



THE RONALD REAGAN PRESIDENTIAL  
FOUNDATION AND INSTITUTE

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 and 2019



Rose, Snyder & Jacobs LLP  
ACCOUNTANTS & ADVISORS

## 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, 2020 and 2019, 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, 2020 and 2019, 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

Encino, California  
February 15, 2021

THE RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2020 AND 2019

ASSETS		
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,001,573	\$ 9,303,212
Pledges receivable - net (notes 3 and 13)	2,443,271	22,908,713
Museum store inventory - net	827,233	886,663
Prepaid expenses, accounts receivable and other assets (notes 4 and 10)	1,163,073	1,906,106
TOTAL CURRENT ASSETS	9,435,150	35,004,694
DEPOSITS (note 4)	-	20,126,126
INVESTMENTS (note 5)	215,233,839	211,434,915
PLEDGES RECEIVABLE - NET (notes 3 and 13)	50,967,365	31,132,931
LAND, BUILDINGS AND EQUIPMENT - NET (note 6)	99,621,625	76,073,720
FINANCED RIGHT-OF-USE ASSETS - NET (note 1 and 7)	942,850	-
TOTAL ASSETS	\$ 376,200,829	\$ 373,772,386
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,303,498	\$ 2,431,102
Deferred revenue	2,233,866	1,997,826
Financed lease liability (note 1 and 7)	170,646	-
TOTAL CURRENT LIABILITIES	3,708,010	4,428,928
LONG-TERM LIABILITIES		
Note payable (note 8)	9,000,000	6,000,000
Charitable remainder annuity trusts (note 9)	70,763	81,033
Deferred revenue	2,103,556	1,062,664
Financed lease liability - long-term (note 1 and 7)	780,243	-
TOTAL LIABILITIES	15,662,572	11,572,625
COMMITMENTS AND CONTINGENCIES (note 12)		
NET ASSETS (notes 14 and 15)		
Without donor restrictions	194,911,770	179,378,279
With donor restrictions	165,626,487	182,821,482
TOTAL NET ASSETS	360,538,257	362,199,761
TOTAL LIABILITIES AND NET ASSETS	\$ 376,200,829	\$ 373,772,386

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT:</b>			
Contributions	\$ 10,182,192	\$ 1,019,848	\$ 11,202,040
Direct mail	1,001,945	-	1,001,945
Pledge support	-	2,099,017	2,099,017
Rental, admission and royalty income	3,903,250	-	3,903,250
Museum store sales	1,312,838	-	1,312,838
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>16,400,225</b>	<b>3,118,865</b>	<b>19,519,090</b>
<b>OPERATING EXPENSES:</b>			
Program services:			
Center for Public Affairs	582,817	-	582,817
Presidential Learning Center	2,527,927	-	2,527,927
Library events and exhibits	10,179,811	-	10,179,811
Library and museum support and promotion	1,766,813	-	1,766,813
Ronald Reagan Institute	4,282,056	-	4,282,056
Museum store	1,449,859	-	1,449,859
Support services:			
Fundraising and development	2,423,630	-	2,423,630
Management and general	2,836,896	-	2,836,896
Member services	995,679	-	995,679
<b>TOTAL OPERATING EXPENSES</b>	<b>27,045,488</b>	<b>-</b>	<b>27,045,488</b>
<b>NON-OPERATING ACTIVITIES</b>			
Dividends and interest	1,531,497	1,650,360	3,181,857
Net realized and unrealized gains on investments	1,098,096	1,791,717	2,889,813
Total investment income	2,629,593	3,442,077	6,071,670
Loss on disposal of building and equipment	(9,305)	-	(9,305)
Interest expense	(197,471)	-	(197,471)
Amounts released from restriction	23,755,937	(23,755,937)	-
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>26,178,754</b>	<b>(20,313,860)</b>	<b>5,864,894</b>
<b>CHANGES IN NET ASSETS</b>	<b>15,533,491</b>	<b>(17,194,995)</b>	<b>(1,661,504)</b>
Transfers for endowment purposes	-	-	-
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>179,378,279</b>	<b>182,821,482</b>	<b>362,199,761</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 194,911,770</b>	<b>\$ 165,626,487</b>	<b>\$ 360,538,257</b>

