The Barack Obama Foundation

(A District of Columbia Not-for-Profit Corporation)

Financial Statements as of and for the Years Ended December 31, 2019 and 2018 and Independent Auditor's Report

THE BARACK OBAMA FOUNDATION
(A District of Columbia Not-for-Profit Corporation)

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Barack Obama Foundation:

We have audited the accompanying financial statements of The Barack Obama Foundation (a District of Columbia not-for-profit corporation) (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

May 15, 2020

THE BARACK OBAMA FOUNDATION
(A District of Columbia Not-for-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash	$ 156,237,536	$ 100,093,303
Prepaid and other assets	2,997,041	2,672,896
Pledges and grants receivable—net	212,549,015	218,287,411
Beneficial interest in trust	9,100,000	-
Fixed assets—net	4,219,038	2,468,902
Pre-construction costs	52,804,489	30,596,727
Donated lease assets	1,468,015	1,768,564
TOTAL ASSETS	$ 439,375,134	$ 355,887,803
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 5,676,612	$ 9,382,795
Accrued payroll and benefits	645,878	1,188,231
Deferred grant revenue	516,200	516,200
Grants payable	2,250,000	1,750,000
Deferred rent liability	741,185	30,558
Total liabilities	9,829,875	12,867,784
NET ASSETS:		
Without donor restrictions	186,984,793	113,680,390
With donor restrictions	242,560,466	229,339,629
Total net assets	429,545,259	343,020,019
TOTAL LIABILITIES AND NET ASSETS	$ 439,375,134	$ 355,887,803

The accompanying notes are an integral part of these financial statements.

THE BARACK OBAMA FOUNDATION
(A District of Columbia Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributions and grants	$ 40,724,637	$ 98,312,572	$139,037,209
Contributions in kind	2,250,866	191,019	2,441,885
Interest and dividends	1,682,892	-	1,682,892
Other income	12,117	-	12,117
Realized loss on sale of investments	(15,837)	-	(15,837)
Net assets released from restrictions	85,282,754	(85,282,754)	-
Total revenue	129,937,429	13,220,837	143,158,266
EXPENSES:			
Program costs:			
Program costs	23,201,312	-	23,201,312
Center start-up costs	11,473,514	-	11,473,514
Total program costs	34,674,826	-	34,674,826
Fundraising	10,351,002	-	10,351,002
General and administrative	11,607,198	-	11,607,198
Total expenses	56,633,026	-	56,633,026
CHANGE IN NET ASSETS	73,304,403	13,220,837	86,525,240
NET ASSETS—Beginning of year	113,680,390	229,339,629	343,020,019
NET ASSETS—End of year	$186,984,793	$242,560,466	$429,545,259

The accompanying notes are an integral part of these financial statements.

THE BARACK OBAMA FOUNDATION

(A District of Columbia Not-for-Profit Corporation)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributions and grants	$ 44,607,314	$119,341,950	$163,949,264
Contributions in kind	895,656	-	895,656
Interest and dividends	648,749	-	648,749
Other income	26,041	-	26,041
Realized gain on sale of investments	52,521	-	52,521
Net assets released from restrictions	54,819,339	(54,819,339)	-
Total revenue	101,049,620	64,522,611	165,572,231
EXPENSES:			
Program costs	30,893,106	-	30,893,106
Fundraising	6,017,357	-	6,017,357
General and administrative	9,875,839	-	9,875,839
Total expenses	46,786,302	-	46,786,302
CHANGE IN NET ASSETS	54,263,318	64,522,611	118,785,929
NET ASSETS—Beginning of year	59,417,072	164,817,018	224,234,090
NET ASSETS—End of year	$113,680,390	$229,339,629	$343,020,019

The accompanying notes are an integral part of these financial statements.

