



THE RONALD REAGAN PRESIDENTIAL  
FOUNDATION AND INSTITUTE

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 and 2018

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3 - 4
STATEMENTS OF FUNCTIONAL EXPENSES	5 - 6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 27



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
The Ronald Reagan Presidential  
Foundation and Institute

We have audited the accompanying financial statements of The Ronald Reagan Presidential Foundation and Institute (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, 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**

The Foundation's 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 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 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 Ronald Reagan Presidential Foundation and Institute as of September 30, 2019 and 2018, 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.

*Rose, Snyder & Jacobs LLP*

Rose, Snyder & Jacobs LLP

Encino, California  
February 11, 2020

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2019 AND 2018

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,303,212	\$ 3,441,107
Short-term investments	-	8,902,660
Pledges receivable - net (notes 3 and 12)	22,908,713	4,363,498
Museum store inventory - net	886,663	885,870
Prepaid expenses, accounts receivable and other assets (notes 4 and 9)	1,906,106	1,741,666
TOTAL CURRENT ASSETS	35,004,694	19,334,801
COLLECTIONS (note 1)	-	-
DEPOSITS (note 4)	20,126,126	999,086
INVESTMENTS (note 5)	211,434,915	219,230,620
PLEDGES RECEIVABLE - NET (notes 3 and 12)	31,132,931	45,878,744
LAND, BUILDINGS AND EQUIPMENT - NET (note 6)	76,073,720	77,564,492
TOTAL ASSETS	\$ 373,772,386	\$ 363,007,743
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,431,102	\$ 2,305,588
Deferred revenue	1,997,826	1,690,928
TOTAL CURRENT LIABILITIES	4,428,928	3,996,516
LONG-TERM LIABILITIES		
Note payable (note 7)	6,000,000	6,000,000
Charitable remainder annuity trusts (note 8)	81,033	104,945
Deferred revenue	1,062,664	-
TOTAL LIABILITIES	11,572,625	10,101,461
COMMITMENTS AND CONTINGENCIES (note 11)		
NET ASSETS (notes 13 and 14)		
Without donor restrictions	179,378,279	153,112,665
With donor restrictions	182,821,482	199,793,617
TOTAL NET ASSETS	362,199,761	352,906,282
TOTAL LIABILITIES AND NET ASSETS	\$ 373,772,386	\$ 363,007,743

See independent auditors' report and notes to financial statements.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT:</b>			
Contributions	\$ 9,370,735	\$ 275,917	\$ 9,646,652
Direct mail	918,955	-	918,955
Pledge support	-	8,868,160	8,868,160
Rental, admission and royalty income	9,068,752	-	9,068,752
Museum store sales	2,837,392	-	2,837,392
TOTAL REVENUE AND OTHER SUPPORT	22,195,834	9,144,077	31,339,911
<b>OPERATING EXPENSES:</b>			
Program services:			
Center for Public Affairs	820,513	-	820,513
Presidential Learning Center	3,120,756	-	3,120,756
Library events and exhibits	11,049,356	-	11,049,356
Library and museum support and promotion	2,788,831	-	2,788,831
Ronald Reagan Institute	4,322,226	-	4,322,226
Museum store	2,460,225	-	2,460,225
Support services:			
Fundraising and development	2,390,587	100,000	2,490,587
Management and general	2,898,361	-	2,898,361
Member services	1,148,804	-	1,148,804
TOTAL OPERATING EXPENSES	30,999,659	100,000	31,099,659
<b>NON-OPERATING ACTIVITIES</b>			
Dividends and interest	1,467,616	2,467,074	3,934,690
Net realized and unrealized gains on investments	2,001,015	3,341,351	5,342,366
Total investment income	3,468,631	5,808,425	9,277,056
Interest expense	(223,829)	-	(223,829)
Amounts released from restriction	4,067,323	(4,067,323)	-
TOTAL NON-OPERATING ACTIVITIES	7,312,125	1,741,102	9,053,227
CHANGES IN NET ASSETS	(1,491,700)	10,785,179	9,293,479
Transfers for endowment purposes	27,757,314	(27,757,314)	-
NET ASSETS - Beginning of year	153,112,665	199,793,617	352,906,282
NET ASSETS - End of year	\$ 179,378,279	\$ 182,821,482	\$ 362,199,761

See independent auditors' report and  
notes to financial statements.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT:</b>			
Contributions	\$ 23,888,688	\$ 544,869	\$ 24,433,557
Direct mail	857,800	-	857,800
Pledge support	-	3,084,234	3,084,234
Rental, admission and royalty income	7,406,016	-	7,406,016
Museum store sales	2,743,497	-	2,743,497
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>34,896,001</b>	<b>3,629,103</b>	<b>38,525,104</b>
<b>OPERATING EXPENSES:</b>			
Program services:			
Center for Public Affairs	1,291,599	-	1,291,599
Presidential Learning Center	3,086,429	-	3,086,429
Library events and exhibits	8,770,261	-	8,770,261
Library and museum support and promotion	1,886,672	-	1,886,672
Ronald Reagan Institute	2,447,917	-	2,447,917
Museum store	2,592,804	-	2,592,804
Support services:			
Fundraising and development	2,468,239	-	2,468,239
Management and general	3,322,956	-	3,322,956
Member services	922,011	-	922,011
<b>TOTAL OPERATING EXPENSES</b>	<b>26,788,888</b>	<b>-</b>	<b>26,788,888</b>
<b>NON-OPERATING ACTIVITIES</b>			
Dividends and interest	1,034,434	1,797,821	2,832,255
Net realized and unrealized gains on investments	3,630,226	5,920,419	9,550,645
Total investment income	4,664,660	7,718,240	12,382,900
Interest expense	(183,754)	-	(183,754)
Amounts released from restriction	13,891,308	(13,891,308)	-
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>18,372,214</b>	<b>(6,173,068)</b>	<b>12,199,146</b>
<b>CHANGES IN NET ASSETS</b>	<b>26,479,327</b>	<b>(2,543,965)</b>	<b>23,935,362</b>
Transfers for endowment purposes	(26,579,368)	26,579,368	-
<b>NET ASSETS - Beginning of year</b>	<b>153,212,706</b>	<b>175,758,214</b>	<b>328,970,920</b>
<b>NET ASSETS - End of year</b>	<b>\$ 153,112,665</b>	<b>\$ 199,793,617</b>	<b>\$ 352,906,282</b>

