

THE RONALD REAGAN PRESIDENTIAL  
FOUNDATION AND INSTITUTE  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 and 2016

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE

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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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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 20, 2018

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2017 AND 2016

ASSETS

	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,425,472	\$ 8,576,938
Pledges receivable - net (notes 2 and 13)	32,575,153	2,771,951
Museum store inventory	900,874	963,090
Prepaid expenses, accounts receivable and other assets (notes 3 and 10)	1,523,871	1,269,774
TOTAL CURRENT ASSETS	43,425,370	13,581,753
COLLECTIONS (note 1)	-	-
INVESTMENTS (note 6)	167,702,636	151,144,909
PLEDGES RECEIVABLE - NET (notes 2 and 13)	47,784,936	58,962,429
LAND, BUILDINGS AND EQUIPMENT - NET (note 4)	78,613,204	81,755,053
TOTAL ASSETS	\$ 337,526,146	\$ 305,444,144

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,418,233	\$ 2,301,123
Note payable (note 8)	-	6,000,000
TOTAL CURRENT LIABILITIES	2,418,233	8,301,123
<b>LONG-TERM LIABILITIES</b>		
Note payable (note 8)	6,000,000	-
Charitable remainder annuity trusts (note 9)	136,993	278,701
TOTAL LIABILITIES	8,555,226	8,579,824
<b>COMMITMENTS AND CONTINGENCIES (note 7)</b>		
<b>NET ASSETS</b>		
Unrestricted:		
General	83,025,178	87,313,189
Museum store	5,416,272	5,032,080
Board-designated:		
For endowment purposes (note 14)	64,771,256	57,772,460
Temporarily restricted (note 5)	65,871,789	45,149,323
Temporarily restricted endowment (notes 5 and 14)	43,470,503	35,181,346
Permanently restricted:		
Endowment campaigns (note 14)	66,415,922	66,415,922
TOTAL NET ASSETS	328,970,920	296,864,320
TOTAL LIABILITIES AND NET ASSETS	\$ 337,526,146	\$ 305,444,144

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, 2017

	Unrestricted			Temporarily Restricted Purposes	Temporarily Restricted For Endowment Purposes	Permanently Restricted Endowment Campaigns	Total
	General	Museum Stores	Board Designated - For Endowment Purposes				
REVENUE AND OTHER SUPPORT:							
Contributions	\$ 6,601,349	\$ -	\$ -	\$ 19,045,879	\$ -	\$ -	\$ 25,647,228
Direct mail	1,076,802	-	-	-	-	-	1,076,802
Pledge support	-	-	-	3,970,885	-	-	3,970,885
Gain on investments (note 6)	15,942,520	-	-	468,347	-	-	16,410,867
Rental, admission and royalty income	7,931,819	-	-	-	-	-	7,931,819
Museum store sales (note 11)	-	3,071,940	-	-	-	-	3,071,940
<b>TOTAL REVENUE AND OTHER SUPPORT BEFORE NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>31,552,490</b>	<b>3,071,940</b>	<b>-</b>	<b>23,485,111</b>	<b>-</b>	<b>-</b>	<b>58,109,541</b>
NET ASSETS RELEASED FROM RESTRICTIONS:							
Expiration of time restrictions	1,194,142	-	-	(1,194,142)	-	-	-
Satisfaction of program restrictions	1,471,003	-	-	(1,471,003)	-	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>34,217,635</b>	<b>3,071,940</b>	<b>-</b>	<b>20,819,966</b>	<b>-</b>	<b>-</b>	<b>58,109,541</b>
EXPENSES AND LOSSES:							
Program expenses:							
Center for Public Affairs	1,271,541	-	-	-	-	-	1,271,541
Presidential Learning Center	2,802,334	-	-	-	-	-	2,802,334
Library events and exhibits	8,871,140	-	-	-	-	-	8,871,140
Ronald Reagan Institute	1,519,863	-	-	-	-	-	1,519,863
Library and museum support and promotion	2,018,262	-	-	-	-	-	2,018,262
Cost of museum store sales (note 11)	-	1,402,969	-	-	-	-	1,402,969
Museum store operating costs (note 11)	-	1,284,779	-	-	-	-	1,284,779
Fund-raising	2,504,195	-	-	-	-	-	2,504,195
Direct mail	951,396	-	-	-	-	-	951,396
Management and general	3,278,962	-	-	-	-	-	3,278,962
Provision for estimated uncollectible pledges receivable	-	-	-	97,500	-	-	97,500
<b>TOTAL EXPENSES AND LOSSES</b>	<b>23,217,693</b>	<b>2,687,748</b>	<b>-</b>	<b>97,500</b>	<b>-</b>	<b>-</b>	<b>26,002,941</b>
CHANGES IN NET ASSETS	10,999,942	384,192	-	20,722,466	-	-	32,106,600
Transfers for endowment purposes (note 14)	(15,287,953)	-	6,998,796	-	8,289,157	-	-
NET ASSETS - Beginning of year	87,313,189	5,032,080	57,772,460	45,149,323	35,181,346	66,415,922	296,864,320
NET ASSETS - End of year	<u>\$ 83,025,178</u>	<u>\$ 5,416,272</u>	<u>\$ 64,771,256</u>	<u>\$ 65,871,789</u>	<u>\$ 43,470,503</u>	<u>\$ 66,415,922</u>	<u>\$ 328,970,920</u>

