

The Graff Foundation

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

The Graff Foundation

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31 December 2020

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The Graff Foundation

TRUSTEES AND ADVISORS

TRUSTEES

Laurence Graff
Francois Graff
Nicholas Paine

ADDRESS OF CHARITY

29 Albemarle Street
London
W1S 4JA

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

BANKERS

Barclays Bank plc
99 Hatton Garden
London EC1N 8DN

SOLICITORS

Kerman & Co
200 Strand
London WC2R 1DJ

REGISTERED CHARITY NUMBER 1012859

The principal office is the same as the registered office.

The Graff Foundation

TRUSTEES' REPORT

The trustees submit their report and the audited financial statements of The Graff Foundation for the year ended 31 December 2020.

The financial statements have been prepared in accordance with The Charities Statement of Recommended Practice (SORP under FRS 102) and the Charities Act 2011. It is a public benefit entity.

OBJECTIVES, STRATEGY AND ACTIVITIES

The Graff Foundation ('the Foundation') was registered with the Charity Commission (registration number 1012859) on 15 July 1992 as a charity for general charitable purposes and is governed by the Trust Deed dated 20 December 1991.

The objectives of the Foundation are to apply the income and such parts of the capital towards such charitable purposes and to make grants to such charitable institutions at such times and in such manner as the trustees in their absolute discretion think fit. The strategy for achieving these objectives is for the trustees to review various charitable organisations and decide which organisations should receive funding on an annual basis.

The trustees confirm that they have complied with their duty under Section 17 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit and seek to meet the Foundation's purposes in following its objectives.

MANAGEMENT AND GOVERNANCE

The trustees who have served during the year and since the year end are set out on page 1. The Foundation is managed by a minimum of 3 trustees. The statutory power of appointing new or additional trustees is vested in Graff Diamonds Limited, a related party. All new trustees are provided with an induction pack which includes the constitution of the Trust and guidelines on how to perform their duties as Trustee. Further training is given as and when necessary. The day to day management of the charity is carried out by Robert Falk, the charity accountant.

RELATED PARTIES

The Foundation has a close relationship with Graff Diamonds Limited which provides funding to the charity. Francois Graff is a director of Graff Diamonds Limited, and Laurence Graff is the ultimate controlling shareholder of that company.

ACHIEVEMENTS AND PERFORMANCE

The trustees review various charitable organisations and decide which organisations should receive funding. Having reviewed various charitable organisations, the trustees have made seven (2019: eight) grants during the year amounting to £1,325,437 (2019: £1,530,662) to organisations as set out in note 3.

The grants were made in accordance with the aims of the trust as set out in the Trust Deed dated 20 December 1991.

The Foundation's future strategy remains unchanged. There are no current commitments for any future grants.

GRANT MAKING POLICY

The essential purpose of the Foundation is to aid in the generation of funds to various charitable organisations.

FINANCIAL REVIEW

The trustees set out the financial statements on page 7 to page 11. Expenditure exceeded income in the year by £1,147,020 (2019: Net expenditure of £770,506).

The Graff Foundation

TRUSTEES' REPORT (Continued)

RESERVES POLICY AND INVESTMENT POLICY

It is the policy of the trustees to maintain reserves at a level to enable it to be administered efficiently to meet its expenditure requirements and to have adequate resources to fund its charitable objectives. The level of reserves is currently £3,288,984 (2019: £4,436,004).

Under the Trust Deed dated 20 December 1991, the charity has the power to invest its accumulated assets in the purchase, acquisition or improvement of any property if appropriate. Their current reserves policy is to accumulate reserves under this power. However, at this time the certainty of cash and cash deposits is deemed to be the most appropriate investment strategy. The policy is reviewed annually.

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

The trustees have examined the major risks which the charity faces. The trustees confirm that systems have been established to ensure that any major risks are identified and as far as practicable adequately mitigated. The management of the Foundation and the execution of the Foundation's strategy is subject to a number of risks that include liquidity and cash flow risk. The Foundation does not have a risk register. Policies relating to the management of these risks and how they are mitigated are described below:

Cash flow risk

Cash flow forecasting is performed on a regular basis which includes rolling forecasts of the Foundation's liquidity requirements to ensure that the Foundation has sufficient cash to meet operational needs.

Liquidity risk

The trustees regularly review the Foundation's financial position and actively discuss matters to ensure that there are sufficient funds available to continue in operational existence and meet liabilities as and when they fall due.

FUTURE DEVELOPMENTS AND FUTURE PLANS

The trustees will continue to apply the income and such parts of the capital towards such charitable purposes and to make grants to such charitable institutions at such times and in such manner as the trustees in their absolute discretion think fit.

