



Young America's Foundation

Financial Statements

Years Ended December 31, 2020 and 2019



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Independent Auditors' Report

Board of Directors
Young America's Foundation
Reston, VA

Report on the Financial Statements

We have audited the accompanying financial statements of Young America's Foundation (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young America's Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Tysons, VA
April 22, 2021

**Young America's Foundation
Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,776,243	\$ 6,220,308
Investments and deferred compensation	43,777,440	30,969,544
Accounts receivable	1,202,645	938,553
Bequests receivable, current portion	919,544	5,093,057
Promises to give, current portion	1,898,508	2,150,366
Prepaid expenses	<u>498,396</u>	<u>516,067</u>
Total current assets	56,072,776	45,887,895
Cash held for long term purposes	100,000	100,000
Certificate of deposit, restricted	57,411	56,697
Bequests receivable, less current portion, net of discount	4,408,761	2,763,778
Promises to give, less current portion, net of discount	630,579	1,203,025
Property, building and equipment, net	27,402,655	27,155,145
Collections	2,259,896	2,100,949
Other assets	<u>1,821,576</u>	<u>1,600,583</u>
Total noncurrent assets	36,680,878	34,980,177
Total assets	\$ 92,753,654	\$ 80,868,072
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,350,941	\$ 1,722,530
Annuities payable, current portion	119,008	125,713
Deferred revenue	<u>27,330</u>	<u>22,935</u>
Total current liabilities	1,497,279	1,871,178
Annuities payable, less current portion	901,191	963,817
Deferred rent	1,716,554	684,847
Deferred compensation plans	<u>1,352,858</u>	<u>1,191,746</u>
Total liabilities	5,467,882	4,711,588
Net assets:		
Without donor restrictions	45,209,522	36,821,121
With donor restrictions	<u>42,076,250</u>	<u>39,335,363</u>
Total net assets	87,285,772	76,156,484
Total liabilities and net assets	\$ 92,753,654	\$ 80,868,072

Young America's Foundation
Statements of Activities
Years Ended December 31, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and other changes:						
Contributions	\$ 15,204,301	\$ 4,434,790	\$ 19,639,091	\$ 16,106,546	\$ 4,395,682	\$ 20,502,228
Contribution for conveyance of entity	383,646	-	383,646	-	-	-
Bequests	880,112	5,632,634	6,512,746	5,911,385	1,016,248	6,927,633
Conference income	78,757	-	78,757	281,940	-	281,940
Speaker income	27,856	-	27,856	331,302	-	331,302
List rental income	78,655	-	78,655	69,126	-	69,126
Publication sales	17,184	-	17,184	33,161	-	33,161
Change in value of split interest agreement	-	227,109	227,109	-	261,784	261,784
Rental income	67,683	-	67,683	54,428	-	54,428
Investment income	1,225,812	3,517,930	4,743,742	1,286,824	3,894,772	5,181,596
Other income	25,928	-	25,928	495,876	-	495,876
Gain on disposal or sale of fixed assets	-	-	-	267,992	-	267,992
Loss on bequest receivable	-	-	-	(2,113,228)	-	(2,113,228)
Net assets released from restrictions	11,071,576	(11,071,576)	-	7,351,184	(7,351,184)	-
Total support and revenue	29,061,510	2,740,887	31,802,397	30,076,536	2,217,302	32,293,838
Expenses:						
Program services:						
Public information	5,194,680	-	5,194,680	5,734,903	-	5,734,903
Special projects	10,605,406	-	10,605,406	16,011,833	-	16,011,833
Total program services	15,800,086	-	15,800,086	21,746,736	-	21,746,736
Supporting services:						
Fundraising	2,019,410	-	2,019,410	1,810,919	-	1,810,919
Management and general	2,853,613	-	2,853,613	2,593,825	-	2,593,825
Total supporting services	4,873,023	-	4,873,023	4,404,744	-	4,404,744
Total expenses	20,673,109	-	20,673,109	26,151,480	-	26,151,480
Change in net assets	8,388,401	2,740,887	11,129,288	3,925,056	2,217,302	6,142,358
Net assets, beginning of year	36,821,121	39,335,363	76,156,484	32,896,065	37,118,061	70,014,126
Net assets, end of year	\$ 45,209,522	\$ 42,076,250	\$ 87,285,772	\$ 36,821,121	\$ 39,335,363	\$ 76,156,484

See accompanying notes.

Young America's Foundation
 Statement of Functional Expenses
 Year Ended December 31, 2020

