

The Barack Obama Foundation

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

Financial Statements as of and for the
Years Ended December 31, 2021 and 2020, and
Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Barack Obama Foundation:

Opinion

We have audited the accompanying financial statements of The Barack Obama Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

June 10, 2022

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

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 225,428,844	\$ 213,600,111
Investments	100,979,561	-
Prepaid and other assets	1,084,380	2,838,420
Pledges and grants receivable—net	242,013,824	264,446,435
Beneficial interest in trust	7,382,672	8,368,893
Fixed assets—net	1,717,871	2,832,614
Construction in progress	114,552,436	70,448,010
Debt financing costs—net	138,544	86,518
Donated lease assets	<u>537,566</u>	<u>1,119,540</u>
Total assets	<u>\$ 693,835,698</u>	<u>\$ 563,740,541</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 10,422,481	\$ 1,558,415
Accrued payroll and benefits	960,887	895,299
Grants payable	1,955,000	34,000
Deferred rent	<u>441,723</u>	<u>598,163</u>
Total liabilities	<u>13,780,091</u>	<u>3,085,877</u>
NET ASSETS:		
Without donor restrictions	394,579,624	263,842,089
With donor restrictions	<u>285,475,983</u>	<u>296,812,575</u>
Total net assets	<u>680,055,607</u>	<u>560,654,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 693,835,698</u>	<u>\$ 563,740,541</u>

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

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributions and grants	\$ 59,941,462	\$ 99,381,082	\$ 159,322,544
Contributions in kind	888,269	-	888,269
Interest and dividends	30,586	-	30,586
Investment income	547,229	-	547,229
Other income	342	-	342
Net assets released from restrictions	<u>110,717,674</u>	<u>(110,717,674)</u>	<u>-</u>
Total revenue	172,125,562	(11,336,592)	160,788,970
EXPENSES:			
Program costs:			
Programs	9,310,016	-	9,310,016
Center start-up costs	<u>13,383,516</u>	<u>-</u>	<u>13,383,516</u>
Total program costs	22,693,532	-	22,693,532
Fundraising	9,082,504	-	9,082,504
General and administrative	<u>9,611,991</u>	<u>-</u>	<u>9,611,991</u>
Total expenses	<u>41,388,027</u>	<u>-</u>	<u>41,388,027</u>
CHANGE IN NET ASSETS	130,737,535	(11,336,592)	119,400,943
NET ASSETS—Beginning of year	<u>263,842,089</u>	<u>296,812,575</u>	<u>560,654,664</u>
NET ASSETS—End of year	<u>\$ 394,579,624</u>	<u>\$ 285,475,983</u>	<u>\$ 680,055,607</u>

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

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:			
Contributions and grants	\$ 44,631,398	\$ 125,972,180	\$ 170,603,578
Contributions in kind	1,190,138	196,107	1,386,245
Interest and dividends	393,895	-	393,895
Investment income	329,480	-	329,480
Other income	13,393	-	13,393
Net assets released from restrictions	<u>71,916,178</u>	<u>(71,916,178)</u>	<u>-</u>
 Total revenue	 118,474,482	 54,252,109	 172,726,591
EXPENSES:			
Program costs:			
Programs	14,752,166	-	14,752,166
Center start-up costs	<u>7,840,641</u>	<u>-</u>	<u>7,840,641</u>
 Total program costs	 22,592,807	 -	 22,592,807
Fundraising	9,512,252	-	9,512,252
General and administrative	<u>9,512,127</u>	<u>-</u>	<u>9,512,127</u>
 Total expenses	 <u>41,617,186</u>	 <u>-</u>	 <u>41,617,186</u>
 CHANGE IN NET ASSETS	 76,857,296	 54,252,109	 131,109,405
NET ASSETS—Beginning of year	<u>186,984,793</u>	<u>242,560,466</u>	<u>429,545,259</u>
NET ASSETS—End of year	<u>\$ 263,842,089</u>	<u>\$ 296,812,575</u>	<u>\$ 560,654,664</u>

