

Report of Independent Auditors and
Financial Statements

Born This Way Foundation, Inc.

December 31, 2024 and 2023

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Report of Independent Auditors

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, 2024 and 2023, 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, 2024 and 2023, and the results of 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 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 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 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.

Baker Tilly US, LLP

San Francisco, California
June 30, 2025

Financial Statements

Born This Way Foundation, Inc.
Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 3,443,339	\$ 4,581,978
Investments	3,646,277	2,227,067
Grants and contributions receivable, net	1,625,694	2,745,947
Other receivables	252,413	-
Prepaid expenses	27,901	24,745
Other assets, net	<u>26,339</u>	<u>32,089</u>
Total assets	<u><u>\$ 9,021,963</u></u>	<u><u>\$ 9,611,826</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 188,452</u>	<u>\$ 106,794</u>
Total liabilities	<u>188,452</u>	<u>106,794</u>
NET ASSETS		
Net assets - without donor restrictions	5,840,370	5,359,085
Net assets - with donor restrictions	<u>2,993,141</u>	<u>4,145,947</u>
Total net assets	<u>8,833,511</u>	<u>9,505,032</u>
Total liabilities and net assets	<u><u>\$ 9,021,963</u></u>	<u><u>\$ 9,611,826</u></u>

See accompanying notes.

Born This Way Foundation, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2024 and 2023

	2024	2023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Grants and contributions	\$ 1,950,932	\$ 2,507,578
Contributed goods and services	1,400,764	1,331,162
Investment income, net	258,903	275,708
Other income	253,987	3,320
Net assets released from restriction	5,025,481	1,369,517
Total support and revenue	8,890,067	5,487,285
EXPENSES		
Program	7,069,637	3,857,727
General and administrative	576,340	591,458
Fundraising	762,805	473,676
Total expenses	8,408,782	4,922,861
Changes in net assets without donor restrictions	481,285	564,424
Net assets without donor restrictions, beginning of year	5,359,085	4,794,661
Net assets without donor restrictions, end of year	5,840,370	5,359,085
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	3,872,675	4,626,637
Net assets released from restriction	(5,025,481)	(1,369,517)
Changes in net assets with donor restrictions	(1,152,806)	3,257,120
Net assets with donor restrictions, beginning of year	4,145,947	888,827
Net assets with donor restrictions, end of year	2,993,141	4,145,947
CHANGES IN TOTAL NET ASSETS	(671,521)	3,821,544
TOTAL NET ASSETS, beginning of year	9,505,032	5,683,488
TOTAL NET ASSETS, end of year	\$ 8,833,511	\$ 9,505,032

See accompanying notes.

Born This Way Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2024 and 2023

2024				
	Program	General and administrative	Fundraising	Total
EXPENSES				
Partnership and programmatic contributions	\$ 3,254,498	\$ -	\$ -	\$ 3,254,498
Contracted services	1,859,383	195,482	407,289	2,462,154
Salaries and benefits	1,438,340	274,527	265,858	1,978,725
Professional fees	115,370	61,042	16,646	193,058
Office expenses	114,113	17,638	18,927	150,678
Payroll taxes	105,357	20,701	19,947	146,005
Travel	105,618	1,507	28,647	135,772
Legal fees	60,452	2,148	2,183	64,783
Insurance	12,399	2,475	2,485	17,359
Amortization and depreciation	4,107	820	823	5,750
Total expenses	<u>\$ 7,069,637</u>	<u>\$ 576,340</u>	<u>\$ 762,805</u>	<u>\$ 8,408,782</u>
2023				
	Program	General and administrative	Fundraising	Total
EXPENSES				
Partnership and programmatic contributions	\$ 579,119	\$ -	\$ -	\$ 579,119
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
Professional fees	119,257	48,800	19,149	187,206
Office expenses	109,633	8,904	12,061	130,598
Payroll taxes	93,480	25,140	14,421	133,041
Travel	138,549	3,067	9,857	151,473
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>

See accompanying notes.

Born This Way Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (671,521)	\$ 3,821,544
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization and depreciation expense	5,750	5,752
Loss on disposal of office equipment	-	276
Realized and unrealized gain on investments	(60,556)	(136,818)
Change in discount on grants and contributions receivable	30,437	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	1,089,816	(1,852,588)
Other receivables	(252,413)	-
Prepaid expenses	(3,156)	(22,520)
Accounts payable	<u>81,658</u>	<u>(10,739)</u>
Net cash provided by operating activities	<u>220,015</u>	<u>1,804,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	189,849	2,282,936
Purchases of investments	<u>(1,548,503)</u>	<u>(1,463,538)</u>
Net cash (used in) provided by investing activities	<u>(1,358,654)</u>	<u>819,398</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,138,639)	2,624,305
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,581,978</u>	<u>1,957,673</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,443,339</u></u>	<u><u>\$ 4,581,978</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, 2024 and 2023.
- 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 \$516,597 of equity securities and \$3,129,680 of 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.

