

AMERICAN FRIENDS OF THE LOUVRE, INC.

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

JUNE 30, 2022

AMERICAN FRIENDS OF THE LOUVRE, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
American Friends of the Louvre, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of American Friends of the Louvre (“AFL”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFL as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 AFL and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 AFL’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 generally accepted auditing standards 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.

**Board of Directors
American Friends of the Louvre, Inc.
New York, New York**

In performing an audit in accordance with generally accepted auditing standards, 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 AFL'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 AFL'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.

Report on Summarized Comparative Information

We have previously audited American Friends of the Louvre's 2021 financial statements, and our report dated April 21, 2022, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information for grants on page 17, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

**New York, New York
February 10, 2023**

AMERICAN FRIENDS OF THE LOUVRE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,266,718	\$ 1,475,489
Pledges receivable <i>(Note 2)</i>	1,933,693	2,897,140
Accounts receivable <i>(Note 11)</i>	23,958	-
Prepaid expenses	<u>20,500</u>	<u>11,500</u>
Total current assets	<u>4,244,869</u>	<u>4,384,129</u>
NON-CURRENT ASSETS		
Pledges receivable <i>(Note 2)</i>	305,087	843,867
Investments <i>(Note 3)</i>	7,470,816	8,588,036
Donated artwork <i>(Note 6)</i>	911,000	911,000
Other assets	<u>6,015</u>	<u>6,015</u>
	<u>8,692,918</u>	<u>10,348,918</u>
Total assets	<u>\$12,937,787</u>	<u>\$14,733,047</u>
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 61,713	\$ 31,877
Grants payable <i>(Note 4)</i>	1,726,924	2,925,745
Deferred revenue	10,000	-
Refundable advance <i>(Note 11)</i>	<u>-</u>	<u>73,100</u>
Total current liabilities	<u>1,798,637</u>	<u>3,030,722</u>
NON-CURRENT LIABILITIES		
Grants payable <i>(Note 4)</i>	<u>275,934</u>	<u>782,052</u>
Total liabilities	<u>2,074,571</u>	<u>3,812,774</u>
NET ASSETS		
Without donor restriction		
Operations	7,187,340	6,639,018
Artwork	911,000	911,000
Board-designated – Forbes Fund	25,000	25,000
With donor restrictions <i>(Note 5)</i>	<u>2,739,876</u>	<u>3,345,255</u>
Total net assets	<u>10,863,216</u>	<u>10,920,273</u>
Total liabilities and net assets	<u>\$12,937,787</u>	<u>\$14,733,047</u>

AMERICAN FRIENDS OF THE LOUVRE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022 With Summarized Information For 2021

	Without Donor Restrictions			With Donor Restrictions	2022 Total	2021 Total
	Undesignated	Board Designated	Total			
Support and Revenue						
Contributions	\$ 188,777	\$ -	\$ 188,777	\$ 572,449	\$ 761,226	\$ 3,112,895
Memberships	750,000	-	750,000	-	750,000	657,750
Grants	73,100	-	73,100	-	73,100	73,100
ERC credit <i>(Note 11)</i>	23,958	-	23,958	-	23,958	-
Event income (net of direct benefit to donors of \$522,448 in 2022 and \$22,181 in 2021)	1,241,022	-	1,241,022	-	1,241,022	317,423
Investment income designated for current operations <i>(Note 3)</i>	190,884	-	190,884	20,193	211,077	266,129
Other interest income	417	-	417	-	417	657
Gifts-in-kind <i>(Note 6)</i>	-	-	-	-	-	208,500
Net assets released from restrictions <i>(Note 5)</i>	<u>842,085</u>	<u>-</u>	<u>842,085</u>	<u>(842,085)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,310,243</u>	<u>-</u>	<u>3,310,243</u>	<u>(249,443)</u>	<u>3,060,800</u>	<u>4,636,454</u>
Expenses						
Program	1,369,286	-	1,369,286	-	1,369,286	4,182,475
Management and general	245,979	-	245,979	-	245,979	240,454
Fundraising	<u>317,016</u>	<u>-</u>	<u>317,016</u>	<u>-</u>	<u>317,016</u>	<u>251,613</u>
Total expenses	<u>1,932,281</u>	<u>-</u>	<u>1,932,281</u>	<u>-</u>	<u>1,932,281</u>	<u>4,674,542</u>
Excess (deficit) of revenue over expense	1,377,962	-	1,377,962	(249,443)	1,128,519	(38,088)
Other Changes						
Investment return (loss) net of amounts designated for current operations <i>(Note 3)</i>	<u>(829,640)</u>	<u>-</u>	<u>(829,640)</u>	<u>(355,936)</u>	<u>(1,185,576)</u>	<u>1,729,355</u>
Change in net assets	548,322	-	548,322	(605,379)	(57,057)	1,691,267
Net Assets						
Beginning of year	<u>7,550,018</u>	<u>25,000</u>	<u>7,575,018</u>	<u>3,345,255</u>	<u>10,920,273</u>	<u>9,229,006</u>
End of year	<u>\$ 8,098,340</u>	<u>\$ 25,000</u>	<u>\$ 8,123,340</u>	<u>\$ 2,739,876</u>	<u>\$ 10,863,216</u>	<u>\$ 10,920,273</u>

