

THE RICHARD NIXON FOUNDATION

FINANCIAL STATEMENTS

December 31, 2019
(with Summarized Comparative Totals for 2018)

Notes to the Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of The Richard Nixon Foundation

We have audited the accompanying financial statements of The Richard Nixon Foundation (a Delaware nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 The Richard Nixon Foundation as of December 31, 2019, and the change in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, during the year ended December 31, 2019, The Richard Nixon Foundation adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Customers (Topic 606)*, ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of The Richard Nixon Foundation as of December 31, 2018, were audited by other auditors whose report dated June 30, 2019, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the 2018 audited financial statements from which it has been derived.

Winder, Inc.

Irvine, California
September 24, 2020

THE RICHARD NIXON FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,083,642	\$ 1,943,211
Restricted cash	600,000	600,000
Certificates of deposit	404,738	1,184,459
Pledges and other receivables, net of allowance of \$42,500 and \$10,000, respectively	303,048	951,484
Grant receivable	-	632,817
Inventories, net	152,099	245,200
Other current assets	131,040	333,158
Property and equipment, net	12,399,941	12,293,060
Intangible assets, net	683,300	1,005,733
Investments	<u>43,821,532</u>	<u>38,572,118</u>
TOTAL ASSETS	<u><u>\$ 59,579,340</u></u>	<u><u>\$ 57,761,240</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,527,157	\$ 1,548,789
Grant payable	69,960	102,960
Loan payable	<u>7,361,960</u>	<u>7,531,460</u>
	<u>8,959,077</u>	<u>9,183,209</u>

COMMITMENTS (NOTE 9)

NET ASSETS

Without donor restrictions	7,200,325	7,811,349
With donor restrictions		
Purpose restrictions	29,918,858	27,265,602
Perpetual in nature	<u>13,501,080</u>	<u>13,501,080</u>
Total net assets	<u>50,620,263</u>	<u>48,578,031</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 59,579,340</u></u>	<u><u>\$ 57,761,240</u></u>
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The accompanying notes are an integral part of these financial statements.

THE RICHARD NIXON FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT					
Contributions	\$ 76,503	\$ 766,422	\$ 842,925	\$ 2,560,834	
Admission fees	499,880	-	499,880	411,146	
Membership dues	522,772	-	522,772	433,141	
Investment income (loss), net	269,683	6,942,174	7,211,857	(3,351,318)	
Special events, net of direct costs of \$1,143,118	(106,375)	-	(106,375)	(386,887)	
Other income	7,139	-	7,139	5,758	
Loss on restricted grant	-	(632,817)	(632,817)	-	
Auxiliary services:					
Facilities rental, net	1,628,567	-	1,628,567	1,412,059	
Gift shop sales, net	164,761	-	164,761	163,701	
Net assets released from restrictions	<u>4,422,523</u>	<u>(4,422,523)</u>	<u>-</u>	<u>-</u>	
 Total revenue and support	 <u>7,485,453</u>	 <u>2,653,256</u>	 <u>10,138,709</u>	 <u>1,248,434</u>	
EXPENSES					
Program services	6,746,069	-	6,746,069	6,169,293	
General and administrative	573,304	-	573,304	611,162	
Fundraising	<u>777,104</u>	<u>-</u>	<u>777,104</u>	<u>582,393</u>	
 Total expenses	 <u>8,096,477</u>	 <u>-</u>	 <u>8,096,477</u>	 <u>7,362,848</u>	
 CHANGE IN NET ASSETS	 (611,024)	 2,653,256	 2,042,232	 (6,114,414)	
 NET ASSETS, BEGINNING OF YEAR	 <u>7,811,349</u>	 <u>40,766,682</u>	 <u>48,578,031</u>	 <u>54,692,445</u>	
 NET ASSETS, END OF YEAR	 <u>\$ 7,200,325</u>	 <u>\$ 43,419,938</u>	 <u>\$ 50,620,263</u>	 <u>\$ 48,578,031</u>	

The accompanying notes are an integral part of these financial statements.

