

The Barack Obama Foundation

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

Financial Statements as of and for the Years
Ended December 31, 2018 and 2017 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 (a District of Columbia Not-for-Profit Corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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 misstatements, 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 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.

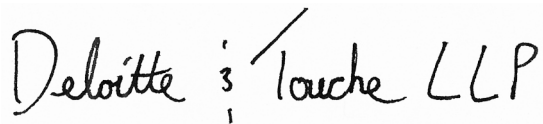
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

The image shows a handwritten signature in black ink. The signature reads "Deloitte" followed by a stylized symbol consisting of a vertical line with a horizontal bar at the top and a horizontal bar at the bottom, resembling a colon or a specific logo element. To the right of this symbol is the word "Touche" followed by "LLP".

May 10, 2019

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

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CASH	\$ 100,093,303	\$ 49,871,514
PREPAID AND OTHER ASSETS	2,654,295	226,266
CONTRIBUTIONS AND PLEDGES RECEIVABLE—Net	218,287,411	162,894,021
GRANTS RECEIVABLE—Net		381,213
FIXED ASSETS—Net	33,065,629	13,475,302
DONATED LEASE ASSETS	1,768,564	2,210,705
COLLECTIONS	<u>18,601</u>	<u>18,601</u>
TOTAL ASSETS	<u>\$ 355,887,803</u>	<u>\$ 229,077,622</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 9,382,795	\$ 3,276,335
Accrued payroll and benefits	1,188,231	998,241
Deferred grant revenue	516,200	567,255
Grants payable	1,750,000	
Deferred rent liability	<u>30,558</u>	<u>1,701</u>
Total liabilities	12,867,784	4,843,532
NET ASSETS:		
Without donor restrictions	113,680,390	59,417,072
With donor restrictions	<u>229,339,629</u>	<u>164,817,018</u>
Total net assets	<u>343,020,019</u>	<u>224,234,090</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 355,887,803</u>	<u>\$ 229,077,622</u>

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
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributions and grants	\$60,720,743	\$170,989,737	\$231,710,480
Contributions in kind	832,852		832,852
Interest and dividends	101,127		101,127
Other income	8,810		8,810
Realized gain on sale of investments	49,210		49,210
Contribution received in acquisition	123,268	160,000	283,268
Net assets released from restrictions	<u>11,543,078</u>	<u>(11,543,078)</u>	<u>-</u>
 Total revenue	 73,379,088	 159,606,659	 232,985,747
EXPENSES:			
Program costs	12,560,630		12,560,630
Fundraising	4,252,742		4,252,742
General and administrative	<u>5,294,922</u>		<u>5,294,922</u>
 Total expenses	 <u>22,108,294</u>	 <u>-</u>	 <u>22,108,294</u>
 CHANGE IN NET ASSETS	 51,270,794	 159,606,659	 210,877,453
NET ASSETS—Beginning of year	<u>8,146,278</u>	<u>5,210,359</u>	<u>13,356,637</u>
NET ASSETS—End of year	<u>\$59,417,072</u>	<u>\$164,817,018</u>	<u>\$224,234,090</u>

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

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

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

	Program Costs	Fundraising	General & Administrative	Total
SALARIES AND BENEFITS	\$10,862,866	\$3,362,116	\$4,295,351	\$18,520,333
FUNDRAISING		312,000		312,000
COMMUNICATIONS	678,657	164,946	1,102,750	1,946,353
PROFESSIONAL AND CONSULTING	4,193,009	485,122	2,357,014	7,035,145
OFFICE EXPENSES	629,794	95,342	590,842	1,315,978
TRAVEL	1,993,370	989,978	449,832	3,433,180
CONFERENCES AND SUMMITS	4,161,806	123,784	74,515	4,360,105
INFORMATION TECHNOLOGY	101,002	167,435	347,413	615,850
CONTRACTUAL SERVICES	3,106,507			3,106,507
GRANTS EXPENSE	3,950,000			3,950,000
OCCUPANCY COSTS	947,492	253,433	512,761	1,713,686
INSURANCE	<u>85,509</u>	<u>20,120</u>	<u>46,275</u>	<u>151,904</u>
Total before depreciation	30,710,012	5,974,276	9,776,753	46,461,041
DEPRECIATION	<u>183,094</u>	<u>43,081</u>	<u>99,086</u>	<u>325,261</u>
TOTAL EXPENSES	<u>\$30,893,106</u>	<u>\$6,017,357</u>	<u>\$9,875,839</u>	<u>\$46,786,302</u>