Grants and contributions receivable – Unconditional promises to give are recorded as receivables. Grants and contributions 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. Grants and contributions receivable as of December 31, 2024 are expected to be received as follows: \$906,131 in 2025 and \$750,000 in 2026. Discounts on long-term grants and contributions receivable as of December 31, 2024 were calculated as \$30,437 using a risk-adjusted rate of 4.23%. All grants and contributions receivable as of December 31, 2023, are expected to be received within one year. Discounts on grants and contributions receivable as of December 31, 2023, were nominal. An allowance for uncollectible grants and contributions receivable may be provided based upon management's judgment, including such factors as prior collection history. There was no allowance for uncollectible grants and contributions deemed necessary by management at December 31, 2024 and 2023.

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 \$3,000. 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, 2024 and 2023. Office equipment at December 31, 2024 and 2023, consisted of \$12,910 with \$8,748 of accumulated depreciation, and \$20,818 with \$14,075 of accumulated depreciation, respectively. Depreciation expense for the years ended December 31, 2024 and 2023, was \$2,581. 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, 2024 and 2023, consisted of \$47,599 with \$25,382 of accumulated amortization, and \$47,559 with \$22,213 of accumulated amortization, respectively. Amortization expense for the years ended December 31, 2024 and 2023, was \$3,169 and \$3,171, respectively.

Grants and contributions – Grants and contributions are recognized as revenue when received or unconditionally pledged. Grants and 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.

Born This Way Foundation, Inc.

Notes to Financial Statements

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.

The Foundation is eligible for the Employee Retention Credit (ERC) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), subject to certain criteria. During the year ended December 31, 2024, the Foundation recognized \$252,000 of ERC revenue which is included in other income on the accompanying statements of activities and changes in net assets. Amended tax returns or claims for refund were filed with the Internal Revenue Service in May 2024. As of December 31, 2024, the full balance of the ERC was outstanding and is included in other receivables on the accompanying statements of financial position.

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.

Grants awarded – Partnership and programmatic contributions are recorded when a verifiable, voluntary, nonreciprocal, unconditional promise to give is made by the Foundation. Upon recording, unconditional promises to give that are expected to be paid out in future years are discounted to fair value based on estimated future cash outflows. The discounts on those amounts are computed using risk-adjusted interest rates applicable at the initial measurement date. There were no grants payable as of December 31, 2024 and 2023. Conditional grants are recognized as expenses and payable in the year in which the grantee meets the terms of the conditions. There were no conditional grants for the years ended December 31, 2024 and 2023.

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, 2024 and 2023, no provision for unrelated business income taxes is required. The Foundation has no unrecognized tax benefits or liabilities as of December 31, 2024 and 2023. 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, 2024 and 2023.

Born This Way Foundation, Inc.

Notes to Financial Statements

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.

Note 3 – Concentration and Credit Risks

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of grants and contributions receivable, cash, and investments that are placed in a major financial institution. During the years ended December 31, 2024 and 2023, 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 investments 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, 2024, three donors contributed 57% of the Foundation's total grant and contribution revenue. These contributions totaled \$1,500,000 of the grant and contributions outstanding at December 31, 2024. During the year ended December 31, 2023, two donors contributed 82% of the Foundation's total grant and contribution revenue. These contributions totaled \$2,350,000 of the grants and contributions outstanding at December 31, 2023.

Note 4 – Liquidity and Availability

The following table reflects the Foundation's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general expenditure within one year:

	2024	2023
Financial assets, at year end		
Cash and cash equivalents	\$ 3,443,339	\$ 4,581,978
Investments	3,646,277	2,227,067
Grants and contributions receivable, net	1,625,694	2,745,947
Other receivables	252,413	-
	<u>8,967,723</u>	<u>9,554,992</u>
Financial assets at year end		
	<u>8,967,723</u>	<u>9,554,992</u>
Less assets unavailable for general expenditures within one year		
Grants and contributions receivable, net, noncurrent	<u>719,563</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,248,160</u>	<u>\$ 9,554,992</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.

Born This Way Foundation, Inc.

Notes to Financial Statements

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2024 and 2023, are restricted for the following purposes or periods:

	2024	2023
Purpose and time restrictions	\$ 1,560,552	\$ 2,350,000
Purpose restrictions	1,232,589	1,300,000
Time restrictions	200,000	495,947
	<u>\$ 2,993,141</u>	<u>\$ 4,145,947</u>

All net assets with donor restrictions are expected to be released by December 31, 2026.

Note 6 – Net Assets Released from Restriction

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

	2024	2023
Purpose restrictions	\$ 4,479,693	\$ 690,000
Time restrictions	545,788	679,517
	<u>\$ 5,025,481</u>	<u>\$ 1,369,517</u>

Note 7 – Contributed Goods and Services

For the years ended December 31, 2024 and 2023, contributed goods and services recognized within the statements of activities and changes in net assets included:

	2024	2023
Professional services	\$ 1,339,564	\$ 1,307,162
Office space	61,200	24,000
	<u>\$ 1,400,764</u>	<u>\$ 1,331,162</u>

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

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

Born This Way Foundation, Inc.

Notes to Financial Statements

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, 2024 and 2023, was \$60,155 and \$48,899, respectively, included in salaries and benefits in the accompanying statements of functional expenses.

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 30, 2025, which is the date the financial statements were available to be issued.