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, 2016

	Unrestricted		Board Designated - For Endowment Purposes	Temporarily Restricted	Temporarily Restricted For Endowment Purposes	Permanently Restricted Endowment Campaigns	Total
	General	Museum Stores					
<b>REVENUE AND OTHER SUPPORT:</b>							
Contributions	\$ 6,787,908	\$ -	\$ -	\$ 1,064,552	\$ -	\$ 15,000	\$ 7,867,460
Direct mail	1,184,150	-	-	-	-	-	1,184,150
Pledge support	-	-	-	14,778,303	-	-	14,778,303
Gain on investments (note 6)	11,142,329	-	-	1,255,684	-	-	12,398,013
Rental, admission and royalty income	7,916,918	-	-	-	-	-	7,916,918
Museum store sales (note 11)	-	3,760,650	-	-	-	-	3,760,650
<b>TOTAL REVENUE AND OTHER SUPPORT BEFORE NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>27,031,305</b>	<b>3,760,650</b>	<b>-</b>	<b>17,098,539</b>	<b>-</b>	<b>15,000</b>	<b>47,905,494</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS:</b>							
Expiration of time restrictions	1,205,732	-	-	(1,205,732)	-	-	-
Satisfaction of program restrictions	3,497,040	-	-	(3,497,040)	-	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>31,734,077</b>	<b>3,760,650</b>	<b>-</b>	<b>12,395,767</b>	<b>-</b>	<b>15,000</b>	<b>47,905,494</b>
<b>EXPENSES AND LOSSES:</b>							
Program expenses:							
Center for Public Affairs	1,089,618	-	-	-	-	-	1,089,618
Presidential Learning Center	2,882,473	-	-	-	-	-	2,882,473
Library events and exhibits	12,243,266	-	-	-	-	-	12,243,266
Ronald Reagan Institute	1,232,012	-	-	-	-	-	1,232,012
Library and museum support and promotion	2,511,713	-	-	-	-	-	2,511,713
Cost of museum store sales (note 11)	-	1,628,535	-	-	-	-	1,628,535
Museum store operating costs (note 11)	-	1,479,815	-	-	-	-	1,479,815
Fund-raising	3,009,973	-	-	-	-	-	3,009,973
Direct mail	930,504	-	-	-	-	-	930,504
Management and general	2,123,942	-	-	-	-	-	2,123,942
Provision for estimated uncollectible pledges receivable	-	-	-	-	-	226,000	226,000
<b>TOTAL EXPENSES AND LOSSES</b>	<b>26,023,501</b>	<b>3,108,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,000</b>	<b>29,357,851</b>
<b>CHANGES IN NET ASSETS</b>	<b>5,710,576</b>	<b>652,300</b>	<b>-</b>	<b>12,395,767</b>	<b>-</b>	<b>(211,000)</b>	<b>18,547,643</b>
Transfers for endowment purposes (note 14)	(9,470,315)	-	4,103,038	-	5,367,277	-	-
<b>NET ASSETS - Beginning of year</b>	<b>91,072,928</b>	<b>4,379,780</b>	<b>53,669,422</b>	<b>32,753,556</b>	<b>29,814,069</b>	<b>66,626,922</b>	<b>278,316,677</b>
<b>NET ASSETS - End of year</b>	<b>\$ 87,313,189</b>	<b>\$ 5,032,080</b>	<b>\$ 57,772,460</b>	<b>\$ 45,149,323</b>	<b>\$ 35,181,346</b>	<b>\$ 66,415,922</b>	<b>\$ 296,864,320</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, 2017 AND 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 32,106,600	\$ 18,547,643
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,884,681	3,865,446
Non-cash contribution revenue	(1,607)	(962,301)
Cash contributions restricted to endowments	-	(15,000)
Gain on investments	(16,410,867)	(12,398,013)
Provision for doubtful pledges	97,500	226,000
Changes in operating assets and liabilities:		
Unrestricted and temporarily restricted pledges receivable - net	(19,254,351)	(13,890,101)
Museum store inventory	62,216	51,397
Prepaid expenses, accounts receivable and other assets	(254,097)	956,431
Accounts payable and accrued expenses	117,110	109,882
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>347,185</b>	<b>(3,508,616)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(2,185,810)	(508,569)
Proceeds from sale of investments	2,571,699	4,917,753
Purchase of land, buildings and equipment	(742,832)	(2,432,127)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(356,943)</b>	<b>1,977,057</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Collection of pledges restricted to endowments	-	333,333
Charitable remainder annuity trusts	(141,708)	(12,579)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(141,708)</b>	<b>320,754</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(151,466)</b>	<b>(1,210,805)</b>
CASH AND CASH EQUIVALENTS - beginning of year	8,576,938	9,787,743
CASH AND CASH EQUIVALENTS - end of year	<b>\$ 8,425,472</b>	<b>\$ 8,576,938</b>
<b>SUPPLEMENTARY DISCLOSURE:</b>		
Interest paid in cash	\$ 111,797	\$ 69,871

