YOUNG AMERICA'S FOUNDATION

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

To the Board of Directors
Young America's Foundation
Arlington, Virginia

Opinion

We have audited the accompanying financial statements of **Young America's Foundation** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2023, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Young America's Foundation** as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Young America's Foundation** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As described in Note 22 to the financial statements, **Young America's Foundation** determined that certain fixed assets were depreciated incorrectly. An adjustment was made to beginning net asset as of January 1, 2023 to reflect this correction. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Young America's Foundation**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectives of **Young America's Foundation**'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Young America's Foundation**'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Aprio, LLP

Rockville, Maryland
May 30, 2024

Young America's Foundation

Statement of Financial Position

December 31, 2023

Assets		
Current assets		
Cash and cash equivalents	$	**5,609,305**
Investments and deferred compensation		**52,849,370**
Accounts receivable		**1,108,778**
Bequests receiveable, current portion		**3,562,716**
Promises to give, current portion		**900,073**
Prepaid expenses		**682,103**
Total current assets		**64,712,345**
Cash held for long term purposes		**100,000**
Certificates of deposit, restricted		**68,521**
Bequests receivable, less current portion and discount		**1,845,591**
Promises to give, less current portion and discount		**1,236,104**
Property, buildings and equipment, net		**27,924,685**
Collections		**2,286,977**
Right of use assets - operating leases		**4,579,867**
Other assets		**1,859,813**
Total assets	**$**	**104,613,903**

The accompanying Notes to Financial Statements are an integral part of these financial statements.

December 31, 2023

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	$	**2,333,054**
Annuities payable, current portion		**102,837**
Contract liabilities		**27,330**
Lease liabilities - operating leases, current portion		**976,247**
Total current liabilities		**3,439,468**
Annuities payable, less current portion		**798,026**
Lease liabilities - operating leases, net of current portion		**4,883,102**
Deferred compensation plans		**415,588**
Total liabilities		**9,536,184**
Net assets		
Without donor restrictions		**44,353,808**
With donor restrictions		**50,723,911**
Total net assets		**95,077,719**
Total liabilities and net assets	**$**	**104,613,903**

Young America's Foundation

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and other changes			
Contributions	$ 20,261,430	$ 7,609,761	$ 27,871,191
Bequests	2,771,755	1,299,049	4,070,804
In-kind donations	49,232	-	49,232
Conference income	282,199	-	282,199
Speaker income	227,696	-	227,696
List rental income	44,381	-	44,381
Publication sales	30,379	-	30,379
Change in value of split interest agreements	-	296,990	296,990
Rental Income	69,376	-	69,376
Investment income, net	3,118,703	4,313,060	7,431,763
Other income	26,165	-	26,165
Net assets released from restrictions	9,559,007	(9,559,007)	-
Total support and revenue	36,440,323	3,959,853	40,400,176

The accompanying Notes to Financial Statements are an integral part of these financial statements.

For the Year Ended December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Expenses			
Program services:			
Public information	4,512,452	-	4,512,452
Special projects	25,519,921	-	25,519,921
Total program services	30,032,373	-	30,032,373
Supporting services:			
Management and general	4,396,577	-	4,396,577
Fundraising	1,660,629	-	1,660,629
Total supporting services	6,057,206	-	6,057,206
Total expenses	36,089,579	-	36,089,579
Change in net assets	350,744	3,959,853	4,310,597
Net assets, beginning of year as previously stated	42,586,840	46,764,058	89,350,898
Restatement adjustment	1,416,224	-	1,416,224
Net assets, beginning of year,	44,003,064	46,764,058	90,767,122
Net assets, end of year	$ 44,353,808	$ 50,723,911	$ 95,077,719

Young America's Foundation

Statement of Functional Expenses

For the Year Ended December 31, 2023	Program Services			Supporting Services		
	Public information	Special projects	Total program expenses	Management and general	Fundraising	**Total**
Advertising and Marketing	$ -	$ 1,044,266	$ 1,044,266	$ 6,478	$ -	**$ 1,050,744**
Animal care	-	-	-	32,643	-	**32,643**
Bad debt expense	-	-	-	136,000	-	**136,000**
Bank Fees and charges	49,579	63,497	113,076	8,436	12,816	**134,328**
Books, subscriptions and references	7,512	431,168	438,680	52,623	275	**491,578**
Conferences, bequests and meetings	-	131,088	131,088	6,501	-	**137,589**
Depreciation and amortization expense	123,222	1,072,616	1,195,838	133,353	57,846	**1,387,037**
Equipment rental and maintenance	97,213	222,085	319,298	458,971	-	**778,269**
Equipment <$1000	-	910	910	14,331	-	**15,241**
Honoraria	12,288	1,569,961	1,582,249	-	-	**1,582,249**
Housing	-	1,645,766	1,645,766	53,103	-	**1,698,869**
Insurance	-	15,000	15,000	291,225	-	**306,225**
Landscaping and maintenance	-	-	-	211,171	-	**211,171**
List rental expense	187,910	-	187,910	-	35,220	**223,130**
Meals	-	3,054,402	3,054,402	102,977	-	**3,157,379**
Outsourcing and consulting	1,219,993	1,324,576	2,544,569	466,024	620,622	**3,631,215**
Payroll benefits fees	2,311	20,118	22,429	2,501	1,085	**26,015**
Payroll taxes	45,012	389,593	434,605	48,547	21,192	**504,344**
Personal property tax	-	-	-	68,220	-	**68,220**
Postage and shipping	822,528	152,456	974,984	149,149	300,823	**1,424,956**
Preservation expenses	-	-	-	147,196	-	**147,196**
Printing and copying	738,673	705,237	1,443,910	29,729	176,426	**1,650,065**
Professional development	3,500	-	3,500	10,163	-	**13,663**
Professional fees	-	140,473	140,473	185,299	-	**325,772**
Real estate	-	-	-	70,886	-	**70,886**
Rent and occupancy	68,454	775,753	844,207	326,088	32,135	**1,202,430**
Office repairs and maintenance	-	9,593	9,593	183,091	-	**192,684**
Salaries and benefits	789,538	6,924,758	7,714,296	864,461	361,763	**8,940,520**
Scholarships	-	187,150	187,150	-	-	**187,150**
Supplies	42,337	245,576	287,913	3,312	31,842	**323,067**
Taxes, other	-	-	-	575	-	**575**
License and registration fees	764	4,189	4,953	74,715	4,990	**84,658**
IT web services	293,901	3,162,134	3,456,035	166,005	-	**3,622,040**
Telephone and telecommunications	7,656	67,075	74,731	8,286	3,594	**86,611**
Travel	61	2,160,481	2,160,542	84,518	-	**2,245,060**
Total expenses	**$ 4,512,452**	**$ 25,519,921**	**$ 30,032,373**	**$ 4,396,577**	**$ 1,660,629**	**$ 36,089,579**

