# The Barack Obama Foundation

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

Financial Statements as of and for the Years Ended December 31, 2020 and 2019, and Independent Auditor's Report

### THE BARACK OBAMA FOUNDATION

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

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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 (the "Foundation"), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 Barack Obama Foundation as of December 31, 2020 and 2019, 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.

June 8, 2021

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

## STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash Prepaid and other assets Pledges and grants receivable—net Beneficial interest in trust Fixed assets—net Pre-construction costs Debt financing costs—net Donated lease assets	\$ 213,600,111 2,838,420 264,446,435 8,368,893 2,832,614 70,448,010 86,518 1,119,540	\$ 156,237,536 2,997,041 212,549,015 9,100,000 4,219,038 52,804,489 - 1,468,015
TOTAL ASSETS	\$ 563,740,541	\$ 439,375,134
LIABILITIES AND NET ASSETS		
LIABILITIES: Accounts payable and accrued expenses Accrued payroll and benefits Deferred grant revenue Grants payable Deferred rent liability	\$ 1,558,415 895,299 - 34,000 598,163	\$ 5,676,612 645,878 516,200 2,250,000 741,185
Total liabilities	3,085,877	9,829,875
NET ASSETS: Without donor restrictions With donor restrictions	263,842,089 296,812,575	186,984,793 242,560,466
Total net assets	560,654,664	429,545,259
TOTAL LIABILITIES AND NET ASSETS	\$ 563,740,541	\$ 439,375,134

# 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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE: Contributions and grants Contributions in kind Interest and dividends Other income Investment gain Net assets released from restrictions	\$ 44,631,398 1,190,138 393,895 13,393 329,480 71,916,178	\$ 125,972,180 196,107 - - - (71,916,178)	\$ 170,603,578 1,386,245 393,895 13,393 329,480
Total revenue	118,474,482	54,252,109	172,726,591
EXPENSES: Program costs: Programs Center start-up costs	14,752,166 7,840,641	<u> </u>	14,752,166 7,840,641
Total program costs	22,592,807	-	22,592,807
Fundraising General and administrative	9,512,252 9,512,127	<u>-</u>	9,512,252 9,512,127
Total expenses	41,617,186		41,617,186
CHANGE IN NET ASSETS	76,857,296	54,252,109	131,109,405
NET ASSETS—Beginning of year	186,984,793	242,560,466	429,545,259
NET ASSETS—End of year	\$ 263,842,089	\$ 296,812,575	\$ 560,654,664

# 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
Investment loss	(15,837)	<b>-</b>	(15,837)
Net assets released from restrictions	85,282,754	(85,282,754)	<del></del>
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	<del>-</del>	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 BARACK OBAMA FOUNDATION (A District of Columbia Not-for-Profit Corporation)

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Programs	Center Start-up Costs	Total Program Costs	Fundraising	General and Administrative	Total
Salaries and benefits	\$ 8,050,908	\$5,029,372	\$13,080,280	\$6,342,080	\$6,237,353	\$25,659,713
Professional development	43,025	32,783	75,808	26,452	67,107	169,367
Communications	263,103	99,140	362,243	253,184	568,757	1,184,184
Professional and consulting	1,323,088	1,296,868	2,619,956	1,296,767	1,254,671	5,171,394
Office expenses	191,342	58,647	249,989	51,114	207,934	509,037
Travel	213,788	44,651	258,439	148,991	60,416	467,846
Events	143,871	3,640	147,511	43,527	2,029	193,067
Information technology	399,967	204,168	604,135	463,948	383,705	1,451,788
Contractual services	387,500	-	387,500	-	42,000	429,500
Grants expense	2,226,200	99,000	2,325,200	-	-	2,325,200
Occupancy costs	577,995	600,025	1,178,020	425,317	458,033	2,061,370
Insurance	55,792	33,431	89,223	34,083	36,705	160,011
Collections	-	173,130	173,130	-	-	173,130
Loss on disposal of fixed assets	193,285		193,285			193,285
Total before depreciation	14,069,864	7,674,855	21,744,719	9,085,463	9,318,710	40,148,892
Depreciation	682,302	165,786	848,088	426,789	193,417	1,468,294
TOTAL EXPENSES	\$14,752,166	\$7,840,641	\$22,592,807	\$9,512,252	\$9,512,127	\$41,617,186