THE BARACK OBAMA FOUNDATION
(A District of Columbia Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Costs	Center Start-up Costs	Total Program	Fundraising	General and Administrative	Total
SALARIES AND BENEFITS	$ 8,453,155	$ 4,851,079	$13,304,234	$ 5,492,083	$ 5,858,216	$24,654,533
PROFESSIONAL DEVELOPMENT	26,165	6,689	32,854	76,413	37,191	146,458
COMMUNICATIONS	1,011,952	84,729	1,096,681	786,333	1,064,173	2,947,187
PROFESSIONAL AND CONSULTING	2,455,006	1,978,276	4,433,282	1,703,939	2,114,111	8,251,332
OFFICE EXPENSES	264,120	51,786	315,906	83,825	554,026	953,757
TRAVEL	1,973,643	325,148	2,298,791	983,199	507,276	3,789,266
CONFERENCES AND SUMMITS	4,490,121	1,033,124	5,523,245	176,315	120,313	5,819,873
INFORMATION TECHNOLOGY	195,694	152,364	348,058	333,751	522,643	1,204,452
CONTRACTUAL SERVICES	2,131,959	-	2,131,959	-	117,720	2,249,679
GRANTS EXPENSE	1,010,000	2,184,000	3,194,000	-	-	3,194,000
OCCUPANCY COSTS	750,541	493,213	1,243,754	450,324	450,324	2,144,402
INSURANCE	66,874	34,341	101,215	41,571	37,956	180,742
COLLECTIONS	-	34,254	34,254	-	-	34,254
Total before depreciation	22,829,230	11,229,003	34,058,233	10,127,753	11,383,949	55,569,935
DEPRECIATION	372,082	244,511	616,593	223,249	223,249	1,063,091
TOTAL EXPENSES	$23,201,312	$11,473,514	$34,674,826	$10,351,002	$11,607,198	$56,633,026

The accompanying notes are an integral part of these financial statements.

THE BARACK OBAMA FOUNDATION

(A District of Columbia Not-for-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Costs	Fundraising	General & Administrative	Total
SALARIES AND BENEFITS	$10,862,866	$3,362,116	$4,295,351	$18,520,333
COMMUNICATIONS	678,657	164,946	1,102,750	1,946,353
PROFESSIONAL AND CONSULTING	4,193,009	797,122	2,357,014	7,347,145
OFFICE EXPENSES	629,794	95,342	590,842	1,315,978
TRAVEL	1,993,370	989,978	449,832	3,433,180
CONFERENCES AND SUMMITS	4,161,806	123,784	74,515	4,360,105
INFORMATION TECHNOLOGY	101,002	167,435	347,413	615,850
CONTRACTUAL SERVICES	3,106,507	-	-	3,106,507
GRANTS EXPENSE	3,950,000	-	-	3,950,000
OCCUPANCY COSTS	947,492	253,433	512,761	1,713,686
INSURANCE	85,509	20,120	46,275	151,904
Total before depreciation	30,710,012	5,974,276	9,776,753	46,461,041
DEPRECIATION	183,094	43,081	99,086	325,261
TOTAL EXPENSES	$30,893,106	$6,017,357	$9,875,839	$46,786,302

The accompanying notes are an integral part of these financial statements.

THE BARACK OBAMA FOUNDATION
(A District of Columbia Not-for-Profit Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 86,525,240	$118,785,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,063,091	325,261
Donated lease asset	300,549	442,141
Contributions restricted for the Center	(28,583,036)	(27,372,617)
Donated securities	(21,184,842)	(16,842,384)
Loss (gain) on fair value of investments	15,837	(52,521)
(Increase) decrease in:		
Pledges and grants receivable	5,738,396	(55,012,177)
Prepaid and other assets	(324,145)	(2,428,028)
Beneficial interest in trust	(9,100,000)	-
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,854,838)	2,079,423
Accrued payroll and benefits	(542,353)	189,990
Deferred grant revenue	-	(51,055)
Grants payable	500,000	1,750,000
Deferred rent	710,627	28,857
Net cash provided by operating activities	33,264,526	21,842,819
CASH FLOWS FROM INVESTING ACTIVITIES:		
Pre-construction costs	(23,736,450)	(14,319,539)
Purchase of fixed assets	(3,135,884)	(1,569,013)
Net proceeds from sale of investments	21,169,005	16,894,905
Net cash (used in) provided by investing activities	(5,703,329)	1,006,353
CASH FLOWS FROM FINANCING ACTIVITIES—Contributions restricted for the Center	28,583,036	27,372,617
Net cash provided by financing activities	28,583,036	27,372,617
INCREASE IN CASH	56,144,233	50,221,789
CASH—Beginning of year	100,093,303	49,871,514
CASH—End of year	$156,237,536	$100,093,303
NONCASH INVESTING ACTIVITIES—Accrual of fixed asset costs	$ 3,419,346	$ 5,270,691

The accompanying notes are an integral part of these financial statements

1. NATURE OF ACTIVITIES

The Barack Obama Foundation (the "Foundation") is a nonprofit tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation's mission is to inspire, empower, and connect people to change their world and to honor the legacy of President and Mrs. Obama.