See notes to financial statements.

AMERICAN FRIENDS OF THE LOUVRE, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
<i>Cash flows from operating activities</i>		
Change in net assets	\$ (57,057)	\$ 1,691,267
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized/unrealized (gain) loss on investments	990,149	(1,957,775)
Donated artwork	-	611,500
(Increase) decrease in		
Pledges receivable	1,502,227	(2,337,703)
Accounts receivable	(23,958)	-
Prepaid expense	(9,000)	799
Other assets	-	(1,515)
Increase (decrease) in		
Accounts payable and accrued expense	29,836	20,832
Grants payable	(1,704,939)	2,175,153
Deferred revenue	10,000	(14,000)
Refundable advance	<u>(73,100)</u>	<u>-</u>
Net cash provided by operating activities	<u>664,158</u>	<u>188,558</u>
<i>Cash flows from investing activities</i>		
Purchases of investments	(1,602,680)	(2,191,418)
Proceeds from sale of investment	<u>1,729,751</u>	<u>2,143,657</u>
Net cash provided by (used for) investing activities	<u>127,071</u>	<u>(47,761)</u>
Net increase in cash and cash equivalents	791,229	140,797
<i>Cash and cash equivalents</i>		
Beginning of year	<u>1,475,489</u>	<u>1,334,692</u>
End of year	<u>\$ 2,266,718</u>	<u>\$ 1,475,489</u>

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 And 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

American Friends of the Louvre's ("***AFL***") mission includes conducting activities that support or benefit the Louvre Museum ("***Louvre***"); fostering a public appreciation and understanding of art in general and raising public awareness about the Louvre and its extensive collection of works of art in particular; cooperating with other charitable organizations whether local, national, or international, for any of the foregoing purposes; and conducting any other activities that may be necessary, useful, or desirable for the furtherance or the accomplishment of the foregoing purposes.

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.

CASH EQUIVALENTS

Cash equivalents include money market funds which are stated at fair value.

CONCENTRATION OF CREDIT RISK

AFL occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification ("***ASC***") 825, "***Financial Instruments***", 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 in debt and equity securities with readily determinable fair market values are recorded at fair values. Unrealized gains and losses are recorded in the statement of activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs, including salaries, benefits, and occupancy expenses, have been allocated based on time and effort among the programs and supporting services benefitted.

REVENUE RECOGNITION

AFL recognizes contributions when cash, securities or other assets, and unconditional promise to give, or a notification of a beneficial interest is received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before AFL is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. AFL recognizes the contribution when the conditions are substantially met or explicitly waived. Unconditional contributions are classified as without donor restrictions unless there are donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as "***net assets released from restrictions***."

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.

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

NET ASSETS

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of AFL are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing mission of AFL.

Operating – include the revenues and expenses associated with the principal mission of AFL.

