

Financial Statements

**Barbara Bush Foundation for Family Literacy, Inc.**

*Years ended June 30, 2020 and 2019  
with Report of Independent Auditors*



Barbara Bush Foundation for Family Literacy, Inc.

Financial Statements

Years ended June 30, 2020 and 2019

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## Report of Independent Auditors

Board of Directors  
Barbara Bush Foundation for Family Literacy, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Barbara Bush Foundation for Family Literacy, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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.

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### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Barbara Bush Foundation for Family Literacy, Inc. as of June 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.

### **Emphasis of Matter**

As discussed in Note 13 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to the matter.

### **Report on Summarized Comparative Information**

We have previously audited the Barbara Bush Foundation for Family Literacy, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2019. In our opinion, the summarized comparative information presented in the statement of activities and changes in net assets and statement of functional expenses as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
September 17, 2020

Barbara Bush Foundation for Family Literacy, Inc.

Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,859,840	\$ 3,559,048
Prepaid expenses	125,937	19,671
Accounts and grant receivable	76,341	91,413
Contributions receivable, current portion	<u>50,000</u>	<u>120,000</u>
Total current assets	2,112,118	3,790,132
Contributions receivable, net of current portion	99,567	144,871
Investments	26,390,644	28,029,812
Office equipment and software, net	<u>22,230</u>	<u>21,198</u>
Total assets	<u>\$ 28,624,559</u>	<u>\$ 31,986,013</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 528,902	\$ 1,005,843
Accrued expenses	243,717	366,222
Unearned revenue	<u>439,750</u>	<u>720,918</u>
Total liabilities	<u>1,212,369</u>	<u>2,092,983</u>
Net assets:		
Without donor restrictions		
Board designated	25,899,808	28,160,294
Undesignated	<u>1,512,382</u>	<u>1,442,125</u>
	27,412,190	29,602,419
With donor restrictions		
Restricted for time or purpose	<u>-</u>	<u>290,611</u>
Total net assets	<u>27,412,190</u>	<u>29,893,030</u>
Total liabilities and net assets	<u>\$ 28,624,559</u>	<u>\$ 31,986,013</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statements of Activities and Changes in Net Assets

	Years ended June 30,			2019
	2020		Total	
	Without Donor Restrictions	With Donor Restrictions		Total
<b>Changes in net assets:</b>				
Revenues and other support:				
Contributions	\$ 1,176,784	\$ -	\$ 1,176,784	\$ 2,194,768
Nongovernmental grants	656,153	-	656,153	927,988
In-kind contributions	587,196	-	587,196	429,153
Governmental grants	300,000	-	300,000	300,000
Net assets released from restrictions	290,611	(290,611)	-	-
Total revenues and other support	<u>3,010,744</u>	<u>(290,611)</u>	<u>2,720,133</u>	<u>3,851,909</u>
Expenses:				
Program services	4,502,378	-	4,502,378	4,013,680
Support services:				
General and administrative	583,315	-	583,315	362,404
Fundraising	1,342,058	-	1,342,058	1,148,660
Total support services	<u>1,925,373</u>	<u>-</u>	<u>1,925,373</u>	<u>1,511,064</u>
Total expenses	<u>6,427,751</u>	<u>-</u>	<u>6,427,751</u>	<u>5,524,744</u>
Operating loss	(3,417,007)	(290,611)	(3,707,618)	(1,672,835)
Investment income, net	<u>1,226,778</u>	<u>-</u>	<u>1,226,778</u>	<u>1,548,799</u>
Change in net assets	(2,190,229)	(290,611)	(2,480,840)	(124,036)
Net assets at beginning of year	29,602,419	290,611	29,893,030	29,817,066
Prior period adjustment (see Note 13)	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Net assets at end of year, as restated	<u>\$27,412,190</u>	<u>\$ -</u>	<u>\$27,412,190</u>	<u>\$29,893,030</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Functional Expenses