See independent auditors' report and  
notes to financial statements.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services					Support Services			Total	
	Center for Public Affairs	Presidential Learning Center	Library Events and Exhibits	Library and Museum Support and Promotion	Ronald Reagan Institute	Museum Store	Fundraising and Development	Management and General		Member Services
EXPENSES AND LOSSES:										
Personnel and related expenses	\$ 298,625	\$ 1,524,801	\$ 1,104,555	\$ 986,879	\$ 1,731,099	\$ 771,125	\$ 1,202,083	\$ 1,463,699	\$ 506,484	\$ 9,589,350
Depreciation and amortization	35,745	44,404	3,821,634	22,360	11,722	33,941	4,276	46,851	1,332	4,022,265
Exhibits	-	-	2,972,126	-	-	-	-	-	-	2,972,126
Event expenses	444,480	273,147	603,494	91,361	1,261,021	-	67,717	2,733	32,381	2,776,334
Occupancy, equipment and repairs	2,264	10,234	2,068,022	73,007	243,597	29,981	4,775	95,978	39	2,527,897
Outside services and fees	24,348	26,808	54,705	357,663	433,672	73,394	103,333	742,379	81,604	1,897,906
Advertising and marketing	11,775	149,588	48,310	1,208,451	228,014	39,791	46,911	-	40,917	1,773,757
Cost of museum store sales	-	-	-	-	-	1,432,895	-	-	-	1,432,895
Direct mail	-	32,986	-	-	945	-	760,198	-	252,847	1,046,976
Legal and professional fees	-	173,959	59,882	-	168,504	26,260	114,000	351,060	-	893,665
Grants and contributions	-	803,626	-	-	-	-	17,375	-	10,079	831,080
Travel and entertainment	22	55,208	4,293	12,902	204,065	4,436	59,165	33,298	567	373,956
Museum support	-	-	113,082	-	-	-	-	-	218,952	332,034
Supplies	3,254	25,995	40,017	36,208	39,587	48,402	10,754	82,920	3,602	290,739
Insurance	-	-	159,236	-	-	-	-	79,443	-	238,679
Provision for doubtful pledges	-	-	-	-	-	-	100,000	-	-	100,000
<b>TOTAL EXPENSES</b>	<b>\$ 820,513</b>	<b>\$ 3,120,756</b>	<b>\$ 11,049,356</b>	<b>\$ 2,788,831</b>	<b>\$ 4,322,226</b>	<b>\$ 2,460,225</b>	<b>\$ 2,490,587</b>	<b>\$ 2,898,361</b>	<b>\$ 1,148,804</b>	<b>\$ 31,099,659</b>

See independent auditors' report and  
notes to financial statements.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services						Support Services			Total
	Center for Public Affairs	Presidential Learning Center	Library Events and Exhibits	Library and Museum Support and Promotion	Ronald Reagan Institute	Museum Store	Fundraising and Development	Management and General	Member Services	
EXPENSES AND LOSSES:										
Personnel and related expenses	\$ 254,169	\$ 1,364,360	\$ 1,042,734	\$ 659,420	\$ 982,772	\$ 1,002,557	\$ 1,228,585	\$ 1,651,198	\$ 383,153	\$ 8,568,948
Depreciation and amortization	30,728	45,737	3,654,524	14,738	5,605	29,996	4,470	43,798	1,392	3,830,988
Occupancy, equipment and repairs	6,109	19,261	1,999,579	68,441	280,805	18,947	5,843	116,644	122	2,515,751
Event expenses	746,529	312,389	643,515	3,348	538,546	-	47,244	32	24,678	2,316,281
Outside services and fees	64,018	33,625	50,887	142,080	414,104	58,688	127,985	914,279	55,809	1,861,475
Cost of museum store sales	-	-	-	-	-	1,362,365	-	-	-	1,362,365
Advertising and marketing	23,315	165,096	82,876	842,033	59,656	71,256	97,895	-	3,224	1,345,351
Direct mail	-	33,461	-	-	16,646	-	651,054	-	316,543	1,017,704
Exhibits	-	-	997,236	-	-	-	-	-	-	997,236
Legal and professional fees	160,290	182,050	2,586	126,180	2,118	20,840	40,097	395,256	-	929,417
Grants and contributions	-	855,312	-	-	-	-	41,204	-	8,371	904,887
Museum support	-	-	108,418	-	-	-	168,704	-	111,940	389,062
Travel and entertainment	2,467	51,828	4,291	12,322	116,815	272	47,546	15,187	6,976	257,704
Supplies	3,974	23,310	27,153	18,110	30,850	27,883	7,612	105,713	9,803	254,408
Insurance	-	-	156,462	-	-	-	-	80,849	-	237,311
<b>TOTAL EXPENSES</b>	<b>\$ 1,291,599</b>	<b>\$ 3,086,429</b>	<b>\$ 8,770,261</b>	<b>\$ 1,886,672</b>	<b>\$ 2,447,917</b>	<b>\$ 2,592,804</b>	<b>\$ 2,468,239</b>	<b>\$ 3,322,956</b>	<b>\$ 922,011</b>	<b>\$ 26,788,888</b>

See independent auditors' report and notes to financial statements.



THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 9,293,479	\$ 23,935,362
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,022,265	3,830,988
Impairment of property and equipment	316,384	-
Amortization of pledges receivable present value discount	(4,161,706)	(799,084)
Non-cash contribution revenue	(152,682)	26,397
Gain on investments	(9,277,056)	(12,382,900)
Provision for doubtful pledges	100,000	-
Changes in operating assets and liabilities:		
Pledges receivable	252,084	30,916,930
Museum store inventory	(794)	15,004
Prepaid expenses, accounts receivable and other assets	(164,439)	(232,881)
Accounts payable and accrued expenses	125,515	587,914
Deferred revenues	136,862	990,368
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>489,912</b>	<b>46,888,098</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(2,769,399)	(40,940,955)
Proceeds from sale of investments	20,005,062	1,769,475
Cash restricted for short-term investments	8,902,660	(8,902,660)
Deposits for purchase of building	(19,127,040)	(984,000)
Purchase of land, buildings and equipment	(1,615,177)	(2,782,276)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>5,396,106</b>	<b>(51,840,416)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Collection of pledges restricted to endowments	-	-
Charitable remainder annuity trusts	(23,913)	(32,047)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(23,913)</b>	<b>(32,047)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,862,105	(4,984,365)
CASH AND CASH EQUIVALENTS - beginning of year	3,441,107	8,425,472
CASH AND CASH EQUIVALENTS - end of year	\$ 9,303,212	\$ 3,441,107
<b>SUPPLEMENTARY DISCLOSURE:</b>		
Interest paid in cash	\$ 220,899	\$ 176,833
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Contributions of investments	\$ 152,682	\$ 26,397
Contributions of investments as repayment of pledges receivable	\$ 10,220	\$ -
Property and equipment acquired through Sodexo agreement	\$ 1,232,700	\$ -

See independent auditors' report and notes to financial statements.

**Note 1 – Organization and Summary of Significant Accounting Policies**

**Organization:** The Ronald Reagan Presidential Foundation was incorporated on February 27, 1985 in the state of California to obtain funding from private sources necessary to construct The Ronald Reagan Presidential Library and Museum (the “Library”) in Simi Valley, California. On April 9, 2014, the organization changed its name to The Ronald Reagan Presidential Foundation and Institute (the “Foundation”).

The Foundation’s mission is to promote and preserve the timeless principles Ronald Reagan championed: Individual Liberty, Economic Opportunity, Global Democracy and National Pride. In 2016, the organization’s Board of Trustees approved the expansion of this mission to include projects and programs under the auspices of the Reagan Institute which carries out the Foundation’s work in Washington, D.C.. This new entity moves beyond the important mission of preserving the memory of our 40th President. The Reagan Institute proactively promotes President Reagan’s ideals and vision, as well as shares his leadership accomplishments that brought a country together and instilled enthusiasm and confidence among the American people. Additionally, for the benefit of generations to come, the Reagan Institute will be a center for youth education and academic alliances, scholarly work, and substantive, issue-driven forums.

Through its nonprofit status, the Foundation conducts fund-raising and programming activities that sustain: The Library, The Center for Public Affairs, The Walter and Leonore Annenberg Presidential Learning Center, established to be a place where school children are inspired to learn about civics, the presidency, history and leadership, the Air Force One Pavilion (the “Pavilion”), and the Reagan Institute as well. The Pavilion tells the story of President Reagan’s role in ending the Cold War and showcases Air Force One, the Boeing 707 aircraft used by seven United States presidents, including President Reagan. The aircraft is on permanent loan from the United States Air Force. The Pavilion houses the Discovery Center, made possible by the Donald W. Reynolds Foundation, where students participate in presidential decision making and role play real historical scenarios from the Reagan Administration designed to represent the executive branch experience. The Library houses more than 63 million pages of Presidential, Gubernatorial and personal papers, 1.5 million photographs, and over 60,000 gifts and artifacts chronicling the lives of Ronald and Nancy Reagan. It now also serves as the final resting place of America’s 40th President and his first lady.

The Foundation relies on contributions, museum admission fees, return on investments, museum store sales, facility rentals, and royalty and licensing agreements to support its operations and programs. On March 18, 1991, the Foundation granted to the National Archives and Records Administration (“NARA”) the exclusive right to use and operate the Library for as long as the Library is operated as a presidential archive (see note 9).

**Basis of Presentation:** The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

See independent auditors’ report.

**Note 1 – Organization and Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued):** Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. The Foundation's net assets without donor restrictions include general, museum store or board-designated amounts. Net assets without donor restrictions include board-designated funds for endowment purposes represents net assets without donor restrictions that function as endowment until otherwise specified by the Board of Trustees. Net assets with donor restrictions comprise pledges due to, and contributions received by, the Foundation for which donors have restricted the use of such funds to a specified purpose or for a period of time. Endowment funds included in net assets with donor restrictions represent donor designated endowment fund earnings and un-appropriated earnings from other endowment funds with donor restrictions in perpetuity. Endowment amounts are maintained in perpetuity, with only the income to be used to support operations or another specified purpose. Such undistributed earnings from donor-restricted endowments, remain as net assets with donor restrictions until appropriated for current year operations upon Board of Trustees approval of annual endowment distributions and utilized in accordance with their purpose restriction (if any), at which time they become net assets without donor restrictions.

**Revenue Recognition:** Unconditional promises to give are recognized as revenue in the period pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. An allowance for doubtful amounts is determined using the age of the pledge, creditworthiness of the donor and historical collection experience.

Revenue from museum admission fees, facility rentals and museum store operations is recognized at the time of sale or at the time the event is held.

The Foundation reports contributions and pledge support as either net assets with donor restrictions if such items are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same year as the contributions are made are initially classified as net assets with donor restrictions. If a donor changes the restrictions on a contribution, the re-designation is reflected in the statements in the year the designation is changed.

See independent auditors' report.

**Note 1 – Organization and Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents and Short-Term Investments:** Cash and cash equivalents include amounts on hand and on deposit at financial institutions which are intended for operations and exclude money market funds held for investment. Short-term investments include liquid securities intended to be converted to cash within 12 months.

**Museum Store Inventory:** Inventory consists of goods held for sale in the Foundation's museum store and is stated at the lower of cost (first-in, first-out method) or net realizable value.

**Investments:** Investments are classified as long-term and stated at fair value based on current market price, if available.

**Land, Buildings and Equipment:** Buildings, exhibits, furniture, fixtures and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives, which range from 5 to 40 years.

**Endowment Funds:** See note 14 for endowment funds.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management uses its historical records and knowledge of its activities in making these estimates. Accordingly, actual results could differ from those estimates.

