The Barack Obama Foundation

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

Financial Statements as of and for the
Years Ended December 31, 2022 and 2021, and
Independent Auditor’s Report

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of the Barack Obama Foundation

Opinion

We have audited the financial statements of The Barack Obama Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

June 6, 2023

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

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CASH AND CASH EQUIVALENTS	$ 241,474,849	$ 225,428,844
INVESTMENTS	107,256,456	100,979,561
PREPAID AND OTHER ASSETS	2,213,478	1,084,380
PLEDGES AND GRANTS RECEIVABLE—Net	360,355,002	242,013,824
BENEFICIAL INTEREST IN TRUST	6,097,683	7,382,672
FIXED ASSETS—Net	2,695,199	1,717,871
CONSTRUCTION IN PROGRESS	222,237,463	114,552,436
DEBT FINANCING COSTS—Net	422,999	138,544
OPERATING LEASE—ROU asset	1,596,951	-
DONATED LEASE ASSET	609,413	537,566
TOTAL ASSETS	$ 944,959,493	$ 693,835,698
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 15,085,333	$ 10,422,481
Accrued payroll and benefits	1,296,369	960,887
Grants payable	1,390,000	1,955,000
Operating lease liability	1,878,660	-
Deferred rent	-	441,723
Total liabilities	19,650,362	13,780,091
NET ASSETS:		
Without donor restrictions	511,752,615	394,579,624
With donor restrictions	413,556,516	285,475,983
Total net assets	925,309,131	680,055,607
TOTAL LIABILITIES AND NET ASSETS	$ 944,959,493	$ 693,835,698

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributions and grants	$ 65,018,336	$ 243,842,009	$308,860,345
Contributions in kind	2,740,386	609,413	3,349,799
Interest and dividends	1,028,436	-	1,028,436
Investment loss	(2,984,057)	-	(2,984,057)
Other income	3,587	-	3,587
Net assets released from restrictions	116,370,889	(116,370,889)	-
Total revenue	182,177,577	128,080,533	310,258,110
EXPENSES:			
Program costs:			
Programs	24,270,661	-	24,270,661
Center start-up costs	10,546,831	-	10,546,831
Total program costs	34,817,492	-	34,817,492
Fundraising	13,564,342	-	13,564,342
General and administrative	16,622,752	-	16,622,752
Total expenses	65,004,586	-	65,004,586
CHANGE IN NET ASSETS	117,172,991	128,080,533	245,253,524
NET ASSETS—Beginning of year	394,579,624	285,475,983	680,055,607
NET ASSETS—End of year	$511,752,615	$ 413,556,516	$925,309,131

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributions and grants	$ 59,941,462	$ 99,381,082	$159,322,544
Contributions in kind	888,269	-	888,269
Interest and dividends	30,586	-	30,586
Investment income	547,229	-	547,229
Other income	342	-	342
Net assets released from restrictions	110,717,674	(110,717,674)	-
Total revenue	172,125,562	(11,336,592)	160,788,970
EXPENSES:			
Program costs:			
Programs	9,310,016	-	9,310,016
Center start-up costs	13,383,516	-	13,383,516
Total program costs	22,693,532	-	22,693,532
Fundraising	9,082,504	-	9,082,504
General and administrative	9,611,991	-	9,611,991
Total expenses	41,388,027	-	41,388,027
CHANGE IN NET ASSETS	130,737,535	(11,336,592)	119,400,943
NET ASSETS—Beginning of year	263,842,089	296,812,575	560,654,664
NET ASSETS—End of year	$394,579,624	$ 285,475,983	$680,055,607