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Programs	Center Start-Up Costs	Total Program Costs	Fundraising	General and Administrative	Total
SALARIES AND BENEFITS	\$ 4,240,410	\$ 5,251,604	\$ 9,492,014	\$ 5,727,297	\$ 6,743,962	\$ 21,963,273
PROFESSIONAL DEVELOPMENT	4,071	723	4,794	1,449	65,589	71,832
COMMUNICATIONS	51,187	58,891	110,078	132,149	594,144	836,371
PROFESSIONAL AND CONSULTING	1,477,501	1,945,342	3,422,843	973,064	971,121	5,367,028
OFFICE EXPENSES	37,581	22,284	59,865	101,918	122,384	284,167
PRINTING, POSTAGE AND SHIPPING	22,867	54,905	77,772	233,722	21,302	332,796
TRAVEL	174,932	141,913	316,845	328,541	65,077	710,463
EVENTS	195,416	745,740	941,156	87,633	2,682	1,031,471
INFORMATION TECHNOLOGY	402,711	279,099	681,810	508,421	376,974	1,567,205
CONTRACTUAL SERVICES	257,944	-	257,944	-	-	257,944
GRANTS EXPENSE	1,404,151	3,750,000	5,154,151	-	-	5,154,151
OCCUPANCY COSTS	298,097	623,386	921,483	446,567	331,218	1,699,268
INSURANCE	33,121	52,430	85,551	47,841	36,801	170,193
COLLECTIONS	-	246,054	246,054	-	-	246,054
MISCELLANEOUS EXPENSE	20,100	711	20,811	71,581	34,329	126,721
LOSS ON DISPOSAL OF FIXED ASSETS	<u>198,000</u>	<u>-</u>	<u>198,000</u>	<u>-</u>	<u>89,174</u>	<u>287,174</u>
Total before depreciation	8,818,089	13,173,082	21,991,171	8,660,183	9,454,757	40,106,111
DEPRECIATION	<u>491,927</u>	<u>210,434</u>	<u>702,361</u>	<u>422,321</u>	<u>157,234</u>	<u>1,281,916</u>
TOTAL EXPENSES	<u><u>\$ 9,310,016</u></u>	<u><u>\$ 13,383,516</u></u>	<u><u>\$ 22,693,532</u></u>	<u><u>\$ 9,082,504</u></u>	<u><u>\$ 9,611,991</u></u>	<u><u>\$ 41,388,027</u></u>

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

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Programs	Center Start-Up Costs	Total Program Costs	Fundraising	General and Administrative	Total
SALARIES AND BENEFITS	\$ 8,050,908	\$ 5,029,372	\$ 13,080,280	\$ 6,342,080	\$ 6,237,353	\$ 25,659,713
PROFESSIONAL DEVELOPMENT	43,025	32,783	75,808	26,452	67,107	169,367
COMMUNICATIONS	263,103	99,140	362,243	253,184	568,757	1,184,184
PROFESSIONAL AND CONSULTING	1,323,088	1,296,868	2,619,956	1,296,767	1,254,671	5,171,394
OFFICE EXPENSES	191,342	58,647	249,989	51,114	207,934	509,037
TRAVEL	213,788	44,651	258,439	148,991	60,416	467,846
EVENTS	143,871	3,640	147,511	43,527	2,029	193,067
INFORMATION TECHNOLOGY	399,967	204,168	604,135	463,948	383,705	1,451,788
CONTRACTUAL SERVICES	387,500	-	387,500	-	42,000	429,500
GRANTS EXPENSE	2,226,200	99,000	2,325,200	-	-	2,325,200
OCCUPANCY COSTS	577,995	600,025	1,178,020	425,317	458,033	2,061,370
INSURANCE	55,792	33,431	89,223	34,083	36,705	160,011
COLLECTIONS	-	173,130	173,130	-	-	173,130
LOSS ON DISPOSAL OF FIXED ASSETS	<u>193,285</u>	<u>-</u>	<u>193,285</u>	<u>-</u>	<u>-</u>	<u>193,285</u>
Total before depreciation	14,069,864	7,674,855	21,744,719	9,085,463	9,318,710	40,148,892
DEPRECIATION	<u>682,302</u>	<u>165,786</u>	<u>848,088</u>	<u>426,789</u>	<u>193,417</u>	<u>1,468,294</u>
TOTAL EXPENSES	<u>\$ 14,752,166</u>	<u>\$ 7,840,641</u>	<u>\$ 22,592,807</u>	<u>\$ 9,512,252</u>	<u>\$ 9,512,127</u>	<u>\$ 41,617,186</u>