Board-designated Forbes Fund – includes funds designated by the Board to ensure the ongoing solvency of AFL and to ensure the organization has sufficient reserves to address potential crises as well as the ability to rise to take advantage of new or unanticipated opportunities and initiatives. Income earned on this fund is undesignated and Board approval is necessary for any withdrawal of funds from the original corpus.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of AFL or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts; pledges; and investment returns on “true” endowment funds. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by AFL, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

TAX EXEMPT STATUS

AFL is qualified as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. The Internal Revenue Service has classified AFL as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Management has reviewed the tax positions for each of the open fiscal tax years (2019 – 2021) or expected to be taken in AFL’s fiscal 2022 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. AFL plans to adopt the new ASU at the required implementation date.

PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AFL’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

RECLASSIFICATIONS

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation.

(2) PLEDGES RECEIVABLE

Pledges receivable at June 30, 2022 and 2021 are expected to be realized as follows:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 1,933,693	\$ 2,897,140
In one to five years	211,292	698,732
In more than five years	<u>132,146</u>	<u>170,719</u>
	2,277,131	3,766,591
Less: discount to present value at 2.21% - 3.11% in 2022 and 0.13% - 2.08% in 2021	<u>(38,351)</u>	<u>(25,584)</u>
Total pledges receivable – net	<u>\$ 2,238,780</u>	<u>\$ 3,741,007</u>

(3) INVESTMENTS

Investments at June 30 consisted of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$2,271,180	\$2,271,180	\$1,682,681	\$1,682,681
Common Stock	4,191,118	4,707,175	4,413,190	6,308,944
Corporate Bonds	297,734	272,978	107,789	111,168
U.S. Government Bonds	184,070	168,532	420,255	416,326
U.S. Government Agency – FNMA	<u>60,491</u>	<u>50,951</u>	<u>70,085</u>	<u>68,917</u>
	<u>\$7,004,593</u>	<u>\$7,470,816</u>	<u>\$6,694,000</u>	<u>\$8,588,036</u>

Investment return and its classification in the statement of activities for the years ended June 30, 2022 and 2021 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Interest and dividends	\$ 10,233	\$ 5,417	\$ 15,650	\$ 37,709
Realized gains	286,469	151,177	437,646	519,215
Unrealized gains (loss)	<u>(935,458)</u>	<u>(492,337)</u>	<u>(1,427,795)</u>	<u>1,438,560</u>
Total return (loss) on investments	(638,756)	(335,743)	(974,499)	1,995,484
Investment income designated for current operations	<u>190,884</u>	<u>20,193</u>	<u>211,077</u>	<u>266,129</u>
Investment return net of amounts designated for current operations	<u>\$ (829,640)</u>	<u>\$ (355,936)</u>	<u>\$ (1,185,576)</u>	<u>\$ 1,729,355</u>

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

AFL utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that AFL has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an active market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing AFL’s own assurance about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value AFL’s investments as of June 30, 2022 and 2021 is as follows:

		Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
2022	Total			
Money Market Funds	\$2,271,180	\$2,271,180	\$ -	\$ -
Common Stock	4,707,175	4,707,175	-	-
Corporate Bonds	272,978	-	272,978	-
U.S. Government Bonds	168,532	-	168,532	-
U.S. Government Agency – FNMA	<u>50,951</u>	<u>-</u>	<u>50,951</u>	<u>-</u>
	<u>\$7,470,816</u>	<u>\$6,978,355</u>	<u>\$492,461</u>	<u>\$ -</u>

		Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
2021	Total			
Money Market Funds	\$1,682,681	\$1,682,681	\$ -	\$ -
Common Stock	6,308,944	6,308,944	-	-
Corporate Bonds	111,168	-	111,168	-
U.S. Government Bonds	416,326	-	416,326	-
U.S. Government Agency – FNMA	<u>68,917</u>	<u>-</u>	<u>68,917</u>	<u>-</u>
	<u>\$8,588,036</u>	<u>\$7,991,625</u>	<u>\$596,411</u>	<u>\$ -</u>

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

(4) GRANTS PAYABLE

Grants payable at June 30, 2022 and 2021 are expected to be paid as follows:

	<u>2022</u>	<u>2021</u>
In one year or less	\$ 1,726,924	\$ 2,925,745
In one to five years	180,292	636,732
In more than five years	<u>132,146</u>	<u>170,719</u>
	2,039,362	3,733,196
Less: discount to present value at 2.21% - 3.11% in 2022 and 0.13% - 2.08% in 2021	<u>(36,504)</u>	<u>(25,399)</u>
Total grants payable – net	<u>\$ 2,002,858</u>	<u>\$ 3,707,797</u>

(5) NET ASSETS

Net assets without donor restrictions include net assets designated by the Board of Directors as the Forbes Fund.