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, 2022

	Programs	Center Start-Up Costs	Total Program Costs	Fundraising	General and Administrative	Total
SALARIES AND BENEFITS	$ 7,596,954	$ 7,104,962	$14,701,916	$ 7,534,512	$ 6,952,016	$29,188,444
PROFESSIONAL DEVELOPMENT	68,851	33,725	102,576	46,128	107,456	256,160
COMMUNICATIONS	216,063	90,965	307,028	130,475	725,907	1,163,410
PROFESSIONAL AND CONSULTING	3,652,567	1,308,765	4,961,332	941,508	727,150	6,629,990
OFFICE EXPENSES	10,768	50,764	61,532	128,996	340,725	531,253
PRINTING, POSTAGE, AND SHIPPING	47,341	45,544	92,885	1,937,546	39,768	2,070,199
TRAVEL	1,257,668	231,974	1,489,642	843,651	381,658	2,714,951
EVENTS	4,261,492	144,390	4,405,882	723,826	156,493	5,286,201
INFORMATION TECHNOLOGY	532,170	324,122	856,292	562,995	2,006,703	3,425,990
CONTRACTUAL SERVICES	1,480,329	95,000	1,575,329	-	-	1,575,329
GRANTS EXPENSE	4,353,903	-	4,353,903	-	-	4,353,903
OCCUPANCY COSTS	329,911	549,629	879,540	335,780	380,992	1,596,312
INSURANCE	66,930	60,447	127,377	52,711	39,253	219,341
COLLECTIONS	-	327,930	327,930	-	-	327,930
MISCELLANEOUS EXPENSE	35,420	6,332	41,752	76,020	51,857	169,629
(GAIN) ON DISPOSAL OF FIXED ASSETS	-	-	-	-	(85,822)	(85,822)
ESTIMATE FOR UNCOLLECTIBLE AMOUNTS	-	-	-	-	4,603,310	4,603,310
Total before depreciation and amortization	23,910,367	10,374,549	34,284,916	13,314,148	16,427,466	64,026,530
DEPRECIATION AND AMORTIZATION	360,294	172,282	532,576	250,194	195,286	978,056
TOTAL EXPENSES	$24,270,661	$10,546,831	$34,817,492	$13,564,342	$16,622,752	$65,004,586

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, 2021

	Programs	Center Start-Up Costs	Total Program Costs	Fundraising	General and Administrative	Total
SALARIES AND BENEFITS	$4,240,410	$ 5,251,604	$ 9,492,014	$5,727,297	$6,743,962	$21,963,273
PROFESSIONAL DEVELOPMENT	4,071	723	4,794	1,449	65,589	71,832
COMMUNICATIONS	51,187	58,891	110,078	132,149	594,144	836,371
PROFESSIONAL AND CONSULTING	1,477,501	1,945,342	3,422,843	973,064	971,121	5,367,028
OFFICE EXPENSES	37,581	22,284	59,865	101,918	122,384	284,167
PRINTING, POSTAGE, AND SHIPPING	22,867	54,905	77,772	233,722	21,302	332,796
TRAVEL	174,932	141,913	316,845	328,541	65,077	710,463
EVENTS	195,416	745,740	941,156	87,633	2,682	1,031,471
INFORMATION TECHNOLOGY	402,711	279,099	681,810	508,421	376,974	1,567,205
CONTRACTUAL SERVICES	257,944	-	257,944	-	-	257,944
GRANTS EXPENSE	1,404,151	3,750,000	5,154,151	-	-	5,154,151
OCCUPANCY COSTS	298,097	623,386	921,483	446,567	331,218	1,699,268
INSURANCE	33,121	52,430	85,551	47,841	36,801	170,193
COLLECTIONS	-	246,054	246,054	-	-	246,054
MISCELLANEOUS EXPENSE	20,100	711	20,811	71,581	34,329	126,721
LOSS ON DISPOSAL OF FIXED ASSETS	198,000	-	198,000	-	89,174	287,174
Total before depreciation	8,818,089	13,173,082	21,991,171	8,660,183	9,454,757	40,106,111
DEPRECIATION	491,927	210,434	702,361	422,321	157,234	1,281,916
TOTAL EXPENSES	$9,310,016	$13,383,516	$22,693,532	$9,082,504	$9,611,991	$41,388,027

