

Financial Statements

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

*Years ended December 31, 2022 and 2021  
with Report of Independent Auditors*



Barbara Bush Foundation for Family Literacy, Inc.

Financial Statements

Years ended December 31, 2022 and 2021

**Contents**

<b>Report of Independent Auditors</b> .....	1
<b>Financial Statements</b>	
Statements of Financial Position .....	4
Statements of Activities and Changes in Net Assets .....	5
Statements of Functional Expenses .....	6
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9

## 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 statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

### ***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.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the Foundation adopted new accounting guidance ASU 2016-02, *Leases (ASC 842)*. 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.

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 issued or 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.

Page Three

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.

***Report on Summarized Comparative Information***

We have previously audited Barbara Bush Foundation for Family Literacy, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
April 14, 2023

Barbara Bush Foundation for Family Literacy, Inc.

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,667,798	\$ 3,533,173
Prepaid expenses	175,302	412,015
Accounts and grant receivable	295,638	190,963
Contribution receivable	<u>60,000</u>	<u>50,000</u>
Total current assets	3,198,738	4,186,151
Contributions receivable, net of current portion	27,756	-
Investments	20,668,954	26,542,407
Office equipment and software, net	121,716	18,176
Operating leases, right-of-use assets	<u>2,065,695</u>	<u>-</u>
Total assets	<u>\$ 26,082,859</u>	<u>\$ 30,746,734</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 220,295	\$ 158,742
Accrued expenses	686,362	572,184
Unearned revenue	68,112	277,289
Operating leases liabilities	<u>366,686</u>	<u>-</u>
Total current liabilities	1,341,455	1,008,215
Operating leases liabilities, net of current portion	<u>2,030,452</u>	<u>-</u>
Total liabilities	<u>3,371,907</u>	<u>1,008,215</u>
Net assets:		
Without donor restrictions:		
Board designated	19,799,951	25,783,887
Undesignated	1,712,142	2,293,909
With donor restrictions:		
Restricted for time or purpose	<u>1,198,859</u>	<u>1,660,723</u>
Total net assets	<u>22,710,952</u>	<u>29,738,519</u>
Total liabilities and net assets	<u>\$ 26,082,859</u>	<u>\$ 30,746,734</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statements of Activities and Changes in Net Assets

	Years ended December 31,			2021
	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Changes in net assets:</b>				
Revenues and other support:				
Contributions	\$ 556,197	\$ -	\$ 556,197	\$ 2,975,598
Nongovernmental grants	1,155,756	246,727	1,402,483	932,804
Governmental grants	385,704	-	385,704	347,671
In-kind contributions	203,594	-	203,594	401,001
Other revenue	58,704	-	58,704	83,769
Net assets released from restrictions	<u>708,591</u>	<u>(708,591)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>3,068,546</u>	<u>(461,864)</u>	<u>2,606,682</u>	<u>4,740,843</u>
Expenses:				
Program services	4,527,572	-	4,527,572	4,623,015
Support services				
General and administrative	498,203	-	498,203	564,119
Fundraising	<u>1,712,731</u>	<u>-</u>	<u>1,712,731</u>	<u>1,637,731</u>
Total support services	<u>2,210,934</u>	<u>-</u>	<u>2,210,934</u>	<u>2,201,850</u>
Total expenses	<u>6,738,506</u>	<u>-</u>	<u>6,738,506</u>	<u>6,824,865</u>
Operating loss	(3,669,960)	(461,864)	(4,131,824)	(2,084,022)
Investment (loss) income, net	<u>(2,895,743)</u>	<u>-</u>	<u>(2,895,743)</u>	<u>2,803,207</u>
Change in net assets	(6,565,703)	(461,864)	(7,027,567)	719,185
Net assets at beginning of year	<u>28,077,796</u>	<u>1,660,723</u>	<u>29,738,519</u>	<u>29,019,334</u>
Net assets at end of year	<u>\$21,512,093</u>	<u>\$ 1,198,859</u>	<u>\$22,710,952</u>	<u>\$29,738,519</u>

See accompanying notes.

Barbara Bush Foundation for Family Literacy, Inc.

Statement of Functional Expenses

Year ended December 31, 2022

	<b>Program services</b>	<b>Support Services</b>		<b>Total</b>
		<b>General and administrative</b>	<b>Fundraising</b>	
<b>Expenses</b>				
Salaries and benefits	\$ 1,927,716	\$ 238,680	\$ 928,210	\$ 3,094,606
Professional services	1,740,513	17,096	324,431	2,082,040
Books and materials	161,484	-	5,175	166,659
Event and conference expenses	51,433	-	53,357	104,790
Accounting fees	19,933	11,162	8,770	39,865
Legal fees	71,799	40,209	43,830	155,838
Insurance	16,291	9,122	7,168	32,581
Office expense	74,117	25,696	30,395	130,208
Dues and subscriptions	48,350	9,663	53,550	111,563
Printing and postage	11,745	925	28,233	40,903
Rent	198,580	110,069	86,483	395,132
Travel	170,374	18,715	125,195	314,284
Training	20,485	11,152	12,056	43,693
Depreciation and amortization	14,752	5,714	5,878	26,344
Total expenses	<u>\$ 4,527,572</u>	<u>\$ 498,203</u>	<u>\$ 1,712,731</u>	<u>\$ 6,738,506</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>	
<b>Expenses</b>				
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.