A core purpose of the Foundation is to build the Obama Presidential Center (the "Center") housing the Presidential Museum, in Jackson Park on the South Side of Chicago. The Museum will tell the story of our nation's first African-American President and First Lady, their path to the White House, and the countless individuals, communities, and social currents that shaped their journey. The Museum will focus on the historic Obama presidency, its successes and challenges, and its legacy of inspiring individual people to come together to solve problems in their community. The Center will use the Obamas' personal story of community engagement and public service to inspire visitors to find their own paths to civic engagement and leadership.

Building on the Obamas' example of engaged citizenship, Foundation programming focuses on giving the next generation of leaders the tools they need to create positive change in their communities. Through our Obama Fellows, Scholars, Leaders, Community Leadership Corps, My Brother's Keeper Alliance, and Girls Opportunity Alliance, we invest in human potential to help emerging community leaders build the world they want to see.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation—For financial reporting purposes, net assets and revenue are classified on the basis of the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions—Net assets not subject to donor-imposed restrictions. The Foundation's Board of Directors may designate a portion of net assets without donor restrictions for specific purposes, but there are no such designations as of December 31, 2019 or 2018.

Net Assets With Donor Restrictions—Net assets subject to donor-imposed restrictions that can be fulfilled by the actions of the Foundation or the passage of time.

Cash—The Foundation's cash consists primarily of deposit with banks. The Foundation had deposits in excess of federally insured limits at December 31, 2019 and 2018, but has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk.

Prepaid and Other Assets—Other assets consist primarily of prepaid expenses, deposits, and merchandise inventory. Inventory represents online retail merchandise valued at cost, principally using the first in, first out cost method, but not to exceed net realizable value.

Pledges and Grants Receivable—Unconditional pledges and grants to the Foundation that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges and grants expected to be collected beyond one year are adjusted to net present value by discounting future cash flows using a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue.

Pledges are recorded net of an allowance for uncollectible amounts. The Foundation determines its allowance for uncollectible amounts by considering a number of factors that includes the amount and length of time the receivables are past due, the individual donor's ability to pay and the general condition of the economy as a whole. Any pledges receivable that have become uncollectible are written off by the Foundation.

Conditional pledges are not recognized as revenue until the conditions on which they depend are substantially met.

Fixed Assets—Fixed assets are recorded at cost, if purchased, or at fair value at the date of donation. Depreciation is calculated on the straight-line method designed to amortize the cost of the depreciable assets over their estimated useful lives, which ranges from 3–7 years for furniture and equipment, 3 years for technology and 2–7 years for leasehold improvements. Leasehold improvements are amortized over the lesser of the useful life or lease term. Repairs and maintenance that do not extend the life of the applicable assets are charged to expense as incurred.

Pre-Construction Costs—Expenses directly and indirectly related to planning and developing the Center are capitalized and recorded at cost, if purchased, or at fair value at the date of donation. These costs will begin being depreciated when the Center is placed in service.

Collections—The Foundation acquires its collections by purchase or by donation. The Foundation's collections management policy, which was amended in 2019, includes guidance on the Foundation's collections stewardship responsibilities from intake and acquisition through preservation, access and use, and deaccessioning and disposal of materials that no longer support the Foundation's public mission. This policy does not pertain directly to the management of the Obama presidential archive, which is maintained as a separate collection property of the National Archives and Records Administration ("NARA") and is not included on the statement of financial position of the Foundation, nor is the Foundation responsible for the maintenance or preservation of items in these collections.

The Foundation's collections are not recognized as assets on the statements of financial position. Purchases of collection items are recorded on the statement of activities and changes in net assets as decreases in net assets without donor restrictions in the period of acquisition, unless the items were purchased with donor restricted funds and then they are shown as decreases in net assets with donor restrictions. Proceeds from the sale of deaccessioned materials will be utilized exclusively for the purchase of future collection acquisitions, including costs directly related to obtaining, conserving, or processing new acquisitions.