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
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>22,195,834</b>	<b>9,144,077</b>	<b>31,339,911</b>
<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
<b>TOTAL OPERATING EXPENSES</b>	<b>30,999,659</b>	<b>100,000</b>	<b>31,099,659</b>
<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)	-
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>7,312,125</b>	<b>1,741,102</b>	<b>9,053,227</b>
<b>CHANGES IN NET ASSETS</b>	<b>(1,491,700)</b>	<b>10,785,179</b>	<b>9,293,479</b>
Transfers for endowment purposes	27,757,314	(27,757,314)	-
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>153,112,665</b>	<b>199,793,617</b>	<b>352,906,282</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 179,378,279</b>	<b>\$ 182,821,482</b>	<b>\$ 362,199,761</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, 2020

	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
OPERATING EXPENSES:										
Personnel and related expenses	\$ 298,645	\$ 1,356,357	\$ 1,069,065	\$ 740,795	\$ 1,892,809	\$ 578,390	\$ 1,233,673	\$ 1,527,450	\$ 233,133	\$ 8,930,317
Depreciation and amortization	35,631	41,513	3,762,228	22,413	120,083	32,986	3,986	49,320	1,242	4,069,402
Exhibits	-	-	2,711,526	-	-	-	-	-	-	2,711,526
Occupancy, equipment and repairs	8,302	9,210	1,837,635	68,801	353,240	26,181	5,211	92,104	-	2,400,684
Outside services and fees	10,643	17,563	26,270	242,268	293,297	44,098	194,282	741,102	68,633	1,638,156
Event expenses	201,943	52,599	253,144	23,268	754,191	-	40,568	280	6,338	1,332,331
Legal and professional fees	-	194,697	52,709	7,850	479,582	11,059	79,584	267,511	65,126	1,158,118
Direct mail	-	2,000	-	-	2,000	-	726,566	-	416,619	1,147,185
Advertising and marketing	7,328	82,337	16,005	640,719	220,184	50,472	20,064	-	45,446	1,082,555
Grants and contributions	-	720,189	-	-	-	-	57,200	-	5,575	782,964
Cost of museum store sales	-	-	-	-	-	678,246	-	-	-	678,246
Insurance	-	-	383,493	-	3,410	-	-	85,647	-	472,550
Supplies	1,970	26,001	22,396	16,656	55,565	25,694	13,290	68,466	2,590	232,628
Travel and entertainment	18,355	25,461	137	4,043	107,695	2,733	49,206	5,016	-	212,646
Museum support	-	-	45,203	-	-	-	-	-	150,977	196,180
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 582,817</b>	<b>\$ 2,527,927</b>	<b>\$ 10,179,811</b>	<b>\$ 1,766,813</b>	<b>\$ 4,282,056</b>	<b>\$ 1,449,859</b>	<b>\$ 2,423,630</b>	<b>\$ 2,836,896</b>	<b>\$ 995,679</b>	<b>\$ 27,045,488</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
OPERATING EXPENSES:										
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 OPERATING 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  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (1,661,504)	\$ 9,293,479
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization of buildings and equipment	3,971,866	4,022,265
Depreciation of right-of-use of financed assets	97,536	-
Loss on disposal of property and equipment	9,305	-
Impairment of property and equipment	296,939	316,384
Amortization of pledges receivable present value discount	(86,747)	(4,161,706)
Non-cash contribution revenue	(901,545)	(152,682)
Investment income	(6,071,670)	(9,277,056)
Provision for doubtful pledges	-	100,000
Changes in operating assets and liabilities:		
Pledges receivable	187,082	252,084
Museum store inventory	59,430	(794)
Prepaid expenses, accounts receivable and other assets	763,283	(164,439)
Accounts payable and accrued expenses	(1,127,605)	125,515
Deferred revenues	185,632	136,862
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(4,277,998)	489,912
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,003,533)	(2,769,399)
Proceeds from sale of investments	4,168,497	20,005,062
Cash restricted for short-term investments	-	8,902,660
Deposits for purchase of building	-	(19,127,040)
Purchase of land, buildings and equipment	(6,088,838)	(1,615,177)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,923,874)	5,396,106
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing under non-revolving long term loan	3,000,000	-
Charitable remainder annuity trusts	(10,270)	(23,913)
Payments on financed right-of-use assets	(89,497)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,900,233	(23,913)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,301,639)	5,862,105
CASH AND CASH EQUIVALENTS - beginning of year	9,303,212	3,441,107
CASH AND CASH EQUIVALENTS - end of year	\$ 5,001,573	\$ 9,303,212
SUPPLEMENTARY DISCLOSURE:		
Interest paid in cash	\$ 150,787	\$ 220,899
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Contributions of investments	\$ 361,545	\$ 152,682
Contributions of investments as repayment of pledges receivable	\$ 530,673	\$ 10,220
Property and equipment acquired through Sodexo agreement	\$ 1,091,300	\$ 1,232,700
Property and equipment acquired through use of deposits	\$ 20,105,876	\$ -
Property and equipment acquired through donations	\$ 540,000	\$ -
Right-of-use assets acquired through financing	\$ 1,040,386	\$ -