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 119,400,943	\$ 131,109,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,281,916	1,468,294
Amortization of debt financing costs	15,097	8,482
Donated lease asset	581,974	348,475
Contributions restricted for the Center	(37,862,873)	(20,967,195)
Donated securities	(40,089,640)	(10,161,481)
Realized gain on investments	(553,241)	(58,040)
Unrealized loss on investments and beneficial interest in trust	4,114	(271,440)
Net proceeds from sale of donated securities	30,020,883	9,818,355
Loss on disposal of fixed assets	287,174	193,285
(Increase) decrease in:		
Pledges and grants receivable—net	22,432,611	(51,897,420)
Prepaid and other assets	1,754,040	158,621
Beneficial interest in trust	1,002,546	1,002,547
(Decrease) increase in:		
Accounts payable and accrued expenses	1,186,553	(1,526,515)
Accrued payroll and benefits	65,588	249,421
Deferred grant revenue		(516,200)
Grants payable	1,921,000	(2,216,000)
Deferred rent	(156,440)	(143,022)
Net cash provided by operating activities	<u>101,292,245</u>	<u>56,599,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction in progress	(36,426,913)	(20,016,103)
Purchase of investments	(101,000,000)	
Purchase of fixed assets	(454,347)	(494,255)
Net cash used in investing activities	<u>(137,881,260)</u>	<u>(20,510,358)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for the Center	37,862,873	20,967,195
Net proceeds from sale of donated securities restricted for the Center	10,621,998	401,166
Debt financing costs	(67,123)	(95,000)
Net cash provided by financing activities	<u>48,417,748</u>	<u>21,273,361</u>
INCREASE IN CASH AND CASH EQUIVALENTS	11,828,733	57,362,575
CASH AND CASH EQUIVALENTS—Beginning of year	<u>213,600,111</u>	<u>156,237,536</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 225,428,844</u>	<u>\$ 213,600,111</u>
NONCASH INVESTING ACTIVITIES:		
Accrual of construction in progress costs	<u>\$ 8,505,177</u>	<u>\$ 827,664</u>

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

THE BARACK OBAMA FOUNDATION

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

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. NATURE OF ACTIVITIES

The Barack Obama Foundation (the “Foundation”) is a nonprofit tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation’s mission is to inspire, empower, and connect people to change their world and to honor the legacy of President and Mrs. Obama.

A core purpose of the Foundation is to build the Obama Presidential Center (the “Center”), housing the Presidential Museum (the “Museum”), in Jackson Park on the South Side of Chicago. Construction of the Center started in September 2021. The Museum will tell the story of our nation’s first African-American President and First Lady, their path to the White House, and the countless individuals, communities, and social currents that shaped their journey. The Museum will focus on the historic Obama presidency, its successes and challenges, and its legacy of inspiring individual people to come together to solve problems in their community. The Center will use the Obamas’ personal story of community engagement and public service to inspire visitors to find their own paths to civic engagement and leadership.

Building on the Obamas’ example of engaged citizenship, Foundation programming focuses on giving the next generation of leaders the tools they need to create positive change in their communities. Through our Scholars, Global Leaders, My Brother’s Keeper Alliance, and Girls Opportunity Alliance, we invest in human potential to help emerging community leaders build the world they want to see.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates—In preparing financial statements in conformity with U.S. GAAP, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of assets and contingent liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents—The Foundation’s cash and cash equivalents consist primarily of deposits with banks and money market accounts with a maturity of less than 90 days from the date of purchase and are stated at cost which approximates fair value. Cash equivalents held in the board-designated endowment are classified as investments without donor restriction. The Foundation had deposits in excess of federally insured limits at December 31, 2021 and 2020, but has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk.

Investments—Investments consist of money market mutual funds and fixed income treasury bonds with maturities under twelve months. Investments are recorded at fair value in the statement of financial position, where fair value is determined primarily on the availability of quoted market prices.

Interest and dividends, unrealized gains or losses from changes in the market value of investments and realized gains and losses on the sale of investments are recognized when earned in a given period and are included in the statement of activities and changes in net assets.

Prepaid and Other Assets—Prepaid and other assets consist primarily of prepaid expenses, deposits, and merchandise inventory. Inventory represents online retail merchandise valued at the lower of cost or net realizable value, principally using the first in, first out cost method.