	Program Services			Supporting Services			
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	
Advertising and marketing	\$ 11,582	\$ 689,281	\$ 700,863	\$ -	\$ 1,624	\$ 1,624	\$ 702,487
Animal care	-	-	-	-	20,460	20,460	20,460
Bank fees and charges	49,105	-	49,105	22,119	77,271	99,390	148,495
Books, subscriptions and reference	8,501	152,523	161,024	-	44,374	44,374	205,398
Conferences, banquets & meetings	-	35,980	35,980	-	3,160	3,160	39,140
Depreciation expense	195,504	1,114,889	1,310,393	48,634	210,654	259,288	1,569,681
Equipment rental & maintenance	63,520	48,842	112,362	-	116,758	116,758	229,120
Equipment < \$1000	(197)	476	279	-	17,516	17,516	17,795
Honoraria	-	470,550	470,550	-	-	-	470,550
Housing	-	300,663	300,663	-	35,945	35,945	336,608
Insurance	-	-	-	-	235,428	235,428	235,428
Landscaping & maintenance	-	-	-	-	85,268	85,268	85,268
List rental expense	199,054	-	199,054	88,733	-	88,733	287,787
Meals	-	508,259	508,259	-	86,341	86,341	594,600
Other expenses	218	-	218	95	109,488	109,583	109,801
Outsourcing & consulting	1,679,965	443,403	2,123,368	801,791	218,169	1,019,960	3,143,328
Payroll benefit fees	1,166	8,138	9,304	608	1,559	2,167	11,471
Payroll taxes	33,912	234,193	268,105	17,488	44,847	62,335	330,440
Personal property tax	-	-	-	-	39,205	39,205	39,205
Postage and shipping	1,316,392	144,964	1,461,356	365,419	94,572	459,991	1,921,347
Preservation expenses	-	-	-	-	487	487	487
Printing & copying	589,453	334,427	923,880	173,795	35,891	209,686	1,133,566
Professional development	-	17,880	17,880	-	896	896	18,776
Professional fees	9,450	50,653	60,103	8,249	101,824	110,073	170,176
Real estate tax	1,092	-	1,092	-	90,300	90,300	91,392
Rent and occupancy	74,313	520,367	594,680	38,749	235,822	274,571	869,251
Office repairs & maintenance	-	560	560	-	50,118	50,118	50,678
Salaries and benefits	653,608	4,443,585	5,097,193	323,537	807,582	1,131,119	6,228,312
Scholarships	-	113,363	113,363	-	-	-	113,363
Supplies	64,140	67,250	131,390	122,668	9,535	132,203	263,593
Taxes, other	-	-	-	-	1,535	1,535	1,535
License and registration fees	6,842	50	6,892	-	11,573	11,573	18,465
IT web services	222,629	350,593	573,222	-	9,207	9,207	582,429
Telephone & telecommunications	14,431	101,626	116,057	7,525	19,290	26,815	142,872
Travel	-	452,891	452,891	-	36,914	36,914	489,805
	<u>\$ 5,194,680</u>	<u>\$ 10,605,406</u>	<u>\$ 15,800,086</u>	<u>\$ 2,019,410</u>	<u>\$ 2,853,613</u>	<u>\$ 4,873,023</u>	<u>\$ 20,673,109</u>

See accompanying notes.

Young America's Foundation
 Statement of Functional Expenses
 Year Ended December 31, 2019

	Program Services			Supporting Services			
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	
Advertising and marketing	\$ 11,450	\$ 884,835	\$ 896,285	\$ -	\$ -	\$ -	\$ 896,285
Animal care	-	-	-	-	18,419	18,419	18,419
Bank fees and charges	46,274	49,649	95,923	18,146	9,898	28,044	123,967
Books, subscriptions and reference	15,686	334,208	349,894	-	31,907	31,907	381,801
Conferences, banquets & meetings	-	61,400	61,400	-	8,972	8,972	70,372
Depreciation expense	182,384	1,150,643	1,333,027	81,843	228,652	310,495	1,643,522
Equipment rental & maintenance	28,255	178,773	207,028	400	192,709	193,109	400,137
Equipment < \$1000	444	2,349	2,793	-	7,494	7,494	10,287
Honoraria	-	1,947,400	1,947,400	-	-	-	1,947,400
Housing	-	1,121,980	1,121,980	-	35,262	35,262	1,157,242
Insurance	-	167	167	-	224,096	224,096	224,263
Interest expense	-	-	-	-	606	606	606
Landscaping & maintenance	-	-	-	-	91,609	91,609	91,609
List rental expense	271,520	-	271,520	92,006	-	92,006	363,526
Meals	127	1,870,644	1,870,771	-	58,838	58,838	1,929,609
Other expenses	-	-	-	-	6,949	6,949	6,949
Outsourcing & consulting	954,639	519,676	1,474,315	268,405	95,126	363,531	1,837,846
Payroll benefit fees	1,384	8,697	10,081	617	1,734	2,351	12,432
Payroll taxes	31,665	200,435	232,100	14,372	40,169	54,541	286,641
Personal property tax	204	-	204	-	23,554	23,554	23,758
Postage and shipping	1,832,654	137,055	1,969,709	601,509	54,240	655,749	2,625,458
Preservation expenses	-	1,794	1,794	-	51,258	51,258	53,052
Printing & copying	1,338,691	485,922	1,824,613	388,206	35,455	423,661	2,248,274
Professional development	905	2,766	3,671	-	5,464	5,464	9,135
Professional fees	958	149,816	150,774	6,106	127,954	134,060	284,834
Real estate tax	570	-	570	-	103,516	103,516	104,086
Rent and occupancy	71,537	462,155	533,692	31,897	236,535	268,432	802,124
Office repairs & maintenance	-	1,059	1,059	-	38,909	38,909	39,968
Salaries and benefits	612,058	3,818,682	4,430,740	262,521	756,043	1,018,564	5,449,304
Scholarships	-	216,790	216,790	-	-	-	216,790
Supplies	117,011	123,032	240,043	44,891	9,951	54,842	294,885
Taxes, other	-	-	-	-	11,982	11,982	11,982
License and registration fees	-	-	-	-	7,836	7,836	7,836
IT web services	208,422	770,059	978,481	-	6,779	6,779	985,260
Telephone & telecommunications	8,065	51,917	59,982	-	13,697	13,697	73,679
Travel	-	1,459,930	1,459,930	-	58,212	58,212	1,518,142
	<u>\$ 5,734,903</u>	<u>\$ 16,011,833</u>	<u>\$ 21,746,736</u>	<u>\$ 1,810,919</u>	<u>\$ 2,593,825</u>	<u>\$ 4,404,744</u>	<u>\$ 26,151,480</u>

See accompanying notes.