**Collections:** The Library stores and displays significant collections of both Presidential and personal artifacts, documents, and photographic information, which are owned and controlled by NARA and therefore are not reflected in these financial statements. The Foundation owns a much smaller collection of personal (non-presidential) items, gifted by President and Mrs. Reagan and others. While some of these items are displayed in the Museum and other non-public areas of the library, the bulk of these items are kept in permanent storage. The Foundation has, for many years, transferred these stored items to NARA for safekeeping. The Foundation works with NARA to ensure that these items are properly housed and catalogued. None of these Foundation-owned items are recognized as assets on the Foundation's statement of financial position and to date the Foundation has not disposed of any of its collections.

See independent auditors' report.

**Note 1 – Organization and Summary of Significant Accounting Policies (Continued)**

**Statement of Functional Expenses:** The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records and estimates made by the Foundation's management. The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Depreciation expense is allocated using a combination of specific identification and by square footage. For assets that are specific to certain functions, the corresponding depreciation expense is charged to those functions. For assets that are not specific to certain functions, the corresponding depreciation expense is allocated among program services and support services based primarily on the ratio of space occupied.

**Income Taxes:** The Foundation is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code ("IRC") and is also exempt from state franchise taxes.

The Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification 740-10-25, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and provides guidance on the recognition, de-recognition and measurement of benefits related to an entity's uncertain tax positions, if any. The Foundation has identified and evaluated their significant tax positions for which the statute of limitations remains open and determined there are no material unrecognized tax benefits or liabilities to be recorded. The Foundation's policy is to include interest and penalties related to unrecognized tax benefits in income tax expense. Interest and penalties totaled \$0 for the years ended September 30, 2019 and 2018.

**Net Assets without Donor Restrictions:** Net assets without donor restrictions represent resources which do not have donor-imposed stipulations and are available to support the Foundation's operations.

**Net Assets with Donor Restrictions:** Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions. When the restrictions expire the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions of \$4,067,323 and \$13,891,308 were released from restrictions for the years ended September 30, 2019 and 2018, respectively and used by management for general operating purposes.

There are also net assets with donor restrictions that include a stipulation that the donated assets be maintained on a permanent basis while permitting the Foundation to spend the income earned on the assets for the specified purpose designated by the donor.

See Note 13 for more information on the composition of net assets with donor restrictions.

See independent auditors' report.

**Note 1 – Organization and Summary of Significant Accounting Policies (Continued)**

**Fair Value of Financial Instruments:** The Foundation has adopted guidance issued by the FASB that defines fair value, establishes a framework for measuring fair value in accordance with existing Generally Accepted Accounting Principles, and expands disclosures about fair value measurements. Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The categories are as follows:

<u>Level Input:</u>	<u>Input Definition:</u>
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs, other than quoted prices included in Level I, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Foundation's policy is to recognize transfers between Level I, II, and III as of the end of the fiscal year during which the event or circumstances that caused the transfer occurred.

Carrying amounts reported in the statement of financial position for cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities approximate fair value because of their immediate or short-term nature. The fair value of borrowings is not considered to be significantly different than its carrying amount because the stated rates for such debt reflect current market rates and conditions.

**Reclassifications:** The Foundation reclassified certain amounts from the year ended September 30, 2018 to conform to the current year presentation.

**Recent Accounting Pronouncements:** In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance along with subsequent amendments, provides a new model for revenue recognition and disclosures for all entities that enter into contracts with customers to transfer goods or services. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, to defer the effective date of this new standard by one year. This guidance is effective for years beginning after December 15, 2018. The Foundation is currently evaluating the impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance on accounting for leases in "Leases (Topic 840)" and generally requires all leases to be recognized in the statement of financial position. ASU 2016-02 is effective for annual and interim reporting periods beginning after December 15, 2020; early adoption is permitted. The provisions of ASU 2016-02 are to be applied using a modified retrospective approach. The Foundation is currently evaluating the impact of the adoption of this standard on its financial statements.

See independent auditors' report.

**Note 1 – Organization and Summary of Significant Accounting Policies (Continued)**

**Recently Adopted Accounting Pronouncements:** In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and Guidance for Contributions Received and Contributions Made. This new guidance clarifies the evaluation of whether an exchange of assets is a contribution or an exchange transaction. It also clarifies the criteria to evaluate whether a contribution has a donor-imposed condition and how that impacts revenue recognition. This guidance is effective for the years beginning after December 15, 2018 and changes will be applied on a modified prospective basis. The Foundation has elected to early adopt this standard and there was no material impact to the financial statements.

The Foundation adopted ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities (Topic 958) during the year ended September 30, 2019. ASU 2016-14 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. The Foundation retroactively adopted this standard during the year ended September 30, 2019, and as allowed per the standard, elected to only disclose liquidity information for the year ended September 30, 2019. Following is a summary of the net asset reclassifications as a result of the adoption of ASU 2016-14 as of September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets classification as previously presented:			
Unrestricted:			
General	\$ 78,069,657	\$ -	\$ 78,069,657
Museum store	5,596,962	-	5,596,962
Board-designated:			
For endowment purposes	69,446,046	-	69,446,046
Temporarily restricted	-	57,844,760	57,844,760
Temporarily restricted endowment	-	75,506,974	75,506,974
Permanently restricted:			
Endowment campaigns	-	66,441,883	66,441,883
Total net assets, as restated:	\$ 153,112,665	\$ 199,793,617	\$ 352,906,282

See independent auditors’ report.

**Note 2 – Liquidity of Assets and Availability of Resources**

The Organization's financial assets available within one year from September 30, 2019 for general expenditures are as follows:

Cash and cash equivalents	\$	9,303,212
Investments		211,434,915
Accounts receivable		179,960
Pledges receivable		<u>22,908,713</u>
Total financial assets available within one year		243,826,800
Add (deduct):		
Amounts unavailable for general expenditures		
within one year due to:		
Restricted by donor in perpetuity		(70,238,051)
Restricted by donor with purpose restrictions		(61,804,821)
Board designated endowment funds		<u>(71,881,086)</u>
Total financial assets available to management		
for general expenditure within one year	\$	<u>39,902,842</u>

The Foundation is supported by earned revenue, contributions and endowment support. The Foundation maintains a policy structuring its financial assets to be available as its general expenditures, liabilities, and other obligations require. In addition, the Foundation invests cash in excess of monthly requirements in short-term investments. To help manage unanticipated liquidity needs the Foundation has a committed line of credit of \$3,000,000, which it could draw upon. Additionally, the Foundation has Board Designated net assets without donor restrictions that, while the Foundation does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

See independent auditors' report.