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 245,253,524	$ 119,400,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	978,055	1,297,013
Noncash lease expense	330,524	-
Donated lease asset	(71,847)	581,974
Contributions restricted for the Center	(32,749,293)	(37,862,873)
Donated securities	(67,989,138)	(40,089,640)
Realized loss (gain) on investments	3,193,267	(553,241)
Unrealized (gain) loss on investments and beneficial interest in trust	(209,210)	4,114
Net proceeds from sale of donated securities	56,491,519	30,020,883
(Gain) loss on disposal of fixed assets	(85,822)	287,174
Estimate for uncollectible amounts	4,603,310	-
(Increase) decrease in:		
Pledges and grants receivable—net	(122,944,488)	22,432,611
Prepaid and other assets	(1,129,098)	1,754,040
Beneficial interest in trust	1,002,547	1,002,546
(Decrease) increase in:		
Lease liability	(490,538)	-
Accounts payable and accrued expenses	1,130,342	1,186,553
Accrued payroll and benefits	335,482	65,588
Grants payable	(565,000)	1,921,000
Deferred rent	-	(156,440)
Net cash provided by operating activities	87,084,136	101,292,245
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction in progress	(104,152,518)	(36,426,913)
Purchase of investments	(118,036,628)	(101,000,000)
Net proceeds from sale of investments	117,329,909	-
Purchase of fixed assets	(1,810,909)	(454,347)
Net cash used in investing activities	(106,670,146)	(137,881,260)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for the Center	32,749,293	37,862,873
Net proceeds from sale of donated securities restricted for the Center	3,225,828	10,621,998
Debt financing costs	(343,107)	(67,123)
Net cash provided by financing activities	35,632,014	48,417,748
INCREASE IN CASH AND CASH EQUIVALENTS	16,046,004	11,828,733
CASH AND CASH EQUIVALENTS—Beginning of year	225,428,844	213,600,111
CASH AND CASH EQUIVALENTS—End of year	$ 241,474,848	$ 225,428,844
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
NONCASH INVESTING ACTIVITIES: Accrual of construction in progress costs	$ 12,037,686	$ 8,505,177
ROU assets obtained in exchange for new operating lease obligations	$ 569,331	$ -
ROU assets, net of $441,723 of deferred rent, and operating lease obligations recorded upon adoption of ASC 842	$ 1,426,782	$ -

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 (the "Museum"), in Jackson Park on the South Side of Chicago. Construction of the Center started in September 2021. 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 Scholars, Global Leaders, My Brother's Keeper Alliance, Girls Opportunity Alliance, and Voyager Scholarship, 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 (US GAAP).

Use of Estimates—In preparing financial statements in conformity with US 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.

Cash and cash equivalents—The Foundation's cash and cash equivalents consist primarily of deposits with banks and money market accounts with a maturity of less than 90 days from the date of purchase and are stated at cost, which approximates fair value. Cash equivalents held in the board-designated endowment are classified as investments without donor restriction. The Foundation had deposits in excess of federally insured limits at December 31, 2022 and 2021, but has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk.

Investments—Investments consist of common stock, money market mutual funds, fixed-income treasury bonds, and certificate of deposit with maturities under 12 months. Investments are recorded at fair value in the statement of financial position, where fair value is determined primarily on the availability of quoted market prices. Interest and dividends, unrealized gains or losses from changes in the market value of investments, and realized gains and losses on the sale of investments are recognized when earned in a given period and are included in the statement of activities and changes in net assets. Investment income is shown net of investment fees.

Prepaid and Other Assets—Prepaid and other assets consist primarily of prepaid expenses, deposits, and merchandise inventory. Inventory represents online retail merchandise valued at the lower of cost or net realizable value, principally using the first-in, first-out cost method.

Pledges and Grants Receivable—Net—Unconditional promises to give cash or other assets are reported as pledges and grants receivable. Pledges and grants receivable are recorded at fair value at the date the promise is received, which is estimated as the net present value of the estimated future cash flows of such amounts. Estimated future cash flows expected to be collected beyond one year are discounted using a rate commensurate with the time value of money. Amortization of the discount is recorded as additional contribution revenue.

Pledges receivable 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 contribution revenue until the conditions on which they depend are substantially met.

Beneficial Interest in Trust—The Foundation is the lead beneficiary of a charitable lead annuity trust that terminates on September 30, 2029. The Foundation receives annual fixed payments from the trust until termination. The beneficial interest in trust is reported at fair value, which is estimated as the net present value of the estimated future cash flows of the annual fixed payments. The discount rate used to determine the present value of the beneficial interest in trust was 4.96% and 2.44% at December 31, 2022 and 2021, respectively, which represents the risk-adjusted interest rate applicable to the time period of the annual fixed payments. The unrealized loss on the beneficial interest in trust recognized in 2022 was $282,442 and the unrealized gain in 2021 was $16,325.