Young America's Foundation
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 11,129,288	\$ 6,142,358
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,569,681	1,643,522
Loss on bequest receivable	-	2,113,228
Gain on sale of property, buildings and equipment	-	(267,992)
Change in value of split interest agreement	(177,905)	193,409
Realized and unrealized (gain) loss on investment related to annuities	129,583	152,422
Realized and unrealized (gain) loss on investment	(4,133,950)	(4,626,326)
Change in present value discount on promises to give and bequests	203,668	(282,416)
Receipt of restricted contributions, endowment	(1,395,597)	-
Change in:		
Accounts receivable	(264,092)	(554,942)
Bequests receivable, net	2,335,582	749,926
Promises to give, net	813,584	80,766
Prepaid expense	17,671	(174,617)
Other assets	(43,088)	(409,450)
Accounts payable and accrued expenses	(371,589)	620,271
Deferred revenue	4,395	20,937
Deferred rent	298,857	(102,246)
Deferred compensation plans	161,112	185,506
Net cash provided by operating activities	<u>10,277,200</u>	<u>5,484,356</u>
Cash flows from investing activities:		
Sales of investments	13,667,468	13,696,244
Purchases of investments	(22,341,415)	(14,299,750)
Purchases of certificates of deposit	(714)	(896)
Purchases of property, buildings and equipment	(1,176,005)	(721,645)
Proceeds from sale of property	-	337,874
Purchases of collections	-	(599,237)
Net cash used by investing activities	<u>(9,850,666)</u>	<u>(1,587,410)</u>
Cash flows from financing activities:		
Proceeds from annuities issued	-	208,261
Payments of annuities	(198,914)	(116,823)
Payments on line of credit	(67,283)	-
Payments of notes payable	-	(1,000,000)
Receipt of restricted contributions, endowment	1,395,597	-
Net cash provided (used) by financing activities	<u>1,129,400</u>	<u>(908,562)</u>
Net change in cash and cash equivalents	1,555,935	2,988,384
Cash, cash equivalents and restricted cash, beginning of year	<u>6,320,308</u>	<u>3,331,924</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 7,876,243</u>	<u>\$ 6,320,308</u>
Cash, cash equivalents and restricted cash at end of year are comprised of the following:		
Cash and cash equivalents	\$ 7,776,243	\$ 6,220,308
Restricted cash	100,000	100,000
	<u>\$ 7,876,243</u>	<u>\$ 6,320,308</u>
Noncash transactions:		
Donated securities	\$ 1,394,953	\$ 5,055,696
Conveyance of entity	<u>\$ 383,646</u>	<u>\$ -</u>

Notes to Financial Statements

1. Organization and Nature of Activities

Young America's Foundation (the "Foundation") is a not-for-profit organization chartered on November 18, 1969 and headquartered in Reston, Virginia. The Foundation was organized to promote, encourage, and support the development of youth leadership through a series of programs designed to assist young people in acquiring the techniques of leadership, experience in the national life, and generally to encourage leadership roles in the life of the community and nation.

The Foundation's two main programs are special projects and public information. The special projects include lectures, conferences, internships, Young Americans for Freedom student chapters, the National Journalism Center, and the Reagan Ranch program. The public information category provides educational and informational materials through the Foundation's media and communications activities including its web site, newsletters and mailings to the Foundation's target audience in support of its programs.

The Foundation's program activities include:

Premier youth-oriented conferences introducing students to the ideas that make our country great: individual freedom, limited government, a strong national defense, free enterprise, and traditional values. These conferences are held in various locations around the country and are geared to college and high school students.

Campus initiatives include lectures, training materials, and a network of Young Americans for Freedom student chapters. The Foundation provides conservative students with the necessary information, tools and resources to effectively advance conservative ideas on their college or high school campus.

The National Journalism Center is devoted to accuracy, balance, and comprehension of the issues, training students in the skills of press work, and assigning internships at cooperating media locations.

The Reagan Ranch, Western White House, program is devoted to preserving and protecting President Ronald Reagan's Rancho del Cielo located in California and educating young people on the President's ideas of individual freedom, limited government, patriotism and traditional values.

The Reagan childhood home in Dixon, Illinois, includes four properties that make up the Ronald Reagan Home Preservation Foundation (RRHPF).

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying policies of the organization are in accordance with accounting principles generally accepted in the United States of America applied on a basis consistent with that of the preceding years. The Foundation reports information regarding its financial position and activities under standards for not-for-profit organizations issued by the Financial Accounting Standards Board (FASB).

Basis of accounting

These financial statements are prepared under the accrual basis of accounting. Under this accounting method, income is recorded as earned and expenses are recorded as incurred.

Estimates

The preparation of the 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. These estimates also affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates and assumptions.

Classification of net assets

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Under the standards for not-for-profit organizations issued by FASB, the Foundation is required to report information regarding its financial position and activities in two classes of net assets as follows:

Net assets without donor restrictions – not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions – subject to stipulations imposed to donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and cash equivalents

For financial statement purposes, the Foundation considers highly liquid debt instruments purchased with original maturities of ninety days or less to be cash equivalents. At times, the Foundation's cash may exceed federally insured limits. The Foundation does not believe that this results in any significant credit risk. Cash held for long-term purposes includes cash received with donor-imposed restrictions that limit their use to long-term purposes within net assets with donor restrictions.

Certificate of deposit

The certificate of deposit are valued at amortized cost, totaled \$57,411 and \$56,697 as of December 31, 2020 and 2019, respectively.

Investments

Investments are reported at fair value and contributions of marketable securities are recorded at their fair value at the date of donation. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the Statements of Activities. Dividends and interest are recognized as earned.

Accounts receivable

Accounts receivable are amounts due from colleges and universities for speaker reimbursements and contributions received postmarked by, but not deposited until after December 31. The Foundation uses the allowance method to account for amounts, if any, of its accounts receivable which are considered uncollectible. The Foundation bases its assessment for the allowance for doubtful accounts on historical losses and current economic conditions.

Accounts receivable are determined to be past due on a contractual term of 30 days. There was no allowance for doubtful accounts as of December 31, 2020 and 2019.

Bequests receivable

The Foundation records bequests to be received as income when it has received notification from the estate of an unconditional bequest that is measurable. Bequests receivable are reviewed for collectability and a provision for uncollectible promises to give is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. The discounts on bequests are computed using a discount rate equal to the prevailing local borrowing rate. Amortization of the discount is included in bequest revenue. There was no allowance for uncollectible bequests as of December 31, 2020 and 2019.