Statements of Cash Flows

	<b>Years ended December 31,</b>	
	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Operating activities</b>		
Change in net assets	\$ (7,027,567)	\$ 719,185
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	26,344	10,737
Unrealized loss on investments	3,807,782	782,476
Realized gain on sale of investments	(615,729)	(3,235,108)
Amortization right-of-use asset	341,395	-
Changes in operating assets and liabilities:		
Prepaid expenses	236,713	(188,847)
Contributions and grants receivable	(142,431)	6,598
Accounts payable	61,553	(21,517)
Accrued expenses	114,178	238,747
Unearned revenue	(209,177)	(322,803)
Operating lease payments	<u>(9,952)</u>	<u>-</u>
Net cash used in operating activities	<u><b>(3,416,891)</b></u>	<u><b>(2,010,532)</b></u>
<b>Investing activities</b>		
Purchase of office equipment and software	(129,884)	(9,081)
Purchase of investments	(4,980,519)	(18,343,543)
Proceeds from sale of investments	<u>7,661,919</u>	<u>22,227,419</u>
Net cash provided by investing activities	<u><b>2,551,516</b></u>	<u><b>3,874,795</b></u>
(Decrease) increase in cash and cash equivalents	(865,375)	1,864,263
Cash and cash equivalents at beginning of year	<u>3,533,173</u>	<u>1,668,910</u>
Cash and cash equivalents at end of year	<u><b>\$ 2,667,798</b></u>	<u><b>\$ 3,533,173</b></u>
<b>Supplemental cash flow information related to leases is as follows for year ended December 31, 2022:</b>		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows – payment on operating leases	\$ 9,952	\$ -
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 2,065,695	\$ -

See accompanying notes.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

Years ended December 31, 2022 and 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 January 1, 2022, the Foundation has adopted Accounting Standard Update (ASU) No. 2016-02, *Leases (ASC 842)* 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, 2022 and 2021, the allowance is \$0 and \$0, respectively.

# 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.

#### Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under Topic 840, *Leases*.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

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

#### Leases (continued)

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Foundation's operating leases of approximately \$2,065,695 and \$2,030,452, respectively, at December 31, 2022. The adoption of the new lease standard did not materially impact consolidated net earnings or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

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

#### 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.

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.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

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

#### 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 years ended December 31, 2022 and 2021, include professional services, which were used to support fundraising activities and fulfill program responsibilities. The total amount of goods and services was \$203,594 and \$401,001 for the years ended December 31, 2022 and 2021, respectively, 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 \$15,278 and \$57,238 for the years ended December 31, 2022 and 2021, respectively.

#### 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.

#### 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, 2018 and prior.

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

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

#### **Subsequent Events**

The Foundation has evaluated subsequent events through April 14, 2023, the date the financial statements were available to be issued. During the period from December 31, 2022 to April 14, 2023, 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, 2022 and 2021, \$1,055,000 and \$1,116,000, 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 December 31:

	<b>2022</b>	<b>2021</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,667,798	\$ 3,533,173
Accounts and grants receivable	295,638	190,963
Contribution receivable	60,000	50,000
Investments	<u>20,668,954</u>	<u>26,542,407</u>
Total financial assets	<u>23,692,390</u>	<u>30,316,543</u>
Less:		
Investments and cash limited to use by the board investment policy	<u>(19,799,951)</u>	<u>(25,783,887)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 3,892,439</u>	<u>\$ 4,532,656</u>

### 4. Contributions Receivable

Contributions receivable are reported at net present value using a discount rate of 3.99% and 1.26% for pledges entered into in 2022 and 2021, respectively. Contributions receivable are summarized as follows:

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Contributions receivable	\$ 90,000	\$ 50,000
Discount on long-term contributions	<u>(2,244)</u>	<u>-</u>
Total contributions receivable, net	<u>\$ 87,756</u>	<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 were as follows:

	<b>December 31,</b>	
	<u><b>2022</b></u>	<u><b>2021</b></u>
Less than one year	\$ <b>60,000</b>	\$ 50,000
One to five years	<u><b>27,756</b></u>	<u>-</u>
	<u><b>\$ 87,756</b></u>	<u><b>\$ 50,000</b></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, 2022.