Leases—Leases with durations greater than 12 months are recognized in the statement of financial position. The right-of-use asset ("ROU asset") represents the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease liability for each lease is recognized at the present value of the lease payments not yet paid at the commencement date of the lease. The ROU asset for each lease is recorded at the amount equal to the initial measurement of lease liability, adjusted for balances of prepaid rent, lease incentives received, and initial direct costs incurred.

For operating leases, the lease liability is amortized using the effective interest method. That is, in each period, the liability will be increased to reflect the interest that is accrued on the related liability by using the appropriate discount rate, offset by a decrease in the liability resulting from the periodic lease payments. The subsequent measurement of the ROU asset is depreciated over the lease term and is linked to the amount recognized as the lease liability.

Fixed Assets—Net—Fixed assets are recorded at cost, if purchased, or at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over their estimated useful lives, which ranges from 3–7 years for furniture and fixtures and computer equipment, 3-10 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.

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

Collections—The Foundation acquires its collections by purchase or by donation. The Foundation's collections management policy 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 and is not included in the statement of financial position of the Foundation, nor is the Foundation responsible for the maintenance or preservation of items in these collections.

The value of the Foundation's collections is not subject to reasonable estimate, and therefore are not recognized as assets in the statements of financial position. Purchases of collection items are recorded in 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 in which case 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. Deaccessioning proceeds will not be used to pay for direct care of the collection beyond the initial cost of acquisition.

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

Net Assets without Donor Restrictions—Net assets without donor restrictions are not subject to donor-imposed restrictions. The Foundation's net assets without donor restrictions are primarily derived from annual excess of revenue over expenses and net assets released from donor restrictions for operations. A portion of net assets without donor restrictions designated by the Foundation's Board of Directors (the "Board") for specific purposes are disclosed as a board-designated endowment. Because these designations are voluntary and may be reversed by the Board at any time, board-designated net assets are included as net assets without donor restrictions.

Net Assets with Donor Restrictions—Net assets with donor restrictions are subject to donor-imposed restrictions for use for a particular purpose or in a particular future period that can be fulfilled by the actions of the Foundation or the passage of time.

Revenue Recognition—Unconditional contributions and grants are recorded when cash or a pledge is received and are classified as with donor restrictions or without donor restrictions depending on the existence or absence of any donor-imposed restrictions. Unconditional promises to give with payments due in future periods are reported as with donor restrictions in the statement of activities and changes in net assets, 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. 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.

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation, and are converted to cash immediately upon receipt of the donation. In the statement of cash flows, donated securities are presented as cash inflows from financing activities when donor restrictions are associated with the gift for the purpose of acquiring, constructing, or improving fixed assets or other long-lived assets; in the absence of donor restrictions, donated securities are presented as cash inflows from operating activities.

Major Donors—The Foundation has two major donors that accounted for approximately 62% of contribution and grant revenue for the year ended December 31, 2022. The Foundation expects to maintain relationships with these donors.

Functional Allocation of Expenses—The operating expenses of the Foundation have been summarized on a functional basis in the statement of functional expenses and allocated according to their natural expense classification. Expenses that are directly attributable to a specific program or support service are reported as expenses of that functional area. Certain expenses are attributable to more than one functional area and are allocated on a reasonable basis that is consistently applied. 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, 2022 and 2021, grants payable were not discounted as they are all payable within one year.

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.

US GAAP 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 that there are no material uncertain positions that require recognition in the financial statements. Additionally, there is no interest or penalties recognized in the statements of activities and changes in net assets or statements of financial position.