Promises to give

Unconditional promises to give are recorded as contributions when received. Amounts expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on promises to give made prior to January 1, 2009 are computed using risk-free interest rates applicable to the years in which the amounts are pledged. The discounts on promises to give made after January 1, 2009 are computed using a discount rate equal to the prevailing local borrowing rate. Amortization of the discount is included in contribution revenue. Management does not believe that an allowance for uncollectible promises to give is necessary.

Property and equipment

Property, buildings and equipment are stated at cost and are depreciated using the straight-line method over an estimated useful life of three to five years for equipment and thirty to forty years for property. Property, building and equipment additions and improvements acquired at a cost greater than \$1,000 are capitalized. Contributed property and equipment is recorded at fair value at the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as contributions with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as contributions without donor restrictions.

Leasehold improvements

Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the asset.

Collections

The Foundation's collections are made up of historical treasures that are held for educational and curatorial purposes. Collections have been recorded as assets at cost, if purchased, or at estimated fair value as of the date of contribution, if contributed. Depreciation is not recorded on collections.

Beneficial interest in remainder trusts

The Foundation is named as the beneficiary in remainder trusts held by third parties. The trusts, which are invested in cash equivalents, equity and fixed income funds and other assets, are measured at the present value of the future distribution expected to be received over the term of the agreement. The discount rates used in the present value calculation are between 7% and 7.5%. The trusts are included in other assets on the Statements of Financial Position.

Beneficial interest in perpetual trust

The Foundation is named as the beneficiary in a perpetual trust held by a third party. Perpetual trusts are initially recorded as permanently restricted public support (bequest or contribution revenue, depending on the initial source

**Young America's Foundation
Notes to Financial Statements**

of the gift) at fair value, based on the Foundation's interest in the fair value of the underlying trust assets at the time of the gift. Subsequent changes to the trust's fair value are reported as permanently restricted net unrealized gains or losses on perpetual trusts and are included in change in value of split interest agreement on the Statements of Activities. Income received from the trust is reported as investment income with or without donor restrictions, depending on the existence or absence of donor-imposed restrictions. The trust is included in other assets on the Statements of Financial Position.

Under the term of the trust, the Foundation has an irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. Distributions from the trust are based on the terms of the underlying trust agreement and generally require that investment income be distributed on at least an annual basis. The trust is invested in cash equivalents, municipal bonds, preferred securities, common stocks, mutual funds, real estate trusts and funds and real property.

Annuities payable

The liability for annuities is based on actuarially determined present values considering the income, beneficiaries and applicable discount rates based on federal tables. Actuarial adjustments are recognized in the Statements of Activities for the changes in the value and are included in change in value of split interest agreements (see Note 11).

Deferred rent

The Foundation recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease. Differences between amounts recognized as expense and the amounts actually paid are recorded as deferred rent on the Statements of Financial Position.

Revenue recognition

Contributions - Contributions which include unconditional promises to give, are reported at net realizable value at the date the contribution is received. The Foundation reports gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions received in the current year whose restrictions are met during the current year are classified as support without donor restrictions.

Bequests - Income from bequests is recognized when notification is received from the estate of an unconditional bequest that is measurable.

Conference income - Conference income is recognized on the date that the conference takes place.

Speaker income - Speaker income is recognized on the date the speech takes place.

List rental income - List rental income is recognized when a contract with a mailing house is fulfilled.

Publication sales - Publication sales income is recognized at the point of the sale of the materials.

In-kind contribution - In-kind contributions are recorded at their fair value at the earlier of when promised or received, provided there is an objective basis for such valuation.

Donated securities

The Foundation classifies cash receipts from the sale of donated securities that upon receipt were converted nearly immediately into cash and contained no donor-imposed restrictions as cash flows from operations on the

**Young America's Foundation
Notes to Financial Statements**

Statements of Cash Flows, while cash receipts from the sale of donated securities with donor-imposed long-term restrictions are classified as financing activities. Otherwise, receipts from the sale of donated securities are classified as cash flows from investing activities.

Functional allocation of expenses

The costs of furthering the mission of the Foundation through programs and activities are reflected in the financial statements on a functional basis. As such, certain costs have been allocated among programs and supporting activities. Management on a fair and equitable basis determines such allocations.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries & benefits	Time and effort
Depreciation	Department salary
Rent & occupancy	Department salary
Postage & shipping	Analysis of purpose
Printing	Analysis of purpose
Equipment rental & maintenance	Analysis of purpose
Outsourcing & consulting	Analysis of purpose
Professional fees	Analysis of purpose
Information technology	Analysis of purpose
Travel	Analysis of purpose
Meals	Analysis of purpose

Costs of joint activities

The Foundation accounts for costs of joint activities which are part fundraising and have elements of one or more other functions, such as program or management and general, according to certain criteria of purpose, audience and content in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, advertising costs totaled \$550,462 and \$637,036, respectively.

Income tax status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. Therefore, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2020 and 2019. The Foundation is classified as a public charity.

Recently adopted accounting standards

Collections

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. The amendments in this ASU enhance disclosure requirements regarding the policies for the use of proceeds from deaccessioned collection items, including whether those proceeds could be used for acquisitions of new collection items, the direct care of existing collections, or both. The Foundation adopted this ASU as of January

1, 2020, noting there was no material impact to the financial statements as a result of adoption in that the Foundation has no intention to deaccession any collection items. See note 10 for policy disclosure.

Recently issued accounting standards

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases". Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Foundation January 1, 2022, and the Foundation is currently evaluating the effect this accounting standard may have on its financial statements.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 22, 2021, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

3. Availability and Liquidity

As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Foundation seeks to cover 2 months of budgeted operational expenses (approximately \$4 million). Excess cash is invested in the Foundation's investment portfolio (see Note 6). The Foundation keeps average days cash on hand of 60 days at December 31, 2020.

