

Financial Statements

Barbara Bush Foundation for Family Literacy, Inc.

*Year ended December 31, 2021
with Report of Independent Auditors*



Barbara Bush Foundation for Family Literacy, Inc.

Financial Statements

Year ended December 31, 2021

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Report of Independent Auditors

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

Opinion

We have audited the financial statements of Barbara Bush Foundation for Family Literacy, Inc. (the Foundation) which comprise the statement of financial position as of December 31, 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Barbara Bush Foundation for Family Literacy, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation adopted new accounting guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

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.

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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 within one year after the date that the financial statements are available to be 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.

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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.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
April 12, 2022

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Financial Position

December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 3,533,173
Prepaid expenses	412,015
Accounts and grant receivable	190,963
Contributions receivable	<u>50,000</u>

Total current assets 4,186,151

Investments 26,542,407

Office equipment and software, net 18,176

Total assets \$ 30,746,734

Liabilities and net assets

Current liabilities:

Accounts payable	\$ 158,742
Accrued expenses	572,184
Unearned revenue	<u>277,289</u>

Total liabilities 1,008,215

Net assets:

Without donor restrictions	
Board designated	25,783,887
Undesignated	2,293,909
With donor restrictions	
Restricted for time or purpose	<u>1,660,723</u>

Total net assets 29,738,519

Total liabilities and net assets \$ 30,746,734

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in net assets:			
Revenues and other support:			
Contributions	\$ 1,329,498	\$ 1,646,100	\$ 2,975,598
Nongovernmental grants	918,181	14,623	932,804
Governmental grants	347,671	-	347,671
In-kind contributions	401,001	-	401,001
Other revenue	<u>83,769</u>	<u>-</u>	<u>83,769</u>
Total revenues and other support	<u>3,080,120</u>	<u>1,660,723</u>	<u>4,740,843</u>
Expenses:			
Program services:	4,623,015	-	4,623,015
Support services:			
General and administrative	564,119	-	564,119
Fundraising	<u>1,637,731</u>	<u>-</u>	<u>1,637,731</u>
Total support services	<u>2,201,850</u>	<u>-</u>	<u>2,201,850</u>
Total expenses	<u>6,824,865</u>	<u>-</u>	<u>6,824,865</u>
Operating (loss) income	(3,744,745)	1,660,723	(2,084,022)
Investment income, net	<u>2,803,207</u>	<u>-</u>	<u>2,803,207</u>
Change in net assets	(941,538)	1,660,723	719,185
Net assets at beginning of year	<u>29,019,334</u>	<u>-</u>	<u>29,019,334</u>
Net assets at end of year	<u>\$28,077,796</u>	<u>\$ 1,660,723</u>	<u>\$29,738,519</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Functional Expenses

Year ended December 31, 2021

	<u>Support Services</u>			<u>Total</u>
	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	
Expenses				
Salaries and benefits	\$ 1,643,595	\$ 283,545	\$ 1,003,778	\$ 2,930,918
Professional services	1,824,827	13,225	244,383	2,082,435
Books and materials	178,485	-	-	178,485
Event and conference expenses	400,724	-	34,389	435,113
Accounting fees	15,292	11,024	9,246	35,562
Legal fees	128,203	88,514	90,873	307,590
Insurance	11,671	8,414	7,057	27,142
Office expense	66,477	17,503	24,050	108,030
Dues and subscriptions	56,567	10,339	58,601	125,507
Printing and postage	20,733	578	38,646	59,957
Rent	166,181	118,343	99,256	383,780
Travel	95,290	7,089	20,236	122,615
Training	8,256	4,306	4,432	16,994
Depreciation and amortization	6,714	1,239	2,784	10,737
Total expenses	<u>\$ 4,623,015</u>	<u>\$ 564,119</u>	<u>\$ 1,637,731</u>	<u>\$ 6,824,865</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Cash Flows

Year ended December 31, 2021

Operating activities

Change in net assets	\$ 719,185
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	10,737
Unrealized loss on investments	782,476
Realized gain on sale of investments	(3,235,108)
Changes in operating assets and liabilities:	
Prepaid expenses	(188,847)
Contributions and grants receivable	6,598
Accounts payable	(21,517)
Accrued expenses	238,747
Unearned revenue	<u>(322,803)</u>
Net cash used in operating activities	<u>(2,010,532)</u>

Investing activities

Purchase of office equipment and software	(9,081)
Purchase of investments	(18,343,543)
Proceeds from sale of investments	<u>22,227,419</u>
Net cash provided by investing activities	<u>3,874,795</u>
Increase in cash and cash equivalents	1,864,263
Cash and cash equivalents at beginning of period	<u>1,668,910</u>
Cash and cash equivalents at end of period	<u>\$ 3,533,173</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

Year ended December 31, 2021

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 committed to building a stronger, more equitable America through literacy. 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

Effective November 1, 2020, the Foundation has adopted Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* as the Financial Accounting Standards Board (FASB) believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

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.