Pledges and Grants Receivable—Net—Unconditional promises to give cash or other assets are reported as pledges and grants receivable. Pledges and grants receivable are recorded at fair value at the date the promise is received, which is estimated as the net present value of the estimated future cash flows of such amounts. Estimated future cash flows expected to be collected beyond one year are discounted using a rate commensurate with the time value of money. Amortization of the discount is recorded as additional contribution revenue.

Pledges receivable are recorded net of an allowance for uncollectible amounts. The Foundation determines its allowance for uncollectible amounts by considering a number of factors that includes the amount and length of time the receivables are past due, the individual donor's ability to pay and the general condition of the economy as a whole. Any pledges receivable that have become uncollectible are written off by the Foundation.

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

Beneficial Interest in Trust—The Foundation is the lead beneficiary of a charitable lead annuity trust that terminates on September 30, 2029. The Foundation receives annual fixed payments from the trust until termination. The beneficial interest in trust is reported at fair value, which is estimated as the net present value of the estimated future cash flows of the annual fixed payments. The discount rate used to determine the present value of the beneficial interest in trust was 2.44% and 1.93% at December 31, 2021 and 2020 respectively, which represents the risk adjusted interest rate applicable to the time period of the annual fixed payments. The unrealized gain on the beneficial interest in trust recognized in 2021 and 2020 was \$16,325 and \$271,440, respectively.

Fixed Assets—Net—Fixed assets are recorded at cost, if purchased, or at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over their estimated useful lives, which ranges from 3–7 years for furniture and fixtures and computer equipment, 3 years for technology and 2–7 years for leasehold improvements. Leasehold improvements are amortized over the lesser of the useful life or lease term. Repairs and maintenance that do not extend the life of the applicable assets are charged to expense as incurred.

Construction In Progress—Expenses directly and indirectly related to planning, developing and constructing the Center are capitalized and recorded at cost, if purchased, or at fair value at the date of donation. These costs will begin being depreciated when the Center is placed in service.

Collections—The Foundation acquires its collections by purchase or by donation. The Foundation's collections management policy includes guidance on the Foundation's collections stewardship responsibilities from intake and acquisition through preservation, access and use, and deaccessioning and disposal of materials that no longer support the Foundation's public mission. This policy does not pertain directly to the management of the Obama presidential archive, which is maintained as a separate collection property of the National Archives and Records Administration ("NARA") and is not included on the statement of financial position of the Foundation, nor is the Foundation responsible for the maintenance or preservation of items in these collections.

The value of the Foundation's collections is not subject to reasonable estimate, and therefore are not recognized as assets on the statements of financial position. Purchases of collection items are recorded on the statement of activities and changes in net assets as decreases in net assets without donor restrictions in the period of acquisition, unless the items were purchased with donor restricted funds in which case they are shown as decreases in net assets with donor restrictions. Proceeds from the sale of deaccessioned materials will be utilized exclusively for the purchase of future collection acquisitions, including costs directly related to obtaining, conserving, or processing new acquisitions. Deaccessioning proceeds will not be used to pay for direct care of the collection beyond the initial cost of acquisition.

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

Net Assets without Donor Restrictions—Net assets without donor restrictions are not subject to donor-imposed restrictions. The Foundation's net assets without donor restrictions are primarily derived from annual excess of revenue over expenses and net assets released from donor restrictions for operations. A portion of net assets without donor restrictions designated by the Foundation's Board of Directors for specific purposes are disclosed as a board-designated endowment. Because these designations are voluntary and may be reversed by the Board at any time, board-designated net assets are included as net assets without donor restrictions.

Net Assets with Donor Restrictions—Net assets with donor restrictions are subject to donor-imposed restrictions for use for a particular purpose or in a particular future period that can be fulfilled by the actions of the Foundation or the passage of time.

Revenue Recognition—Unconditional contributions and grants are recorded when cash or a pledge is received and are classified as with donor restrictions or without donor restrictions depending on the existence or absence of any donor-imposed restrictions. Unconditional promises to give with payments due in future periods are reported as with donor restrictions in the statement of activities and changes in net assets, unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended them to be used to support activities of the current period, in which case they are reported as without donor restrictions. Unconditional promises to give with payments received in the same period are reported as without donor restrictions in the statement of activities and changes in net assets. Gifts that are originally restricted by the donor for a specific purpose and for which the restriction is met in the same time period are recorded as contributions with donor restrictions and then released from restriction. When a restriction expires (such as when a time restriction ends or purpose restriction is satisfied), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restriction.