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

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

	Programs	Center Start-up Costs	Total Program Costs	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
Events	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 BARACK OBAMA FOUNDATION

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

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$131,109,405	\$ 86,525,240
Adjustments to reconcile change in net assets to net cash		
provided by operating activities:		
Depreciation	1,468,294	1,063,091
Amortization of debt financing costs	8,482	-
Donated lease asset	348,475	300,549
Contributions restricted for the Center	(20,967,195)	(28,583,036)
Donated securities	(10,161,481)	(21,184,842)
Realized (gain) loss on investments	(58,040)	15,837
Unrealized gain on beneficial interest in trust	(271,440)	-
Loss on disposal of fixed assets	193,285	-
(Increase) decrease in:		
Pledges and grants receivable	(51,897,420)	5,738,396
Prepaid and other assets	158,621	(324,145)
Beneficial interest in trust	1,002,547	(9,100,000)
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,526,515)	(1,854,838)
Accrued payroll and benefits	249,421	(542,353)
Deferred grant revenue	(516,200)	-
Grants payable	(2,216,000)	500,000
Deferred rent	(143,022)	710,627
Net cash provided by operating activities	46,781,217	33,264,526
CASH FLOWS FROM INVESTING ACTIVITIES:		
Pre-construction costs	(20,016,103)	(23,736,450)
Purchase of fixed assets	(494,255)	(3,135,884)
Net proceeds from sale of investments	10,219,521	21,169,005
Net cash used in investing activities	(10,290,837)	(5,703,329)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for the Center	20,967,195	28,583,036
Debt financing costs	(95,000)	
Net cash provided by financing activities	20,872,195	28,583,036
INCREASE IN CASH	57,362,575	56,144,233
CASH—Beginning of year	156,237,536	100,093,303
CASH—End of year	\$213,600,111	\$156,237,536
NONCASH INVESTING ACTIVITIES:		
Accrual of fixed asset costs	\$ -	\$ 219,100
		<del></del>
Accrual of pre-construction costs	\$ 827,664	\$ 3,200,246

### THE BARACK OBAMA FOUNDATION

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

### NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### 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. 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).

**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.

**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 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, 2020 or 2019.

**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 deposits with banks. The Foundation had deposits in excess of federally insured limits at December 31, 2020 and 2019, 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**—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 risk involved. 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. Beginning in 2020, the Foundation will receive 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 1.93% and 2.62% at December 31, 2020 and 2019 respectively, which represents the risk adjusted interest rate applicable to the time period of the annual fixed payments. The unrealized gain on the beneficial interest in trust recognized in 2020 was \$271,440. U.S. GAAP defines fair value as an exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs generally reflect market data from independent sources and are supported by market activity, while unobservable inputs are generally unsupported by market activity. Because there is no market data available for the Foundation's beneficial interest in trust, the fair value estimate at each reporting period is based on management's assumptions and judgements around future cash flows, which are considered unobservable inputs that fall within Level 3 in the fair value hierarchy per Accounting Standards Codification ("ASC") 820, Fair Value Measurement.

**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 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 value of the Foundation's collections is not subject to reasonable estimate, and therefore 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. Deaccessioning proceeds will not be used to pay for direct care of the Collection beyond the initial cost of acquisition.

Revenue Recognition—Unconditional contributions and grants are recorded when cash or a pledge is received and are recorded as with donor-imposed 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 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—net, 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, 2020 and 2019, 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.

U.S. 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 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 or statements of financial position.

Accounting Standards Updates (ASUs) Adopted—In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). This ASU modifies the disclosure requirements on fair value measurements by removing certain disclosures related to transfers between Level 1 and 2 in the fair value hierarchy, valuation process for Level 3 fair value measurements, and related policies. This ASU also modifies the disclosure to remove any Level 3 rollforward and disclose transfers in and out of Level 3. The Foundation adopted ASU 2018-13 on January 1, 2020. The adoption of the ASU did not have a material impact on the Foundation's financial statements.