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, 2017

	Program Costs	Fundraising	General & Administrative	Total
SALARIES AND BENEFITS	\$ 4,714,800	\$1,629,694	\$2,444,917	\$ 8,789,411
FUNDRAISING		493,575		493,575
COMMUNICATIONS	1,656,658	288,205	806,073	2,750,936
PROFESSIONAL AND CONSULTING	1,416,633	263,721	1,149,623	2,829,977
OFFICE EXPENSES	336,030	116,151	191,447	643,628
TRAVEL	660,804	1,217,958	291,055	2,169,817
CONFERENCES AND SUMMITS	3,071,424		46,594	3,118,018
INFORMATION TECHNOLOGY	279,321	96,549	144,845	520,715
OCCUPANCY COSTS	271,345	93,792	140,709	505,846
INSURANCE	<u>33,940</u>	<u>11,731</u>	<u>17,600</u>	<u>63,271</u>
Total before depreciation	12,440,955	4,211,376	5,232,863	21,885,194
DEPRECIATION	<u>119,675</u>	<u>41,366</u>	<u>62,059</u>	<u>223,100</u>
TOTAL EXPENSES	<u>\$12,560,630</u>	<u>\$4,252,742</u>	<u>\$5,294,922</u>	<u>\$22,108,294</u>

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$118,785,929	\$ 210,877,453
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	325,261	223,100
Donated lease asset	442,141	257,135
Contributions restricted for the Obama Presidential Center	(27,372,617)	(10,266,125)
Donated securities	(16,842,384)	(17,273,696)
Gain on fair value of investments	(52,521)	(49,163)
Contribution received in acquisition		(283,268)
(Increase) decrease in:		
Contributions and pledges receivable	(55,393,390)	(160,098,413)
Grants receivable	381,213	(381,213)
Prepaid and other assets	(2,428,028)	(212,194)
(Decrease) increase in:		
Accounts payable and accrued expenses	2,079,423	(130,210)
Accrued payroll and benefits	189,990	601,316
Grants payable	1,750,000	
Deferred grant revenue and rent	(22,198)	216,936
Net cash provided by operating activities	21,842,819	23,481,658
CASH FLOWS FROM INVESTING ACTIVITIES:		
Pre-construction costs	(14,319,539)	(8,272,541)
Purchase of fixed assets	(1,569,013)	(315,802)
Net proceeds from sale of investments	16,894,905	17,322,859
Cash received in acquisition		635,288
Net cash provided by investing activities	1,006,353	9,369,804
CASH FLOWS FROM FINANCING ACTIVITIES—Contributions restricted for the Obama Presidential Center		
	<u>27,372,617</u>	<u>10,266,125</u>
Net cash provided by financing activities	<u>27,372,617</u>	<u>10,266,125</u>
INCREASE IN CASH	50,221,789	43,117,587
CASH—Beginning of year	<u>49,871,514</u>	<u>6,753,927</u>
CASH—End of year	<u>\$100,093,303</u>	<u>\$ 49,871,514</u>
NONCASH INVESTING ACTIVITIES—Accrual of fixed asset costs	<u>\$ 5,270,691</u>	<u>\$ 1,243,655</u>

The accompanying notes are an integral part of these financial statements

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, 2018 AND 2017

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 honor the legacy of President Obama and to inspire, empower, and connect people to change their world.

A core purpose of the Foundation is to build the Obama Presidential Center (the "OPC"), 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 OPC 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.

The Foundation will also advance programming that seeks to draw on the Obamas' example of engaged citizenship and public service to inspire and equip people to strengthen their communities. Broadly-accessible online content will encourage individuals to engage with their communities on issues about which they care deeply. In-person trainings will enable emerging leaders in fields as diverse as the arts, entrepreneurship, science, and education, among others, to increase their persuasiveness and efficacy. Intensive fellowships will offer support and a spotlight to established leaders. And international leadership initiatives will inspire, empower and connect emerging global leaders who are strengthening communities world-wide.