THE RICHARD NIXON FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	Program Services	Supporting Activities		Totals	
		General and Administrative	Fundraising	2019	2018
Salaries and wages	\$ 2,623,919	\$ 35,913	\$ 474,859	\$ 3,134,691	\$ 3,202,412
Employee benefits	311,611	10,981	42,418	365,010	309,511
Total payroll expenses	2,935,530	46,894	517,277	3,499,701	3,511,923
Travel, entertainment, and lodging	55,569	1,776	7,270	64,615	64,374
Equipment maintenance	494,224	4,026	4,332	502,582	426,873
Supplies and materials	96,984	1,685	35,556	134,225	143,689
Contractual services, insurance, and other expenses	1,388,027	95,213	145,533	1,628,773	988,105
Grant contributions	34,500	-	-	34,500	142,140
Bad debt expense	128,113	-	-	128,113	10,000
Interest expense	-	348,138	-	348,138	390,834
Depreciation and amortization	1,613,122	75,572	67,136	1,755,830	1,684,910
Total expenses	<u>\$ 6,746,069</u>	<u>\$ 573,304</u>	<u>\$ 777,104</u>	<u>\$ 8,096,477</u>	<u>\$ 7,362,848</u>

The accompanying notes are an integral part of these financial statements.

THE RICHARD NIXON FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,042,232	\$ (6,114,414)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	1,407,036	1,337,453
Amortization	348,793	347,457
Bad debt expense	128,113	10,000
Loss on disposition of property and equipment	51,261	-
Loss on grant receivable	632,817	-
Net realized and unrealized loss (gain) on investments	(6,154,354)	4,296,683
Provision for inventory write down	48,204	(17,267)
Changes in operating assets and liabilities:		
Pledges receivable, net	520,323	622,667
Grant receivable	-	(632,817)
Inventories, net	44,897	(50,683)
Other current assets	202,118	(171,290)
Accounts payable and accrued liabilities	(83,829)	54,361
Grant payable	(33,000)	102,960
Net Cash Used In Operating Activities	<u>(845,389)</u>	<u>(214,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,502,981)	(197,388)
Purchases of intangible assets, net	(26,360)	(52,410)
Purchases of investments	(22,500,103)	(7,697,039)
Proceeds from sales of investments	23,405,043	8,652,610
Net change in certificates of deposits	779,721	373,660
Net Cash Provided By Investing Activities	<u>155,320</u>	<u>1,079,433</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on loans payable	(169,500)	(93,540)
Net Cash Used In Financing Activities	<u>(169,500)</u>	<u>(93,540)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(859,569)	771,003
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>2,543,211</u>	<u>1,772,208</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 1,683,642</u>	<u>\$ 2,543,211</u>
NONCASH INVESTING		
Property and equipment acquired with accrued expenses	<u>\$ 62,197</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 348,376</u>	<u>\$ 390,834</u>

The accompanying notes are an integral part of these financial statements.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies

Foundation and Nature of Activities

The Richard Nixon Foundation, a not-for-profit corporation, (the “Foundation”) was formed as a Delaware corporation in January 1983.

The purpose of the Foundation is to conduct events, programs, and exhibits intended to enhance the public's understanding of the life and legacy of President Richard Nixon. On July 11, 2007, the Foundation entered into a joint operating agreement with the National Archives to incorporate the Nixon Library into the Federal System of Presidential Libraries. The Foundation ceded operational control of the museum and certain other portions of the Library campus to the Federal Government in perpetuity, but the Foundation retains ownership of the entire facility and operational authority over a substantial portion of the campus.