The Forbes Fund was created in fiscal year 2021: in fiscal year 2021, the Board approved a transfer of \$25,000 to be included in the Forbes Fund.

Net assets with donor restrictions are available for the following purposes at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a special purpose:		
Accumulated Endowment Income	\$ 1,244,280	\$ 1,603,847
Tuileries Garden Project	10,000	10,000
Bahrain Project	-	30,000
Cain Sculptures – Tuileries	-	73,835
Cimabue Restoration	-	293,176
Byblos Exhibition	-	11,771
Louvre Education Initiative – Petite Galerie	-	100,000
Louvre Accessibility	30,000	30,000
Louvre Palace Garden Conservation	-	1,000
Louvre Collections	970	-
Louvre Other	10,000	-
LA Residency	24,000	25,000
Grand Basin Sculpture Restoration	<u>250,000</u>	<u>-</u>
	<u>1,569,250</u>	<u>2,178,629</u>
Perpetual in nature:		
Lecture and Research Fund	198,153	198,153
Forbes Endowment	<u>972,473</u>	<u>968,473</u>
	<u>1,170,626</u>	<u>1,166,626</u>
	<u>\$ 2,739,876</u>	<u>\$ 3,345,255</u>

In 2021, AFL transferred net assets of \$20,073 that were previously included with net assets with donor restrictions to net assets without donor restriction to properly classify pledge commitments received in prior years.

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

ENDOWMENT FUNDS

AFL's endowment funds consist of individual funds established for a variety of purposes. Its endowment funds consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP in the United States, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

AFL is incorporated in the state of New York, which has enacted the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). UPMIFA governs donor restricted or permanently restricted endowment funds for not-for-profit corporations. AFL has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AFL classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AFL. AFL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of AFL and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of AFL
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the institution.
- (8) The investment policies of AFL

RETURN OBJECTIVES AND RISK PARAMETERS

AFL's investment policy for endowment funds is to earn a return that meets the endowment spending rate with minimum investment risk.

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

SPENDING POLICY

AFL has a policy that permits annual spending between 3.5% and 6% of the market value of the endowment fund on June 30, preceding the fiscal year in which the distributions are made, based on the annual performance of the funds. This policy is consistent with AFL's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021 was as follows:

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,434,978	\$ 2,434,978
Funds functioning as endowment funds	<u>5,016,675</u>	<u>-</u>	<u>5,016,675</u>
Total Funds	<u>\$5,016,675</u>	<u>\$2,434,978</u>	<u>\$7,451,653</u>

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,790,546	\$ 2,790,546
Funds functioning as endowment funds	<u>5,778,552</u>	<u>-</u>	<u>5,778,552</u>
Total Funds	<u>\$5,778,552</u>	<u>\$2,790,546</u>	<u>\$8,569,098</u>

Changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,778,552	\$ 2,790,546	\$ 8,569,098
Investment return	(650,782)	(335,743)	(986,525)
Contributions/additions	12,457	4,000	16,457
Endowment income designated for current operations	<u>(123,552)</u>	<u>(23,825)</u>	<u>(147,377)</u>
	<u>\$5,016,675</u>	<u>\$2,434,978</u>	<u>\$7,451,653</u>

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,460,650	\$ 2,129,481	\$ 6,590,131
Investment return	1,315,372	680,112	1,995,484
Contributions/additions	2,530	-	2,530
Endowment income designated for current operations	<u>-</u>	<u>(19,047)</u>	<u>(19,047)</u>
	<u>\$5,778,552</u>	<u>\$2,790,546</u>	<u>\$8,569,098</u>

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

During the year ended June 30, 2022, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purpose:

