#### WASHINGTON, PITTMAN & McKEEVER, LLC

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# THE BARACK OBAMA FOUNDATION (A DISTRICT OF COLUMBIA NOT-FOR-PROFIT CORPORATION) FINANCIAL STATEMENTS FROM JANUARY 31, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

#### THE BARACK OBAMA FOUNDATION

#### (A DISTRICT OF COLUMBIA NOT-FOR-PROFIT CORPORATION)

#### FINANCIAL STATEMENTS

#### **DECEMBER 31, 2014**

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#### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of
The Barack Obama Foundation

We have audited the accompanying financial statements of The Barack Obama Foundation, (a District of Columbia Not-for-Profit Corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the period from inception (January 31, 2014) to December 31, 2014, 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 misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles 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, 2014, and the changes in its net assets and its cash flows for the initial period then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Washington, Filthon & McKEEVER, LLC

Chicago, Illinois April 30, 2015

#### STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

#### **ASSETS**

Current Assets		
Cash	\$	2,942,362
Restricted investments		30,000
Pledges receivable - current		333,333
Prepaid expenses	_	7,172
Total Current Assets		3,312,867
Fixed Assets (net)		34,568
Other Assets		
Pledges Receivable - long-term		323,404
TOTAL ASSETS	<u>\$</u>	3,670,839
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES AND NET ASSETS  Current Liabilities		
	\$	177,175
Current Liabilities	\$	177,175 11,041
Current Liabilities  Accounts payable	\$	
Current Liabilities  Accounts payable  Accrued payroll	\$	11,041
Current Liabilities  Accounts payable  Accrued payroll  Total Current Liabilities	\$	11,041
Current Liabilities  Accounts payable  Accrued payroll  Total Current Liabilities  Net Assets	\$	11,041 188,216
Current Liabilities  Accounts payable  Accrued payroll  Total Current Liabilities  Net Assets  Unrestricted	\$	11,041 188,216 2,825,886

### STATEMENT OF ACTIVITIES FOR THE PERIOD JANUARY 31, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Kevenue				
Contributions	\$ 4,778,140	\$ 656,737	\$ -	\$ 5,434,877
Contributions - in-kind	505,729	_		505,729
Total Revenue	5,283,869	656,737		5,940,606
Expenses				
Program costs	1,363,707	-	-	1,363,707
Fundraising	608,704	-	-	608,704
General and administrative	485,572	-		485,572
Total Expenses	2,457,983			2,457,983
Increase in Net Assets	2,825,886	656,737	-	3,482,623
Net Assets - Beginning of Year				
Net Assets - End of Year	\$ 2,825,886	\$ 656,737	\$ -	\$ 3,482,623

#### STATEMENTS OF CASH FLOWS FOR THE PERIOD JANUARY 31, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

#### CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$	3,482,623
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities:		
Depreciation		991
(Increase) Decrease in:		
Pledges receivable		(656,737)
Other assets		(7,172)
Increase (Decrease) in:		
Accounts payable		177,175
Accrued payroll	_	11,041
Net Cash Provided by Operating Activities	_	3,007,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(30,000)
Purchase of fixed assets		(35,559)
Net Cash Used By Investing Activities		(65,559)
Increase in Cash		2,942,362
Cash and Cash Equivalents, Beginning of Year		
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$</u>	2,942,362

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014

#### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Activities**

The Barack Obama Foundation ("the Foundation") is a nonprofit Foundation which will both plan and develop a Presidential Center for future activities, including the Presidential Library, a museum and broader campus, and engage in activities reflecting President Obama's and the First Lady's values and priorities throughout his career in public service: expanding economic opportunity, inspiring an ethic of American citizenship, and promoting peace, justice and dignity throughout the world. The Foundation envisions a Presidential Center that, through its mission, initiatives, and physical and virtual presence, advances and interprets the themes of civic engagement, global perspective, health and wellness, environmental stewardship, public education, a spirit of innovation, and will become an anchor for economic development and cultivate a strong relationship with the library's surrounding community.

The Foundation will serve as the vehicle by which the Presidential Library is constructed, and, in accordance with the statutory requirements outlined in the Presidential Libraries Act, by which the endowment necessary for the National Archives and Records Administration (NARA) to operate the Presidential Library is created and funded. The Foundation anticipates negotiating a joint use agreement with NARA in the future which will outline the responsibilities of both the Foundation and the government and will likely require the Foundation to provide ongoing support for the activities of the Presidential Library.

#### **Basis of Accounting**

The accounts of the Foundation are maintained, and the financial statements prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

#### **Basis of Presentation**

The financial statements are prepared in conformity with accounting principles applicable to nonprofit Foundations. For financial reporting purposes, net assets and revenue are classified on the basis of the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets: Net assets not subject to donor-imposed stipulations over which the Foundation's Board of Directors has discretionary control.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that can be fulfilled by the actions of the Foundation pursuant to those stipulations that expire by the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions that are maintained permanently by the Foundation.