Beneficial Interest in Trust—The Foundation is the lead beneficiary of a charitable lead annuity trust ("CLAT") that terminates on September 30, 2029. Beginning in 2020, the Foundation will receive annual fixed payments from the trust until termination. The Foundation uses the present value technique to measure the fair value of the beneficial interest in trust when received, whereby the beneficial interest in trust is adjusted to net present value by discounting future cash flows. The discount rate used to determine the present value of the beneficial interest in trust is 2.62%, which represents the risk adjusted interest rate applicable to the time period of the annual fixed payments.

Revenue Recognition—Unconditional contributions and grants are recorded when cash or a pledge is received and are recorded as with donor restrictions or without donor restrictions depending on the nature of any donor restrictions. Unconditional promises to give with payments due in future periods are reported as with donor restrictions, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended them to be used to support activities of the current period, in which case they are reported as without donor restrictions in the statement of activities and changes in net assets. Unconditional promises to give with payments received in the same period are reported as without donor restrictions in the statement of activities and changes in net assets. Gifts that are originally restricted by the donor for a specific purpose and for which the restriction is met in the same time period are recorded as contributions with donor restrictions and then released from restriction. When a restriction expires (such as when a time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restriction.

Gifts of long-lived assets are reported at fair value as in-kind contributions without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as in-kind contributions with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Donated services are recorded as revenue and expenditures when they meet the criteria for recognition in the financial statements. The Foundation has volunteers who contribute time in furtherance of the Foundation's mission. Such contributions do not meet U.S. GAAP criteria for recognition of contributed services and, accordingly, are not reflected in the statement of activities and changes in net assets.

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation, and are converted to cash in the near term.

Financial Instruments—The Foundation's financial instruments consist primarily of cash, pledges and grants receivable, beneficial interest in trust and accounts payable and the carrying amounts approximate their fair values.

Functional Allocation of Expenses—The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Occupancy costs, insurance and depreciation expenses are allocated based on full time equivalents. Salary expenses that are common to several functions are allocated based on time.

Grant Expense and Payable—Grant expense is recognized when a payment is made to a grantee, or in the period the grant is countersigned provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. As of December 31, 2019, grants payable were not discounted as they are all payable within one year.

Use of Estimates—In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of assets and contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes—The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Accordingly, no provision for such taxes has been recognized in these financial statements.

The Financial Accounting Standards Board issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected and there is no interest or penalties recognized in the statements of activities or statements of financial position.

Changes in Presentation—Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements, and are intended to present information in a more useful format for the readers on a go-forward basis. The primary reclassifications in the prior period financial statements relate to breaking out pre-construction costs of $30,596,727 from net fixed assets on the statement of financial position; classifying $312,000 of fundraising expense as professional and consulting expense in the statement of functional expenses; and classifying the $381,213 change in grants receivable with the change in pledges and grants receivable on the statement of cash flows. Other minor reclassifications have also been made in the prior year financial statements to conform to the current period presentation. All reclassifications on the prior year financial statements are also reflected in the notes to the financial statements, as necessary. These reclassifications had no effect on the previously reported total assets, total expenses, net cash provided by operating activities, or net assets.

Accounting Standards Updates (ASUs) Adopted—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09"). ASU No. 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer and indicates an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2015-14 deferred the effective date of ASU No. 2014-09. The Foundation adopted ASU No. 2014-09 on January 1, 2019. No revenues recorded by the Foundation are subject to the guidance in ASU No. 2014-09.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*, which amends Accounting Standard Codification section 230 to add and clarify guidance on the classification and presentation of restricted cash in the statement of cash flows ("ASU No. 2016-18"). The ASU requires that amounts described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Foundation adopted ASU No. 2016-18 on January 1, 2019. The adoption of the ASU did not have a material impact on the Foundation's financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU No. 2018-08"). This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The Foundation adopted ASU No. 2018-08 on January 1, 2019. The adoption of the ASU did not have a material impact on the Foundation's financial statements.

ASUs Issued Not Yet Adopted—In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU No. 2016-02"). ASU 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and finance leases. ASU No. 2016-02 is effective for the Foundation beginning on January 1, 2021. The Foundation has not yet determined the impact adopting this new guidance will have on its financial statements and disclosures.

