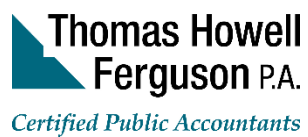


Financial Statements

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

*Year ended June 30, 2018  
with Report of Independent Auditors*



Barbara Bush Foundation for Family Literacy, Inc.

Financial Statements

Year ended June 30, 2018

**Contents**

<b>Report of Independent Auditors .....</b>	<b>1</b>
<b>Financial Statements</b>	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7

## 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 statement of financial position as of June 30, 2018, the related statement of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

Page Two

**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, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
January 23, 2019

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Financial Position

June 30, 2018

**Assets**

Current assets:

Cash and cash equivalents	\$ 3,036,839
Prepaid expenses	13,266
Grants receivable	48,259
Pledges, current portion	<u>1,536,000</u>
Total current assets	4,634,364

Pledges receivable, net	206,577
Investments	27,323,709
Office equipment and software, net	18,474
Total assets	<u><u>\$ 32,183,124</u></u>

**Liabilities and net assets**

Current liabilities:

Accounts payable	\$ 169,808
Accrued expenses	1,479,734
Deferred revenue	<u>716,516</u>
Total current liabilities	2,366,058

Total liabilities	<u>2,366,058</u>
-------------------	------------------

Net assets:

Without donor restrictions:	
Undesignated	<u>29,817,066</u>
Total liabilities and net assets	<u><u>\$ 32,183,124</u></u>

*See accompanying notes.*

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Activities

Year ended June 30, 2018

<b>Revenue and other support</b>	
Contributions	\$ 3,793,177
Nongovernmental grants	1,678,042
Contributed good and services	168,937
Government grants	300,000
Total revenue and other support	<u>5,940,156</u>
<b>Expenses</b>	
Program services	3,901,695
Support services:	
General and administrative	512,340
Fundraising	732,692
Total support services	<u>1,245,032</u>
Total expenses	<u>5,146,727</u>
Operating income	793,429
Investment income, net of expenses	<u>1,861,126</u>
Change in net assets	2,654,555
Net assets at beginning of year	<u>27,162,511</u>
Net assets at end of year	<u>\$ 29,817,066</u>

*See accompanying notes.*

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Functional Expenses

Year ended June 30, 2018

<b>Expenses</b>	<b>Program</b>	<b>General and Administration</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 1,844,092	\$ 348,115	\$ 461,031	\$ 2,653,238
Professional services	1,128,427	89,194	167,607	1,385,228
Books and materials	165,944	-	-	165,944
Event and conference expenses	414,426	-	-	414,426
Accounting fees	16,635	10,471	4,234	31,340
Legal fees	12,818	8,068	14,376	35,262
Insurance	18,848	11,464	4,636	34,948
Office expense	44,069	7,722	10,953	62,744
Dues and subscriptions	20,325	2,503	31,994	54,822
Printing and postage	47,973	1,536	3,665	53,174
Rent	15,570	9,142	4,431	29,143
Travel	158,989	16,738	25,737	201,464
Training	7,451	4,689	2,141	14,281
Depreciation and amortization	6,128	2,698	1,887	10,713
Total expenses	<u>\$ 3,901,695</u>	<u>\$ 512,340</u>	<u>\$ 732,692</u>	<u>\$ 5,146,727</u>

*See accompanying notes.*

# Barbara Bush Foundation for Family Literacy, Inc.

## Statement of Cash Flows

Year ended June 30, 2018

### **Operating activities**

Change in net assets	\$ 2,654,555
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,713
Unrealized loss on investments	58,317
Realized gains on sale of investments	(1,377,431)
Change in operating assets and liabilities:	
Prepaid expenses	12,687
Pledges and grants receivable	1,397,541
Accounts payable	58,073
Accrued expenses	(3,627,339)
Deferred revenue	716,516
Net cash used in operating activities	<u>(96,368)</u>