Echoing the Museum's focus on the Obama's lifelong commitment to local engagement, the Foundation's programming will also reinforce the importance of engaging and empowering communities, organizations and institutions. In Chicago, the Foundation may partner with the public schools, the public library, and other impactful community-based programs. Throughout the country, the Foundation will work with boys and young men of color. Throughout the world, we will work to support grassroots girls' education practitioners and young leaders. President and Mrs. Obama have devoted their lives' work to advancing these and other communities. The Museum will celebrate this work, and the Foundation's programming will draw on it as inspiration in working to restore our civic infrastructure.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Net Assets Without Donor Restrictions—Net assets not subject to donor-imposed restrictions. The Foundation’s Board of Directors may designate a portion of net assets without donor restrictions for specific purposes, but there are no such designations as of December 31, 2018 or 2017.

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

Cash—The Foundation’s cash consists primarily of deposit with banks. The Foundation had deposits in excess of federally insured limits at December 31, 2018 and 2017, but has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk.

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

Contributions and Pledges Receivable—Unconditional pledges to the Foundation that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges expected to be collected beyond one year are adjusted to net present value by discounting future cash flows using a rate commensurate with the risk involved. Management believes that no allowance for uncollectibility is necessary.

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

Grants Receivable—Amounts expended in advance of grant reimbursements are reported as grants receivable.

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

Expenses directly and indirectly related to planning and developing the OPC will begin being depreciated when the OPC is placed into service.

Collections—The Foundation has works of arts that it accounts for as collections as the items are held for exhibition to the public and not financial gain. The Foundation has adopted a policy to capitalize all collections. Collection items acquired in exchange transactions are measured at cost and recognized as assets in the period acquired. Donated collection items are recognized as assets and contributions in the period received and measured at fair value.

Revenue Recognition—Contributions and grants are recorded when cash or a pledge is received and are recorded as with donor restrictions or without donor restrictions depending on the nature of any donor restrictions. Unconditional promises to give with

payments due in future periods are reported as with donor restrictions, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended them to be used to support activities of the current period, in which case they are reported as without donor restrictions in the statement of activities. 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 as net assets released from restriction.

Revenue from grants is recognized when earned, which is generally as the related costs are incurred under the terms of the grant.

Gifts of long-lived assets are reported 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 meaningful amounts of 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.

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, accounts receivable, and accounts payable. The carrying amounts of cash, accounts receivable, and accounts payable 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, 2018, grants payable were not discounted as they are all payable within one year.

Use of Estimates—In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of 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 Financial Accounting Standards Board issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected and there is no interest or penalties recognized in the statements of activities or statements of financial position.

Accounting Standards Updates (ASUs) Adopted—In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Presentation of Financial Statements of Not for Profit Entities* (“ASU 2016-14”). ASU No. 2016-14 reexamines existing standards for financial statement presentation by not-for-profit entities (NFP), focusing on improving net asset classification requirements and information provided in financial statements and notes about liquidity, financial performance, and cash flows. The main provisions of this ASU include presenting on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the previously required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions. Furthermore, a NFP shall enhance disclosures about governing board imposed restrictions and liquidity. The Foundation implemented the provisions of ASU No. 2016-14 and has reflected the changes in net asset classification in the financial statements and disclosures. The Foundation has also provided the required liquidity disclosure in Note 3 to the financial statements. The Foundation has adjusted the presentation of these statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

ASUs Issued Not Yet Adopted—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU No. 2014-09”). ASU No. 2014-09 creates Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer and indicates an entity should disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2015-14 deferred the effective date of ASU No. 2014-09. ASU No. 2014-09 is now effective for the Foundation beginning on January 1, 2019. The Foundation has determined the impact of adopting this new guidance will not be material to the financial statements and disclosures.

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 capital leases. ASU No. 2016-02 is effective for the Foundation beginning on January 1, 2020. The Foundation has not yet determined the impact adopting this new guidance will have on its financial statements and disclosures.