Financial assets available for general expenditure within one year of the statements of financial position consist of the following at December 31:

	2020	2019
Current financial assets:		
Cash and cash equivalents	\$ 7,776,243	\$ 6,220,308
Investments and deferred compensation	43,777,440	30,969,544
Accounts receivable	1,202,645	938,553
Bequests receivable, current portion	919,544	5,093,057
Promises to give, current portion	1,898,508	2,150,366
Prepaid expenses	<u>498,396</u>	<u>516,067</u>
Total current financial assets	<u>56,072,776</u>	<u>45,887,895</u>

**Young America's Foundation
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Less amounts not available to be used within one year:

Short-term investments and bequests with donor restrictions	<u>26,831,108</u>	<u>25,402,190</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 29,241,668</u>	<u>\$ 20,485,705</u>

4. Risk and Uncertainties

The Foundation invests in various investment securities that are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the Foundation's account balances and amounts reported in the Statements of Financial Position.

5. Investments

The Foundation considers investment return on restricted funds to be investment income without donor restrictions if restrictions are met during the fiscal year. The Foundation received donations with respect to charitable gift annuities from various donors (see Note 11). The funds are restricted until the obligations under the annuities have been met.

Investments consisted of the following as of December 31:

	2020	2019
Money market mutual funds	\$ 2,449,154	\$ 108,846
Domestic equity mutual funds	<u>31,291,556</u>	20,654,642
Equities	<u>3,167,572</u>	3,859,599
Fixed income mutual funds	<u>6,347,059</u>	5,855,937
Government securities	<u>522,099</u>	490,520
 Total investments	 <u>\$ 43,777,440</u>	 \$ 30,969,544

Investment income (loss) consisted of the following for the year ended December 31:

	2020	2019
Investment income:		
Interest and dividends	\$ 709,330	\$ 763,247
Investment fees	<u>(96,630)</u>	<u>(99,102)</u>
Realized and unrealized gains	<u>3,926,992</u>	<u>4,302,057</u>
Gross investment income	<u>4,539,692</u>	<u>4,966,202</u>
Plus: investment income included in change in value of annuities	<u>204,050</u>	<u>215,394</u>
 Total investment income	 <u>\$ 4,743,742</u>	 \$ 5,181,596

6. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring and reporting financial assets and liabilities at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The codification establishes a three-level hierarchy which prioritizes the inputs used in measuring fair values. These tiers include:

- Level 1:** quoted prices in active markets for identical assets or liabilities as of the reporting date;
- Level 2:** quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves).
- Level 3:** uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measurements at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual funds: Valued at the quoted market value of the net asset value (NAV) of shares held by the Foundation at year end. The mutual funds held by the Foundation are deemed to be actively traded.

Equity securities: Valued at the closing price reported in the active market in which individual securities are traded.

Government securities: Valued at the quoted market price or dealer quotes for similar instruments that are used to estimate the fair value.

Exchange traded funds: Valued at the quoted market price of the net asset value (NAV) of shares held by the Foundation at year-end.

The tables below summarize financial assets and liabilities, by level, for items measured at fair value on a recurring basis at December 31, 2020 and 2019:

	Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Beneficial interest in remainder trusts	\$ _____ -	\$ _____ -	\$ 378,091	\$ 378,091
Beneficial interest in perpetual trust	\$ _____ -	\$ _____ -	\$ 1,191,217	\$ 1,191,217
Charitable gift annuity liability	\$ _____ -	\$ _____ -	\$ (1,020,199)	\$ (1,020,199)

**Young America's Foundation
Notes to Financial Statements**

Investments:					
Money market mutual funds	\$ 2,449,154	\$ -	\$ -	\$ 2,449,154	
Domestic equity mutual funds	31,291,556	-	-	31,291,556	
Equities	3,167,572	-	-	3,167,572	
Fixed income mutual funds	6,347,059	-	-	6,347,059	
Government securities	<u>-</u>	<u>522,099</u>	<u>-</u>	<u>522,099</u>	
Total investments	<u>\$ 43,255,341</u>	<u>\$ 522,099</u>	<u>\$ -</u>	<u>\$ 43,777,440</u>	

	Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in remainder trusts	\$ -	\$ -	\$ 348,082	\$ 348,082
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 1,043,321	\$ 1,043,321
Charitable gift annuity liability	\$ -	\$ -	\$ (1,089,530)	\$ (1,089,530)
Investments:				
Money market mutual funds	\$ 108,846	\$ -	\$ -	\$ 108,846
Domestic equity mutual funds	20,654,642	-	-	20,654,642
Equities	3,859,599	-	-	3,859,599
Fixed income mutual funds	5,855,937	-	-	5,855,937
Government securities	<u>-</u>	<u>490,520</u>	<u>-</u>	<u>490,520</u>
Total investments	<u>\$ 30,479,024</u>	<u>\$ 490,520</u>	<u>\$ -</u>	<u>\$ 30,969,544</u>

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2020 and 2019.

Level 3 beneficial interest in remainder trusts, which are invested in cash equivalents, equity and fixed income funds, and other assets are measured at the present value of the future distributions expected to be received over the term of the agreement, discounted at rates between 7% and 7.5%, which reflect current market conditions, adjusted for the life expectancy of the lead beneficiary using IRS actuarial tables.

The following is a reconciliation of the beginning to ending balance of the beneficial interests in remainder trusts measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

Beneficial interest in remainder trusts	2020	2019
Beginning balance	\$ 348,082	\$ 292,761
Unrealized gain (loss) on trusts	<u>30,009</u>	<u>55,321</u>
Ending balance	<u>\$ 378,091</u>	<u>\$ 348,082</u>

The valuation of the beneficial interest in the perpetual trusts falls under level 3, as there are no significant observable inputs. The trust valuation is based on the Foundation's interest in the fair value of the underlying trust assets.