In March 2019, the FASB issued ASU No. 2019-03, *Updating the Definition of Collections* ("ASU 2019-03"). This ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it is required to disclose its definition of direct care. ASU 2019-03 is effective for the Foundation beginning on January 1, 2020. The Foundation has determined the impact of adopting this new guidance will not be material to the financial statements and disclosures.

3. LIQUIDITY

The Foundation's financial assets available within one year of December 31, 2019 and 2018 for expenditure are as follows:

	2019	**2018**
Cash	$ 156,237,536	$ 100,093,303
Pledges and grants receivable due within one year	90,599,934	85,336,458
Less those unavailable for expenditures within one year, due to contractual or donor-imposed time or purpose restrictions	(17,489,603)	(9,538,425)
Financial assets available to meet cash needs for expenditures within one year	$ 229,347,867	$ 175,891,336

The Foundation is supported in part by restricted contributions from donors. Donor restricted contributions are typically not available to support general obligations. As part of the Foundation's liquidity management, it has a policy to structure its financial assets without donor restrictions to be available as its expenditures, liabilities, and other obligations come due.

4. PLEDGES AND GRANTS RECEIVABLE—NET

Pledges and grants expected to be collected beyond one year are adjusted to net present value by discounting future cash flows. The discount rates used to determine the present value of pledges receivable represent risk adjusted interest rates applicable to the years in which the promises are received and range from 2.62% to 3.46%. The Foundation did not have write-offs from pledges and grants receivable in 2019 and 2018.

Pledges and grants receivable are due in the following periods:

	2019	**2018**
Within one year	$ 90,599,934	$ 85,336,459
One to five years	129,769,789	139,825,691
More than five years	300,000	-
Total pledges and grants receivable	220,669,723	225,162,150
Less present value discount	(5,936,761)	(6,874,739)
Less allowance for uncollectible amounts	(2,183,947)	-
Pledges and grants receivable—net	$ 212,549,015	$ 218,287,411

Conditional Grants and Pledges—In 2019 and 2018, the Foundation was given promises of approximately $61,000,000 and $2,000,000, respectively, to support its operating activities, which include conditions, such as future programming and certain construction activities, that must be fulfilled prior to receiving future payments. The revenue will be recorded when the related conditions are met.

5. FIXED ASSETS - NET

Fixed assets consist of the following as of December 31, 2019 and 2018:

	2019	2018
Computer equipment	$ 597,326	$ 409,693
Furniture and fixtures	1,112,919	1,010,483
Leasehold improvements	1,856,521	609,730
Technology	2,265,000	999,000
Subtotal	5,831,766	3,028,906
Accumulated depreciation	(1,612,728)	(560,004)
Fixed assets—net	$ 4,219,038	$ 2,468,902

Depreciation expense for the years ended December 31, 2019 and 2018, was $1,063,091 and $325,261, respectively.

6. PRE-CONSTRUCTION COSTS

The Foundation has capitalized a total of $52,804,489 toward the development of the Center as of December 31, 2019. These costs relate to direct and indirect expenses associated with the site selection, architect selection, surveys, feasibility studies, design, exhibit design, pre-construction costs and other costs and have not yet been placed in service.

7. GRANTS PAYABLE

In 2019, new grants for the My Brother's Keeper Community Competition totaling $1,000,000 were awarded by the Foundation, and $500,000 were paid. At December 31, 2019 and 2018, grants payable totaled $2,250,000 and $1,750,000, respectively. Based on the specific grant agreements, grants payable are all expected to be paid by the Foundation in 2020.

8. NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	2019	2018
Restricted for:		
Planning and construction of the Center	$ 96,099,849	$ 107,144,976
Donated lease asset	1,468,015	1,768,564
Educational programming and outreach	24,265,685	351,300
Time restricted	120,726,917	120,074,789
Total net assets with donor restrictions	$ 242,560,466	$ 229,339,629

Net assets were released from donor restrictions due to the passage of time or performance of activities satisfying the restricted purposes specified by the donors as follows:

	2019	2018
Passage of time	$ 40,902,006	$ 21,615,953
Expenditures satisfying donor-imposed purpose restrictions:		
Planning and building of the Center	26,018,956	18,640,047
Donated lease asset	491,568	442,142
Educational programming and outreach	17,870,224	14,121,197
Total net assets released from restrictions	$ 85,282,754	$ 54,819,339

9. EMPLOYEE BENEFITS

In 2015, the Foundation entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Foundation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Beginning in 2019, the Foundation has agreed to match employee contributions in an amount equal to 100% of the first 3% of pre-tax contributions and 50% of the next 2% of pre-tax contributions made to the plan by each participant. In addition, the Foundation can also make discretionary contributions to the plan. Employees are immediately vested in employer contributions. Total employer contributions expensed during the years ended December 31, 2019 and 2018, respectively, were $503,576 and $117,025.