Recently Adopted Accounting Standards

In 2019, the Foundation adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The amendment requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Foundation adopted the new standard in the financial statements for the year ended December 31, 2019, and applied the new standard retrospectively. As a result of the retrospective adoption, in the Company's statement of cash flows for the year ended December 31, 2018, the Company included \$600,000 of restricted cash in the ending balances of cash, cash equivalents, and restricted cash.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

- *Net assets without donor restrictions* – Net assets without donor restrictions are net assets that are available for use at the discretion of the Board of Directors and/or management for general operating purposes.
- *Net assets with donor restrictions* – Net assets with donor restrictions are net assets resulting from contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to the restrictions. When a donor-specified restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed restrictions or a Board-approved policy.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are contributions, allowance for doubtful accounts, depreciation, and the allocation of functional expenses.

Prior-Period Comparative Information

The financial statements include certain prior-period summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain prior-period reported amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources with an original maturity of three months or less when purchased. Restricted cash is comprised of a deposit required as part of the loan payable. (See Note 8.)

From time to time, cash balances may exceed federally insured limits. The Foundation has not experienced any previous losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Certificate of Deposit

The Foundation holds a certificate of deposit with an original maturity of more than one year, with these instruments being reported in the accompanying statement of financial position at fair value. The certificate of deposit is considered to be a level 2 investment in the fair value hierarchy.

Pledges Receivable

Unconditional promises to give (pledges) are recorded as receivables and contributions, distinguishing between contributions received for each net asset class in accordance with donor-imposed restrictions. Conditional pledges are recorded when such conditions have been satisfied. The Foundation has an allowance for doubtful accounts for pledges receivable of \$42,500 and \$10,000 as of December 31, 2019 and 2018, respectively. Receivables expected to be collected in more than 12 months are recorded at the net present value of the estimated future cash flows, when such discount is determined to be material. The Foundation uses an interest rate of 5.5% to compute the discount on multi-year pledges.

Grant Receivable

Grant receivable represents amounts awarded to the Foundation from The Rose Hills Foundation to be used specifically towards the development, construction, and implementation of The Executive Cabinet Room Module and Experience. Grant receivables are stated at the amount management expects to collect from outstanding balances. The outstanding balance on the grant receivable as of December 31, 2018 was \$666,667. During 2019, \$632,817 of the grant was cancelled and the Foundation wrote off the balance as a loss on grant receivable.

Inventories, net

Inventories are carried at the lower of cost (determined on average cost basis) or net realizable value. Inventories consist of merchandise acquired for resale in the Foundation's museum store.

The Foundation records an inventory reserve for inventory of bound and paperback books and other miscellaneous merchandise based on estimated sales of these items for the upcoming year. The reserve amounts for the years ending December 31, 2019 and 2018 amounted to \$367,457 and \$319,253, respectively.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost, if purchased, or at fair value at the date of the gift, if donated and material. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such restrictions, contributions of property and equipment are recorded as increases to net assets without donor restrictions.

Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Repairs, maintenance and minor acquisitions are expensed as incurred, and the Foundation uses the direct expensing method to account for planned major maintenance activities.

Long-Lived Assets

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No such impairment losses have been recognized during the year ended December 31, 2019.

Intangible Assets

Intangible assets included on the Statements of Financial Position include films and videos developed for the Museum Exhibits, a Multi-Lingual App for self-guided tours of the Museum Exhibits, and registered trademarks. Intangible assets that have a finite useful life are amortized over their useful life of five years. Intangible assets subject to amortization are reviewed for potential impairment whenever events or circumstances indicate carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. As of December 31, 2019, the Foundation does not believe these intangible assets to be impaired.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable market values and all investments in debt securities are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by donor restrictions or by law.

Investments in marketable securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes could materially affect the amounts reported in the statements of financial position.

Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Section 23701(d) of the California Tax Code. Consequently, the accompanying financial statements do not reflect any provision for income taxes. Contributions to the Foundation are deductible for tax purposes under Section 170(c)(2) of the IRC. The Foundation is not a private foundation. The museum store, however, has certain revenue which is unrelated to the Nixon Foundation’s exempt purpose that are subject to the unrelated business income tax provisions of IRC Section 512. The Foundation has no unrelated business income tax for the years ended December 31, 2019 and 2018.