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

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Foundation beginning on January 1, 2019. The Foundation has determined the impact of adopting this new guidance will not be material to the 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. ASU 2019-03 is effective for the Foundation beginning on January 1, 2020. The Foundation has not yet determined the impact on its financial statements.

3. LIQUIDITY

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

	2018
Cash	\$ 100,093,303
Contributions and pledges receivable due within one year	85,336,458
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(9,538,425)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 175,891,336</u>

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 general expenditures, liabilities, and other obligations come due.

4. PLEDGES RECEIVABLE

The Foundation has received various pledges from individuals and corporate donors. Pledges expected to be collected beyond one year are adjusted to net present value by discounting future cash flows. The discount rates used to determine the present value of pledges receivable represent risk adjusted interest rates applicable to the years in which the promises are received and range from 2.98% to 3.46%. The Foundation does not maintain an allowance for doubtful accounts from pledges receivable, nor did it have write-offs from pledges receivable.

Pledges receivable are due in the following periods:

	2018	2017
Within one year	\$ 84,474,498	\$ 48,050,000
One to five years	<u>139,825,691</u>	<u>121,210,357</u>
Total pledges receivable	224,300,189	169,260,357
Less present value discount	<u>(6,874,739)</u>	<u>(6,896,863)</u>
Pledges receivable, net	<u>\$ 217,425,450</u>	<u>\$ 162,363,494</u>

Conditional Grants and Pledges—In 2018 and 2017, the Foundation was given promises of approximately \$2,000,000 and \$21,000,000, respectively, to support its operating activities, which include conditions, such as future programming and certain construction activities, that must be fulfilled prior to receiving future payments. As of December 31, 2018 and 2017, some conditions have been fulfilled. The revenue will be recorded when the related conditions are met.

5. FIXED ASSETS

Fixed assets consist of the following as of December 31, 2018 and 2017:

	2018	2017
Computer equipment	\$ 409,693	\$ 195,298
Furniture and fixtures	1,010,483	321,971
Leasehold improvements	609,730	
Website	<u>999,000</u>	<u>448,500</u>
Subtotal	3,028,906	965,769
Accumulated depreciation	<u>(560,004)</u>	<u>(282,376)</u>
Subtotal	2,468,902	683,393
Pre-construction costs for the center	<u>30,596,727</u>	<u>12,791,909</u>
Fixed assets, net	<u>\$ 33,065,629</u>	<u>\$ 13,475,302</u>

Depreciation expense for the years ended December 31, 2018 and 2017, was \$325,261 and \$223,100, respectively.

The Foundation has incurred a total of \$30,596,727 toward the development of the OPC as of December 31, 2018. 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.

6. GRANTS PAYABLE

In 2018, new grants for the My Brother's Keeper Community Competition totaling \$3,950,000 were awarded by the Foundation, and \$2,200,000 were paid. At December 31, 2018 and 2017, grants payable totaled \$1,750,000 and \$0, respectively. Based on the specific grant agreements, grants payable are all expected to be paid by the Foundation in 2019.

7. NET ASSETS WITH DONOR RESTRICTIONS

The Foundation's net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	2018	2017
Restricted for:		
Planning and construction of the OPC	\$ 107,144,976	\$ 63,454,628
Donated lease asset	1,768,564	2,210,705
Educational programming and outreach	351,300	67,772
Time restricted	<u>120,074,789</u>	<u>99,083,913</u>
Total net assets with donor restrictions	<u>\$ 229,339,629</u>	<u>\$ 164,817,018</u>

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:

	2018	2017
Passage of time	\$ 21,615,953	\$ 1,232,970
Expenditures satisfying donor-imposed purpose restrictions:		
Planning and building the OPC	18,640,047	9,891,965
Donated lease asset	442,142	257,135
Educational programming and outreach	<u>14,121,197</u>	<u>161,008</u>
Total net assets released from restrictions	<u>\$ 54,819,339</u>	<u>\$ 11,543,078</u>

8. 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 if they wish. The Foundation can make discretionary contributions to the plan. Employees are immediately vested in employer contributions. Total employer contributions expensed during the years ended December 31, 2018 and 2017, respectively, were \$117,025 and \$0.