Gifts of long-lived assets are reported at fair value as in-kind contributions without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as in-kind contributions with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Donated goods and services are recorded as revenue and expenditures when they meet the criteria for recognition in the financial statements. The Foundation has volunteers who contribute time in furtherance of the Foundation's mission. Such contributions do not meet U.S. GAAP criteria for recognition of contributed services and, accordingly, are not reflected in the statement of activities and

changes in net assets. For the years ended December 31, 2021 and 2020, the Foundation received contributed goods in the amount of \$337,872 and \$522,730, respectively, and contributed services in the amount of \$550,397 and \$667,408, respectively. These contributed goods and services are included in contributions in kind on the statement of activities and changes in net assets.

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation, and are converted to cash immediately upon receipt of the donation. On the statement of cash flows, donated securities are presented as cash inflows from financing activities when donor restrictions are associated with the gift for the purpose of acquiring, constructing, or improving fixed assets or other long-lived assets; in the absence of donor restrictions, donated securities are presented as cash inflows from operating activities.

In 2020, donated securities in the amount of \$10,219,521 were incorrectly classified as cash inflows from investing activities in the statement of cash flows. The 2020 statement of cash flows was corrected to reflect \$9,818,355 of cash inflows from operating activities, and \$401,166 of cash inflows from financing activities.

Functional Allocation of Expenses—The operating expenses of the Foundation have been summarized on a functional basis in the statement of functional expenses and allocated according to their natural expense classification. Expenses that are directly attributable to a specific program or support service are reported as expenses of that functional area. Certain expenses are attributable to more than one functional area and are allocated on a reasonable basis that is consistently applied. Occupancy costs, insurance and depreciation expenses are allocated based on full time equivalents. Salary expenses that are common to several functions are allocated based on time.

Grant Expense and Payable—Grant expense is recognized when a payment is made to a grantee, or in the period the grant is countersigned provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. As of December 31, 2021 and 2020, grants payable were not discounted as they are all payable within one year.

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

U.S. GAAP requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the financial statements. Additionally, there is no interest or penalties recognized in the statements of activities and changes in net assets or statements of financial position.

Changes in Presentation—Certain amounts in the prior period notes to the financial statements have been reclassified to conform to the presentation of the current period financial statements, and are intended to present information in a more useful format for the readers on a go-forward basis. This prior period change had no effect on the previously reported total assets, total expenses or total net assets.

New Accounting Standard Updates (“ASU”) Not Yet Adopted—In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and finance leases. ASU 2016-02 was effective for the Foundation beginning on January 1, 2021; however, in June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers and Leases: Effective Dates for Certain Entities* (“ASU 2020-05”) which delayed the effective date for the Foundation to January 1, 2022. The Foundation is currently evaluating the total impact that adopting this new guidance will have on its financial statements and disclosures.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”). ASU 2020-07 requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and changes in net assets. Additional qualitative disclosures regarding policies on monetization, description of any donor-imposed restrictions and a description of valuation techniques are also required. ASU 2020-07 is effective for the Foundation beginning on January 1, 2022. The Foundation is in the process of assessing the effect of this ASU 2020-07 on its financial statements and disclosures.

3. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1—Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2—Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3—Significant unobservable inputs that reflect a reporting entity’s own assessments about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following are descriptions of the valuation methods and assumptions used by the Foundation to estimate the fair value of financial instruments:

Cash Equivalents—Cash equivalents include cash held in a money market fund. The fair value of these investments are based on quoted market prices and is therefore categorized as level 1 in the hierarchy table.

Mutual Funds—The fair value of mutual fund investments is based on quoted market prices and is therefore categorized as level 1 in the hierarchy table.

Fixed Income Treasury Bonds—The fair value of fixed income treasury bonds is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads. Therefore, these are categorized as level 2 in the hierarchy table.

Beneficial Interest in Trust—The fair value of the Foundation’s beneficial interest in trust at each reporting period is based on management’s assumptions and judgements because there are no observable inputs or market activity. The fair value is estimated to represent the present value of future cash flows. Therefore, this is categorized as level 3 in the hierarchy table.