See independent auditors' report and notes to financial statements.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

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. 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 10).

Basis of Presentation

The Foundation’s financial statements include a statement of financial position that presents the amounts for each of three classes of net assets—unrestricted net assets, temporarily restricted net assets and permanently restricted net assets—based on the existence or absence of donor imposed restrictions, a statement of activities and statement of cash flows that reflect the changes in those classes of net assets.

See independent auditors’ report.



THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Foundation classifies balances within each of the three net asset classes by their nature and purpose. The Foundation's unrestricted net assets are classified as general, museum store or board-designated amounts. General net assets represent unrestricted net assets related to the Foundation's principal operations. Museum store net assets represent unrestricted net assets associated with the Foundation's museum store operations (see note 11). Board-designated for endowment purposes represents unrestricted net assets that function as endowment until otherwise specified by the Board of Trustees. Temporarily restricted net assets 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. Temporarily restricted endowment funds represent donor designated endowment fund earnings and un-appropriated earnings from other permanently restricted endowment funds. Permanently restricted net assets represent the results of endowment fund-raising efforts. Endowment amounts are maintained in perpetuity. Investment income from endowments is generally available to support operations unless specifically restricted by the donor and is classified as temporarily restricted endowment until appropriated by the Board of Trustees.

The Board of Trustees has adopted a draw policy of five percent per year of a calculated value of the endowment funds to fund the operations of the Foundation. Unused draw amounts are reclassified as temporarily restricted endowment. The balance of the endowment cannot be less than the amount of required endowment fund balance at the end of each period. If the endowment falls below that amount, the difference is classified as unrestricted until it is restored to its original value.

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 temporarily or permanently restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 temporarily restricted net assets. If a donor changes the restrictions on a contribution, the re-designation is reflected in the statements in the year the designation is changed.

Cash and Cash Equivalents

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.

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.

See independent auditors' report.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016.

See independent auditors' report.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2017 AND 2016

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.

2. PLEDGES RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Within one year	\$ 32,575,153	\$ 3,722,104
From one to five years	28,890,252	29,311,416
Over five years	<u>30,962,760</u>	<u>43,795,299</u>
	92,428,165	76,828,819
Present value discount *	(11,593,076)	(13,706,939)
Allowance for doubtful pledges	<u>(475,000)</u>	<u>(1,387,500)</u>
	80,360,089	61,734,380
Less current portion, net	<u>32,575,153</u>	<u>2,771,951</u>
	<u>\$ 47,784,936</u>	<u>\$ 58,962,429</u>

\* 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 \$45,800,609 and \$59,592,046 as of September 30, 2017 and 2016, respectively.