Accounting Standard Updates ("ASUs") Adopted—In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* ("ASU 2016-02" or "ASC 842"). 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. The Foundation adopted ASC 842, along with related clarifications and improvements, on January 1, 2022, on the modified retrospective basis under the alternative transition method, using the effective date as the date of initial application. The Foundation opted to elect the package of transition practical expedients that permits it to not reassess its prior conclusions for any expired or existing contracts at the application date of ASC 842, about lease identification, lease classification, and initial direct costs. The Foundation chose not to elect the use-of-hindsight practical expedient to reassess lease terms, and opted to not utilize the practical expedient provided to lessees to separate lease and nonlease components for all leases. The Foundation elected the practical expedient to not recognize a ROU asset and lease liability for leases with a term of 12 months or less. Upon adoption as of January 1, 2022, the ROU assets and lease liabilities related to the Foundation's operating leases were $1,426,782 and $1,799,866, respectively. There was no material impact to the Foundation's statements of activities and changes in net assets upon adoption. Results for the year ended December 31, 2022, are presented under Topic 842. Comparative period information prior to the effective date continues to be presented in accordance with its historic accounting under the previous lease guidance, ASC 840, *Leases*. See Note 12.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). ASU 2020-07 requires contributed nonfinancial assets to be presented as a separate line item in the statements of activities and changes in net assets. Additional qualitative disclosures regarding policies on monetization, description of any donor-imposed restrictions, and a description of valuation techniques are also required. ASU 2020-07 was effective for the Foundation beginning on January 1, 2022. The Foundation adopted ASU 2020-07 on January 1, 2021. See Note 13.

3. FAIR VALUE MEASUREMENTS

US GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1—Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Significant unobservable inputs that reflect a reporting entity's own assessments about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following are descriptions of the valuation methods and assumptions used by the Foundation to estimate the fair value of financial instruments:

Cash Equivalents—Cash equivalents include cash held in a money market fund. The fair value of these investments are based on quoted market prices and is therefore categorized as Level 1 in the hierarchy table.

Common Stock—The fair value of exchange-traded common stock is based on quoted market prices and is therefore categorized as Level 1 in the hierarchy table.

Mutual Funds—The fair value of mutual fund investments is based on quoted market prices and is therefore categorized as Level 1 in the hierarchy table.

Certificate of Deposit—The fair value of certificate of deposit is determined using the fair value method, which involves estimating the market value of the certificates of deposit based on original cost, plus accrued interest, which approximates fair value and is therefore categorized as Level 2 in the hierarchy table.

Fixed-Income Treasury Bonds—The fair value of fixed-income treasury bonds is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads. Therefore, these are categorized as Level 2 in the hierarchy table.

Beneficial Interest in Trust—The fair value of the Foundation's beneficial interest in trust at each reporting period is based on management's assumptions and judgements because there are no observable inputs or market activity. The fair value is estimated to represent the present value of future cash flows. Therefore, this is categorized as Level 3 in the hierarchy table.

Assets and liabilities measured on a recurring basis at fair value at December 31, 2022 and 2021, are summarized below:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$1,005,128	$ -	$ -	$ 1,005,128
Common stock	5,058,950	-	-	5,058,950
Mutual funds	1,583,136	-	-	1,583,136
Certificate of deposit	-	500,000	-	500,000
Fixed-income treasury bonds	-	99,109,242	-	99,109,242
Total investments	7,647,214	99,609,242	-	107,256,456
Beneficial interest in trust	-	-	6,097,683	6,097,683
Total	$7,647,214	$99,609,242	$6,097,683	$113,354,139

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash equivalents	$1,000,053	$ -	$ -	$ 1,000,053
Mutual funds	57,569	-	-	57,569
Fixed-income treasury bonds	-	99,921,939	-	99,921,939
Total investments	1,057,622	99,921,939	-	100,979,561
Beneficial interest in trust	-	-	7,382,672	7,382,672
Total	$1,057,622	$99,921,939	$7,382,672	$108,362,233

4. LIQUIDITY

The Foundation's financial assets available within one year of December 31, 2022 and 2021, for general obligations are as follows:

	2022	2021
Cash and cash equivalents	$ 241,474,849	$ 225,428,844
Investments	107,256,456	100,979,561
Pledges and grants receivable—net	360,355,002	242,013,824
Beneficial interest in trust	6,097,683	7,382,672
Total financial assets	715,183,990	575,804,901
Less amounts not available to be used within one year:		
Restricted by time or donor purpose	(314,912,642)	(217,171,040)
Board-designated endowment	(1,005,128)	(1,000,053)
Financial assets available to meet cash needs for expenditures within one year	$ 399,266,220	$ 357,633,808

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. Donor restricted contributions are typically not available to support general obligations.