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will, more likely than not, be sustained upon examination. As of December 31, 2019, management does not believe the Foundation has any uncertain tax positions requiring accrual or disclosure. The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements and Disclosures

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market-participant assumptions in fair market value measurements, GAAP establishes a fair value hierarchy that distinguishes between market-participant assumptions. This is based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market-participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 Inputs utilize quoted prices in active markets for identical assets or liabilities that are able to be accessed.

Level 2 Inputs utilize data other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly, and may include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs and data that are derived from, or corroborated by, observable market data at commonly quoted intervals or by other means.

Level 3 Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements and Disclosures (Continued)

Fair value measurements within the fair value hierarchy are based on the lowest level of any input that is significant to the measurement of a particular asset or liability. Valuations will maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation of alternative investments is based on the Foundation's estimated capital account as determined by the asset custodians. The asset custodian's determination of fair value uses quoted prices for any assets traded on a recognized securities exchange, and all other assets are valued based upon the best available information and other market factors which may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same of similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. The capital account is also adjusted for cumulative contributions and distributions. Due to the nature of these investments, changes in market conditions and the economic environment may significantly impact the value of the funds and, consequently, the fair value of the Foundation's interest in the funds.

Contributions

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenue when the pledge or contribution is received. The Foundation reports unconditional contributions as restricted support if they are received with donor restrictions that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. There were no conditional promises at December 31, 2019.

Revenue and Revenue Recognition

In accordance with Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the Foundation recognizes revenue when control of the promised goods or services is transferred in an amount that reflects the consideration the Foundation expects to be entitled in exchange for those goods and services. The Foundation has multiple revenue sources that are accounted for as exchange transactions, including admissions, membership fees, facilities fees, and other revenue.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

The Foundation recognizes revenue from ticket sales at the time of admission. Revenue from special events is recognized when the activities are held.

Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Foundation recognizes the exchange portion of membership dues and the contribution portion immediately as memberships typically last for a term of one year.

Revenue from facility rentals is recognized as performance obligations are satisfied.

The Foundation receives revenue for certain auxiliary services, such as the renting of its facilities and gift shop sales. Revenue for such auxiliary services is shown net of expenses incurred in the performance of such services in the statement of activities as follows:

	<u>Facility Rentals</u>	<u>Gift Shop</u>
Revenue	\$ 2,102,893	\$ 526,048
Expenses	<u>(474,325)</u>	<u>(361,286)</u>
Net income	<u>\$ 1,628,568</u>	<u>\$ 164,762</u>

Donated Services and Assets

Donated services and assets provided to the Foundation are reflected as contributions and expenses of services in-kind in the accompanying statement of activities. Total contributed services during the years ended December 31, 2019 and 2018 amounted to \$3,655 and \$15,357, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense, which includes promotion of library programs, is reported as fundraising expense and program services expense. Advertising costs for the years ended December 31, 2019 and 2018, amounted to \$233,960 and \$220,082, respectively.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated on a consistent basis among the program services and supporting services benefited. Significant expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll expenses	Time and effort
Contractual services	Time and effort
Depreciation expense	Square footage

National Archives and Records Administration

In July 2007, the Foundation finalized the Occupancy Agreement (the “Agreement”) with the National Archives and Records Administration (NARA) to display Presidential materials generated during President Nixon’s tenure in office. Pursuant to the Agreement, the Foundation granted to NARA exclusive rights and access to the use of certain physical properties and equipment of the Foundation. Accordingly, the Foundation donated to the United States, the rights, title and any interest it may have in certain exhibits located in the museum exhibition galleries of the Library. It was also agreed upon that NARA provide security for the entire site and that NARA and the Foundation jointly share in maintenance and utility costs equal to the percentage of the overall square footage of the building that they occupy. In addition, the admission revenue is shared between NARA and the Foundation.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

NOTE 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date December 31, 2019, comprise the following:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,083,642
Restricted cash	600,000
Certificates of deposit	404,738
Pledges and other receivables, net	303,048
Investments	<u>43,821,532</u>
	46,212,960
Less those unavailable for general expenditures within one year:	
Restricted cash	(600,000)
Donor-restricted funds	(28,434,849)
Endowment funds	<u>(13,501,080)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,677,031</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has an unused committed line of credit with a capacity of \$2,000,000, which it could draw upon. Furthermore, subsequent to year-end, the Foundation received a loan in the amount of \$600,000 through the Paycheck Protection Program. (See Subsequent Events Note 13.)