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. The Foundation adopted ASU 2019-03 on January 1, 2020. 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 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 was effective for the Foundation beginning on January 1, 2021; however, in June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers and Leases: Effective Dates for Certain Entities* ("ASU 2020-05") which delayed the effective date for the Foundation to January 1, 2022. The Foundation has not yet determined the impact adopting this new guidance will have on its financial statements and disclosures.

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 statement of activities. Additional disclosures around qualitative information and any policies on monetization, description of any donor-imposed restrictions and a description of valuation techniques are also required. ASU No. 2020-07 is effective for the Foundation beginning on January 1, 2022. The Foundation has not yet determined the impact adopting this new guidance will have on its financial statements and disclosures.

#### 3. LIQUIDITY

The Foundation's financial assets available within one year of December 31, 2020 and 2019 for expenditure are as follows:

	2020	2019
Cash Pledges and grants receivable due within one year Less those unavailable for expenditures within	\$213,600,111 111,319,502	\$ 156,237,536 90,599,934
one year, due to contractual or donor-imposed time or purpose restrictions	(19,926,542)	(17,489,603)
Financial assets available to meet cash needs for expenditures within one year	\$304,993,071	\$ 229,347,867

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.

During 2020, the Foundation entered into a \$250,000,000 revolving line of credit agreement. There have been no draws made on this revolving line of credit as of December 31, 2020, however it is available for use on Foundation operations including operating, program and Center construction costs.

### 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 1.17% to 3.46%. The Foundation wrote off \$9,568 from pledges and grants receivable in 2020 because they were deemed uncollectible. The Foundation did not have write-offs from pledges and grants receivable in 2019.

Pledges and grants receivable are due in the following periods:

	2020	2019
Within one year One to five years More than five years	\$111,319,502 151,336,038 9,943,000	\$ 90,599,934 129,769,789 300,000
Total pledges and grants receivable	272,598,540	220,669,723
Less present value discount Less allowance for uncollectible amounts	(5,479,423) (2,672,682)	(5,936,761) (2,183,947)
Pledges and grants receivable—net	\$264,446,435	\$212,549,015

**Conditional Grants and Pledges**—As of December 31, 2020 and 2019, the Foundation had outstanding conditional promises from its donors of \$67,000,000 and \$63,000,000, respectively, to support its operating activities. 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 ending December 31, 2020 and 2019, contribution revenues of \$51,000,000 and \$8,334,000, respectively, were recorded by the Foundation on these conditional grants and pledges as their conditions were met.

### 5. FIXED ASSETS—NET

Fixed assets consist of the following as of December 31, 2020 and 2019:

	2020	2019
Computer equipment Furniture and fixtures Leasehold improvements Technology	\$ 563,981 1,105,666 1,898,837 	\$ 597,326 1,112,919 1,856,521 2,265,000
Subtotal	5,688,484	5,831,766
Accumulated depreciation	(2,855,870)	(1,612,728)
Fixed assets—net	\$ 2,832,614	\$ 4,219,038

Depreciation expense for the years ended December 31, 2020 and 2019, was \$1,468,294 and \$1,063,091, respectively.

### 6. PRE-CONSTRUCTION COSTS

The Foundation has capitalized a total of \$70,448,010 toward the development of the Center as of December 31, 2020. 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. REVOLVING LINE OF CREDIT

On May 12, 2020, the Foundation executed a revolving line of credit ("LOC") 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 expires May 11, 2027 and has a variable interest rate on borrowings at either LIBOR 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. Fees of 0.20% of the unused balance of the LOC will be assessed beginning November 12, 2021; until then, there are no fees assessed on any unused LOC balance. This LOC will primarily be used to support the construction of the Center but is also available for program and operating expenses. As of December 31, 2020, the Foundation has not borrowed against the LOC, and has not subsequently drawn on this LOC as of the report date.

During 2020, \$95,000 of costs were incurred to obtain the LOC and are being amortized over the life of the LOC. These costs, net of accumulated amortization, are included as debt financing costs on the statement of financial position at December 31, 2020. During the year ended December 31, 2020, amortization expense was \$8,482.