Assets and liabilities measured on a recurring basis at fair value at December 31, 2021 and 2020, are summarized below:

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	\$ 1,000,053	\$ -	\$ -	\$ 1,000,053
Mutual funds	57,569	-	-	57,569
Fixed income treasury bonds	<u>-</u>	<u>99,921,939</u>	<u>-</u>	<u>99,921,939</u>
Total investments	1,057,622	99,921,939	-	100,979,561
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>7,382,672</u>	<u>7,382,672</u>
Total	<u>\$ 1,057,622</u>	<u>\$ 99,921,939</u>	<u>\$ 7,382,672</u>	<u>\$ 108,362,233</u>

	2020			
	Level 1	Level 2	Level 3	Total
Beneficial interest in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,368,893</u>	<u>\$ 8,368,893</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,368,893</u>	<u>\$ 8,368,893</u>

4. LIQUIDITY

The Foundation's financial assets available within one year of December 31, 2021 and 2020 for general obligations are as follows:

	2021	2020
Cash and cash equivalents	\$ 225,428,844	\$ 213,600,111
Investments	100,979,561	-
Pledges and grants receivable—net	242,013,824	264,446,435
Beneficial interest in trust	<u>7,382,672</u>	<u>8,368,893</u>
Total financial assets	575,804,901	486,415,439
Less amounts not available to be used within one year:		
Restricted by time or donor purpose	(217,171,040)	(181,422,368)
Board-designated endowment	<u>(1,000,053)</u>	<u>-</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 357,633,808</u>	<u>\$ 304,993,071</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets without donor restrictions to be available as its expenditures, liabilities, and other obligations come due. Donor restricted contributions are typically not available to support general obligations.

During 2020, the Foundation entered into a \$250,000,000 revolving line of credit agreement. There have been no draws made on this revolving line of credit as of December 31, 2021 or 2020, however it is available for use for Foundation operations including operating, program and Center construction costs. Subsequent to year end, as described in Note 8, this revolving line of credit agreement was amended, reducing the amount to \$150,000,000.

5. PLEDGES AND GRANTS RECEIVABLE—NET

Pledges and grants expected to be collected beyond one year are adjusted to net present value by discounting future cash flows and are reduced for an allowance for uncollectible accounts. The discount rates used to determine the present value of pledges receivable represent risk adjusted interest rates applicable to the years in which the promises are received and range from .97% to 3.46%. The Foundation wrote off \$305,001 and \$9,568 from pledges and grants receivable in 2021 and 2020, respectively, because they were deemed uncollectible.

Pledges and grants receivable are due in the following periods:

	2021	2020
Within one year	\$ 122,001,064	\$ 111,319,502
One to five years	119,601,856	151,336,038
More than five years	<u>7,571,500</u>	<u>9,943,000</u>
Total pledges and grants receivable	249,174,420	272,598,540
Less present value discount	(3,412,501)	(5,479,423)
Less allowance for uncollectible amounts	<u>(3,748,095)</u>	<u>(2,672,682)</u>
Pledges and grants receivable—net	<u>\$ 242,013,824</u>	<u>\$ 264,446,435</u>

Conditional Grants and Pledges—As of December 31, 2021 and 2020, the Foundation had outstanding conditional promises from its donors of \$73,075,000 and \$67,000,000, respectively. In order to recognize these conditional promises as contribution revenue, these conditions, such as future programming and certain construction activities, must be fulfilled. During the years ending December 31, 2021 and 2020, contribution revenues of \$9,025,000 and \$51,000,000, respectively, were recorded by the Foundation on these conditional grants and pledges as their conditions were met.

6. FIXED ASSETS—NET

Fixed assets consist of the following as of December 31, 2021 and 2020:

	2021	2020
Computer equipment	\$ 363,334	\$ 563,981
Furniture and fixtures	982,759	1,105,666
Leasehold improvements	1,827,439	1,898,837
Technology	<u>2,260,204</u>	<u>2,120,000</u>
Subtotal	5,433,736	5,688,484
Accumulated depreciation	<u>(3,715,865)</u>	<u>(2,855,870)</u>
Fixed assets—net	<u>\$ 1,717,871</u>	<u>\$ 2,832,614</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$1,281,916 and \$1,468,294, respectively.