During 2020, the Foundation entered into a $250,000,000 revolving line of credit agreement. During 2022, this revolving line of credit agreement was amended, reducing the amount to $150,000,000. There have been no draws made on this revolving line of credit as of December 31, 2022 or 2021; however, it is available for use for Foundation operations, including operating, program, and Center construction costs.

5. 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 and are reduced for an allowance for uncollectible accounts. 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 0.97% to 4.22%. The Foundation wrote off $13,269 and $305,001 from pledges and grants receivable in 2022 and 2021, respectively, because they were deemed uncollectible.

Pledges and grants receivable are due in the following periods:

	2022	2021
Within one year	$165,712,878	$122,001,064
One to five years	210,913,104	119,601,856
More than five years	4,087,418	7,571,500
Total pledges and grants receivable	380,713,400	249,174,420
Less present value discount	(12,006,993)	(3,412,501)
Less allowance for uncollectible amounts	(8,351,405)	(3,748,095)
Pledges and grants receivable—net	$360,355,002	$242,013,824

Conditional Pledges—As of December 31, 2022 and 2021, the Foundation had outstanding conditional promises from its donors of $70,550,000 and $73,075,000, respectively. In order to recognize these conditional promises as contribution revenue, these conditions, such as future programming and certain construction activities, must be fulfilled. During the years ended December 31, 2022 and 2021, contribution revenues of $2,525,000 and $9,025,000, respectively, were recognized as the Foundation had fulfilled the donor-imposed conditions.

6. FIXED ASSETS—NET

Fixed assets consist of the following as of December 31, 2022 and 2021:

	2022	2021
Computer equipment	$ 260,871	$ 363,334
Furniture and fixtures	920,513	982,759
Leasehold improvements	1,836,120	1,827,439
Technology	2,635,948	2,260,204
Subtotal	5,653,452	5,433,736
Accumulated depreciation	(2,958,253)	(3,715,865)
Fixed assets—net	$ 2,695,199	$ 1,717,871

Depreciation expense for the years ended December 31, 2022 and 2021, was $919,403 and $1,281,916, respectively.

7. CONSTRUCTION COSTS AND COMMITMENTS

The Foundation has capitalized a total of $222,237,463 and $114,552,436 toward the planning, development, and construction of the Center as of December 31, 2022 and 2021, respectively. These costs relate to direct and indirect expenses associated with the site selection, architect selection, surveys, feasibility studies, design, exhibit design, preconstruction costs, construction costs, and other costs and have not yet been placed in service.

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 the project term through 2022. This agreement was amended in March 2021, extending the contract term through 2026. Total remaining commitments on this contract total approximately $566,935,740 and $312,000,000 at December 31, 2022 and 2021, respectively.

The legal title to the Foundation's land and future Center is vested with the City of Chicago. The right to the use and occupancy of the land and future Center rests with the Foundation under an agreement effective August 13, 2021, and terminates 99 years from the effective date.

8. REVOLVING LINE OF CREDIT

On May 12, 2020, the Foundation executed a revolving line of credit up to $250,000,000 with PNC Bank, National Association, the administrative agent, providing 80% of the credit and The Northern Trust Company providing 20% of the credit. The LOC expired May 11, 2027, and had a variable interest rate on borrowings at either London InterBank Offered Rate, plus 1.5%, or the base rate option, which is the greater of the Overnight Bank Funding Rate, plus 1.5% or the prime rate. Beginning November 12, 2021, fees of 0.20% of the unused balance of the LOC began incurring.

During 2022, the Foundation entered into a first amendment on the LOC dated February 22, 2022. This amendment reduced the revolving line of credit to $150,000,000. The amendment extends the expiration date to February 22, 2029, and has a variable interest rate on borrowings at the Bloomberg Short Term Bank Yield Index rate, plus 1.5%.

This LOC is primarily available for Center construction costs, but is also available for program and operating expenses. As of December 31, 2022 and 2021, the Foundation has not drawn on the LOC, and has not subsequently drawn on this LOC as of the report date.