CORONAVIRUS

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and are continuing to be implemented across the United Kingdom and globally. The Charity will pay close attention to the development of the COVID-19 outbreak and assess its ongoing impact on the financial position of the Charity. This may have a detrimental effect on donations received in 2021.

GOING CONCERN

The trustees consider the charitable company to be a going concern as it is in a net asset position with a very small total of liabilities.

The Graff Foundation

TRUSTEES' REPORT (Continued)

DISCLOSURE OF INFORMATION TO AUDITORS

As far as the trustees are aware, there is no relevant audit information of which the charity's auditors are unaware, and they have taken all the steps that they ought to have taken as trustees, to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of the information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the trustees

A handwritten signature in black ink, appearing to read 'N. Paine'.

Nicholas Paine
Trustee

Date: 20 April 2021

The Graff Foundation

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Graff Foundation

Independent auditors' report to the trustees of The Graff Foundation

Report on the audit of the financial statements

Opinion

- In our opinion, The Graff Foundation's financial statements (the financial statements"):
- give a true and fair view of the state of the charity's affairs as at 31 December 2020 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Charities Act 2011 and Regulation 8 of The Charities (Accounts and Reports) Regulations 2008).

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Financial Activities for the year then ended; and the notes to the financial statements which include a summary of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the charity's ability to continue as a going concern.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

The Graff Foundation

Independent auditors' report to the trustees of The Graff Foundation (Continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We are eligible to act and have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the charity and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Charities Act 2011 and relevant regulations made or having an effect thereunder, including The Charities (Accounts and Reports) Regulations 2008 in respect of donations and expenditure and specifically donations not being made to other registered charitable organisations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Charities Act 2011 and Regulation 8 of The Charities (Accounts and Reports) Regulations 2008). We evaluated the trustees' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management posting inappropriate journal entries. Audit procedures performed included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The Graff Foundation

Independent auditors' report to the trustees of The Graff Foundation (Continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Part 4 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Charities Act 2011 exception reporting

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept by the charity; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 April 2021

The Graff Foundation

STATEMENT OF FINANCIAL ACTIVITIES

As at 31 December 2020

| | | Unrestricted funds | |
|--|-------------|-------------------------|-------------------------|
| | <i>Note</i> | 2020 £ | 2019 £ |
| INCOME AND ENDOWMENTS FROM | | | |
| Donations and Legacies | 8 | 162,575 | 774,473 |
| Interest receivable from bank accounts | 2 | 22,072 | 39,617 |
| Other income | | 1,595 | 1,000 |
| Total income and endowments | | <u>186,242</u> | <u>815,090</u> |
| EXPENDITURE ON | | | |
| Charitable activities | 3 | (1,325,437) | (1,530,662) |
| Other expenditure | 4 | (7,825) | (54,934) |
| Total expenditure | | <u>(1,333,262)</u> | <u>(1,585,596)</u> |
| NET MOVEMENT IN FUNDS | | (1,147,020) | (770,506) |
| RECONCILIATION OF FUNDS | | | |
| Total funds brought forward | | 4,436,004 | 5,206,510 |
| Total funds carried forward | | <u><u>3,288,984</u></u> | <u><u>4,436,004</u></u> |

There are no recognised gains or losses other than those included within the Statement of Financial Activities for the financial year and the prior financial year.

All income and expenditure relate to continuing operations for both the current and prior year.

The Graff Foundation

BALANCE SHEET

As at 31 December 2020

| | <i>Note</i> | 2020 £ | 2019 £ |
|--------------------------|-------------|------------------|------------------|
| CURRENT ASSETS | | | |
| Debtors | 5 | 18 | 1,315 |
| Cash at bank and in hand | | 3,288,966 | 4,434,689 |
| TOTAL ASSETS | | <u>3,288,984</u> | <u>4,436,004</u> |
| THE FUNDS OF THE CHARITY | | | |
| Unrestricted funds | 7 | 3,288,984 | 4,436,004 |
| Total Charity funds | | <u>3,288,984</u> | <u>4,436,004</u> |

The notes on pages 11 to 13 are an integral part of these financial statements.

The financial statements on pages 9 to 13 were approved by the board of trustees on 20 April 2021 and were signed on its behalf by:



Nicholas Paine
Trustee

The Graff Foundation

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

1.ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the financial reporting standard applicable in the United Kingdom and the Republic of Ireland ('FRS102') and the Charities Act 2011. The principal accounting policies which have been consistently applied and adopted in the preparation of the financial statements are as follows:

1.2 FUND ACCOUNTING

The charity holds an unrestricted general fund. This can be used in accordance with the charitable objectives at the discretion of the trustees.