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NOTE 3 – Pledges Receivable, net

Pledges receivable are expected to be collected as follows:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Amounts due in:		
One year	\$ 304,000	\$ 950,000
Two to 5 years	65,000	84,207
More than 5 years	<u>2,500</u>	<u>7,500</u>
	<u>371,500</u>	<u>1,041,707</u>
 Present value discount	 (25,952)	 (80,223)
Allowance for doubtful accounts	<u>(42,500)</u>	<u>(10,000)</u>
	<u>(68,452)</u>	<u>(90,223)</u>
 Pledge receivable, net	 <u>\$ 303,048</u>	 <u>\$ 951,484</u>

NOTE 4 – Investments

The following schedule summarizes investments, which are carried at fair value:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income & Equity				
Mutual Funds	\$ 35,096,840	\$ 37,569,040	\$ 34,032,872	\$ 32,638,123
Stocks	3,310,032	3,237,870	2,941,750	2,389,230
Non-U.S. Securities	48,141	53,538	-	-
Alternatives	<u>2,961,182</u>	<u>2,961,084</u>	<u>3,568,323</u>	<u>3,544,765</u>
	<u>\$ 41,416,195</u>	<u>\$ 43,821,532</u>	<u>\$ 40,542,945</u>	<u>\$ 38,572,118</u>

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NOTE 4 – Investments (Continued)

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2019 and 2018:

	Fair Value Measurements			Total	
	Level 1	Level 2	Level 3	2019	2018
Fixed Income & Equity					
Mutual Funds	\$37,569,040	\$ -	\$ -	\$37,569,040	\$ 32,638,123
Stocks	3,237,870	-	-	3,237,870	2,389,230
Non-U.S. Securities	53,538	-	-	53,538	-
Alternatives	-	-	2,961,084	2,961,084	3,544,765
	<u>\$40,860,448</u>	<u>\$ -</u>	<u>\$ 2,961,084</u>	<u>\$43,821,532</u>	<u>\$ 38,572,118</u>

Investment gains and losses consisted of the following for the year ended December 31, 2019:

	2019
Dividends and interest	\$ 1,157,406
Unrealized gains on investments	4,556,243
Realized gains on sales of investments	1,598,240
Investment fees	<u>(100,032)</u>
Net investment gain	<u>\$ 7,211,857</u>

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2019:

	2019
Balance as of December 31, 2018	\$ 3,544,765
Change in value, net	266,317
Purchases and sales, net	<u>(850,000)</u>
Balance as of December 31, 2019	<u>\$ 2,961,082</u>

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NOTE 5 – Property and Equipment, net

Property and equipment consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,993,000	\$ 1,993,000
Buildings and improvements	33,110,057	33,057,335
Displays and fixtures	3,002,928	2,733,948
Equipment	652,566	725,686
Construction in progress	<u>1,200,778</u>	<u>42,490</u>
	39,959,329	38,552,459
Less accumulated depreciation	<u>(27,559,388)</u>	<u>(26,259,399)</u>
Total property and equipment, net	<u>\$12,399,941</u>	<u>\$12,293,060</u>

Total depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$1,407,036 and \$1,337,453, respectively.

Construction in progress is comprised of several projects including classroom and film projects, campus expansion, and renovation of the East Room. The total costs of the projects are expected to be approximately \$2,400,000. The projects are expected to be placed in service through 2024.