**Note 3 – Pledges Receivable**

Pledges receivable are expected to be collected as follows at September 30:

	2019	2018
Within one year	\$ 22,908,713	\$ 4,363,498
From one to five years	16,800,509	34,528,481
Over five years	23,137,876	24,217,423
	62,847,098	63,109,402
Present value discount *	(8,230,454)	(12,392,160)
Allowance for doubtful pledges	(575,000)	(475,000)
	54,041,644	50,242,242
Less current portion, net	22,908,713	4,363,498
Long-term pledges receivable, net	\$ 31,132,931	\$ 45,878,744

\* Anticipated pledge payments are discounted at the U.S. Treasury Bill rate for the pledge period at the time the pledge is received.

Total bequests and conditional pledges, which are not included in the financial statements, were \$54,412,588 and \$49,017,413 at September 30, 2019 and 2018, respectively.

**Note 4 – Prepaid Expenses, Accounts Receivable and Deposits**

Accounts receivable include amounts owed by NARA for reimbursement of costs incurred by the Foundation on behalf of NARA, as well as amounts owed for sponsorship of future events.

As of September 30, 2019, the Foundation has \$20.1 million deposited into an escrow account for the purchase of a condominium interest in an office building in Washington, D.C. in which the Foundation will operate the Ronald Reagan Institute. On December 16, 2019 escrow closed on this purchase. See note 11.

During fiscal years 2019 and 2018, temporary exhibition and event costs were incurred in advance of the unveiling or the exhibition. Costs are expensed when the unveiling occurs or during the exhibition period.

**Note 5 – Investments**

Investments are carried at fair value with realized and unrealized gains and losses, interest and dividends reflected in the statements of activities. Investments are money market funds, equity mutual funds, commodities mutual funds, marketable equity securities and private securities. These funds were measured at fair value using quoted market prices and were classified as Level I. If the fund is not trading on a regular basis, it is classified as Level II. Private securities are valued at the best estimates available and are classified as Level III.

See independent auditors' report.

**Note 5 – Investments (Continued)**

During the years ended September 30, 2019 and 2018, the Foundation had investments in a private company through the Endowment managed by State Street, which does not have a quoted market price and is therefore classified as Level III. Management obtains an updated valuation report annually to determine the fair value.

Following is a summary of the fair values of investments measured on a recurring basis at September 30:

	September 30, 2019			
	Level I	Level II	Level III	Total
Money market funds held				
for investment	\$ 1,089,792	\$ -	\$ -	\$ 1,089,792
Equity mutual funds	17,072,277	66,356,860	-	83,429,137
Fixed income mutual funds	65,732,836	30,145,757	-	95,878,593
Trust funds held for others	590,706	5,124	-	595,830
Private equity securities	-	-	<u>30,441,563</u>	<u>30,441,563</u>
Total investments	<u>\$ 84,485,611</u>	<u>\$ 96,507,741</u>	<u>\$ 30,441,563</u>	<u>\$ 211,434,915</u>

	September 30, 2018			
	Level I	Level II	Level III	Total
Money market funds held				
for investment	\$ 18,536,285	\$ -	\$ -	\$ 18,536,285
Equity mutual funds	22,493,840	62,624,421	-	85,118,261
Fixed income mutual funds	61,716,733	28,683,473	-	90,400,206
Trust funds held for others	727,850	39,796	-	767,646
Private equity securities	-	-	<u>24,408,222</u>	<u>24,408,222</u>
Total investments	<u>\$ 103,474,708</u>	<u>\$ 91,347,690</u>	<u>\$ 24,408,222</u>	<u>\$ 219,230,620</u>

See independent auditors' report.

**Note 5 – Investments (Continued)**

The following table summarizes our fair value measurements using significant Level II and III inputs, and changes therein, for the years ended September 30, 2019 and 2018:

	Level II	Level III
Balance as of September 30, 2017	\$ 79,937,204	\$ 17,997,869
Net purchases (sales)	6,275,281	5,208,752
Net unrealized gains (losses)	4,494,914	448,648
Net realized gains (losses)	640,291	752,953
Balance as of September 30, 2018	91,347,690	24,408,222
Net purchases (sales)	2,397,413	4,698,743
Net unrealized gains (losses)	2,307,809	607,850
Net realized gains (losses)	454,829	726,748
Balance as of September 30, 2019	\$ 96,507,741	\$ 30,441,563

The fundamental investment objectives for investments are to ensure safety and preservation of principal, meet liquidity needs, apply diversification and risk limits appropriate to the investment pools and achieve optimal net investment returns subject to the risk tolerance, investment pool objectives and policy constraints. The asset pools in which the endowment funds are invested require current income which is the minimum needed for expenses and prudent liquidity, growth of income for planning and execution of distributions, and capital growth for long term and sustainability. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially impact the amounts reported in the financial statements.

**Risk and Uncertainties:** The Foundation invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

See independent auditors' report.