See independent auditors' report.

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

3. PREPAID EXPENSES AND ACCOUNTS RECEIVABLE

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.

During fiscal years 2017 and 2016, 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.

4. LAND, BUILDINGS AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 24,159,956	\$ 24,159,956
Buildings and land improvements	88,411,784	88,082,553
Furniture, fixtures and equipment	9,665,867	9,417,988
Exhibits	17,938,750	17,775,394
Museum store furniture and fixtures	<u>770,265</u>	<u>767,899</u>
	140,946,622	140,203,790
Less accumulated depreciation	<u>(62,333,418)</u>	<u>(58,448,737)</u>
Land, buildings and equipment-net	<u>\$ 78,613,204</u>	<u>\$ 81,755,053</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at September 30:

	<u>2017</u>	<u>2016</u>
Pledges received with time restriction	\$ 58,785,139	\$ 39,284,510
GE Scholarships	4,655,157	4,533,343
Center for Public Affairs and Museum	1,193,247	622,995
Ronald Reagan Institute	946,173	200,000
Donald W. Reynolds Foundation		
Air Force One Discovery Center	162,604	182,093
Walter and Leonore Annenberg Presidential		
Learning Center	<u>129,469</u>	<u>326,382</u>
	<u>\$ 65,871,789</u>	<u>\$ 45,149,323</u>

Temporarily restricted endowment net assets are available for the following purposes or periods at September 30:

	<u>2017</u>	<u>2016</u>
Pledges received with time restriction	\$ 38,559,928	\$ 31,650,155
Walter and Leonore Annenberg Presidential		
Learning Center	2,839,782	2,093,931
Donald W. Reynolds Foundation		
Air Force One Discovery Center	1,494,237	1,044,355
Donald W. Reynolds Foundation		
Museum Maintenance	<u>576,556</u>	<u>392,905</u>
	<u>\$ 43,470,503</u>	<u>\$ 35,181,346</u>

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6. 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 regular basis, it's classified as Level II. Private securities are valued at the best estimates available and are classified as Level III.

During the years ended September 30, 2017 and 2016, 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, 2017			
	Level I	Level II	Level III	Total
Money Market funds held for investment	\$ 5,018,809	\$ -	\$ -	\$ 5,018,809
Equity mutual funds	19,262,494	60,151,520	-	79,414,014
Fixed Income mutual funds	45,114,181	19,735,710	-	64,849,891
Trust funds held for others	372,079	49,974	-	422,053
Private equity securities	-	-	17,997,869	17,997,869
Total investments	<u>\$ 69,767,563</u>	<u>\$ 79,937,204</u>	<u>\$ 17,997,869</u>	<u>\$ 167,702,636</u>

  

	September 30, 2016			
	Level I	Level II	Level III	Total
Money Market funds held for investment	\$ 728,957	\$ -	\$ -	\$ 728,957
Equity mutual funds	18,798,662	50,774,957	-	69,573,619
Fixed Income mutual funds	48,880,079	18,532,149	-	67,412,228
Trust funds held for others	2,608,338	652,080	136,000	3,396,418
Private equity securities	-	-	10,033,687	10,033,687
Total investments	<u>\$ 71,016,036</u>	<u>\$ 69,959,186</u>	<u>\$ 10,169,687</u>	<u>\$ 151,144,909</u>

The following table summarizes our fair value measurements using significant Level II and III inputs, and changes therein, for the years ended September 30, 2017 and 2016:

	Level II	Level III
Balance as of September 30, 2015	\$ 65,582,297	\$ 7,067,248
Transfers to State Street	-	-
Net purchases (sales)	(475,794)	2,846,191
Net unrealized gains (losses)	4,392,555	196,009
Net realized gains (losses)	<u>460,128</u>	<u>60,239</u>
Balance as of September 30, 2016	69,959,186	10,169,687
Level reclassification	-	-
Net purchases (sales)	2,824,288	6,905,252
Net unrealized gains (losses)	6,700,435	407,627
Net realized gains (losses)	<u>453,295</u>	<u>515,303</u>
Balance as of September 30, 2017	<u>\$ 79,937,204</u>	<u>\$ 17,997,869</u>

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6. INVESTMENTS (Continued)

Gain on investments is as follows for the years ended September 30:

	2017	2016
Net gain on investments		
carried at fair value	\$ 14,454,833	\$ 10,020,488
Interest and dividends	1,956,034	2,377,525
	\$ 16,410,867	\$ 12,398,013

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.