1.3 DONATIONS AND LEGACIES

Donations are accounted for in the period in which they are receivable or received.

1.4 EXPENDITURE

Expenditure is included in the statement of financial activities on the accruals basis. Grants made by the charity to beneficiaries are provided for on approval of the trustees and upon payment to the recipient.

1.5 INCOME FROM INVESTMENTS

Income from investments is accrued to the date of the balance sheet. All finance income is credited to the Statement of Financial Activities.

1.6 GRANT POLICY

To apply the income and such parts of the capital towards such charitable purposes and to make grants to such charitable institutions at such times and in such manner as the trustees in their absolute discretion think fit. The strategy for achieving these objects is for the trustees to review various charitable organisations and decide which organisations should receive funding on an annual basis.

1.7 FOREIGN CURRENCIES

Within the charity, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. These translation differences are dealt with in the Statement of Financial Activities.

1.8 IRRECOVERABLE VAT

Any irrecoverable VAT is charged to the Statement of Financial Activities.

1.9 TAX

The Foundation is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the its primary objectives, if these profits and surpluses are applied solely for charitable purposes

1.10 PRESENTATIONAL AND FUNCTIONAL CURRENCY

The financial statements are presented in GBP as in the opinion of the trustees this reflects the underlying operating activities of the charity. The functional currency is GBP as the majority of cash held is in GBP bank deposit accounts.

The Graff Foundation

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2020

| | | | |
|---|---|-----------|-----------|
| 2 | INTEREST RECEIVABLE FROM BANK ACCOUNTS | 2020 £ | 2019 £ |
| | Bank interest receivable | 22,072 | 39,617 |
| 3 | CHARITABLE ACTIVITIES | 2020 £ | 2019 £ |
| | Grants payable: | | |
| | Facet Foundation | 391,757 | 1,390,246 |
| | The Museum of Contemporary Art | 75,850 | 77,628 |
| | Chabad Jewish Community of Central London | 6,500 | 13,000 |
| | Lady Garden Foundation | - | 5,000 |
| | The Queen's Commonwealth Trust | 11,000 | 11,000 |
| | Qunitessentially Foundation | - | 500 |
| | Covid-19 Solidarity response fund | 807,575 | - |
| | Tate Foundation | 10,000 | 10,000 |
| | Guggenheim Museum | 22,755 | 23,288 |
| | | 1,325,437 | 1,530,662 |
| 4 | OTHER EXPENDITURE | 2020 £ | 2019 £ |
| | Bank charges and interest | 44 | 30 |
| | Foreign exchange losses | 186 | 47,904 |
| | Governance costs | 7,595 | 7,000 |
| | | 7,825 | 54,934 |

Governance costs are the administrative services of £1,000 (2019: £1,000), which are provided by Robert Falk, the charity accountant, and audit fees for the year were £6,595 (2019: £6,000).

Foreign exchange losses arose in the year, upon the revaluation of the US bank account at 31 December 2020, and a small gain on US treasury deposits of £1,206 (2019: £49,501). The dollar has moved favourably against the pound over the year.

| | | | |
|---|--------------------------------|-----------|-----------|
| 5 | DEBTORS | 2020 £ | 2019 £ |
| | Prepayments and accrued income | 18 | 1,315 |

The Graff Foundation

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 December 2020

6 TRUSTEES' EMOLUMENTS

No trustees received any remuneration or reimbursement of expenses for their services to the charity during the year (2019: £nil). There are no other employees within the charity. (2019: none)

| 7 | UNRESTRICTED FUNDS | 2020 £ | 2019 £ |
|---|-------------------------------|------------------|------------------|
| | Fund balances brought forward | 4,436,004 | 5,206,510 |
| | Income | 186,242 | 815,090 |
| | Expenditure | (1,333,262) | (1,585,596) |
| | Fund balances carried forward | <u>3,288,984</u> | <u>4,436,004</u> |

8 RELATED PARTY TRANSACTIONS

The Trust received £162,575 from Facet Foundation during the year as a donation (2019: £774,473 from Graff Diamonds Limited). At 31 December 2020, a balance of £nil (2019: £nil) was due from Graff Diamonds Limited. No trustees represent the board of any of its recipient charities. The Foundation will occasionally receive funds or pay funds to Facet Foundation for cash flow purposes. The trust received \$1,000,000 from Graff Diamonds Limited during 2020 which was repaid during the year.

The Trust paid grants to Facet Foundation during the year amounting to £391,757 (2019: £1,390,246). Laurence Graff and Francois Graff are also trustees of Facet Foundation. The trust is a stand-alone entity. The ultimate controlling party is Mr Laurence Graff.