**Note 6 – Land, Buildings and Equipment**

Land, buildings and equipment consisted of the following at September 30:

	2019	2018
Land	\$ 24,159,956	\$ 24,159,956
Buildings and land improvements	88,732,086	88,496,823
Construction in progress	2,930,094	2,619,204
Furniture, fixtures and equipment	10,656,476	9,852,756
Exhibits	18,954,214	17,779,574
Museum store furniture and fixtures	787,565	780,585
	146,220,391	143,688,898
Less accumulated depreciation	(70,146,671)	(66,124,406)
Land, buildings and equipment-net	\$ 76,073,720	\$ 77,564,492

**Note 7 – Note Payable and Line of Credit**

During the year ended September 30, 2013, the Foundation purchased 140 acres of adjacent land for \$6,000,000. The land was financed with an interest-only loan from a bank with the principal and unpaid interest which was due on June 29, 2017. The loan agreement and note payable were both amended in May 2017 to extend the maturity date to June 29, 2022. Interest is calculated and paid monthly at a variable rate based on the greater of London InterBank Offered Rate plus 125 basis points or 1.5% per annum. The average annual rate paid during the years ended September 30, 2019 and 2018 was 3.7% and 3.0%, respectively. During the years ended September 30, 2019 and 2018, interest expense totaled \$220,882 and \$183,754, respectively.

On September 13, 2019, the Foundation entered into a line of credit and draw down loan agreement with the same bank. The line of credit is a revolving, prime adjustable, interest only loan in the amount of \$3,000,000 with the principal and unpaid interest due at maturity on September 13, 2020. Interest is calculated and paid monthly at a variable rate based on the U.S. prime rate published in The Wall Street Journal minus 0.75% per annum. The draw down loan is a non-revolving, prime rate adjustable, interest only loan in the amount of \$3,000,000 with the principal and unpaid interest due at maturity on September 13, 2024. Interest is calculated and paid monthly at a variable rate based on the U.S. prime rate published in The Wall Street Journal minus 1.8% per annum. As of September 30, 2019, no advances have been requested or fulfilled on either of these loans.

The loan covenants for all three loans require unrestricted cash and investments remain above \$48 million to be measured on June 30 and December 31 each year.

See independent auditors' report.

**Note 8 – Charitable Remainder Annuity Trusts**

The Foundation is Trustee under certain Irrevocable Annuity Trust Agreements which require future payments to the Grantors. The present value of the expected future payments is recorded as a liability and adjusted annually based on actuarial assumptions.

**Note 9 – Agreement with the National Archives and Records Administration**

Upon completion of the Library's construction in 1991, NARA assumed responsibility for the operation, security and maintenance of the Library as a presidential archival depository. However, the operation and maintenance of certain portions of the Library, including the areas designated for the museum store, the Air Force One Pavilion and the Foundation offices remain the responsibility of the Foundation. In February 2016 the Foundation assumed responsibility of admissions to the museum. The Foundation had accounts payable to NARA totaling \$231,403 and \$206,177 at September 30, 2019 and 2018, respectively. Accounts receivable from NARA are for reimbursements for utilities and other general costs that are paid by the Foundation and amounted to \$84,704 and \$65,870 at September 30, 2019 and 2018, respectively. Accounts receivable from NARA accounted for approximately 47% and 27% of total accounts receivable at September 30, 2019 and 2018, respectively.

**Note 10 – Retirement Plan**

The Foundation has a defined contribution retirement plan for its employees under the provisions of IRC Section 403(b). Under the terms of this plan, employees who worked a minimum of 1,000 hours per year are eligible for participation after one year of service and the attainment of age 21. Vesting in Foundation contributions is 20% each year, with a participant 100% vested after five years of credited service. Plan contributions are made solely by the Foundation in the amount of 10% of the plan participants' compensation. Such contributions are made at the Board's discretion, not to exceed the statutory allowable amount. During the years ended September 30, 2019 and 2018, Foundation contributions were \$488,135 and \$405,351, respectively.

The Foundation established a 457(b) pension plan effective September 20, 2019. Under the terms of this plan, certain senior management employees of the Foundation as designated by the Board of Trustees are eligible for contributions. After a designated employee has completed one year of service with the Foundation, the Foundation's annual contribution to an eligible employee's 457(b) pension plan would be equal to the lesser of 10% of the employee's annual total compensation (excluding pension contributions) less any amount the Foundation contributes to the employee's 403(b) plan during a year, or \$19,000 (prorated from the date of one year of service, if applicable). The Board of Trustees may approve an increase amount of \$19,000 in the future subject to approval of the Board of Trustees. As of September 30, 2019, no contributions were made to the 457(b) plan.

See independent auditors' report.

**Note 11 – Commitments and Contingencies**

**Food Service Agreement:** On October 23, 2018, the Foundation entered into an agreement with Sodexo America, Inc. (“Sodexo”) wherein Sodexo provides exclusive foodservices and catering to the Library for a ten-year term commencing January 7, 2019. Under the agreement, Sodexo will invest \$2.4 million in the design, construction and renovation of the Foundation’s food service facilities, and the purchase of furniture, fixtures, and equipment. The capital expenditures are being amortized on a straight-line basis over ten years commencing on January 7, 2019.

As part of the agreement, Sodexo incurred start-up and pre-opening costs and expenses of which only those costs actually expended up to but not exceeding \$250,000 may be liable by the Foundation. These costs are being amortized by Sodexo on a straight-line basis over a period of three years commencing on January 7, 2019. The Foundation has not recorded this liability on the Statements of Financial Position.

If the Agreement with Sodexo is terminated prior to the completion of the amortization of these costs, the Foundation has agreed to reimburse Sodexo for the unamortized amounts. As of September 30, 2019, the unamortized amounts for the capital expenditures totaled \$1.2 million and are included in deferred revenues on the Statements of Financial Position. As of September 30, 2019, unamortized amounts for the start-up costs totaled \$187,500.

**Real Estate Purchase:** On August 21, 2018, the Foundation entered into an agreement to purchase a condominium interest in an office building in Washington, D.C. in which the Foundation will operate the Ronald Reagan Institute. The purchase price of the condominium is \$19.9 million, and the purchase closed on December 16, 2019. As of September 30, 2019, the Foundation has \$20.1 million deposited into an escrow account for this real estate purchase. The deposit is included in long-term assets on the Statements of Financial Position.

**Scholarships:** In 2010, the Foundation received a \$5,000,000 contribution from GE Corporation to fund a ten-year national scholarship program. Terms of the contribution require the Foundation to fund \$300,000 per year for program costs and scholarships. Fund earnings are also restricted for scholarships. The annual amount awarded to each student shall not exceed \$10,000 and a scholarship recipient may be awarded a scholarship in each of four school years for a total of \$40,000. Scholarship recipients must continue to meet specific terms and conditions in order to continue to receive their scholarships.