	Program services	General and administrative	Fundraising	Year ended June 30,	
				2020 Total	2019 Total
<b>Expenses</b>					
Salaries and benefits	\$ 1,288,837	\$ 262,183	\$ 776,343	\$ 2,327,363	\$ 2,711,232
Professional services	1,963,911	31,695	225,616	2,221,222	1,337,275
Books and materials	192,044	-	2,840	194,884	321,478
Event and conference expenses	422,955	-	11,674	434,629	580,240
Accounting fees	13,812	10,787	6,942	31,541	26,981
Legal fees	143,606	111,847	83,075	338,528	69,669
Insurance	8,923	6,969	4,485	20,377	22,545
Office expense	75,327	14,357	17,278	106,962	45,157
Dues and subscriptions	42,717	5,463	34,662	82,842	79,394
Printing and postage	27,106	2,197	38,372	67,675	39,150
Rent	157,414	121,051	77,904	356,369	28,073
Travel	153,838	13,220	58,708	225,766	252,629
Training	5,361	282	240	5,883	1,630
Depreciation and amortization	6,527	3,264	3,919	13,710	9,291
Total expenses	<u>\$ 4,502,378</u>	<u>\$ 583,315</u>	<u>\$ 1,342,058</u>	<u>\$ 6,427,751</u>	<u>\$ 5,524,744</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statements of Cash Flows

	<b>Years ended June 30,</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Operating activities</b>		
Change in net assets	\$ (2,480,840)	\$ (124,036)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	13,710	9,291
Unrealized gain on investments	(300,085)	(720,233)
Realized gain on sale of investments	(396,482)	(233,158)
Changes in operating assets and liabilities:		
Prepaid expenses	(106,266)	(6,405)
Contributions and grants receivable	130,376	1,434,552
Accounts payable	(476,941)	35,673
Accrued expenses	(122,505)	(113,151)
Unearned revenue	<u>(281,168)</u>	<u>4,402</u>
Net cash (used in) provided by operating activities	<u>(4,020,201)</u>	<u>286,935</u>
<b>Investing activities</b>		
Purchase of office equipment and software	(14,742)	(12,016)
Purchase of investments	(14,440,911)	(13,586,369)
Proceeds from the sale of investments	16,692,386	13,833,659
Proceeds from sale of limited liability company	<u>84,260</u>	<u>-</u>
Net cash provided by investing activities	<u>2,320,993</u>	<u>235,274</u>
(Decrease) increase in cash and cash equivalents	(1,699,208)	522,209
Cash and cash equivalents at beginning of year	<u>3,559,048</u>	<u>3,036,839</u>
Cash and cash equivalents at end of year	<u>\$ 1,859,840</u>	<u>\$ 3,559,048</u>

*See accompanying notes.*



# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

Years ended June 30, 2020 and 2019

### **1. Nature of Operations and Significant Accounting Policies**

Barbara Bush Foundation for Family Literacy, Inc. (the Foundation) is a not-for-profit Florida organization whose mission is to work towards an America in which everyone has the opportunity to read, write, and comprehend in order to navigate the world with dignity. The Foundation's funding is derived primarily from contributions from individuals, businesses, community support, and state funds. The Foundation has various literacy and mentoring programs.

#### **Basis of Accounting**

The Foundation uses the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Revenue Recognition**

The Foundation recognizes grants, contracts and contributions of cash or other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor's restriction expires, when a stipulated time restriction ends, or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions received with donor-imposed restrictions, if any, that may be met in the same year in which the contributions are received are classified as contributions without donor restrictions.

The Foundation recognizes revenues from exchange transactions when the service is rendered. Receivables are recognized for outstanding invoices. The Foundation does not charge interest on outstanding accounts receivable. The Foundation considers its accounts receivables related to grants and other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

#### **Contributions and Donated Services**

All contributions of materials and services received by the Foundation and used to service and promote its programs have been recorded as donations at their estimated value at the date of receipt. These in-kind materials and services, which were used to support fundraising activities and fulfill program responsibilities, totaled \$587,196 and \$429,153, for the years ended June 30, 2020 and 2019, respectively, and have been included in the statements of activities and changes in net assets as both revenue and expense.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### 1. Nature of Operations and Significant Accounting Policies (continued)

#### Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with a financial institution and deposits in highly liquid money market funds.

