



Report of Independent Auditors and
Financial Statements

Born This Way Foundation, Inc.

December 31, 2023 and 2022

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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. (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 (U.S. 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 the Foundation, 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 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 U.S. 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 U.S. 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 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
June 18, 2024

Financial Statements

Born This Way Foundation, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 4,581,978	\$ 1,957,673
Investments	2,227,067	2,909,647
Pledges receivable	2,745,947	893,359
Prepaid expenses	24,745	2,225
Other assets, net	<u>32,089</u>	<u>38,117</u>
Total assets	<u><u>\$ 9,611,826</u></u>	<u><u>\$ 5,801,021</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 106,794	\$ 117,533
Total liabilities	<u>106,794</u>	<u>117,533</u>
NET ASSETS		
Net assets - without donor restrictions	5,359,085	4,794,661
Net assets - with donor restrictions	<u>4,145,947</u>	<u>888,827</u>
Total net assets	<u>9,505,032</u>	<u>5,683,488</u>
Total liabilities and net assets	<u><u>\$ 9,611,826</u></u>	<u><u>\$ 5,801,021</u></u>

See accompanying notes.

Born This Way Foundation, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions	\$ 2,507,578	\$ 4,250,814
Contributed goods and services	1,331,162	1,665,080
Investment income (loss), net	275,708	(216,486)
Other income	3,320	11,016
Net assets released from restriction	1,369,517	1,135,000
Total support and revenue	5,487,285	6,845,424
EXPENSES		
Program	3,857,727	4,692,763
General and administrative	591,458	1,177,976
Fundraising	473,676	505,685
Total expenses	4,922,861	6,376,424
Changes in net assets without donor restrictions	564,424	469,000
Net assets without donor restrictions, beginning of year	4,794,661	4,325,661
Net assets without donor restrictions, end of year	5,359,085	4,794,661
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	4,626,637	798,827
Net assets released from restriction	(1,369,517)	(1,135,000)
Changes in net assets with donor restrictions	3,257,120	(336,173)
Net assets with donor restrictions, beginning of year	888,827	1,225,000
Net assets with donor restrictions, end of year	4,145,947	888,827
CHANGES IN TOTAL NET ASSETS	3,821,544	132,827
TOTAL NET ASSETS, beginning of year	5,683,488	5,550,661
TOTAL NET ASSETS, end of year	\$ 9,505,032	\$ 5,683,488

See accompanying notes.

Born This Way Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

2023				
	Program	General and administrative	Fundraising	Total
EXPENSES				
Contracted services	\$ 1,542,204	\$ 151,679	\$ 206,086	\$ 1,899,969
Salaries and benefits	1,232,485	347,220	203,588	1,783,293
Partnership and programmatic contributions	579,119	-	-	579,119
Professional fees	119,257	48,800	19,149	187,206
Travel	138,549	3,067	9,857	151,473
Payroll taxes	93,480	25,140	14,421	133,041
Office expenses	109,633	8,904	12,061	130,598
Legal fees	34,214	5,356	7,051	46,621
Insurance	4,464	644	681	5,789
Amortization and depreciation	4,322	648	782	5,752
Total expenses	<u>\$ 3,857,727</u>	<u>\$ 591,458</u>	<u>\$ 473,676</u>	<u>\$ 4,922,861</u>
2022				
	Program	General and administrative	Fundraising	Total
EXPENSES				
Contracted services	\$ 634,077	\$ 613,427	\$ -	\$ 1,247,504
Salaries and benefits	1,061,803	162,425	424,139	1,648,367
Partnership and programmatic contributions	1,565,657	20,681	5,933	1,592,271
Professional fees	920,000	125,801	-	1,045,801
Travel	130,051	15,250	13,890	159,191
Payroll taxes	131,423	20,104	52,497	204,024
Office expenses	31,546	84,903	9,226	125,675
Legal fees	-	12,751	-	12,751
Insurance	16,937	116,433	-	133,370
Amortization and depreciation	-	6,201	-	6,201
Clothing	201,269	-	-	201,269
Total expenses	<u>\$ 4,692,763</u>	<u>\$ 1,177,976</u>	<u>\$ 505,685</u>	<u>\$ 6,376,424</u>

See accompanying notes.

Born This Way Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,821,544	\$ 132,827
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization and depreciation expense	5,752	6,201
Loss on disposal of office equipment	276	-
Realized and unrealized (gain) loss on investments	(136,818)	232,623
Changes in operating assets and liabilities:		
Pledges receivable	(1,852,588)	331,641
Prepaid expenses	(22,520)	-
Accounts payable	(10,739)	(425,316)
Net cash provided by operating activities	<u>1,804,907</u>	<u>277,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,282,936	1,000,000
Purchases of investments	(1,463,538)	(267,758)
Purchases of office equipment	-	(9,451)
Purchases of trademarks	-	(22,534)
Net cash provided by investing activities	<u>819,398</u>	<u>700,257</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	2,624,305	978,233
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,957,673</u>	<u>979,440</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 4,581,978</u></u>	<u><u>\$ 1,957,673</u></u>

See accompanying notes.