On February 2, 2016, GE Corporation pledged an additional \$5,000,000 of additional funding to extend the life of the scholarship program and the Foundation has received the full amount from GE Corporation relating to this pledge.

**Legal Matters:** No legal proceedings have arisen that, in the opinion of management, would have a material adverse impact on the financial position or results of operations of the Foundation.

See independent auditors’ report.

**Note 12 – Concentrations**

**Major Donors:** The pledges from three donors accounted for approximately 61% and 66% of total pledges receivable at September 30, 2019 and 2018, respectively.

**Major Accounts Receivable:** Accounts receivable from two entities accounted for 60% and 67% of total accounts receivable at September 30, 2019 and 2018, respectively.

**Concentration of Credit Risk:** The Foundation maintains its cash at financial institutions which may, at times, exceed federally insured limits. At September 30, 2019, the Foundation had cash and cash equivalents on deposit exceeding federally insured limits by \$9,233,316. Historically, the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Note 13 – Net Assets**

**Net Assets without Donor Restrictions:** The Foundation’s net assets without donor restrictions include Board-designated funds functioning as endowment were as follows at September 30:

	2019	2018
Net assets - undesignated	\$ 79,364,316	\$ 83,666,619
Board designated funds functioning as endowment	100,013,963	69,446,046
Total net assets without donor restrictions	\$ 179,378,279	\$ 153,112,665

See independent auditors’ report.

**Note 13 – Net Assets (Continued)**

**Net Assets with Donor Restrictions:** Net assets with donor restrictions are restricted for the following purposes or periods were as follows at September 30:

	2019	2018
Subject to passage of time:		
Pledges receivable	\$ 8,439,228	\$ 7,051,060
Undistributed endowment earnings	46,802,936	70,610,244
Subject to passage of time and purpose:		
GE Scholarships	-	3,000,000
Center for Public Affairs and Museum	918,721	757,867
Ronald Reagan Institute	22,283,503	22,180,146
Donald W. Reynolds Foundation		
Air Force Once Discovery Center	161,237	134,542
Walter and Leonore Annenberg Presidential Learning Center	125,000	-
Subject to expenditure for a specified purpose:		
GE Scholarships	8,317,827	5,409,867
Center for Public Affairs and Museum	415,379	417,631
Ronald Reagan Institute	19,560,673	18,985,594
Donald W. Reynolds Foundation		
Air Force Once Discovery Center	1,579,348	1,572,681
Walter and Leonore Annenberg Presidential Learning Center	3,584,403	3,232,101
Net assets restricted in perpetuity:		
Walter and Leonore Annenberg Presidential Learning Center	10,000,000	10,000,000
Donald W. Reynolds Foundation		
Air Force Once Discovery Center	6,500,000	6,500,000
Donald W. Reynolds Foundation		
Museum Maintenance	2,725,000	2,725,000
Endowment fund investment in perpetuity	51,408,227	47,216,884
Total net assets with donor restrictions	\$ 182,821,482	\$ 199,793,617

See independent auditors' report.



**Note 13 – Net Assets (Continued)**

Net assets with donor restrictions released during the years ended September 30, 2019 and 2018 include earnings from donor-restricted endowment approved for endowment distribution by the Board and net assets released from restrictions by incurring expenses satisfying the donor-restricted purposes or time requirements as summarized in the table below:

	2019	2018
Net assets released from restriction		
Subject to passage of time:		
Collection of pledges receivable	\$ 2,141,936	\$ 11,771,774
Endowment distribution	1,184,852	1,769,475
Subject to expenditure for a specific purpose:		
GE Scholarships	557,499	501,579
Center for Public Affairs and Museum	106,487	1,139,564
Ronald Reagan Institute	100,000	(1,910,660)
Donald W. Reynolds Foundation		
Air Force Once Discovery Center	51,275	547,765
Walter and Leonore Annenberg Presidential Learning Center	(74,726)	71,811
Total net assets released from restrictions	\$ 4,067,323	\$ 13,891,308

The Foundation’s endowment funds consist of (a) undesignated funds functioning as endowment through designation by the Board and (b) donor-restricted endowment funds. The earnings of the Foundation’s endowment funds support the mission and operations of the Foundation.

**Note 14 – Endowment Funds**

**Net Asset Classifications:** In August 2008, the Financial Accounting Standards Board (“FASB”) issued guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The FASB guidance also improves disclosures about a foundation’s endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the Foundation is subject to UPMIFA. The Foundation classifies the donor-restricted endowment funds of perpetual duration as net assets with donor restrictions (permanently restricted). Gains and investment income on endowment funds are reported as increases in net assets without donor restrictions unless if such amounts are limited to specific uses by donor-imposed restrictions that are not met in the same year. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be maintained in perpetuity in accordance with UPMIFA or the applicable donor gift document, creating an “underwater” endowment fund. It is the policy of the Foundation not to spend from such funds. There were no such deficiencies as of September 30, 2019 and 2018.

See independent auditors’ report.

**Note 14 – Endowment Funds (Continued)**

**Interpretation of Law:** The Board of Trustees has interpreted the state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consistent with UPMIFA and Board policy, the Foundation classifies the corpus of funds subject to UPMIFA as net assets with donor restrictions (permanently restricted) at the original value of gifts (including subsequent gifts) for donor-restricted endowment as required by the donor. Accumulated earnings of donor-restricted endowment are classified as with donor restrictions until distributed in accordance with UPMIFA and Board policy.

**Endowment Investment and Spending Policies:** The Board of Trustees has adopted an investment policy designed to seek an average total annual return that exceeds the spending or payout rate plus inflation measured over annualized, rolling five and ten year periods. To achieve its investment objectives, funds are allocated among a number of asset classes. The general policy is to diversify investments among both equity and fixed income strategies so as to provide a balance that will enhance total return while avoiding undue risk concentrations in any single asset class or investment category (see note 5 for the current asset allocation).