7. CONSTRUCTION COSTS AND COMMITMENTS

The Foundation has capitalized a total of \$114,552,436 toward the planning, development and construction of the Center as of December 31, 2021. These costs relate to direct and indirect expenses associated with the site selection, architect selection, surveys, feasibility studies, design, exhibit design, pre-construction costs, construction costs and other costs and have not yet been placed in service.

In 2018, the Foundation selected Lakeside Alliance to serve as the construction manager for the Center. Lakeside Alliance is a joint venture between a large international construction company and four minority-owned Chicago construction firms who will have 51% financial equity in the Center contract. The contract was signed in January 2018 with the project term through 2022. This agreement was amended in March 2021, extending the contract term through 2026. Total remaining commitments on this contract total approximately \$312,000,000 at December 31, 2021.

The legal title to the Foundation’s land and future Center is vested with the City of Chicago. The right to the use and occupancy of the land and future Center rests with the Foundation under an agreement effective August 13, 2021 and terminates 99 years from the effective date.

8. REVOLVING LINE OF CREDIT

On May 12, 2020, the Foundation executed a revolving line of credit (“LOC”) up to \$250,000,000 with PNC Bank, National Association, the Administrative Agent, providing 80% of the credit and The Northern Trust Company providing 20% of the credit. The LOC expires May 11, 2027 and has a variable interest rate on borrowings at either LIBOR plus 1.5%, or the base rate option, which is the greater of the Overnight Bank Funding Rate plus 1.5% or the Prime Rate. Beginning November 12, 2021, fees of 0.20% of the unused balance of the LOC began incurring. This LOC is primarily available for Center

construction costs but is also available for program and operating expenses. As of December 31, 2021, the Foundation has not drawn on the LOC, and has not subsequently drawn on this LOC as of the report date.

In 2020, \$95,000 of costs were incurred to obtain the LOC and are being amortized over the life of the LOC. There were no such costs incurred in 2021. Fees assessed on the unused LOC balance totaled \$67,123 in 2021 and are being amortized over the remaining life of the LOC. There were no such fees assessed on any unused LOC balance in 2020. These costs, net of accumulated amortization, are included as debt financing costs on the statement of financial position at December 31, 2021 and 2020. During the year ended December 31, 2021 and 2020, amortization expense was \$15,097 and \$8,482, respectively.

Subsequent to year end, the Foundation entered into a first amendment on the LOC dated February 22, 2022. This amendment reduced the revolving line of credit to \$150,000,000. The amendment extends the expiration date to February 22, 2029 and has a variable interest rate on borrowings at the Bloomberg Short Term Bank Yield Index (“BSBY”) rate plus 1.5%.

9. BOARD-DESIGNATED ENDOWMENT

In 2021, the Foundation’s Board of Directors designated \$1,000,000 to function as an endowment for future operations of the Center. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Investment and Spending Policies—As of December 31, 2021, investment and spending policies for endowment assets were not yet in place. As such, endowment assets are invested in accordance with the existing Board approved short-term investment policy under the direction of the Finance Committee of the Board of Directors until endowment policies are in place. Based on this existing policy, investment returns on endowment assets remain in the endowment asset account and are not being spent.

Composition of Endowments—Endowment net assets were \$1,000,053 as of December 31, 2021 and consist solely of the board-designated endowment which is included within net assets without donor restriction. There were no endowment net assets as of December 31, 2020. Changes in endowment net assets for the year ended December 31, 2021 include the creation of the \$1,000,000 of board-designated endowment fund and \$53 of investment income.

10. NET ASSETS

The Foundation’s net assets without donor restrictions consist of the following at December 31, 2021 and 2020:

	2021	2020
General operations in support of mission	\$ 393,579,571	\$ 263,842,089
Board-designated endowment	<u>1,000,053</u>	<u>-</u>
Total net assets without donor restrictions	<u>\$ 394,579,624</u>	<u>\$ 263,842,089</u>

The Foundation's net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	2021	2020
Restricted for:		
Passage of time	\$ 154,253,739	\$ 174,530,343
Planning and construction of the Center	87,977,568	84,014,066
Programs	42,707,110	37,148,626
Donated lease asset	<u>537,566</u>	<u>1,119,540</u>
Total net assets with donor restrictions	<u>\$ 285,475,983</u>	<u>\$ 296,812,575</u>