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The following is a reconciliation of the beginning to ending balance of the beneficial interest in perpetual trust measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

Beneficial interest in perpetual trust	2020	2019
Beginning balance	\$ 1,043,321	\$ 905,232
Change in value	<u>147,896</u>	<u>138,089</u>
Ending balance	<u>\$ 1,191,217</u>	<u>\$ 1,043,321</u>

The unrealized gain (loss) on trusts is the change in value of the split-interest agreement and is recorded in revenue on the Statements of Activities.

The Level 3 charitable gift annuity liability is valued using the income approach, in the form of present value using interest rates ranging from 1% and 6%, and the 2000 Annuity life expectancy tables as of December 31, 2020 and 2019. As of January 1, 2015, any new gift annuity received is discounted based on the 2012 IAR table. The discount rate is determined based on the individual annuity agreement. The discount associated with the liability is adjusted for changes in life expectancies.

The following is a reconciliation of the beginning to ending balance of the charitable gift annuity liability measured at fair value using significant unobservable inputs (level 3) during the years ended December 31:

Charitable gift annuity liability	2020	2019
Beginning balance	\$ 1,089,530	\$ 845,670
Additions	-	268,560
Payments	<u>(198,914)</u>	<u>(177,123)</u>
Actuarial change in value	<u>129,583</u>	<u>152,423</u>
Ending balance	<u>\$ 1,020,199</u>	<u>\$ 1,089,530</u>

The following tables summarize the valuation techniques and significant unobservable inputs used for the Foundation's assets and liabilities categorized within Level 3 of fair value hierarchy at December 31, 2020 and 2019:

Assets and liabilities	Valuation Techniques	Unobservable Input	Range of Significant Input Values	Fair Value at December 31, 2020
Beneficial interest in remainder trusts	Income approach	Discount rate	7% - 7.5%	\$ 378,091
	Present value of future cash flows	Life expectancy	IRS Actuarial Table Pub. 1458	
Beneficial interest in perpetual trust	Income approach Discounted cash flow analysis of assets	Beneficial interest based on assets contributed to the trust	N/A	\$ 1,191,217

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	contributed to the trust			
	Income approach	Discount rate	1% - 6%	\$ 1,020,199
	Present value of future cash flows	Life expectancy	Annuity 2000 Tables and 2012 IAR Tables	
Assets and liabilities	Valuation Techniques	Unobservable Input	Range of Significant Input Values	Fair Value at December 31, 2019
Beneficial interest in remainder trusts	Income approach	Discount rate	7% - 7.5%	\$ 348,082
	Present value of future cash flows	Life expectancy	IRS Actuarial Table Pub. 1458	
Beneficial interest in perpetual trust	Income approach Discounted cash flow analysis of assets contributed to the trust	Beneficial interest based on assets contributed to the trust	N/A	\$ 1,043,321
Charitable gift annuity liability	Income approach	Discount rate	1% - 6%	\$ 1,089,530
	Present value of future cash flows	Life expectancy	Annuity 2000 Tables and 2012 IAR Tables	

7. Promises to Give

Promises to give are comprised of the following at December 31:

	2020	2019
Promises to give expected in:		
Less than one year	\$ 1,898,508	\$ 2,150,366
Two to five years	688,274	1,250,000
	<hr/>	<hr/>
Less: discount	2,586,782	3,400,366
	(57,695)	(46,975)
	<hr/>	<hr/>
Total promises to give, net	\$ 2,529,087	\$ 3,353,391

**Young America's Foundation
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Unconditional promises to give are discounted to their present value using risk free rates of return rates between 2.36% and 4.51%.

As of December 31, 2020, one donor had a pledge balance outstanding which represented 39% of total promises to give. As of December 31, 2019, one donor had a pledge balance outstanding which represented 59% of total promises to give.

8. Bequests Receivable

Bequests receivable are comprised of the following at December 31:

	2020	2019
Bequests expected in:		
Less than one year	\$ 919,544	\$ 5,093,057
One to five years	<u>4,837,931</u>	<u>3,000,000</u>
	<u>5,757,475</u>	<u>8,093,057</u>
Less: discount	<u>(429,170)</u>	<u>(236,222)</u>
Total bequests receivable, net	<u>\$ 5,328,305</u>	<u>\$ 7,856,835</u>

Bequests receivable are discounted to their present value using a risk-free rate of return rates between 2.36% and 4.51%.

As of December 31, 2020, three donors had bequest receivable balances outstanding which represent 88% of total bequest receivables. As of December 31, 2019, four donors had bequest receivable balances outstanding which represent 92% of total bequest receivables.

9. Property, Buildings and Equipment

Property, buildings and equipment is as follows at December 31:

	2020	2019
Land and improvements	\$ 12,435,322	\$ 12,405,322
Buildings and improvements	<u>25,045,682</u>	<u>24,036,092</u>
Furniture and equipment	<u>4,838,370</u>	<u>4,718,549</u>
Vehicles	<u>177,044</u>	<u>100,484</u>
Construction in progress	<u>622,613</u>	<u>41,393</u>
	<u>43,119,031</u>	<u>41,301,840</u>
Less: accumulated depreciation	<u>(15,716,376)</u>	<u>(14,146,695)</u>
Property, buildings and equipment, net	<u>\$ 27,402,655</u>	<u>\$ 27,155,145</u>

Among other properties, the Foundation owns and maintains a 688-acre ranch in California, previously owned by President and Mrs. Ronald Reagan. The Foundation considers this ranch to be a historic treasure. Property, buildings and equipment include the cost of the Reagan Ranch.

In 2017, the Foundation purchased the Smith Ranch in California, which is adjacent to the Reagan Ranch, for \$5,000,000. The Foundation had a promissory note with the seller of the property with a balance of \$0 at December 31, 2020 and 2019, respectively.