10. LEASE COMMITMENTS

During 2016, the Foundation entered into an operating lease for donated office space in Chicago expiring in 2022. The Foundation is a subleasee under the agreement and paid $1 in base rent for the entire lease term. During 2019, the Foundation entered into an operating lease for office space in Los Angeles expiring in 2020. The donated leases were recognized as time-restricted revenue at the inception of the lease. The donated lease asset and related net assets with donor restrictions was $1,468,015 and $1,768,564 at December 31, 2019 and 2018, respectively. The estimated fair rental value of the lease donation and their related lease expense for the years ended December 31, 2019 and 2018, was $491,568 and $442,141, respectively.

During 2019 and 2018, the Foundation entered into operating leases for office space. The leases expire between 2020 and 2025. Deferred rent liability of $741,185 and $30,558 at December 31, 2019 and 2018, respectively, include the escalating rental payments as well as tenant improvement allowances included in the active leases.

The Foundation has also entered into several noncancelable operating leases for office equipment that expire between 2020 and 2024.

Future minimum lease payments under operating leases are:

Years Ending December 31	
2020	$ 1,514,602
2021	1,244,777
2022	991,152
2023	578,680
2024	573,969
Thereafter	44,862
	$ 4,948,042

Rental expense for office space and equipment for the years ended December 31, 2019 and 2018, was $1,262,274 and $724,589, respectively.

11. CONTRIBUTED GOODS AND SERVICES

For the years ended December 31, 2019 and 2018, the Foundation received contributed services in the amount of $1,816,387 and $314,286, respectively.

The Foundation received contributed goods in the amount of $434,479 and $303,417 for the years ended December 31, 2019 and 2018, respectively.

12. RELATED-PARTY TRANSACTIONS

A board member of the Foundation sits on the board of a vendor who provides services to the Foundation directly, and was in partnership with a consortium of professional service providers through May 1, 2019. There were no direct expenses paid to the vendor during the year ended December 31, 2019. Direct expenses paid to the vendor during the year ended December 31, 2018, were $18,913. Expenses paid to the consortium while the vendor was a member in 2019 and 2018 were $900,130 and $2,272,020, respectively.

13. CONSTRUCTION COMMITMENT

In 2016, the Foundation selected the architectural team of Tod Williams Billie Tsien Architects | Partners (TWBTA) to lead the effort to design the Center on Chicago's South Side. The contract was signed on June 27, 2016, with the project term through 2022. Expenses incurred related to TWBTA for the years ended December 31, 2019 and 2018, are $7,901,234 and $7,581,642, respectively.

In 2018, the Foundation selected Lakeside Alliance to serve as the construction manager for the Center. Lakeside Alliance is a joint venture between a large international construction company and four minority-owned Chicago construction firms who will have 51% financial equity in the Center contract. The contract was signed in January 2018, with an expected contract term through December 2022.

Both contracts are being amended to extend the contract terms.

14. LEGAL MATTERS

In May 2018, a lawsuit was filed against the City of Chicago (the "City") and the Chicago Park District (the "Park District") to enjoin the transfer of certain acreage in Jackson Park from the Park District to the City for the construction of the Center. The Foundation is not a party to this lawsuit. In June 2019, the court awarded summary judgement to the City, and the plaintiffs have appealed the decision to the Seventh Circuit Court of Appeals. The Foundation is monitoring the appeal closely to assess and proactively address any impact on the Foundation or the construction of the Center.

15. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through May 15, 2020, which is the date the financial statements were available to be issued, and concluded no subsequent events have occurred except that on May 14, 2020, the Foundation executed a line of credit up to $250,000,000 with a financial institution that expires May 14, 2027. This line of credit will primarily be used to support the construction of the Center but is also available for program and operating expenses. The Foundation has not drawn on this line of credit as of the report date.

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