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 10).

**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 which 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.

**Conditional Pledges:** Conditional pledges, having both the existence of a barrier and right of return to the donor are classified as refundable advances when received as a cash advance and are recognized as revenue when the conditions are satisfied. At September 30, 2020 and 2019, deposits and advances received from conditional grants and corporate sponsorships included in deferred revenue totaled \$2,110,000 and \$1,455,000, respectively, and are presented as deferred revenue on the statements of financial position. At September 30, 2020 and 2019, conditional grants and corporate sponsorships awarded, but not yet received and recognized as revenue, totaled \$2,600,000 and \$0, respectively.

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 15 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.

**COVID-19 Impact:** The World Health Organization declared the Coronavirus outbreak a pandemic on March 11, 2020. The effects of this pandemic on the Foundation’s operations cannot be predicted.

**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.

**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.

See independent auditors’ report.

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

**Statement of Functional Expenses: (Continued)** 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, 2020 and 2019.

**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 \$23,755,937 and \$4,067,323 were released from restrictions for the years ended September 30, 2020 and 2019, 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 14 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)**

**Leases:** In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance on accounting for leases in "Leases (Topic 840)". ASU No. 2016-02, increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. A lessee should recognize in the statements of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessor have not significantly changed from previous U.S. GAAP. This ASU was effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018. The Foundation adopted this ASU during the year ended September 30, 2020. The Foundation leases audio and video equipment under financing leases. The Foundation evaluates the contracts to determine if an arrangement is a lease at inception and classify it as a finance or operating lease. Currently, all the leases are classified as financing leases. Leased assets and corresponding liabilities are recognized based on the present value of the lease payments over the lease term.

Costs associated with short-term operating leases are expensed as they are incurred. At the time of adopting this standard, the Foundation had no operating or financing leases outstanding. The Foundation adopted the standard using the prospective approach and did not retrospectively apply to prior periods. Right-of-use assets are recorded in long-term assets on the statements of financial position. Current and non-current lease liabilities are recorded as financing lease liabilities within current liabilities and long-term liabilities, respectively, on the statements of financial position.

The Foundation has made certain assumptions and judgments when applying ASC 842, the most significant of which are:

- The Foundation elected the package of practical expedients available for transition that allow the Foundation to not reassess whether expired or existing contracts contain leases under the new definition of a lease, lease classification for expired or existing leases and whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.
- The Foundation did not elect to use hindsight when considering judgments and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset.
- For all asset classes, the Foundation elected to not recognize a right-of-use asset and lease liability for short-term leases.
- The determination of the discount rate used in a lease is our estimated incremental borrowing rate that is based on what the Foundation would expect to pay to borrow over a similar term an amount equal to the lease payments.

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.

**Recently Adopted Accounting Pronouncements:** In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), the Foundation adopted the ASU during the year ended September 30, 2020. The impact of adoption is discussed above.

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.

See independent auditors' report.

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

**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, 2020. The Foundation is currently evaluating the impact on the financial statements.