In 2018, the Foundation purchased a house in Washington, D.C. for approximately \$2.4 million. The space will serve as a unique location for intimate receptions, supporter dinners and meetings, staff and ally office space, National Journalism Center and alumni gatherings and as well as other smaller events.

In 2020, the Foundation was conveyed the Ronald Reagan Home Preservation Foundation (RRHPF) in Dixon, Illinois, which included all assets and liabilities. RRHPF owned four properties in Dixon, Illinois, which included President Ronald Reagan's boyhood home, all of which were conveyed to the Foundation.

Depreciation expense totaled \$1,569,681 and \$1,643,522 for the years ended December 31, 2020 and 2019, respectively.

10. Collections

The Foundation holds collections for education purpose such as exhibition to the public or public research and not for financial gain. These items are protected, cared for and preserved in keeping with standard practice. The Foundation has not adopted a policy that requires revenue from the sale of any collections to be reinvested in other collections. The Foundation has no plans to sell these collections.

11. Annuities

The Foundation has established a gift annuity plan where donors may contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax and financial statement purposes.

The Foundation invests the assets in a financial institution separately from its other investments and considers these investments to be net assets with donor restrictions until the beneficiary's death. The Foundation maintains a separate brokerage account specifically for charitable gift annuities governed by the laws of California. The balance of this account at December 31, 2020 and 2019 totaled \$863,630 and \$894,517, respectively. Total assets separately maintained as cash and investments relating to charitable gift annuities totaled \$1,920,830 and \$1,969,513 as of December 31, 2020 and 2019, respectively.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as contributions with donor restrictions at the date of the gift, since the gift portion is restricted until the obligations under the annuity have been met.

Income earned on annuity investments and distributions paid are credited and charged, respectively, against donor restricted revenue. For the years ended December 31, 2020 and 2019, contributions related to gift annuities were \$0 and \$373,758, respectively. Gift annuity liabilities terminated as a result of annuitant deaths during 2020 and 2019 were \$4,673 and \$60,723, respectively. The annuity liability is adjusted annually based upon actuarially computed present values.

The change in investments segregated for annuities, as reflected in the accompanying statement of activities, consists of the following at December 31:

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	2020	2019
Investment income	\$ 47,253	\$ 44,961
Realized and unrealized gains (losses)	167,337	179,434
Investment fees	(10,468)	(9,001)
Payout at death	4,673	60,723
Actuarial adjustment	<u>(129,583)</u>	<u>(152,423)</u>
Change in value of investments segregated for annuities	<u>\$ (79,212)</u>	<u>\$ (123,694)</u>

12. Letter of Credit

A letter of credit for \$55,778 has been issued on behalf of the Foundation by a bank in Virginia. The beneficiary is a business which requires it as part of a leasing agreement. The letter of credit expires on December 31, 2021.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purpose at December 31:

	2020	2019
Purpose restricted for period after December 31:		
Program assistance: unappropriated endowment earnings	\$ 4,616,500	\$ 2,342,762
Restricted contributions – Student education	336,586	604,166
Restricted contributions – Student conferences	808,505	290,000
Ranch house fund	1,957,000	1,000,000
Ranch programs	<u>903,573</u>	-
	<u>8,622,164</u>	4,236,928
Time restricted for period after December 31:		
Beneficial interests in charitable trusts	378,091	348,083
Bequests receivable	2,757,475	5,093,057
Gift annuities	900,631	821,418
Promises to give	<u>2,586,782</u>	3,400,366
	<u>6,622,979</u>	9,662,924
Perpetual endowment		
High school conference	1,900,000	1,900,000
Internships	275,000	275,000
Reagan Ranch endowment	11,790,429	11,785,429
Reagan Ranch manager	1,000,000	1,000,000
Promises to give-Student education	3,000,000	3,000,000
Student education	518,761	518,761
Scholarships	2,113,000	2,113,000
Yale lecture series	800,000	800,000
General funds	4,242,700	3,000,000
Beneficial interest in perpetual trust	<u>1,191,217</u>	1,043,321
	<u>26,831,107</u>	25,435,511
Net assets with donor restrictions	<u>\$ 42,076,250</u>	<u>\$ 39,335,363</u>

14. Net Assets Released from Restriction

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by the donor, are as follows for the years ended December 31:

	2020	2019
Appropriated endowment earnings net of endowment investment return	\$ 1,244,193	\$ 1,039,652
Time restricted	8,666,884	3,811,532
Purpose restricted	1,160,499	-
Adjustment to bequest receivable	-	2,500,000
 Net assets released from restriction	 \$ 11,071,576	 \$ 7,351,184

15. Endowment Funds

The Foundation's endowment consists of restricted contributions established for a variety of purposes (see Note 13). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets are composed entirely of donor-restricted funds.

Interpretation of relevant law

Management of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions – perpetual endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- i. The duration and preservation of the fund;
- ii. The purposes of the organization and donor-restricted endowment fund;
- iii. General economic conditions;
- iv. The possible effect of inflation and deflation;
- v. The expected total return from income and appreciation of investments;
- vi. Other resources of the organization;
- vii. The investment policies of the organization.