Born This Way Foundation, Inc.

Notes to Financial Statements

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, 2023 and 2022.
- 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. All pledges receivable as of December 31, 2023, are expected to be received within one year. Pledges receivable as of December 31, 2022, are expected to be received as follows: \$800,753 due in 2023, and \$92,606 due in 2024. Discounts on pledges receivable as of December 31, 2022, were nominal. 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, 2023 and 2022.

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, 2023 and 2022. Office equipment at December 31, 2023 and 2022, consisted of \$20,818 with \$14,075 of accumulated depreciation, and \$21,092 with \$11,493 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, 2023 and 2022, consisted of \$47,559 with \$22,213 of accumulated amortization, and \$47,559 with \$19,041 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.

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. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset to a specific purpose or time period. Assets donated with explicit restrictions regarding use are reported as revenue with donor restrictions. Unless otherwise noted, contributed goods and services did not have donor-imposed restrictions.

Other income – Other income consists of merchandise revenues which are recorded when merchandise is sold and received by customers.

Born This Way Foundation, Inc.

Notes to Financial Statements

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, 2023 and 2022, no provision for unrelated business income taxes is required. The Foundation has no unrecognized tax benefits or liabilities as of December 31, 2023 and 2022. 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, 2023 and 2022.

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 – As of January 1, 2023, the Foundation adopted FASB Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU No. 2016-13), which requires the immediate recognition of management's estimates of current expected credit losses (CECL). Under the prior model, losses were recognized only as they were incurred. ASU No. 2016-13 is applicable to a broad scope of financial instruments, including financial assets measured at amortized cost (which includes loans, held-to-maturity debt securities, and trade receivables), net investments in leases, and certain off balance sheet credit exposures. The impact of the adoption was not considered material to the 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, 2023 and 2022, 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.

Born This Way Foundation, Inc.

Notes to Financial Statements

During the year ended December 31, 2023, two donors contributed 82% of the Foundation's total contribution revenue. These contributions totaled \$2,350,000 of the pledges outstanding at December 31, 2023. During the year ended December 31, 2022, three donors contributed 46% of the Foundation's total contribution revenue. These contributions totaled \$557,443 of the pledges outstanding at December 31, 2022.

Note 4 – Liquidity and Availability

The following table reflects the Foundation's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general expenditure within one year:

	2023	2022
Financial assets, at year end		
Cash and cash equivalents	\$ 4,581,978	\$ 1,957,673
Investments	2,227,067	2,909,647
Pledges receivable	2,745,947	893,359
Financial assets at year end	9,554,992	5,760,679
Less assets unavailable for general expenditures within one year		
Pledges receivable, noncurrent	-	(92,606)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,554,992	\$ 5,668,073

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, 2023 and 2022, are restricted for the following purposes or periods:

	2023	2022
Purpose and time restrictions	\$ 2,350,000	\$ -
Purpose restrictions	1,300,000	-
Time restrictions	495,947	888,827
	\$ 4,145,947	\$ 888,827

All net assets with donor restrictions are expected to be released by December 31, 2024.

Born This Way Foundation, Inc.

Notes to Financial Statements

Note 6 – Net Assets Released from Restriction

Net assets with donor restrictions released from restriction were as follows:

	2023	2022
Purpose restrictions	\$ 690,000	\$ -
Time restrictions	679,517	1,135,000
	<u>\$ 1,369,517</u>	<u>\$ 1,135,000</u>

Note 7 – Contributed Goods and Services

For the years ended December 31, 2023 and 2022, contributed goods and services recognized within the statements of activities and changes in net assets included:

	2023	2022
Professional services	\$ 1,307,162	\$ 539,311
Office space	24,000	4,500
Online advertising services	-	920,000
Clothing	-	201,269
	<u>\$ 1,331,162</u>	<u>\$ 1,665,080</u>

Contributed professional services recognized comprise of professional services from attorneys advising the Foundation on various administrative legal matters and professional accounting services. Contributed professional services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Online advertising services were fully utilized to promote the Foundation's content and information. The Foundation's policy is to record the estimated fair value of these contributions based on rates provided by the donors, as the donors set the market rate for their advertising services.

Donated office space is valued at the estimated fair value based on the rental rate per square foot for comparable spaces.

Contributed clothing was fully utilized by distribution to organizations with unmet needs. The Foundation estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products.

Note 8 – Retirement Plan

The Foundation maintains a defined-contribution retirement plan for all eligible employees. The Foundation's contribution is based on a percentage of the employee's salary. The total contribution for the years ended December 31, 2023 and 2022, was \$48,899 and \$54,356, respectively, included in salaries and benefits in the accompanying statements of functional expenses.

Born This Way Foundation, Inc.

Notes to Financial Statements

Note 9 – 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 June 18, 2024, which is the date the financial statements were available to be issued.