9. LEASE COMMITMENTS

During 2016, the Foundation entered into an operating lease for office space in Chicago expiring in 2022. The Foundation is a sublessee under the agreement and paid \$1 in base rent for the entire lease term. The donated lease was recognized as time-restricted revenue at the inception of the lease. The donated lease asset and related net assets with donor restrictions was \$1,768,564 and \$2,210,705 at December 31, 2018 and 2017, respectively. The estimated fair rental value of the lease donation and their related lease expense for the years ended December 31, 2018 and 2017, was \$442,141 and \$257,135, respectively.

During 2018 and 2017, the Foundation entered into operating leases for office space. The leases expire between 2019 and 2025. The leases have escalating rental payments and the related deferred rent liability for the active leases at December 31, 2018, are \$30,558.

The Foundation has also entered into several noncancelable operating leases for office equipment that expire between 2019 and 2022.

Future minimum lease payments under operating lease are:

Years Ending December 31	
2019	\$ 1,104,899
2020	1,065,175
2021	798,508
2022	529,038
2023	523,056
Thereafter	<u>581,014</u>
	<u>\$ 4,601,690</u>

Rental expense for office space and equipment for the years ended December 31, 2018 and 2017, was \$724,589 and \$428,985, respectively.

10. CONTRIBUTED GOODS AND SERVICES

For the years ended December 31, 2018 and 2017, the Foundation received contributed services in the amount of \$314,286 and \$155,652, respectively. In addition, the Foundation received contributed office space in the amount of \$56,167 and \$83,663, for the years ended December 31, 2018 and 2017, respectively.

The Foundation received contributed goods in the amount of \$247,250 and \$253,484 for the years ended December 31, 2018 and 2017, respectively.

11. RELATED-PARTY TRANSACTIONS

A board member of the Foundation sits on the board of a vendor who provides services to the Foundation directly, and in partnership with a consortium of professional service providers. Direct expenses paid to the vendor during the years ended December 31, 2018 and 2017, were \$18,913 and \$36,560, respectively. Expenses paid to the consortium in 2018 and 2017 were \$2,272,020 and \$1,261,000, respectively.

12. CONSTRUCTION COMMITMENT

In 2016, the Foundation selected the architectural team of Tod Williams Billie Tsien Architects | Partners (TWBTA) and Interactive Design Architects (IDEA) to lead the effort to design the OPC on Chicago's mid-South Side. The contract was signed on June 27, 2016, with the project term through 2022. Expenses incurred related to TWBTA for the years ended December 31, 2018 and 2017, are \$7,581,642 and \$4,963,525, respectively.

In 2018, the Foundation selected Lakeside Alliance to serve as the construction manager for the OPC. Lakeside Alliance is a joint venture between a large international construction company and 4 minority-owned Chicago construction firms who will have 51% financial equity in the OPC contract. The contract was signed in January 2018, with an expected contract term through December 2022.

Both contracts are being amended to extend the contract terms.

13. ACQUISITION

President Obama launched My Brother's Keeper in February 2014 to address persistent opportunity gaps facing boys and young men of color and to ensure all youth can reach their full potential. In 2015, My Brother's Keeper Alliance (MBK Alliance) was launched, inspired by My Brother's Keeper, to scale and sustain this mission. In late 2017, MBK Alliance became an initiative of the Obama Foundation. Within the Obama Foundation, MBK Alliance focuses on building safe and supportive communities for boys and young men of color where they feel valued and have clear pathways to opportunity.

The receipt of cash from MBK Alliance in 2017 was deemed to be an inherent contribution. The Foundation recorded the following items:

Cash	\$635,288
Deferred revenue for a grant	352,020
Restricted contribution	160,000
Unrestricted contribution	123,268

There were no operating liabilities, collection items, or promises to give received as part of the transaction.

14. LEGAL MATTERS

In May 2018, a lawsuit was filed against the City of Chicago (the "City") and the Chicago Park District (the "Park District") to enjoin the transfer of certain acreage in Jackson Park from the Park District to the City for the construction of the OPC. The Foundation is not a party to this lawsuit, but is monitoring it closely to assess and proactively address any impact on the Foundation or the construction of the OPC.

15. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for potential recognition and/or disclosure through May 10, 2019, the date the financial statements were approved and available to be issued.

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