7. COMMITMENTS AND CONTINGENCIES

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. The Foundation has received \$1 million 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.

8. NOTE PAYABLE

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, 2017 and 2016 was 1.9% and 1.2%, respectively. During the years ended September 30, 2017 and 2016, interest expense totaled \$111,797 and \$69,871, respectively. The loan covenants require unrestricted cash and investments remain above \$25 million. At September 30, 2017 and 2016, the Foundation was in compliance with its loan covenants.

9. 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.

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10. 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 \$256,054 and \$179,014 at September 30, 2017 and 2016, respectively. Accounts receivable from NARA are for reimbursements for utilities and other general costs that are paid by the Foundation and amounted to \$69,343 and \$187,017 at September 30, 2017 and 2016, respectively. Accounts receivable from NARA accounted for approximately 21% and 49% of total accounts receivable at September 30, 2017 and 2016, respectively.

11. MUSEUM STORE

The museum store, located within the Library, was opened in 1991. Museum store revenue is offset by direct costs, such as costs of merchandise sold and payroll costs of museum store employees. In addition, indirect costs, such as depreciation, utilities and a portion of the Foundation's general and administrative expenses, are allocated to the museum store. This allocation is based primarily on the proportion of labor dollars attributable to the museum store relative to total Foundation labor dollars, with the exception of depreciation, which is based on square footage.

12. 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, 2017 and 2016, Foundation contributions were \$433,294 and \$343,240, respectively.

13. CONCENTRATIONS

Major Donors

The pledges from three donors accounted for approximately 66% of total pledges receivable at September 30, 2017. The pledges from three donors accounted for approximately 60% of total pledges receivable at September 30, 2016.

Major Accounts Receivable

Accounts receivable from two entities accounted for 58% of total accounts receivable at September 30, 2017. Accounts receivable from one entity accounted for 49% of total accounts receivable at September 30, 2016.

Concentration of Credit Risk

The Foundation maintains its cash at financial institutions which may, at times, exceed federally insured limits. At September 30, 2017, the Foundation had cash and cash equivalents on deposit exceeding federally insured limits by \$8,356,932. 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.

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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 permanently restricted net assets. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the law requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2017 and 2016.

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. The Foundation classifies the donor-restricted endowment funds of perpetual duration as permanently restricted net assets.

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 6 for the current asset allocation).

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14. ENDOWMENT FUNDS (Continued)

Endowment Investment and Spending Policies (Continued)

It is the Foundation's policy, subject to the discretion of the Board of Directors, to distribute annually 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 \$1,129,905 and \$2,500,000 under this policy during the fiscal years ended September 30, 2017 and 2016, respectively.

The following are endowment fund activities for the year ended September 30, 2017:

ENDOWMENT FUND BALANCES				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General Endowment	\$ -	\$ 38,559,929	\$ 31,013,051	\$ 69,572,980
Education				
Annenberg/Education Activities	-	2,839,782	10,000,000	12,839,782
Reynolds/Discovery Center	-	1,494,236	6,500,000	7,994,236
Reynolds/Museum Maintenance	-	576,556	2,725,000	3,301,556
Funds Functioning as Endowment	<u>64,771,256</u>	<u>-</u>	<u>-</u>	<u>64,771,256</u>
	64,771,256	43,470,503	50,238,051	158,479,810
Endowment Pledges at present value	<u>-</u>	<u>-</u>	<u>16,177,871</u>	<u>16,177,871</u>
Total Endowment Net Assets	<u>\$ 64,771,256</u>	<u>\$ 43,470,503</u>	<u>\$ 66,415,922</u>	<u>\$ 174,657,681</u>
ENDOWMENT FUND CHANGES IN NET ASSETS				
INVESTED ENDOWMENT				
Beginning balance	\$ 57,772,460	\$ 35,181,346	\$ 50,238,051	\$ 143,191,857
Investment Returns				
Investment Income	1,920,031	-	-	1,920,031
Investment Appreciation	14,497,827	-	-	14,497,827
Investment Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment Returns	<u>16,417,858</u>	<u>-</u>	<u>-</u>	<u>16,417,858</u>
Appropriated for Expenditure	<u>(1,129,905)</u>	<u>-</u>	<u>-</u>	<u>(1,129,905)</u>
Cash Additions to Endowment				
Donor Directed	-	-	-	-
Board Directed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total New Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reclassifications	<u>(8,289,157)</u>	<u>8,289,157</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 64,771,256</u>	<u>\$ 43,470,503</u>	<u>\$ 50,238,051</u>	<u>\$ 158,479,810</u>