Louvre Collections	\$ 229
Cimabue Restoration	300,000
Bahrain Project	30,000
Cain Sculptures – Tuileries	73,835
Kovler Fund for Public and Social Outreach	20,000
Louvre Education Initiative – Petite Galerie	100,000
Louvre Accessibility	5,000
Louvre Palace Garden Conservation	13,000
Le Songe de Saint Joseph	230,000
Miseroni Cameo	29,425
Byblos Exhibition	11,771
LA Residency	5,000
Other Louvre Projects	<u>23,825</u>
	<u>\$ 842,085</u>

(6) GIFTS IN-KIND

During the year ended June 30, 2021, AFL received donated artwork valued at \$208,500 and granted donated artwork valued at \$820,000 to the Louvre. There were no donations or grants of artwork during the year ended June 30, 2022.

(7) LEASE COMMITMENT

In March 2021, AFL entered into a lease agreement in New York starting April 1, 2021 which runs through July 31, 2022. In May 2022, AFL extended their current lease to run through July 31, 2023. Rent expense for the years ended June 30, 2022 and 2021 was approximately \$30,000 and \$26,000, respectively.

Future minimum rental commitments under this lease are as follows:

2023	\$ 32,766
2024	<u>2,748</u>
	<u>\$ 35,514</u>

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

(8) FUNCTIONAL EXPENSES

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>	
		<u>Management And General</u>	<u>Fund Raising</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Salaries	\$ 144,481	\$103,201	\$ 165,122	\$ 412,804	\$ 394,144
Payroll taxes	9,559	6,828	10,924	27,311	25,531
Employee health, retirement, and other benefits	<u>16,770</u>	<u>11,978</u>	<u>19,165</u>	<u>47,913</u>	<u>42,755</u>
Total salaries and related expenses	170,810	122,007	195,211	488,028	462,430
Grants	1,126,480	-	-	1,126,480	3,986,826
Professional fees	4,197	75,544	4,197	83,938	116,517
Travel, conferences, conventions, and meetings	38,687	27,634	44,214	110,535	9,620
Printing, postage and publication	3,599	2,571	4,113	10,283	10,532
Occupancy	11,457	8,183	13,093	32,733	27,835
Telephone	2,270	1,622	2,594	6,486	5,543
Office supplies	1,741	1,244	1,990	4,975	2,857
Fund-raising / special events	-	-	40,124	40,124	28,846
Miscellaneous	<u>10,045</u>	<u>7,174</u>	<u>11,480</u>	<u>28,699</u>	<u>23,536</u>
Total expenses – 2022	<u>\$1,369,286</u>	<u>\$245,979</u>	<u>\$ 317,016</u>	<u>\$1,932,281</u>	
Total expenses – 2021	<u>\$4,182,475</u>	<u>\$240,454</u>	<u>\$ 251,613</u>		<u>\$4,674,542</u>

(9) RETIREMENT PLAN

AFL participates in the TIAA-CREF Educational Retirement Plan, which is a contributory plan covering eligible employees. Under the plan, all eligible personnel participate and vest in all benefits purchased after a six month waiting period. AFL contributes an amount equal to 7% of the employee's base salary. Contributions charged to operations for the fiscal years ended June 30, 2022 and 2021 were approximately \$21,500 and \$17,600, respectively.

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

(10) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects AFL’s financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may include net assets with donor and/or contractual restrictions.

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 2,266,718	\$ 1,475,489
Investments	7,470,816	8,588,036
Pledges Receivable (due within one year)	<u>1,933,693</u>	<u>2,897,140</u>
Total financial assets	11,671,227	12,960,66
Less:		
Board designated – Forbes Fund	(25,000)	(25,000)
Net assets with donor restrictions	<u>(2,739,876)</u>	<u>(3,345,255)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 8,906,351</u>	<u>\$ 9,590,410</u>

(11) COVID-19

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on AFL’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on AFL’s funders, donors, employees and vendors, all of which are uncertain and cannot be predicted.