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Changes in endowment net assets for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ _____ -	<u>\$ 23,734,952</u>	<u>\$ 23,734,952</u>
Investment return:			
Investment income	-	60	60
Net appreciation (realized and unrealized)	_____ -	<u>3,517,871</u>	<u>3,517,871</u>
Total investment return	_____ -	<u>3,517,931</u>	<u>3,517,931</u>
Contributions	_____ -	<u>1,247,701</u>	<u>1,247,701</u>
Appropriation of endowment assets for expenditure	_____ -	<u>(1,244,193)</u>	<u>(1,244,193)</u>
Endowment net assets, end of year	\$ _____ -	<u>\$ 27,256,391</u>	<u>\$ 27,256,391</u>

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ _____ -	<u>\$ 20,879,831</u>	<u>\$ 20,879,831</u>
Investment return:			
Investment income	-	660	660
Net appreciation (realized and unrealized)	_____ -	<u>3,894,113</u>	<u>3,894,113</u>
Total investment return	_____ -	<u>3,894,773</u>	<u>3,894,773</u>
Appropriation of endowment assets for expenditure	_____ -	<u>(1,039,652)</u>	<u>(1,039,652)</u>
Endowment net assets, end of year	\$ _____ -	<u>\$ 23,734,952</u>	<u>\$ 23,734,952</u>

The endowment excludes promises to give which are included in net assets with donor restrictions on the Statements of Financial Position.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to return as a fund of perpetual duration. As of December 31, 2020 and 2019, there were no deficiencies from endowment funds.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under the investment policy, the endowment assets are invested primarily in level one investments to assume a low level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 5% annually. Actual return in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a return strategy in which investment returns are achieved through current yield (interest and dividends) and capital appreciation.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Foundation uses a 5% payout rate. Accordingly, over the long-term, the Foundation expects the current spending policy to remain consistent. This is consistent with the Foundation's objective to preserve the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

16. Concentration of Revenue

For the year ended December 31, 2020, one donor contributed 10% of total support and revenue. For the year ended December 31, 2019, one donor contributed 16% of total support and revenue.

17. Allocation of Joint Costs

During 2020 and 2019, the Foundation incurred joint costs of \$5,386,079 and \$5,850,715, respectively, for information materials primarily related to direct mail, house file mailing and newsletters that included fundraising appeals. Pursuant to joint cost rules (see Note 1), these costs were allocated to the functional areas as follows for the years ended December 31:

	2020	2019
Program services	\$ 3,843,975	\$ 4,462,722
Fundraising	<u>1,542,104</u>	<u>1,387,993</u>
Total	<u>\$ 5,386,079</u>	<u>\$ 5,850,715</u>

18. Future Minimum Lease Payments

The Foundation entered into a lease agreement in December 2013 for headquarters office space in Reston, Virginia. The lease contained a tenant allowance and rent abatement. The lease commenced in 2014 and was amended on November 1, 2019 with a term of 118 months.

Minimum future rental payments under the operating lease as of December 31, 2020 in the aggregate are as follows:

2021	\$ 856,196
2022	879,778
2023	904,029
2024	928,800
2025	954,279
Thereafter	<u>3,905,143</u>
	 <u>\$ 8,428,225</u>

Rent expense for the years ended December 31, 2020 and 2019 totaled \$730,883 and \$545,313, respectively.

The Foundation maintains operating leases for a copier and a postage machine. The leases expire in June 2021. Additionally, the Foundation also has an operating lease for a copier at the Reagan Ranch. The lease expires in February 2023.

Future minimum lease payments under the operating leases as of December 31, 2020 are as follows:

2021	\$ 19,193
2022	10,622
2023	<u>885</u>
	 <u>\$ 30,700</u>

19. Pension Plan

The Foundation offers a tax-sheltered 403(b) annuity plan to its employees. All full-time employees are eligible for participation on the first of the month following the date of employment. No contributions were made by the Foundation to the plan in either 2020 or 2019.

20. Deferred Compensation Plans

The Foundation has established a nonqualified deferred compensation plan (457(b) Plan) for members of management. Assets held in the 457(b) plan were \$492,726 and \$373,197 as of December 31, 2020 and 2019, respectively, and are included as investments on the Statements of Financial Position. A deferred compensation liability in the same respective amounts, representing employee contributions, is included in the accompanying Statements of Financial Position. The assets held for the plan are distributed upon termination of employment and until that time, remain subject to the claims of the Foundation's general creditors.

The Foundation also entered into a deferred compensation plan under section 457(f) of the Internal Revenue Code with its president. Assets held in the plan were \$860,131 and \$818,548 as of December 31, 2020 and 2019, respectively, and are included as investments on the Statements of Financial Position. A deferred compensation liability in the same respective amount, representing employer contributions, is included in the accompanying Statements of Financial Position. Employer contributions to the plan totaled \$0 for both 2020 and 2019.

21. Related Party Transactions

Four board members were engaged as conference speakers during 2020 and five during 2019 and received honoraria for their services. Amounts purchased or incurred with these related parties totaled approximately \$9,900 and \$52,995 for the years ended December 31, 2020 and 2019, respectively. There were no amounts owed to related parties as of December 31, 2020 and 2019. Board members are prohibited from participating in decisions for which they have an interest. Board members contributed approximately \$24,400 and \$38,800 for the years ended December 31, 2020 and 2019, respectively, to the Foundation.

22. Hotel Commitments

The Foundation typically signs contracts with hotels for future events a year or longer in advance of the event. It is also not unusual for a cancellation clause to be included in these hotel contracts. At December 31, 2020, the Foundation has eleven hotel contracts that include cancellation clauses. These cancellation clauses require the payment of a cancellation fee if the Foundation cancels the event up to approximately \$177,000.

23. Conveyance of Entity

In December 2020, the Foundation was conveyed the Ronald Reagan Home Preservation Foundation (RRHPF) in Dixon, Illinois, which included all assets and liabilities. The RRHPF's exempt purpose was to preserve and maintain President Ronald Reagan's boyhood home, as well as make it available for tours to the public. The Foundation paid off RRHPF's Small Business Administration loan of approximately \$100,000 concurrent with the conveyed assets and liabilities. The Foundation recorded the conveyance at the fair value of its assets and liabilities as follows:

Fair value of assets conveyed	\$ 527,382
Net cash transferred	(70,986)
Liabilities assumed	<u>(72,750)</u>
Contribution for conveyance of entity	\$ 383,646

24. Contingencies

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

The COVID-19 pandemic has disrupted the operations of our organization and there is significant uncertainty in the nature and degree of its continued effects on our organization over time. The extent to which it will impact our business going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on our donors, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions. The financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.