cost. It is the Foundation's policy to capitalize expenditures for items in excess of \$1,000. Lesser amounts are expensed. Office equipment is depreciated using a straight-line method over the estimated useful life of the asset, which is five years. The Foundation, using best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairments are identified. No impairment losses were present for the years ended December 31, 2021 and 2020. Office equipment at December 31, 2021 and 2020, consisted of \$11,641 with \$8,462 of accumulated depreciation, and \$11,461 with \$7,712 of accumulated depreciation, respectively. Intangible assets consist of copyrights, recorded at cost. Intangible assets are amortized using a straight-line method over the estimated useful life of the asset, which is 15 years. Intangible assets at December 31, 2021 and 2020, consisted of \$27,250 with \$15,871 of accumulated amortization, and \$27,250 with \$14,054 of accumulated amortization, respectively.

Contributions – Contributions are recognized as revenue when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as net assets with donor restrictions, depending on the nature of the donor's restriction. When a donor's restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. During the year ended December 31, 2021, the Foundation incurred a loss on contributions in the amount of \$450,000 related to a return of contributed funds previously received. The Foundation decided to return the contributed funds due to unforeseen challenges in fulfilling the in-person component of the donation caused by COVID-19 shelter-in-place mandates.

Contributed goods and services – The Foundation recognizes in-kind contributed goods and services that create or enhance nonfinancial assets, or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. In-kind contributions are recorded at their estimated fair values at the date of donation.

Merchandise income – Merchandise revenues are recorded when merchandise is sold and received by customers.

Book advance – Book advance revenues are recorded based on contracts with the publisher for the related work, where the revenue is recognized when the performance of the contracts are met.

Functional allocation of expenses – The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited based upon employee time and effort recorded on functions related to the specific activity or, in the case of shared expenses, using an allocation based on personnel costs, headcount, space usage, or other relevant bases.

Contracted services – The Foundation utilizes contracted services to provide those services that enhance the scope of current staff responsibilities. The length of the Foundation's contracts vary but are typically less than one year and most often tied to a program.

Income tax status – The Foundation is a nonprofit California corporation and is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code ("IRC") and section 23701(d) of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. For the years ended December 31, 2021 and 2020, no provision for unrelated business income taxes is required. The Foundation has no unrecognized tax benefits or liabilities as of December 31, 2021 and 2020. The Foundation, under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, had no uncertain tax positions requiring accrual as of December 31, 2021 and 2020.

Use of 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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements – In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees and lessors. The effective date of ASU 2016-02 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to annual periods beginning after December 15, 2021. These ASUs are effective for the Foundation for the year ending December 31, 2022. Management is currently evaluating the impact of the provisions of these ASU's on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 should be applied on a retrospective basis and is effective for the Foundation for the year ending December 31, 2022, with early adoption permitted. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

Born This Way Foundation, Inc.

Notes to Financial Statements

NOTE 3 – CONCENTRATION AND CREDIT RISKS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of pledges receivable, cash and investments that are placed in a major financial institution. During the years ended December 31, 2021 and 2020, the Foundation had cash in a major financial institution at times in excess of the amount insured by the Federal Deposit Insurance Corporation, and various debt instruments in excess of Securities Investor Protection Corporation insurance limits. Management considers the risk of loss to be minimal due to the credit worthiness of the financial institution in which the funds are held.

During the year ended December 31, 2021, two donors contributed 43% of the Foundation's total contribution revenue. These contributions totaled \$1,225,000 of the pledges outstanding at December 31, 2021. During the year ended December 31, 2020, three donors contributed 49% of the Foundation's total contribution revenue with no pledges outstanding.

NOTE 4 – LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year:

	2021	2020
Financial assets, at year end		
Cash and cash equivalents	\$ 979,440	\$ 2,608,957
Investments	3,874,512	3,123,772
Pledges receivable	1,225,000	24,062
Financial assets at year end	<u>6,078,952</u>	<u>5,756,791</u>
Less assets unavailable for general expenditures within one year		
Pledges receivable, noncurrent	(90,000)	-
	<u>(90,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,988,952</u>	<u>\$ 5,756,791</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Foundation has established an operating reserve and reviews its funding level on an ongoing basis to ensure it is adequate.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020, are restricted for the following purposes or periods:

	2021	2020
Subject to the passage of time	\$ 1,225,000	-
	<u>\$ 1,225,000</u>	<u>\$ -</u>

All net assets with donor restrictions are expected to be released by December 31, 2023. There were no net assets released from restriction during the years ended December 31, 2021 and 2020.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Foundation has evaluated subsequent events through July 13, 2022, which is the date the financial statements were available to be issued.