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

The Foundation's financial assets available within one year from September 30, 2020 and 2019 for general expenditures are as follows:

	2020	2019
Cash and cash equivalents	\$ 5,001,573	\$ 9,303,212
Accounts receivable	154,042	179,960
Pledges receivable	2,443,271	22,908,713
Total financial assets available within one year	7,598,886	32,391,885
Add (deduct):		
Amounts unavailable for general expenditures within one year due to:		
Pledges receivable unavailable for use within one year	-	(21,000,000)
Total financial assets available to management for general expenditure within one year	\$ 7,598,886	\$ 11,391,885

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 \$5,000,000, 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:

	2020	2019
Within one year	\$ 2,443,271	\$ 22,908,713
From one to five years	36,710,987	16,800,509
Over five years	22,875,085	23,137,876
	62,029,343	62,847,098
Present value discount *	(8,143,707)	(8,230,454)
Allowance for doubtful pledges	(475,000)	(575,000)
	53,410,636	54,041,644
Less current portion, net	2,443,271	22,908,713
Long-term pledges receivable, net	\$ 50,967,365	\$ 31,132,931

\* 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 \$56,570,720 and \$54,412,588 at September 30, 2020 and 2019, 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 pledged gifts and imaging service provider royalties.

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 and the deposited funds were used. See note 12.

During fiscal years 2020 and 2019, temporary exhibition and event costs were incurred in advance of the exhibition or event dates. Costs are expensed during the exhibition period or when the event occurs.

**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, 2020 and 2019, the Foundation had investments in private securities through the Endowment, which do not have 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, 2020			
	Level I	Level II	Level III	Total
Money market funds held for investment	\$ 2,993,295	\$ -	\$ -	\$ 2,993,295
Equity mutual funds	15,792,268	64,730,409	-	80,522,677
Fixed income mutual funds	62,531,274	29,443,323	-	91,974,597
Trust funds held for others	517,068	4,668	-	521,736
Private securities	-	-	39,221,534	39,221,534
Total investments	<u>\$ 81,833,905</u>	<u>\$ 94,178,400</u>	<u>\$ 39,221,534</u>	<u>\$ 215,233,839</u>
	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 securities	-	-	30,441,563	30,441,563
Total investments	<u>\$ 84,485,611</u>	<u>\$ 96,507,741</u>	<u>\$ 30,441,563</u>	<u>\$ 211,434,915</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, 2020 and 2019:

	Level II	Level III
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
Net purchases (sales)	(4,489,406)	7,434,286
Net unrealized gains (losses)	1,714,373	169,534
Net realized gains (losses)	445,692	1,176,151
Balance as of September 30, 2020	\$ 94,178,400	\$ 39,221,534

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 statements of financial position.

See independent auditors' report.

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

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

	2020	2019
Land	\$ 24,159,956	\$ 24,159,956
Buildings and land improvements	88,753,803	88,732,086
Construction in progress	29,522,540	2,930,094
Furniture, fixtures and equipment	10,770,543	10,656,476
Exhibits	19,726,204	18,954,214
Museum store furniture and fixtures	787,565	787,565
	173,720,611	146,220,391
Less accumulated depreciation	(74,098,986)	(70,146,671)
Land, buildings and equipment-net	\$ 99,621,625	\$ 76,073,720

**Note 7 – Financed Right-of-Use Assets**

On December 3, 2019, the Foundation entered into a lease financing obligation with a third party for the lease of audio and video equipment. The initial value of the lease was \$1,019,434, and bears interest between 5.25% - 7.57% per annum, which are payable monthly in the amount of \$20,089 and expire in July 2025. As of September 30, 2020, the present value of the financed right-of-use assets lease obligations were \$950,889 (net of imputed interest of \$175,980 and other costs of \$39,353). The total net cost of right-of-use assets under financed leases was \$942,850 at September 30, 2020.

The future estimated minimum lease payments required under this non-cancellable capital lease agreement at September 30, 2020 are as follows:

Years ending September 30,		
2021	\$	241,066
2022		241,066
2023		241,066
2024		241,066
2025		201,958
		1,166,222
Less: Amounts representing interest and other costs		(215,333)
		950,889
Less: Current portion		(170,646)
Long-term portion	\$	780,243

Amortization of the right-of-use assets under the financing lease is included in depreciation and amortization expense in the statements of functional expenses.

See independent auditors' report.

**Note 8 – 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, 2020 and 2019 was 2.4% and 3.7%, respectively. During the years ended September 30, 2020 and 2019, interest expense totaled \$141,536 and \$220,882, 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, which was renewed and amended on October 15, 2020, is a revolving, prime adjustable, interest only loan in the amount of \$5,000,000 with the principal and unpaid interest due at maturity on September 13, 2021. 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, 2020 and 2019, \$3,000,000 and \$0, respectively, have been advanced on the draw down loan and no advances have been requested or fulfilled on the line of credit. The average annual rate paid during the year ended September 30, 2020 was 3.45% and the interest expense totaled \$35,938.