In May 2020, AFL received \$73,100 in funds from the federal Paycheck Protection Program (PPP). The PPP loan was designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Small Business Administration (SBA) will forgive loans if all employees are kept on the payroll for a specific period of time and the money is used for certain allowable costs. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 24 months. The AICPA released guidance on recording options and AFL has decided to record these funds under the government grant model (FASB ASC 958-605). The cash received under the PPP is recorded as a liability until the conditions are substantially met. When AFL has substantially met the conditions of the program and qualifying expenses are incurred, the cancellation of the liability is recorded as revenue. As of June 30, 2021, AFL had met conditions and incurred expense in the amount of \$73,100 and this amount was included in the Statement of Activities and Changes in Net Assets as grant revenue. On April 9, 2021, AFL was notified by the SBA that the loan was forgiven.

AMERICAN FRIENDS OF THE LOUVRE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2022 And 2021

On February 17, 2021, AFL received a \$73,100 loan under the Small Business Administration's ("**SBA**") Paycheck Protection Program Second Draw Loan ("**PPP Second Draw Loan**") under the Consolidated Appropriations Act 2021, Additional Coronavirus Response and Relief provisions. PPP Second Draw Loans are eligible for forgiveness if AFL incurs qualifying expenses over a period of time not to exceed 24 weeks. The period of time in which qualifying expenses may be incurred commences upon receipt of the loan. Any portion of the loan not forgiven is payable over a 5-year period at an interest rate of 1%. AFL considers the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Second Draw Loan agreement and as such, will recognize contribution income when these conditions are substantially met. As of June 30, 2022, AFL had met the conditions and incurred the expense in the amount of \$73,100 and this amount has been included in the Statement of Activities and Changes in Net Assets as grant revenue. On October 21, 2021, AFL was notified by the SBA that the Loan was forgiven.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization believes that it was eligible for a refundable employee retention credit. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. During the fiscal year ended December 31, 2021, AFL recorded \$23,958 related to the CARES Employee Retention Credit ("**ERC**") with accounts receivable on the Statement of Financial Position. Related, as of December 31, 2021, ERC revenue of \$23,958 is included on the Statement of Activities and Changes in Net Assets.

The PPP Loan, PPP Second Draw Loan and the ERC program are subject to audit by the Federal Government for eligibility and related costs.

(12) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, February 10, 2023, have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

AMERICAN FRIENDS OF THE LOUVRE, INC.

SCHEDULE OF GRANTS

Years Ended June 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
Grants Made To Musée du Louvre		
International Council Grant for the Choiseul Snuffbox *	\$ 242,068	\$ -
International Council Grant for the Pharoah of Two Lands Exhibition *	-	202,469
Cain Sculptures – Tuileries	73,835	-
St. Esprit Research Project	-	43,500
Traveling Materials & Objects – Petite Galerie	100,000	-
Louvre’s School of Bolognese Drawings from 16 th Century	23,825	-
Cimabue Restoration	300,000	-
The Napoleon III Museum at the Palace of Industry: An Ephemeral Museum	-	19,047
Le Songe de Saint Joseph Painting Acquisition	230,000	-
Tous Mecenes Campaign	-	2,000
Bahrain Project	30,000	-
Outreach - Louvre Collections	-	1,000
Studio Project	-	512,071
Byblos Exhibition	11,777	-
Jean-Antoine Watteau Painting	-	500,000
Francois Le Moyne Drawing	-	60,000
James Northcote Painting	-	200,000
Benjamin West Drawing	-	60,000
Educational Tours of the Louvre	-	16,920
Louvre Grand Diner	29,656	-
Miseroni Cameo Acquisition	29,425	-
Grande Allée in the Tuileries Garden	-	41,700
Grants Made to Louvre Endowment		
Louvre Endowment Education Fund – Accessibility	5,000	10,000
Louvre Endowment Education Fund – Collections	200	100
Louvre Endowment Education Fund – Palace Garden Conservation	13,000	-
Louvre Endowment Education Fund – Outreach	10,000	-
Kovler Fund for Public and Social Outreach	20,000	25,000
GROW Annenberg Fund	18,799	-
Elahé Omidyar Mir-Djalali Fund	-	2,300,000
	<u>\$1,137,585</u>	<u>\$3,993,807**</u>

* The total grants paid to the Louvre from International Council funds was \$232,068 and \$182,469, for the years ended June 30, 2022 and 2021, respectively. The amounts above do not include deductions for membership dues paid directly to the Museum.

** Amount does not include the change in value of the discount on grants payable (*Note 4*).