### **Investing activities**

Purchase of office equipment and software	(22,245)
Purchase of investments	(16,922,014)
Proceeds from the sale of investments	<u>19,413,544</u>
Net cash provided by investing activities	<u>2,469,285</u>

Net increase in cash and cash equivalents 2,372,917

Cash and cash equivalents at beginning of year	<u>663,922</u>
Cash and cash equivalents at end of year	<u>\$ 3,036,839</u>

*See accompanying notes.*



# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

Year ended June 30, 2018

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Foundation**

Barbara Bush Foundation for Family Literacy, Inc. (the Foundation) is a not-for-profit Florida organization whose mission is to advocate for and establish literacy as a value in every home. 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.

#### **Basis of Presentation**

The Foundation has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2016-14 Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. ASU 2016-14 requires organizations to present on the statement of financial position amounts for two classes of net assets at the end of the period, with and without donor restrictions. The Foundation is now also required to provide enhanced disclosures on board designations of net assets and the donor restricted net assets. Additional disclosures are also now required regarding how the Foundation manages its liquid resources available to meet cash needs for within one year of the statement of financial position. Under the standards, the Foundation is required to report the amounts of their expenses by both their natural classification and their functional classification. The effect of adopting the new standard has enhanced the reporting of the Foundation. The adoption of the standard had no effect on previously reported financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. The ASU is retrospectively applied. The Organization has elected to adopt this change in accounting principle as of July 1, 2017.

#### **Revenue Recognition**

The Foundation recognizes grants, contracts and contributions of cash or other assets as 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 contribution are received are classified as contributions without donor restrictions.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Revenue Recognition (continued)**

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 \$168,937, for the year ended June 30, 2018, and have been included in the statement of activities as both revenue and expense.

#### **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 is computed using the straight-line method over their estimated useful lives of three years. The Foundation's policy is to capitalize asset acquisitions in excess of \$1,000.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Pledges Receivable**

The Foundation records unconditional pledges that are expected to be collected within one year at net realizable value. Pledges for future years are recorded initially and subsequent to initial recognition at fair value. The fair value of contributions receivable is determined by using U.S. Treasury securities at 5-year constant maturity, quoted on investment basis. Although management uses its best judgment at 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 pledges based on analysis and at June 30, 2018 the allowance is \$22,500.

#### **Investments**

The Foundation accounts for investments under FASB Accounting Standards Codification 958, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under the topic, 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.

#### **Functional Allocation of Expenses**

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The statement of functional expenses contains 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, 2014 and prior.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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 disclosures 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.

#### **Subsequent Events**

The Foundation has evaluated subsequent events through January 23, 2019, the date the financial statements were available to be issued. During the period from June 30, 2018 to January 23, 2019, the Foundation did not have any material recognizable subsequent events.

### **NOTE 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.

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.

### **NOTE 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, therefore at June 30, 2018, \$1,103,966 of the investment balance is available to use for annual operations. The Foundation forecasts its future cash flows and reserves and monitors monthly.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**NOTE 3. AVAILABLE RESOURCES AND LIQUIDITY (continued)**

The table below presents financial assets available for general expenditures within one year at June 30, 2018:

Financial assets at year end :	
Cash and cash equivalents	\$ 3,036,839
Grants receivable	48,259
Pledges receivable – current portion	1,536,000
Investments	27,323,709
Total financial assets	<u>31,944,807</u>
Less amounts not available to be used within one year :	
Investments reserved by the board investment policy	(26,600,151)
Investments in a limited liability company	(54,283)
Financial assets not available to be used within one year	<u>(26,654,434)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,290,373</u>

**NOTE 4. PLEDGES RECEIVABLE**

Pledges receivable are reported at net present value using a discount rate of 1.89% for pledges entered into in 2018. Pledges receivable at June 30, 2018 are summarized as follows:

Pledges receivable	\$ 1,778,500
Discount on long-term pledges (1.89%)	(13,423)
Allowance for doubtful accounts	(22,500)
Total pledges receivable, net	<u>\$ 1,742,577</u>

Future maturities of pledges receivable, net of present value discount at June 30, 2018 were as follows:

Less than one year	\$ 1,536,000
One to five years	206,577
	<u>\$ 1,742,577</u>

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### **NOTE 4. PLEDGES RECEIVABLE (continued)**

#### **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.

### **NOTE 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 Disclosure Topic are described as follows:

*Level 1* – Quoted market prices in active markets 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 assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many 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.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**NOTE 5. INVESTMENTS (continued)**

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 Measured on a Recurring Basis**

The tables below present the balances of assets measured at fair value on a recurring basis as of June 30, 2018.

	<b>Market and Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments				
Equity securities:				
Large cap value	\$ 1,360,250	\$ 1,360,250	\$ –	\$ –
Large cap growth	1,461,443	1,461,443	–	–
Large cap blend	3,527,121	3,527,121	–	–
Small cap/mid cap equities	3,056,968	3,056,968	–	–
International equities	3,705,760	3,705,760	–	–
Total equity securities	13,111,542	13,111,542	–	–
Debt securities:				
Bond- fixed income	1,256,072	–	1,256,072	–
1 – 3 year fixed income	7,260,731	–	7,260,731	–
Intermediate fixed income	4,115,931	–	4,115,931	–
Total debt securities	12,632,734	–	12,632,734	–
Alternative investments:				
Real estate	1,525,150	–	1,525,150	–
Investment in LLC	54,283	–	–	54,283
Total alternative investments	\$ 1,579,433	\$ –	\$ 1,525,150	\$ 54,283
Total Investments	<u>\$ 27,323,709</u>	<u>\$ 13,111,542</u>	<u>\$ 14,157,884</u>	<u>\$ 54,283</u>

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**NOTE 5. INVESTMENTS (continued)**

**Fair Value Measured on a Recurring Basis (continued)**

Level 3 investments 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.

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:

	<b>Total</b>	<b>Alternative Investments</b>
Balance as of June 30, 2017	\$ 26,144	\$ 26,144
Total realized gains/(losses)	-	-
Impairment losses	-	-
Transfers in/(out) of Level 3	28,139	28,139
Balance as of June 30, 2018	<u>\$ 54,283</u>	<u>\$ 54,283</u>

Investment activity for the year ended June 30, 2018:

Interest	\$ 733,273
Realized gain	1,377,431
Unrealized loss	(58,317)
Fees	(191,261)
Total investment gain	<u>\$ 1,861,126</u>

**NOTE 6. OFFICE EQUIPMENT AND SOFTWARE**

Office equipment and software consists of the following at June 30, 2018:

Computers and equipment	\$ 41,391
Software	5,400
	<u>46,791</u>
Less accumulated depreciation	(28,317)
	<u>\$ 18,474</u>

Depreciation and amortization expense for the year ended June 30, 2018 was \$10,713.



# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### **NOTE 7. ACCRUED EXPENSES**

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 accrued expenses of \$1,000,000, which are due within the next fiscal year. The remaining accrued expenses are related to ongoing operations.

### **NOTE 8. OPERATING LEASES**

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

<b>Year ending June 30</b>	
2019	\$ 29,805
2020	<u>10,351</u>
Total	<u>\$ 40,156</u>

Rental expense totaled \$29,143 for the year ended June 30, 2018.

### **NOTE 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 year ending June 30, 2018 were \$134,878.

### **NOTE 10. RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2018, the Foundation received contributions of \$1,484,500 from board members and their affiliated entities. As of June 30, 2018, there are \$1,340,000 in pledges receivable from a board member's affiliated entity.

### **NOTE 11. FUTURE COMMITMENTS**

The Foundation committed to a \$100,000 programmatic investment in an LLC, \$55,050 of which had been paid and the remaining \$44,950 is due before June 30, 2019.