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. The Foundation was in compliance with its loan covenants.

**Note 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.

**Note 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 \$86,909 and \$231,403 at September 30, 2020 and 2019, respectively. Accounts receivable from NARA are for reimbursements for utilities and other general costs that are paid by the Foundation and amounted to \$54,744 and \$84,704 at September 30, 2020 and 2019, respectively. Accounts receivable from NARA accounted for approximately 36% and 47% of total accounts receivable at September 30, 2020 and 2019, respectively.

See independent auditors' report.

### **Note 11 – 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, 2020 and 2019, Foundation contributions were \$548,726 and \$488,135, 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 to the existing annual contribution amount of \$19,000 in the future subject to the approval of the Board of Trustees. During the year ended September 30, 2020, Foundation contributions were \$60,905. No contributions were made to the 457(b) plan for the year ended September 30, 2019.

### **Note 12 – Commitments and Contingencies**

**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.

**Foodservice 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, 2020 and 2019, under the revised agreement, the unamortized amounts for the capital expenditures totaled \$2.1 million and \$1.2 million, respectively, and are included in deferred revenues on the Statements of Financial Position. During the years ended September 30, 2020 and 2019, unamortized amounts for the start-up costs totaled \$150,000 and \$187,500, respectively. See note 16 for more information on the revised agreement with Sodexo.

See independent auditors' report.

**Note 12 – Commitments and Contingencies (Continued)**

**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 was \$19.9 million. As of September 30, 2019, the Foundation had \$20.1 million deposited into an escrow account for this real estate purchase. On December 16, 2019, escrow closed on this purchase and the deposited funds were used.

**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.

**Note 13 – Concentrations**

**Major Donors:** The pledges from three donors accounted for approximately 62% and 61% of total pledges receivable at September 30, 2020 and 2019, respectively.

**Major Accounts Receivable:** Accounts receivable from two entities accounted for 68% and 60% of total accounts receivable at September 30, 2020 and 2019, respectively.

**Concentration of Credit Risk:** The Foundation maintains its cash at financial institutions which may, at times, exceed federally insured limits. At September 30, 2020, the Foundation had cash and cash equivalents on deposit exceeding federally insured limits by \$4,892,618. 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 14 – 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:

	2020	2019
Net assets - undesignated	\$ 92,808,356	\$ 79,364,316
Board designated funds functioning as endowment	102,103,414	100,013,963
Total net assets without donor restrictions	<u>\$ 194,911,770</u>	<u>\$ 179,378,279</u>

See independent auditors’ report.

**Note 14 – 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:

	2020	2019
Subject to passage of time:		
Pledges receivable	\$ 8,259,561	\$ 8,439,228
Undistributed endowment earnings	48,797,621	46,802,936
Subject to passage of time and purpose:		
GE Scholarships	-	-
Center for Public Affairs and Museum	833,614	918,721
Ronald Reagan Institute	23,071,790	22,283,503
Donald W. Reynolds Foundation		
Air Force Once Discovery Center	178,368	161,237
Walter and Leonore Annenberg Presidential Learning Center	49,738	125,000
Subject to expenditure for a specified purpose:		
GE Scholarships	8,682,091	8,317,827
Center for Public Affairs and Museum	254,754	415,379
Ronald Reagan Institute	79,220	19,560,673
Donald W. Reynolds Foundation		
Air Force Once Discovery Center	1,405,359	1,579,348
Walter and Leonore Annenberg Presidential Learning Center	3,424,149	3,584,403
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	51,365,222	51,408,227
Total net assets with donor restrictions	\$ 165,626,487	\$ 182,821,482

See independent auditors' report.



**Note 14 – Net Assets (Continued)**

Net assets with donor restrictions released during the years ended September 30, 2020 and 2019 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:

	2020	2019
Net assets released from restriction		
Subject to passage of time:		
Collection of pledges receivable	\$ 2,082,575	\$ 2,141,936
Endowment distribution	1,198,131	1,184,852
Subject to expenditure for a specific purpose:		
GE Scholarships	464,115	557,499
Center for Public Affairs and Museum	409,704	106,487
Ronald Reagan Institute	19,463,540	100,000
Donald W. Reynolds Foundation		
Air Force Once Discovery Center	89,765	51,275
Walter and Leonore Annenberg Presidential Learning Center	48,107	(74,726)
Total net assets released from restrictions	\$ 23,755,937	\$ 4,067,323

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 15 – 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, 2020 and 2019.