In 2020, $95,000 of costs were incurred to obtain the LOC and are being amortized over the life of the LOC. In 2022, $14,066 was incurred in relation to the first amendment. There were no such costs incurred in 2021. Fees assessed on the unused LOC balance totaled $329,041 in 2022 and $67,123 in 2021, and are being amortized over the remaining life of the LOC. These costs, net of accumulated amortization, are included as debt financing costs in the statement of financial position at December 31, 2022 and 2021. During the years ended December 31, 2022 and 2021, amortization expense was $58,652 and $15,097, respectively.

9. BOARD-DESIGNATED ENDOWMENT

In 2021, the Foundation's Board of Directors designated $1,000,000 to function as an endowment for future operations of the Center. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Investment and Spending Policies—As of December 31, 2022 and 2021, investment and spending policies for endowment assets were not yet in place. As such, endowment assets are invested in accordance with the existing Board-approved short-term investment policy under the direction of the Finance Committee of the Board of Directors until endowment policies are in place. Based on this existing policy, investment returns on endowment assets remain in the endowment asset account and are not being spent.

Composition of Endowments—Endowment net assets were $1,005,128 and $1,000,053 as of December 31, 2022 and 2021, respectively, and consist solely of the board-designated endowment, which is included within net assets without donor restriction. Changes in endowment net assets for the years ended December 31, 2022 and 2021, include investment income of $5,075 and $53, respectively.

10. NET ASSETS

The Foundation's net assets without donor restrictions consist of the following at December 31, 2022 and 2021:

	2022	2021
General operations in support of mission	$510,747,487	$393,579,571
Board-designated endowment	1,005,128	1,000,053
Total net assets without donor restrictions	$511,752,615	$394,579,624

The Foundation's net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	2022	2021
Restricted for:		
Passage of time	$211,552,160	$154,253,739
Planning and construction of the Center	68,371,226	87,977,568
Programs	133,023,717	42,707,110
Donated lease asset	609,413	537,566
Total net assets with donor restrictions	$413,556,516	$285,475,983

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:

	2022	2021
Passage of time	$ 49,251,020	$ 49,539,994
Expenditures satisfying donor-imposed purpose restrictions:		
Planning and construction of the Center	43,299,696	53,034,335
Programs	23,282,607	7,561,370
Donated lease asset	537,566	581,975
Total net assets released from restrictions	$116,370,889	$110,717,674

11. 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. In 2020, the Foundation began matching employee contributions in an amount equal to 100% of the first 4% of pretax 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, 2022 and 2021, were $890,775 and $597,622, respectively.

12. LEASE COMMITMENTS

The Foundation has entered into several operating leases with terms greater than 12 months for office space, which are recognized as ROU assets and lease liabilities in the statements of financial position under Topic 842. The leases expire between 2022 and 2025, and most of them include renewal options. As any extension or renewal is at the discretion of the Foundation and at this date, is not certain, the renewal options are not included in the calculation of the ROU asset or lease liability. The Foundation has also entered into several noncancelable operating leases for office equipment that expire in the next 12 months. The Foundation does not have any finance leases. The Foundation used the risk-free rate as of the lease commencement date to determine the present value of lease payments for all leases. The treasury date based on the date of implementation or the date the lease was signed was used, based on the length of the lease, to determine the discount rate as none of the operating leases included rates implicit in the lease.

As of December 31, 2022, the ROU assets and lease liabilities related to the Foundation's operating leases were $1,596,951 and $1,878,660, respectively, primarily related to office and storage facilities. The weighted-average remaining lease term is 2.8 years and the weighted-average discount rate is 2.31%. Cash paid for amounts included in the measurement of lease liabilities in 2022 was $703,315.

The future minimum lease liabilities for operating leases as of December 31, 2022, are as follows:

Years Ending December 31	
2023	$1,084,976
2024	1,033,600
2025	211,101
2026	83,720
2027	83,720
Thereafter	55,813
Total lease payments	2,552,930
Less imputed interest	(674,270)
Total liability	$1,878,660

Deferred rent of $441,723 at December 31, 2021, includes the escalating rental payments as well as tenant improvement allowances included in the active leases. There is no deferred rent at December 31, 2022.

During 2016, the Foundation entered into an operating lease for donated office space in Chicago expiring in 2022. On December 22, 2022, the Foundation signed an amendment to this lease, which extended the donated office space in Chicago for two years expiring in 2024. The Foundation is a sublessee under the agreement and paid $1 in base rent for the entire lease term. The donated leases were recognized as contribution revenue with donor restrictions at the inception of the lease. The fair value of the donated lease asset and related net assets with donor restrictions was $609,413 and $537,566 at December 31, 2022 and 2021, respectively.