It is the Foundation’s policy, subject to the discretion of the Board of Directors, to distribute annually up to five percent (5%) of the average of the investment pool’s market value as of the end of 20 quarters prior to the next fiscal year period. It is understood that the total return basis for calculating spending is sanctioned by the UPMIFA, under which guideline the Foundation is permitted to spend an amount in excess of the current yield (interest and dividends earned), including realized or unrealized appreciation. The Foundation distributed \$1,406,933 and \$1,769,475 under this policy during the fiscal years ended September 30, 2019 and 2018, respectively.

The following is the composition of the endowment fund at September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
General Endowment	\$ 27,628,381	\$ 77,815,986	\$ 105,444,367
Education			
Annenberg/Education Activities	-	13,110,520	13,110,520
Reynolds/Discovery Center	-	7,815,781	7,815,781
Reynolds/Museum Maintenance	-	3,039,183	3,039,183
Funds Functioning as Endowment	72,385,582	-	72,385,582
	100,013,963	101,781,470	201,795,433
Endowment Pledges at Present Value	-	20,395,174	20,395,174
Total Endowment Net Assets	\$ 100,013,963	\$ 122,176,644	\$ 222,190,607

See independent auditors’ report.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

**Note 14 – Endowment Funds (Continued)**

The following are endowment fund activities for the year ended September 30, 2019:

ENDOWMENT FUND CHANGES IN NET ASSETS			
	Without Donor Restrictions	With Donor Restrictions	Total
INVESTED ENDOWMENT			
Beginning balance	\$ 69,446,046	\$ 125,745,025	\$ 195,191,071
Investment Returns			
Investment Income	1,295,492	1,954,307	3,249,799
Investment Appreciation	1,728,804	3,024,304	4,753,108
Investment Costs	-	-	-
Net Investment Returns	3,024,296	4,978,611	8,002,907
Appropriated for Expenditure	(222,081)	(1,184,852)	(1,406,933)
Cash Additions to Endowment			
Donor Directed	8,388	-	8,388
Board Directed	-	-	-
Total New Additions	8,388	-	8,388
Reclassifications	27,757,314	(27,757,314)	-
Ending balance	\$ 100,013,963	\$ 101,781,470	\$ 201,795,433

ENDOWMENT FUND CHANGES IN NET ASSETS			
	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT PLEDGES			
Beginning balance	\$ -	\$ 16,203,832	\$ 16,203,832
New Pledges, net of discounts and payments	-	4,191,342	4,191,342
Ending balance	\$ -	\$ 20,395,174	\$ 20,395,174

TOTAL ENDOWMENT NET ASSETS			
Beginning balance	\$ 69,446,046	\$ 141,948,857	\$ 211,394,903
Changes in Endowment net assets	30,567,917	(19,772,213)	10,795,704
Ending balance	\$ 100,013,963	\$ 122,176,644	\$ 222,190,607

See independent auditors' report.

**Note 14 – Endowment Funds (Continued)**

The following is the composition of the endowment fund at September 30, 2018:

ENDOWMENT FUND BALANCES

	Without Donor Restrictions	With Donor Restrictions	Total
General Endowment	\$ -	\$ 101,623,294	\$ 101,623,294
Education			
Annenberg/Education Activities	-	13,165,444	13,165,444
Reynolds/Discovery Center	-	7,880,339	7,880,339
Reynolds/Museum Maintenance	-	3,075,948	3,075,948
Funds Functioning as Endowment	<u>69,446,046</u>	<u>-</u>	<u>69,446,046</u>
	69,446,046	125,745,025	195,191,071
Endowment Pledges at Present Value	<u>-</u>	<u>16,203,832</u>	<u>16,203,832</u>
Total Endowment Net Assets	<u>\$ 69,446,046</u>	<u>\$ 141,948,857</u>	<u>\$ 211,394,903</u>

The following are endowment fund activities for the year ended September 30, 2018:

ENDOWMENT FUND CHANGES IN NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
<b>INVESTED ENDOWMENT</b>			
Beginning balance	\$ 64,771,256	\$ 93,708,554	\$ 158,479,810
Investment Returns			
Investment Income	1,148,719	1,562,450	2,711,169
Investment Appreciation	3,802,049	5,664,128	9,466,177
Investment Costs	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment Returns	<u>4,950,768</u>	<u>7,226,578</u>	<u>12,177,346</u>
Appropriated for Expenditure	<u>-</u>	<u>(1,769,475)</u>	<u>(1,769,475)</u>
Cash Additions to Endowment			
Donor Directed	26,303,390	-	26,303,390
Board Directed	<u>-</u>	<u>-</u>	<u>-</u>
Total New Additions	<u>26,303,390</u>	<u>-</u>	<u>26,303,390</u>
Reclassifications	<u>(26,579,368)</u>	<u>26,579,368</u>	<u>-</u>
Ending balance	<u>\$ 69,446,046</u>	<u>\$ 125,745,025</u>	<u>\$ 195,191,071</u>

See independent auditors' report.

**Note 14 – Endowment Funds (Continued)**

The following are endowment fund activities for the year ended September 30, 2018:

ENDOWMENT FUND CHANGES IN NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT PLEDGES			
Beginning balance	\$ -	\$ 16,177,871	\$ 16,177,871
New Pledges, net of discounts and payments	-	25,961	25,961
Ending balance	\$ -	\$ 16,203,832	\$ 16,203,832

TOTAL ENDOWMENT NET ASSETS

Beginning balance	\$ 64,771,256	\$ 109,886,425	\$ 174,657,681
Changes in Endowment net assets	4,674,790	32,062,432	36,737,222
Ending balance	\$ 69,446,046	\$ 141,948,857	\$ 211,394,903

**Note 15 – Subsequent Events**

On December 16, 2019, the Foundation closed escrow on the purchase of a condominium interest in an office building in Washington, DC. See note 4 and 11.

The Foundation has evaluated events occurring after the date of the accompanying statement of financial position through February 11, 2020, the date the financial statements are available to be issued. The Foundation did not identify any material subsequent events requiring adjustment to the accompanying financial statements.

See independent auditors' report.