See independent auditors’ report.

**Note 15 – 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.

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 \$1,659,443 and \$1,406,933 under this policy during the fiscal years ended September 30, 2020 and 2019, respectively.

The following is the composition of the endowment fund at September 30, 2020:

ENDOWMENT FUND BALANCES

	Without Donor Restrictions	With Donor Restrictions	Total
General Endowment	\$ 27,875,278	\$ 79,810,672	\$ 107,685,950
Education			
Annenberg/Education Activities	-	12,823,372	12,823,372
Reynolds/Discovery Center	-	7,611,036	7,611,036
Reynolds/Museum Maintenance	-	2,947,262	2,947,262
Funds Functioning as Endowment	74,228,136	-	74,228,136
	102,103,414	103,192,342	205,295,756
Endowment Pledges at Present Value	-	20,352,170	20,352,170
Total Endowment Net Assets	\$ 102,103,414	\$ 123,544,512	\$ 225,647,926

See independent auditors’ report.

**Note 15 – Endowment Funds (Continued)**

The following are endowment fund activities for the year ended September 30, 2020:

ENDOWMENT FUND CHANGES IN NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
INVESTED ENDOWMENT			
Beginning balance	\$ 100,013,963	\$ 101,781,470	\$ 201,795,433
Investment Returns			
Investment Income	1,464,048	1,497,475	2,961,523
Investment Appreciation	1,086,715	1,111,528	2,198,243
Investment Costs	-	-	-
Net Investment Returns	2,550,763	2,609,003	5,159,766
Appropriated for Expenditure	(461,312)	(1,198,131)	(1,659,443)
Cash Additions to Endowment			
Donor Directed	-	-	-
Board Directed	-	-	-
Total New Additions	-	-	-
Reclassifications	-	-	-
Ending balance	\$ 102,103,414	\$ 103,192,342	\$ 205,295,756

ENDOWMENT FUND CHANGES IN NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
ENDOWMENT PLEDGES			
Beginning balance	\$ -	\$ 20,395,174	\$ 20,395,174
New Pledges, net of discounts and payments	-	(43,004)	(43,004)
Ending balance	\$ -	\$ 20,352,170	\$ 20,352,170

TOTAL ENDOWMENT NET ASSETS

Beginning balance	\$ 100,013,963	\$ 122,176,644	\$ 222,190,607
Changes in Endowment net assets	2,089,451	1,367,868	3,457,319
Ending balance	\$ 102,103,414	\$ 123,544,512	\$ 225,647,926

See independent auditors' report.

**Note 15 – Endowment Funds (Continued)**

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	<u>\$ 100,013,963</u>	<u>\$ 122,176,644</u>	<u>\$ 222,190,607</u>

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	<u>\$ 100,013,963</u>	<u>\$ 101,781,470</u>	<u>\$ 201,795,433</u>

See independent auditors' report.

**Note 15 – Endowment Funds (Continued)**

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ENDOWMENT PLEDGES</b>			
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
<b>TOTAL ENDOWMENT NET ASSETS</b>			
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

**Note 16 – Subsequent Events**

On December 2, 2020, due to the pandemic, the Foundation entered into an amended agreement with Sodexo, the Library’s exclusive foodservices and catering provider. This amendment extends the initial term of the agreement for the length of the COVID-19 closure plus one additional year, not to exceed 24 months. In addition, the amortization of the capital investment, including the start-up and pre-opening costs and expenses, will be suspended from the time of the COVID-19 closure, which was March 13, 2020, plus one additional year. If Sodexo’s gross receipts are greater than 50% of their pre-COVID baseline, then the amortization will not be suspended but instead, the amortization will be prorated based on the percentage change in the actual annual adjusted gross receipts as compared to the pre-COVID baseline.

The Foundation has evaluated events occurring after the date of the accompanying statement of financial position through February 15, 2021, the date the financial statements are available to be issued. The Foundation did not identify any other material subsequent events requiring adjustment to the accompanying financial statements.

See independent auditors’ report.