#### 8. GRANTS PAYABLE

New grants for the My Brother's Keeper Alliance program totaling \$1,000,000 were awarded by the Foundation for both years 2020 and 2019, and \$3,216,000 and \$500,000 were paid, respectively. At December 31, 2020 and 2019, grants payable totaled \$34,000 and \$2,250,000, respectively. Based on grant agreements, grants payable are all expected to be paid by the Foundation in 2021.

### 9. NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	2020	2019
Restricted for:		
Planning and construction of the Center	\$ 84,014,066	\$ 96,099,849
Donated lease asset	1,119,540	1,468,015
Educational programming and outreach	37,148,626	24,265,685
Time restricted	174,530,343	120,726,917
Total net assets with donor restrictions	\$296,812,575	\$ 242,560,466

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:

	2020	2019
Passage of time Expenditures satisfying donor-imposed purpose restrictions:	\$42,115,762	\$40,902,006
Planning and construction of the Center Donated lease asset Educational programming and outreach	20,904,338 544,582 8,351,496	26,018,956 491,568 17,870,224
Total net assets released from restrictions	\$71,916,178	\$85,282,754

#### 10. 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 pre-tax contributions made to the plan by each participant. In 2019, the Foundation matched 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, 2020 and 2019, were \$674,038 and \$503,576, respectively.

#### 11. LEASE COMMITMENTS

**Years Ending** 

The Foundation has entered into several operating leases for office space. The leases expire between 2020 and 2025. Deferred rent liability of \$598,163 and \$741,185 at December 31, 2020 and 2019, respectively, includes the escalating rental payments as well as tenant improvement allowances included in the active leases.

During 2016, the Foundation entered into an operating lease for donated office space in Chicago expiring in 2022. The Foundation is a sublease under the agreement and paid \$1 in base rent for the entire lease term. During 2019, the Foundation entered into an operating lease for donated office space in Los Angeles expiring in 2020. 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 \$1,119,540 and \$1,468,015 at December 31, 2020 and 2019, respectively. The related lease expense for the years ended December 31, 2020 and 2019, was \$544,582 and \$491,568, respectively.

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

Rental expense for office space and equipment for the years ended December 31, 2020 and 2019, was \$1,381,793 and \$1,262,274, respectively.

Future minimum lease payments under operating leases are:

December 31	
2021	\$1,264,156
2022	998,655
2023	579,769
2024	573,969
2025	44,862
	\$3,461,411

#### 12. CONTRIBUTED GOODS AND SERVICES

For the years ended December 31, 2020 and 2019, the Foundation received contributed goods in the amount of \$522,730 and \$434,479, respectively, and contributed services in the amount of \$667,408 and \$1,816,387, respectively. These contributed goods and services are included in contributions in kind on the statement of activities and changes in net assets.

### 13. 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. Expenses paid to the consortium while the vendor was a member in 2019 were \$900,130. There were no related-party transactions in or during 2020.

#### 14. 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 amendments entered into in 2018 and 2020 extending the project through 2024. Expenses incurred related to TWBTA for the years ended December 31, 2020 and 2019, are \$7,127,290 and \$7,901,234, respectively, and are included in pre-construction costs on the statement of financial position.

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 subsequent to year end in March 2021, extending the contract term through 2026.

### 15. LEGAL MATTERS

On April 14, 2021, the park advocacy group named Protect Our Parks, the Nichols Park Advisory Council, and other individuals filed a lawsuit in Chicago against the Secretary of the United States Department of Transportation, the administrator of the Federal Highway Administration 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. III.)) 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. The Foundation is actively defending against the claim and proactively addressing any impact on the Foundation or the construction of the Center.

### 16. COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic and states and cities began implementing various measures to reduce risk and spread, including stay at home orders and travel restrictions. The pandemic has disrupted workforces, economies and global financial markets. The Foundation will continue to monitor the developments related to the pandemic.

### **17. SUBSEQUENT EVENTS**

Management has evaluated all subsequent events through June 8, 2021, which is the date the financial statements were available to be issued, and concluded no subsequent events have occurred, except those discussed in Note 15.

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