Net assets were released from donor restrictions due to the passage of time or performance of activities satisfying the restricted purposes specified by the donors as follows:

	2021	2020
Passage of time	\$ 49,539,994	\$ 42,115,762
Expenditures satisfying donor-imposed purpose restrictions:		
Planning and construction of the Center	53,034,335	20,904,338
Programs	7,561,370	8,351,496
Donated lease asset	<u>581,975</u>	<u>544,582</u>
Total net assets released from restrictions	<u>\$ 110,717,674</u>	<u>\$ 71,916,178</u>

11. EMPLOYEE BENEFITS

In 2015, the Foundation entered into a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Foundation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. In 2020, the Foundation began matching employee contributions in an amount equal to 100% of the first 4% of pre-tax contributions made to the plan by each participant. In addition, the Foundation can also make discretionary contributions to the plan. Employees are immediately vested in employer contributions. Total employer contributions expensed during the years ended December 31, 2021 and 2020, were \$597,622 and \$674,038, respectively.

12. LEASE COMMITMENTS

The Foundation has entered into several operating leases for office space. The leases expire between 2021 and 2025. Deferred rent of \$441,723 and \$598,163 at December 31, 2021 and 2020, respectively, includes the escalating rental payments as well as tenant improvement allowances included in the active leases. The Foundation has also entered into several noncancelable operating leases for office equipment that expire between 2021 and 2023.

During 2016, the Foundation entered into an operating lease for donated office space in Chicago expiring in 2022. The Foundation is a sublessee under the agreement and paid \$1 in base rent for the entire lease term. The donated leases were recognized as contribution revenue with donor restrictions at the inception of the lease. The fair value of the donated lease asset and related net assets with donor restrictions was \$537,566 and \$1,119,540 at December 31, 2021 and 2020, respectively.

Rental expense for office space and equipment for the years ended December 31, 2021 and 2020, was \$1,697,048 and \$1,926,375, respectively.

Future minimum lease payments under operating leases are:

**Years Ending
December 31**

2022	\$ 1,014,288
2023	583,234
2024	573,969
2025	<u>44,862</u>
	<u>\$ 2,216,353</u>

13. RELATED-PARTY TRANSACTIONS

An executive member of Foundation leadership sits on the board of a non-profit organization in which the Foundation incurred grants expense of \$250,000 in 2021. There were no related-party transactions during 2020.

14. LEGAL MATTERS

On April 14, 2021, the park advocacy group named Protect Our Parks, the Nichols Park Advisory Council, and other individuals filed a lawsuit in Chicago against the Secretary of the United States Department of Transportation, the administrator of the Federal Highway Administration (“FHWA”), and the FHWA’s divisional heads, the Secretary of the United States Department of the Interior, the deputy director of the National Park Service, the Acting Secretary of the Army, the commanding officer of the Chicago District of the Army Corps of Engineers, the City of Chicago, the Chicago Park District, and the Foundation (the “2021 Lawsuit”, captioned *Protect Our Parks v. Buttigieg*, case no. 21-cv-02006 (N.D. Ill.)) challenging the placement of the Center in Jackson Park and the outcome of the federal reviews process related to that determination. This lawsuit asserts largely the same claims as an unsuccessful and closed 2018 lawsuit by Protect Our Parks and other individuals. The Foundation is actively defending against the claim and proactively addressing any impact on the Foundation or the construction of the Center.

15. COVID-19 AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic and states and cities began implementing various measures to reduce risk and spread, including stay at home orders and travel restrictions. The pandemic has continued through 2021 and continues to disrupt workforces, economies and global financial markets. Because of COVID-19 and international wars, the world has seen a significant backlog in supply chain logistics, causing a rise in prices for many goods. The Foundation will continue to monitor the developments related to the pandemic and these supply chain issues as it relates to a potential increase in construction costs.

16. SUBSEQUENT EVENTS

In February 2022, the Foundation received a signed, unconditional pledge agreement for \$100,000,000 from a single donor. This pledge is without donor restrictions.

Management has evaluated all subsequent events through June 10, 2022, which is the date the financial statements were available to be issued, and concluded no subsequent events have occurred, except those discussed here and in Note 8.

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