#### Cash and Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Pledges Receivable

Unconditional pledges to contribute to the Foundation which are expected to be collected within one year are recorded at net realized value. Unconditional pledges expected to be collected in future years are recorded at the present value of estimated collections. Management believes that no allowance for uncollectibility is necessary.

# NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2014

#### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Revenue Recognition**

The Foundation accounts for contributions in accordance with FASB Guidance concerning Accounting for Contributions Received and Contributions Made. Contributions are recorded when cash is received or a pledge is received and are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of any donor restrictions. Unconditional promises to give (in writing) with payments due in future periods are reported as temporarily or permanently restricted support 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.

A donor-restricted contribution is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (such as when a time restriction ends or purpose restriction is satisfied), temporarily net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Donated services are recorded as revenue and expenditures when they meet the criteria for recognition in the financial statements.

#### **Fixed Assets**

Fixed assets are recorded at cost, if purchased, or fair value at the date of donation. Depreciation is calculated on the straight-line method designed to amortize the cost of the depreciable assets over their estimated useful lives, which ranges from 3-7 years for equipment and software.

#### **Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Income Taxes**

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

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. At December 31, 2014, there were no unrecognized tax benefits identified or recorded as liabilities.

# NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2014

#### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value of Financial Instruments

FASB Guidance, Fair Value Measurement Overall Disclosure, requires the Foundation to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Foundation's financial instruments.

The carrying value of cash, investments, receivables, other assets approximate fair value due to the short maturity of these instruments.

#### **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. Other expenses that are common to several functions are allocated based on time and other methods.

#### **NOTE 2 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash accounts in financial institutions. Cash that exceeded federally insure limits totaled \$2,725,279 at December 31, 2014.

#### **NOTE 3 - RESTRICTED INVESTMENTS**

Restricted investments represents certificates of deposit maintained in a separate account in accordance with a Commercial Card Agreement. The certificates are held as collateral.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 — unadjusted quoted prices in active markets for identical assets that the Foundation has the ability to liquidate as of the reporting date. Financial assets valued using Level 1 inputs includes certificate of deposits.

Level 2 — inputs other than quoted prices included within Level 1 that are directly observable for the asset or indirectly observable through corroboration with observable market data. As of December 31, 2014, the Foundation did not hold any financial assets valued using Level 2 inputs.

Level 3 — unobservable inputs, such as internally developed pricing models or third-party valuations for the asset due to little or no market activity for the asset. As of December 31, 2014, the Foundation did not hold any financial assets valued using Level 3 inputs.

# NOTES TO THE FINANCIAL STATEMENTS (Continued) DECEMBER 31, 2014

#### **NOTE 4 – PLEDGES RECEIVABLE**

Pledges expected to be collected beyond one year are adjusted to net present value by discounting future cash flows. Pledges receivable are due in the following periods:

NET PLEDGES RECEIVABLE	\$	656,737
Total Pledges Receivable Net present value discount (3.07%)		666,666 (9,929)
Within one year One to five years	\$ —	333,333 333,333

#### NOTE 5 – FIXED ASSETS

Fixed assets consist of the following as of December 31, 2014:

Computer Equipment	\$ 10,434
Accumulated depreciation	 (991)
Sub-Total	9,443
Website	 25,125
NET FIXED ASSETS	\$ 34,568

Depreciation expense for the period ended December 31, 2014 was \$991.

#### NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

The Foundation's temporarily restricted net assets at December 31, 2014 are time restricted.

#### NOTE 7 - RELATED PARTY TRANSACTIONS

The Foundation received in-kind contributions of services valued at \$458,333 for the year ended December 31, 2014. Contributed services were for a volunteer employee as the acting executive director provided to support the operations of the Foundation. Donated office space estimated at \$47,396 was provided by a firm affiliated with a Board Member.

In addition, a board member of the Foundation also sits on the board of one of the vendors used during the year.

#### **NOTE 8 - SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events for potential recognition and/or disclosure through April 30, 2015, the date the financial statements were approved and available to be issued.



### SCHEDULE OF FUNCTIONAL EXPENSES FOR THE PERIOD JANUARY 31, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

			Management					
	_Program		<b>Fundraising</b>		& General		Total	
Salaries and benefits	\$	80,992	\$	20,870	\$	71,351	\$	173,213
Fundraising		-		466,194		-		466,194
Communications		177,996		-		59,332		237,328
Professional and consulting		992,799		95,260		317,301		1,405,360
Printing and copying		21,175		-		25		21,200
Office expenses		1,448		11,053		7,446		19,947
Travel		68,075		10,198		4,984		83,257
Occupancy costs		20,770		5,002		21,624		47,396
Insurance				-		3,097	_	3,097
Total Before Depreciation	]	1,363,255		608,577		485,160		2,456,992
Depreciation		452		127		412	_	991
TOTAL EXPENSES	\$	1,363,707	\$	608,704	\$	485,572	\$	2,457,983