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14. ENDOWMENT FUNDS (Continued)

The following are endowment fund activities for the year ended September 30, 2017:

ENDOWMENT FUND CHANGES IN NET ASSETS				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ENDOWMENT PLEDGES</b>				
Beginning balance	\$ -	\$ -	\$ 16,177,871	\$ 16,177,871
New Pledges, net of discounts and payments	-	-	-	-
Ending balance	\$ -	\$ -	\$ 16,177,871	\$ 16,177,871
<b>TOTAL ENDOWMENT NET ASSETS</b>				
Beginning balance	\$ 57,772,460	\$ 35,181,346	\$ 66,415,922	\$ 159,369,728
Changes in Endowment net assets	6,998,796	8,289,157	-	15,287,953
Ending balance	\$ 64,771,256	\$ 43,470,503	\$ 66,415,922	\$ 174,657,681

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14. ENDOWMENT FUNDS (Continued)

The following are endowment fund activities for the year ended September 30, 2016:

	ENDOWMENT FUND BALANCES			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General Endowment	\$ -	\$ 31,650,156	\$ 31,013,051	\$ 62,663,207
Education				
Annenberg/Education Activities	-	2,093,930	10,000,000	12,093,930
Reynolds/Discovery Center	-	1,044,355	6,500,000	7,544,355
Reynolds/Museum Maintenance	-	392,905	2,725,000	3,117,905
Funds Functioning as Endowment	<u>57,772,460</u>	<u>-</u>	<u>-</u>	<u>57,772,460</u>
	57,772,460	35,181,346	50,238,051	143,191,857
Endowment Pledges at present value	<u>-</u>	<u>-</u>	<u>16,177,871</u>	<u>16,177,871</u>
Total Endowment Net Assets	<u>\$ 57,772,460</u>	<u>\$ 35,181,346</u>	<u>\$ 66,415,922</u>	<u>\$ 159,369,728</u>

ENDOWMENT FUND CHANGES IN NET ASSETS				
INVESTED ENDOWMENT				
Beginning balance	\$ 53,669,422	\$ 29,814,069	\$ 49,889,718	\$ 133,373,209
Investment Returns				
Investment Income	2,024,407	-	-	2,024,407
Investment Appreciation	9,945,908	-	-	9,945,908
Investment Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment Returns	<u>11,970,315</u>	<u>-</u>	<u>-</u>	<u>11,970,315</u>
Appropriated for Expenditure	<u>(2,500,000)</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>
Cash Additions to Endowment				
Donor Directed	-	-	348,333	348,333
Board Directed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total New Additions	<u>-</u>	<u>-</u>	<u>348,333</u>	<u>348,333</u>
Reclassifications	<u>(5,367,277)</u>	<u>5,367,277</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 57,772,460</u>	<u>\$ 35,181,346</u>	<u>\$ 50,238,051</u>	<u>\$ 143,191,857</u>

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14. ENDOWMENT FUNDS (Continued)

The following are endowment fund activities for the year ended September 30, 2016:

ENDOWMENT FUND CHANGES IN NET ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ENDOWMENT PLEDGES</b>				
Beginning balance	\$ -	\$ -	\$ 16,737,204	\$ 16,737,204
New Pledges, net of discounts and payments	-	-	(559,333)	(559,333)
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,177,871</u>	<u>\$ 16,177,871</u>

TOTAL ENDOWMENT NET ASSETS

Beginning balance	\$ 53,669,422	\$ 29,814,069	\$ 66,626,922	\$ 150,110,413
Changes in Endowment net assets	<u>4,103,038</u>	<u>5,367,277</u>	<u>(211,000)</u>	<u>9,259,315</u>
Ending balance	<u>\$ 57,772,460</u>	<u>\$ 35,181,346</u>	<u>\$ 66,415,922</u>	<u>\$ 159,369,728</u>

15. SUBSEQUENT EVENTS

The Foundation has evaluated events occurring after the date of the accompanying statement of financial position through February 20, 2018, 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.

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