Rent expense for the year ended December 31, 2022, is composed of $611,940 operating lease cost, $385,449 short-term lease cost, and $537,566 of donated leases. Rental expense for office space and equipment for the year ended December 31, 2021, was $1,697,048.

The Foundation is not a lessor in any arrangements.

13. CONTRIBUTIONS IN-KIND

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. The Foundation received no gifts of long-lived assets for the years ended December 31, 2022 and 2021. Such contributions do not meet US GAAP criteria for recognition of contributed services and, accordingly, are not reflected in the statements of activities and changes in net assets.

The Foundation has volunteers who contribute time in furtherance of the Foundation's mission. Donated goods and services are recorded as revenue and expenditures when they meet the criteria for recognition in the financial statements. Donated goods include items such as software, website domain, products for events, and shipping. Donated services include professional and legal services performed for the Foundation. In-kind donations of goods and services are recorded at their estimated fair value on the date of the donation. Fair value is determined based on the market value of similar goods and services or other relevant valuation techniques. The fair value of donated goods and services was determined by management based on the best available information at the time of the donation. The Foundation plans to use all contributed goods in their operations and will only monetize donated goods in the event they are deemed unusable in operations.

For the years ended December 31, 2022 and 2021, the Foundation received contributed goods in the amount of $2,499,316 and $337,872, respectively, contributed office space of $609,413 and $0, respectively, and contributed services in the amount of $241,070 and $550,397, respectively. Other than contributed office space, all in-kind contributions are unrestricted. The Foundation plans to use all contributed goods in their operations and will only accept donated goods as approved by the gift acceptance policy.

14. RELATED-PARTY TRANSACTIONS

An executive member of Foundation leadership sits on the board of two nonprofit organizations in which the Foundation incurred grants expense of $1,500,000 and $250,000 in 2022 and 2021, respectively.

15. LEGAL MATTERS

On April 14, 2021, the park advocacy group named Protect Our Parks, the Nichols Park Advisory Council, and other individuals (collectively, "Plaintiffs") filed a lawsuit in Chicago against the Secretary of the United States Department of Transportation, the administrator of the Federal Highway Administration ("FHWA") and the FHWA's divisional heads, the Secretary of the United States Department of the Interior, the deputy director of the National Park Service, the Acting Secretary of the Army, the commanding officer of the Chicago District of the Army Corps of Engineers, the City of Chicago, the Chicago Park District, and the Foundation (the "2021 Lawsuit", captioned *Protect Our Parks v. Buttigieg*, case no. 21-cv-02006 (N.D. Ill.)) challenging the placement of the Center in Jackson Park and the outcome of the federal reviews process related to that determination. This lawsuit asserts largely the same claims as an unsuccessful and closed 2018 lawsuit by Protect Our Parks and other individuals. On March 29, 2022, the district court dismissed all state law claims brought by Plaintiffs in this suit. Subsequently, the parties filed a stipulated final judgment to end litigation in the district court in favor of the Foundation and all codefendants. Final judgment was entered on November 3, 2022.

On December 5, 2022, Plaintiffs filed a notice of appeal to the 7th Circuit Court of Appeals. That appeal is docketed as *Protect Our Parks, Inc., et al., v. Pete Buttigieg, et al.*, Appeal No. 22-3190. Subsequent to December 31, 2022, Plaintiffs-Appellants' opening brief was filed on February 16, 2023. Federal Defendants-Appellees' response brief was filed on March 31, 2023. The brief or briefs of the remaining appellees (Foundation, City of Chicago, and Chicago Park District) are due by June 2, 2023. The reply brief of the appellants, if any, is due by June 23, 2023. Oral argument will be set thereafter.

The Foundation is actively defending against the claim and proactively addressing any impact on the Foundation or the construction of the Center.

16. SUBSEQUENT EVENTS

Management has evaluated all subsequent events through June 6, 2023, which is the date the financial statements were available to be issued, and concluded no subsequent events have occurred outside of those disclosed in Note 15.

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