NOTE 6 – Intangible Assets, net

Intangible assets consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Film	\$ 1,636,015	\$ 1,630,007
Internally developed software	110,455	108,878
Trademark	54,148	47,898
Publication	<u>12,525</u>	<u>-</u>
	1,813,143	1,786,783
Less accumulated amortization	<u>(1,129,843)</u>	<u>(781,050)</u>
Total intangible assets, net	<u>\$ 683,300</u>	<u>\$ 1,005,733</u>

Total amortization expense for the years ended December 31, 2019 and 2018 amounted to \$384,793 and \$347,457, respectively.

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NOTE 7 – Line of Credit

In May 2018, the Foundation entered into a variable rate revolving line of credit agreement with Pacific Mercantile Bank allowing for maximum borrowings of \$2,000,000. The specific purpose of the line of credit is to provide working capital to the Foundation as determined necessary by management. The line of credit bears an interest rate at the WSJ Prime Rate plus 1 % (5.75% at December 31, 2019). Subsequent to year-end, the maturity date was extended May 10, 2022. Collateral on this line of credit includes, but is not limited to, the Foundation's inventory, fixed assets, general intangibles, and all cash and endowment accounts, including the Rebozo Trust. The line of credit is subject to certain restrictive covenants. As of December 31, 2019, the Foundation was in compliance with these covenants or has received an extension. There was no outstanding balance on this line of credit as of December 31, 2019.

NOTE 8 – Loan Payable

In May 2018, the Foundation entered into a variable rate term loan with Pacific Mercantile Bank (Bank) in the amount of \$7,625,000. The terms of the loan are a 15-year mortgage with a rate reset after the first five years, requires payments of principal and interest at 4.61 % per annum for the first 60 months, at which point the interest rate becomes equal to the United States Treasury 5-Year Constant Maturity, plus a margin of 2.9%. The loan requires the Foundation to place a \$600,000 deposit in a savings account held by Pacific Mercantile Bank, of which \$100,000 will be periodically released to the Foundation as the outstanding principal loan balance decreases to certain levels. The loan is secured by a deed of trust on The Richard Nixon Presidential Library & Museum property.

The loan is subject to certain restrictive covenants. As of December 31, 2019, the Foundation is in compliance with these covenants or has received an extension.

Interest expense on all Bank debt amounted to \$348,138 and \$390,834 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, the outstanding balance on this loan was \$7,361,960.

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NOTE 8 – Loan Payable (Continued)

The maturities of the term loan for each year ending after December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 176,811
2021	186,228
2022	195,121
2023	189,825
2024	189,196
Thereafter	<u>6,424,779</u>
	<u>\$ 7,361,960</u>

NOTE 9 – Commitments

The Foundation leases equipment in California under various noncancelable operating leases. Minimum lease commitments at December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 5,697
2021	5,697
2022	4,538
2023	2,220
2024	<u>740</u>
	<u>\$ 18,892</u>

Lease expense for the years ending December 31, 2019 and 2018 amounted to \$5,364 and \$3,803, respectively.

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NOTE 10 – Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Net Assets with Donor Restrictions		
Subject to expenditure and specified purpose		
Centennial campaign	\$ 897,156	\$ 1,723,176
Cabinet room experience	312,407	945,224
East Room West	<u>500,000</u>	<u>-</u>
	<u>1,709,563</u>	<u>2,668,400</u>
Endowment net assets subject to spending policy		
Rebozo trust	<u>28,209,295</u>	<u>24,597,202</u>
	<u>28,209,295</u>	<u>24,597,202</u>
Endowment net assets restricted in perpetuity		
General endowment	13,015,143	13,015,143
Rebozo Trust Endowment	<u>485,937</u>	<u>485,937</u>
	<u>13,501,080</u>	<u>13,501,080</u>
Total net assets with donor restrictions	<u>\$ 43,419,938</u>	<u>\$ 40,766,682</u>

NOTE 11 – Endowment Funds

The Foundation's endowment consists of funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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NOTE 11 – Endowment Funds (Continued)

The Board of Directors of the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor restrictions to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of the subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

General Endowment

Investment and Spending Policies - The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its general endowment assets, while seeking to maintain the purchasing power of these endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and mutual funds, that is intended to result in a consistent rate of return that has sufficient liquidity to make an annual distribution of all investment earnings on those endowment assets.