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

#### Office Equipment and Software

Office equipment and software is recorded at cost when purchased, less accumulated depreciation and amortization. Contributed assets are recorded at fair value at the date of contribution. Depreciation and amortization is computed using the straight-line method over their estimated useful lives ranging from three to five years. The Foundation's policy is to capitalize asset acquisitions in excess of \$1,000.

#### Contributions Receivable

The Foundation records unconditional contributions that are expected to be collected within one year at net realizable value. Contributions for future years are recorded initially and subsequent to initial recognition at fair value. The fair value of contributions receivable is determined by using the U.S. Treasury Securities rate at a 5-year constant maturity, quoted on the investment basis. Although management uses its best judgment at the estimating fair value of the contributions receivable, there are inherent limitations in any valuation technique. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value. The Foundation determines the allowance for uncollectable contributions based on analysis and at June 30, 2020 and 2019, the allowance is \$0 and \$36,000, respectively.

#### Investments

Investments are valued at their fair values in the statement of financial position; unrealized gains and losses are included in the statement of activities. Realized gains/losses on disposition are based on the net proceeds and the adjusted carrying amounts of the securities sold using the specific identification method.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### 1. Nature of Operations and Significant Accounting Policies (continued)

#### Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. The statements of functional expenses contain certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. These expenses include depreciation and amortization, which is allocated on a direct method for assets directly related to the program and allocated based on estimates of time and effort for assets acquired for all departments. The Chief Executive and Chief Financial Officer's department expenses are all allocated based on estimates of time and effort. The information technology department expenses are allocated based on estimates of time and effort and costs of specific technology utilized.

#### Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is no longer subject to examinations by major tax jurisdictions for years ended June 30, 2016 and prior.

#### Subsequent Events

The Foundation has evaluated subsequent events through September 17, 2020, the date the financial statements were available to be issued. During the period from June 30, 2020 to September 17, 2020, the Foundation did not have any material recognizable subsequent events with the exception of those listed in Note 12.

#### 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### 2. Concentration of Credit Risk

The Foundation maintains its cash deposits in various financial institutions which may, at times, exceed the limit insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in such accounts.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### 2. Concentration of Credit Risk (continued)

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Foundation.

### 3. Available Resources and Liquidity

The Foundation receives restricted and unrestricted donor contributions and promises to give, and considers donor contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves while maintaining adequate liquid assets to fund near term operating needs and sufficient reserves to provide for long term obligations. The Board has restricted use of the investments on an annual basis to four percent of the thirty six month rolling average of the investments. At June 30, 2020 and 2019, \$1,133,205 and \$1,136,170, respectively, of the investment balance is available to use for annual operations. The Board can annually approve additional funds to be withdrawn from the Investment account. The Foundation forecasts its future cash flows and reserves and monitors monthly.

The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,859,840	\$ 3,559,048
Accounts receivable	76,341	91,413
Pledges receivable – current portion	149,567	120,000
Investments	<u>26,390,644</u>	<u>28,029,812</u>
Total financial assets	<u>28,476,392</u>	<u>31,800,273</u>
Less:		
Investments and cash limited to use by the board investment policy	(25,899,808)	(28,160,294)
Investments in a limited liability company	<u>-</u>	<u>(68,615)</u>
Financial assets not available to be used within one year	<u>(25,899,808)</u>	<u>(28,228,909)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 2,576,584</u>	<u>\$ 3,571,364</u>

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### 4. Contributions Receivable

Contributions receivable are reported at net present value using a discount rate of 0.29% and 1.76% for pledges entered into in 2020 and 2019, respectively. Contributions receivable at June 30, are summarized as follows:

	June 30,	
	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 150,000	\$ 306,000
Discount on long-term contributions	(433)	(5,129)
Allowance for doubtful accounts	-	(36,000)
Total contributions receivable, net	<u>\$ 149,567</u>	<u>\$ 264,871</u>

Future maturities of contributions receivable, net of present value discount at June 30, 2020 and 2019, were as follows:

	June 30,	
	<u>2020</u>	<u>2019</u>
Less than one year	\$ 50,000	\$ 120,000
One to five years	<u>99,567</u>	<u>144,871</u>
	<u>\$ 149,567</u>	<u>\$ 264,871</u>

### Fair Value Option

The Foundation elected the fair value option for pledges receivable. The fair value option election was made to simplify the record keeping. The option allows organizations to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The fair value option is permitted on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The fair value option has also been elected for certain financial instruments that are not accounted for at fair value under other applicable accounting guidance.