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 calculating the net present value 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 December 31, 2021 the allowance is \$0.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

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

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 and changes in net assets. 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.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Donor-imposed restrictions can be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Revenue Recognition

The Foundation recognizes grants, contracts and contributions of cash or other assets as net assets without donor restrictions when received, except when there are donor stipulations that limit the use of the donated assets. Prior to the acceptance of grants, contracts, and contributions with donor restrictions, the Foundation ensures the restrictions are within the Foundation's scope of programming or mission. 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. If donor-imposed restrictions can be met immediately upon receipt, contributions are classified as contributions without donor restrictions.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

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

The Foundation recognizes revenues from exchange transactions when the performance obligation is completed. 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

Contributions and donated services are recorded as with or without donor restrictions when received, depending on the existence and/or nature of any donor restrictions. Contributions and donated services are recorded at their estimated fair value at the date of receipt.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. These services recognized as revenue during the year ended December 31, 2021, include professional services, which were used to support fundraising activities and fulfill program responsibilities. The total amount of goods and services was \$401,001 for the year ended December 31, 2021, and has been included in the statement of activities and changes in net assets as both revenue and expense.

Advertising

Advertising costs are charged to operations when incurred and are included in operating expenses. Advertising expenses were \$57,238 for the year ended December 31, 2021.

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 and changes in net assets. 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. Administrative 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.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

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

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 December 31, 2017 and prior.

Subsequent Events

The Foundation has evaluated subsequent events through April 12, 2022, the date the financial statements were available to be issued. During the period from December 31, 2021 to April 12, 2022, the Foundation did not have any material recognizable subsequent events.

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.

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.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

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 Foundation's Board of Directors (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 December 31, 2021, \$1,116,000 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 December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 3,533,173
Accounts and grants receivable	190,963
Contribution receivable	50,000
Investments	<u>26,542,407</u>
Total financial assets	<u>30,316,543</u>
Less:	
Investments and cash limited to use by the board investment policy	<u>(25,783,887)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 4,532,656</u>

4. Contributions Receivable

Contributions receivable are reported at net present value using a discount rate of 1.26% for pledges entered into in 2021. Contributions receivable at December 31, 2021, are summarized as follows:

Contributions receivable	\$ 50,000
Discount on long-term contributions	<u>-</u>
Total contributions receivable, net	<u>\$ 50,000</u>

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

4. Contributions Receivable (continued)

Future maturities of contributions receivable, net of present value discount at December 31, 2021, were as follows:

Less than one year	\$ 50,000
One to five years	<u>-</u>
	<u>\$ 50,000</u>

Fair Value Option

The Foundation elected the fair value option for contributions 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:

- 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.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

5. Investments (continued)

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 December 31, 2021.

	Market and Carrying Value	Level 1	Level 2
Investments			
Equity securities:			
Large cap value	\$ 1,816,651	\$ 1,816,651	\$ -
Large cap growth	1,560,707	1,560,707	-
Large cap blend	4,605,436	4,605,436	-
Small cap/mid cap equities	1,049,903	1,049,903	-
International equities	<u>3,371,879</u>	<u>3,371,879</u>	-
Total equity securities	<u>12,404,576</u>	<u>12,404,576</u>	-
Debt securities:			
Multisector bond	2,826,761	-	2,826,761
1 - 3 year fixed income	5,726,550	-	5,726,550
Core fixed income	<u>3,768,148</u>	<u>-</u>	<u>3,768,148</u>
Total debt securities	<u>12,321,459</u>	<u>-</u>	<u>12,321,459</u>
Alternative investments:			
Real estate fund	<u>1,816,372</u>	<u>-</u>	<u>1,816,372</u>
Total alternative investments	<u>1,816,372</u>	<u>-</u>	<u>1,816,372</u>
Total investments	<u>\$ 26,542,407</u>	<u>\$ 12,404,576</u>	<u>\$ 14,137,831</u>

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

5. Investments (continued)

Investment activity for the year ended December 31, 2021:

Interest	\$ 527,970
Realized gain	3,235,108
Unrealized loss	(782,476)
Fees	<u>(177,395)</u>
Total investment income, net	<u>\$ 2,803,207</u>

6. Office Equipment and Software

Office equipment and software consists of the following at December 31, 2021:

Computers and equipment	\$ 69,115
Software	<u>5,400</u>
	74,515
Less accumulated depreciation and amortization	<u>(56,339)</u>
	<u>\$ 18,176</u>

Depreciation and amortization expense for the year ended December 31, 2021 was \$10,737.

7. Revenue from Contracts with Customers

The following table provides information about significant changes in unearned revenue for the year ended December 31, 2021:

Unearned revenue, beginning of year	\$ 600,092
Revenue recognized that was included in unearned revenue at the beginning of the year	(432,803)
Increases in unearned revenue due to cash received during the year	<u>110,000</u>
Unearned revenue, end of year	<u>\$ 277,289</u>

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021:

	December 31, 2021
Contributions for the Technology Fund	\$ 1,646,100
Grants for the National Action Plan	<u>14,623</u>
	<u>\$ 1,660,723</u>

9. Operating Leases

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

<u>Year</u>	<u>Amount</u>
2022	\$ 12,740
2023	394,111
2024	402,892
2025	412,965
2026	423,289
Thereafter	<u>878,589</u>
	<u>\$ 2,524,586</u>

Rental expense was \$383,780 for the year ended December 31, 2021.

10. 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 December 31, 2021 was \$180,264.

11. Related Party Transactions

During the year ended December 31, 2021, the Foundation received contributions of \$604,934 from board members and their affiliated entities.

12. Other Matters

The Foundation received Employee Retention Credits under the CARES Act of \$83,548. This is recorded in other revenue on the statement of activities and changes in net assets.