The Foundation has a target for appropriations for distribution each year of all of the investment earnings of those general endowment assets. In establishing this practice, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effect of inflation.

Rebozo Endowment

In May 1998, the Foundation was named as a principal beneficiary of the Charles G. Rebozo Revocable Trust (Rebozo Trust). All funds bequeathed to the Foundation from the Rebozo Trust have been placed in a designated endowment fund. Beginning in 2003 and continuing over a five-year period, 4% of the fund balance at the end of each year was authorized for release during the following year for operating expenses.

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NOTE 11 – Endowment Funds (Continued)

Every three years, the Designated Individuals of the Rebozo Trust (the “Designated Individuals”) can vote unanimously to decide on whether to adjust the future distribution percentage but, in no event, can the Designated Individuals modify the percentage to a figure that is less than the greater of the modified percentage for such a period, or 3.0%. If for any reason there is a failure to fix a modified percentage, the percentage shall be 3.0%. For each of the years ended December 31, 2019 and 2018, the distribution percentage was 4%.

Endowment net assets consist of the following at December 31, 2019:

	<u>Specified Purpose (General)</u>	<u>Specified Purpose (Rebozo)</u>	<u>In Perpetuity (General and Rebozo)</u>	<u>Total Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 24,597,202	\$ 13,501,080	\$ 38,098,282
Investment return, net	2,221,838	4,715,336	-	6,937,174
Appropriations	<u>(2,221,838)</u>	<u>(1,103,243)</u>	<u>-</u>	<u>(3,325,081)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 28,209,295</u>	<u>\$ 13,501,080</u>	<u>\$ 41,710,375</u>

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NOTE 12 – Retirement Plan

The Foundation has a qualified safe harbor 401(k) and profit-sharing plan in which all employees with 250 hours of service within the first three months of employment and a minimum age of 21 years, are eligible to participate in the Plan.

The Foundation's matching contribution is 100% of the participant's contribution, subject to federal limits for contributions, which is deferred as a pre-tax salary elective deferral unless the after-tax Roth deferral option is selected. Matching contributions are determined each payroll period.

For the years ended December 31, 2019 and 2018, the Foundation's provision for the 401(k) plan totaled \$229,668 and \$193,521, respectively.

NOTE 13 – Subsequent Events

The Foundation evaluated all events and transactions through September 24, 2020, the date the financial statements were available to be issued. With the exception of the following, management believes that no event occurred subsequent to December 31, 2019 that is required to be disclosed in the financial statements.

Business Risks Associated with the Impact of COVID-19

The Foundation's operations may be affected by the recent and ongoing outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, possible effects may include, but are not limited to, disruption of the Foundation's fundraising efforts, which could have an impact on the Foundation's financial position and operating results. There is significant uncertainty as to the severity and longevity of the outbreak and management is in the process of evaluating the impact on the business and its financial statements.

On March 14, 2020, the Richard Nixon Library closed to the public following orders issued by the National Archivist's Office due to the novel coronavirus health crisis. On March 20, 2020, the State of California issued orders for a shutdown of all non-essential businesses to further protect businesses, employees, and California residents. Museum admissions, public events and private events were cancelled beginning March 14, 2020 and remain suspended until further notice from county, state, and federal authorities.

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NOTE 13 – Subsequent Events (Continued)

Business Risks Associated with the Impact of COVID-19 (Continued)

On April 15, 2020, The Richard Nixon Foundation received loan proceeds of \$600,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan, which was in the form of a note dated April 14, 2020 issued by the borrower, matures on April 14, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing on October 14, 2020. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