### 5. Investments

The Fair Value Measurement and Disclosures Topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurement and Disclosures Topic are described as follows:

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**5. Investments (continued)**

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 1 and 2 investments may include money market funds, securities and bonds and are reported at fair value. The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

*Fair Value on a Recurring Basis*

The tables below presents the balances of assets measured at fair value on a recurring basis, as of June 30, 2020.

	<u>Market and Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments			
Equity securities			
Large cap value	\$ 1,108,528	\$ 1,108,528	\$ -
Large cap growth	1,715,847	1,715,847	-
Large cap blend	4,309,072	4,309,072	-
Small cap/mid cap equities	2,548,702	2,548,702	-
International equities	<u>3,725,632</u>	<u>3,725,632</u>	<u>-</u>
Total equity securities	<u>13,407,781</u>	<u>13,407,781</u>	<u>-</u>
Debt securities			
Bond - fixed income	6,415,399	-	6,415,399
1 - 3 year fixed income	3,699,465	-	3,699,465
Intermediate fixed income	<u>1,204,697</u>	<u>-</u>	<u>1,204,697</u>
Total debt securities	<u>11,319,561</u>	<u>-</u>	<u>11,319,561</u>
Alternative investments			
Real estate fund	<u>1,663,302</u>	<u>-</u>	<u>1,663,302</u>
Total alternative investments	<u>1,663,302</u>	<u>-</u>	<u>1,663,302</u>
Total investments	<u>\$ 26,390,644</u>	<u>\$ 13,407,781</u>	<u>\$ 12,982,863</u>

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**5. Investments (continued)**

Investments consist of the following at June 30, 2019:

	<b>Market and Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments				
Equity securities				
Large cap value	\$ 1,418,654	\$ 1,418,654	\$ -	\$ -
Large cap growth	1,746,803	1,746,803	-	-
Large cap blend	4,533,946	4,533,946	-	-
Small cap/mid cap equities	2,997,721	2,997,721	-	-
International equities	<u>3,564,091</u>	<u>3,564,091</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>14,261,215</u>	<u>14,261,215</u>	<u>-</u>	<u>-</u>
Debt securities				
Bond - fixed income	1,269,646	-	1,269,646	-
1 - 3 year fixed income	6,753,030	-	6,753,030	-
Intermediate fixed income	<u>4,056,261</u>	<u>-</u>	<u>4,056,261</u>	<u>-</u>
Total debt securities	<u>12,078,937</u>	<u>-</u>	<u>12,078,937</u>	<u>-</u>
Alternative investments				
Real estate fund	1,621,045	-	1,621,045	-
Investment in LLC	<u>68,615</u>	<u>-</u>	<u>-</u>	<u>68,615</u>
Total alternative investments	<u>1,689,660</u>	<u>-</u>	<u>1,621,045</u>	<u>68,615</u>
Total investments	<u>\$ 28,029,812</u>	<u>\$ 14,261,215</u>	<u>\$ 13,699,982</u>	<u>\$ 68,615</u>

Level 3 investments include interest held in an LLC and do not have a readily determinable fair value. The Foundation has elected to carry this investment at cost until evidence is available to support either an adjustment to fair value or an indication of a permanent impairment.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**5. Investments (continued)**

The Foundation's policy is to recognize transfers in and out of Level 3 investments as of the actual date of the event or change in circumstances. The Level 3 assets measured at cost are summarized as follows:

	<u>Total</u>	<u>Alternative Investments</u>
Balance as of June 30, 2018	\$ 54,283	\$ 54,283
Total realized gains/(losses)	-	-
Return of capital	(14,973)	(14,973)
Purchases/contributions of investments	<u>29,305</u>	<u>29,305</u>
Balance as of June 30, 2019	<u>68,615</u>	<u>68,615</u>
Total realized gains/(losses)	<b>15,645</b>	<b>15,645</b>
Return of capital	<b>(84,260)</b>	<b>(84,260)</b>
Purchases/contributions of investments	<u>-</u>	<u>-</u>
Balance as of June 30, 2020	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Investment activity for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest	\$ <b>692,051</b>	\$ 752,163
Realized gain	<b>396,482</b>	233,158
Unrealized gain	<b>300,085</b>	720,233
Fees	<b>(161,840)</b>	(156,755)
Total investment income, net	<u><u>\$ 1,226,778</u></u>	<u><u>\$ 1,548,799</u></u>

**6. Office Equipment and Software**

Office equipment and software consists of the following at June 30:

	<b>June 30,</b>	
	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ <b>55,685</b>	\$ 53,406
Software	<u><b>5,400</b></u>	<u>5,400</u>
	<b>61,085</b>	58,806
Less accumulated depreciation and amortization	<u><b>(38,855)</b></u>	<u>(37,608)</u>
	<u><u>\$ 22,230</u></u>	<u><u>\$ 21,198</u></u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$13,710 and \$9,291, respectively.



# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### 7. Accounts Payable

The Foundation has entered into a sponsorship agreement with another nonprofit organization to collaborate in order to catalyze and accelerate the development and innovation of new technologies that will help bring increased literacy to adults and families. The sponsorship agreement calls for payments related to operating costs and prize payments for the event to be payable over a period of time. The Foundation has recorded related accounts payable of \$150,000 and \$800,000 at June 30 2020 and 2019, respectively. The remaining accounts payable are related to ongoing operations.

### 8. Operating Leases

The Foundation leases office space, storage space, and office equipment. Minimum future lease payments required under the terms of the leases including sales tax are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 271,445
2022	1,692
2023	987
	<u>\$ 274,124</u>

Rental expense was \$296,369 and \$28,073 in 2020 and 2019, respectively.

### 9. Retirement Plan

The Foundation sponsors a 403(b) plan covering all employees. Employer contributions are based on 8% of annual compensation for all employees. Employees must be with the Foundation at least six months to be eligible. Employer contributions to the plan for the years ending June 30, 2020 and 2019 were \$122,022 and \$147,258, respectively.

### 10. Related Party Transactions

During the year ended June 30, 2020 and 2019, the Foundation received contributions of \$137,800 and \$1,843,900, respectively, from board members and their affiliated entities.

### 11. Future Commitments

The Foundation committed to a \$100,000 programmatic investment in an LLC. The balance as of June 30, 2019 was \$68,615. During the current year, the amount paid plus realized gains was returned leaving a \$0 balance at June 30, 2020.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### 12. Other Matters

In late 2019, a novel strain of coronavirus was reported in Wuhan, Hubei, China. The World Health Organization determined the resulting outbreak of COVID 19, the disease caused by this novel coronavirus, to be a pandemic. The pandemic is disrupting supply chains worldwide as national and local governments implement measures intended to slow the spread of COVID 19, with production and sales across a range of industries impacted in different ways. The extent of the impact of COVID 19 on the Foundation's operations and its financial performance will depend on certain developments outside of the Foundation's control, including the duration and spread of the outbreak; its impact on donors, employees, and vendors; and broader economic conditions, all of which are uncertain and cannot be predicted at this time.

In connection with the COVID-19 pandemic, the Financial Accounting Standards Board (FASB) authorized certain entities to temporarily defer the adoption of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Foundation has elected to defer implementation of that accounting pronouncement. The Foundation continues to evaluate the impact FASB ASU No 2014-09 will have on its operations and on its financial reporting.

### 13. Prior Period Adjustment

As noted in Note 7, the Foundation entered into a sponsorship agreement with another non-profit organization in April 2015. In the current year, it was determined that certain obligations were not fulfilled by the other non-profit organization. As a result, a prior period adjustment was recorded to reduce the Foundation's liability and increase the beginning net assets as of July 1, 2018 by \$200,000.