	<b>Market and Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Investments</b>			
Equity securities:			
Large cap value	\$ 1,551,298	\$ 1,551,298	\$ -
Large cap growth	981,718	981,718	-
Large cap blend	3,231,985	3,231,985	-
Small cap/mid cap equities	5,127	5,127	-
International equities	<u>2,500,183</u>	<u>2,500,183</u>	-
Total equity securities	<u>8,270,311</u>	<u>8,270,311</u>	-
Debt securities:			
Multisector bond	2,029,252	-	2,029,252
1 - 3 year fixed income	5,138,204	-	5,138,204
Core fixed income	<u>3,091,008</u>	-	<u>3,091,008</u>
Total debt securities	<u>10,258,464</u>	-	<u>10,258,464</u>
Alternative investments:			
Real estate fund	<u>2,140,180</u>	-	<u>2,140,180</u>
Total alternative investments	<u>2,140,180</u>	-	<u>2,140,180</u>
Total investments	<u>\$ 20,668,955</u>	<u>\$ 8,270,311</u>	<u>\$ 12,398,644</u>

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

5. Investments (continued)

Investments consist of the following at December 31, 2021:

	<u>Market and Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>
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>	<u>-</u>
Total equity securities	<u>12,404,576</u>	<u>12,404,576</u>	<u>-</u>
Debt securities			
Bond - fixed income	2,826,761	-	2,826,761
1 - 3 year fixed income	5,726,550	-	5,726,550
Intermediate 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	1,816,372	-	1,816,372
Investment in LLC	<u>-</u>	<u>-</u>	<u>-</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>

Investment activity for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Interest	\$ 428,315	\$ 527,970
Realized gain	615,729	3,235,108
Unrealized loss	(3,807,782)	(782,476)
Fees	<u>(132,005)</u>	<u>(177,395)</u>
Total investment (loss) income, net	<u>\$ (2,895,743)</u>	<u>\$ 2,803,207</u>

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**6. Office Equipment and Software**

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

	<b>December 31,</b>	
	<u>2022</u>	<u>2021</u>
Computers and equipment	\$ 198,999	\$ 69,115
Software	<u>5,400</u>	<u>5,400</u>
	204,399	74,515
Less accumulated depreciation and amortization	<u>(82,683)</u>	<u>(56,339)</u>
	<u>\$ 121,716</u>	<u>\$ 18,176</u>

Depreciation and amortization expense for the year ended December 31, 2022 and 2021 was \$26,344 and \$10,737, respectively.

**7. Revenue from Contracts with Customers**

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

	<u>2022</u>	<u>2021</u>
Unearned revenue, beginning of year	\$ 277,289	\$ 600,092
Revenue recognized that was included in unearned revenue at the beginning of the year	(277,289)	(432,803)
Increases in unearned revenue due to cash received during the year	<u>68,112</u>	<u>110,000</u>
Unearned revenue, end of year	<u>\$ 68,112</u>	<u>\$ 277,289</u>

**8. Net Assets with Donor Restrictions**

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

	<b>December 31,</b>	
	<u>2022</u>	<u>2021</u>
Contributions for the Technology Fund	\$ 952,132	\$ 1,646,100
Grants for the National Action Plan	135,860	14,623
Grants for TeenTrendsetters	<u>110,867</u>	<u>-</u>
	<u>\$ 1,198,859</u>	<u>\$ 1,660,723</u>

# Barbara Bush Foundation for Family Literacy, Inc.

## Notes to Financial Statements

### 9. Leases

The Foundation leases office space and equipment under operating lease agreements that have initial terms ranging from 3 to 7 years. Some leases include one or more options to renew, generally at the Foundation's sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Foundation, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Foundation will exercise that option. The Foundation's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Lease expense is as follows for the year ended December 31, 2022:

Operating lease cost	\$ <u>373,353</u>
Total lease cost	\$ <u><u>373,353</u></u>

Total rent expense for operating leases was \$373,353 for the year ended December 31, 2022.

Supplemental balance sheet information related to leases is as follows as of December 31, 2022:

Operating leases:	
Operating lease right-of-use assets	\$ <u>2,065,695</u>
Operating lease liabilities, current	\$ 366,686
Operating lease liabilities, non-current	<u>2,030,452</u>
Total operating lease liabilities	\$ <u><u>2,397,138</u></u>
Weighted-average remaining lease term:	
Operating leases	3.5 years
Weighted-average discount rate:	
Operating leases	1.64%

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**9. Leases (continued)**

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2022:

<b><u>Years ending December 31,</u></b>	<b><u>Operating Leases</u></b>
2023	\$ 404,221
2024	403,824
2025	412,965
2026	423,289
2027	433,871
Thereafter	<u>444,718</u>
Total lease payments	2,522,888
Less imputed interest	<u>125,750</u>
Total present value of lease liabilities	<u><u>\$ 2,397,138</u></u>

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of December 31, 2022:

<b><u>Years ending December 31,</u></b>	<b><u>Operating Leases</u></b>
2023	\$ 409,496
2024	408,958
2025	414,608
2026	423,289
2027	433,871
Thereafter	<u>444,718</u>
Total minimum lease payments	<u><u>\$ 2,534,940</u></u>

**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 years ending December 31, 2022 and 2021, was \$176,364 and \$180,624, respectively.

Barbara Bush Foundation for Family Literacy, Inc.

Notes to Financial Statements

**11. Related Party Transactions**

During the years ended December 31, 2022 and 2021, the Foundation received contributions of \$952,271 and \$604,934, respectively, from board members and their affiliated entities.

**12. Other Matters**

During 2021, 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. The Foundation did not receive any Employee Retention Credits during 2022.