For the Year Ended December 31, 2023

Cash flows from operating activities		
Change in net assets	$	**4,310,597**
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization		**1,387,037**
Bad debt expense		**136,000**
Change in value of split interest agreements		**(296,990)**
Realized and unrealized loss on investments related to annuities		**69,242**
Realized and unrealized gain on investment		**(6,164,795)**
Change in present value discount on promises to give and bequests		**(483,949)**
Receipt of restricted contributions, endowment		**(1,396,195)**
Change in		
Accounts receivable		**(9,040)**
Bequests receiable, net		**473,141**
Promises to give, net		**(260,903)**
Prepaid expense		**(5,312)**
Right of use assets - operating lease		**473,504**
Other assets		**(257,847)**
Accounts payable and accrued expenses		**249,563**
Lease liabilities - operating lease		**(604,606)**
Deferred compensation plan		**148,922**
Net cash used in operating activities		**(2,231,631)**
Cash flows from investing activities		
Sales of investments		**17,295,704**
Purchases of investments		**(18,213,138)**
Purchases of certificate of deposit		**-**
Purchase of property, buildings and equipment		**(2,386,331)**
Purchases of collections		**(826)**
Net cash used in investing activities		**(3,304,591)**

The accompanying Notes to Financial Statements are an integral part of these financial statements.

For the Year Ended December 31, 2023		
Cash flows from financing activities		
Payments of annuities		**(102,837)**
Receipt of restricted contributions, endowment		**1,396,195**
Net cash provided by financing activities		**1,293,358**
Net change in cash, cash equivalents, and restricted cash		**(4,242,864)**
Cash, cash equivalents, and restricted cash, beginning of year		**9,952,169**
Cash, cash equivalents, and restricted cash, end of year	**$**	**5,709,305**
Supplemental disclosures		
Cash and cash equivalents and cash for long term purpose consisted of the following at end of year		
Cash and cash equivalents	**$**	**5,609,305**
Cash held for long term purposes		**100,000**
	$	**5,709,305**
Noncash transactions		
Donated securities	**$**	**283,642**

1. Organization and significant accounting policies

Organization: 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).

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.

Basis of presentation: The accompanying policies of the Foundation 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).

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.

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. The Foundation maintains cash balances at seven commercial banks, the balances can exceed the Federal Deposit Insurance Corporation (FDIC) insured deposit limit of $250,000 per financial institution. At December 31, 2023, the Foundation's cash balance held at the commercial banks exceeded the insured limit by approximately $4,315,000. 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.

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. Money market equity funds, domestic equity mutual funds, fixed income mutual funds and exchange traded funds are valued at the quoted market value of the net asset value (NAV) of shares held by the Foundation at year end. Equities are valued using the closing price reported in the active market in which individual securities are traded. Government securities are valued at the quoted market price or dealer quotes for similar instruments that are used to estimate the fair value.

Fair value measurement: The Foundation values its investments at fair value in accordance with a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2023.

Certificates of deposit: The certificates of deposit are valued at amortized cost and totaled $68,521 as of December 31, 2023.

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 face amount of accounts receivable is reduced by an allowance for credit losses, if needed. The allowance for credit losses estimates the allowance for lifetime expected credit losses. Estimates of expected credit losses are based on historical collection experience and other factors, including current market factors and forecasted economic conditions. Accounts receivable are determined to be past due on a contractual term of 30 days. There was no allowance for credit losses as of December 31, 2023.

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, 2023.

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, building 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. 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. Property, building and equipment additions and improvements acquired at a cost greater than $1,000 are capitalized. Construction in progress is not depreciated until completed and placed into service. 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.

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.

Leases: Right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are disclosed as right-of-use asset – operating lease and the related liabilities are included in lease liability – operating lease in the Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying Statements of Functional Expenses. Lease and non-lease components of lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. The Foundation determines if an arrangement is a lease at inception. All leases are recorded on the Statements of Financial Position except for leases with an initial term less than 12 months for which the Foundation made the short-term lease election.

Impairment of long-lived assets: Long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. Long-lived assets held for sale are to be stated at the lower of cost or fair market value less costs to sell. The Foundation has determined that no events occurred during the year ended December 31, 2023 that would give rise to impairment of its long-lived assets.

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 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 and Changes in Net Assets for the changes in the value and are included in change in value of split interest agreements (see Note 9).

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.

Revenue recognition: The Foundation recognizes revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Accordingly, the following revenue streams are within the scope of ASC 606:

Conference income - Conference income is recognized at a point in time on the date that the conference takes place.

Speaker income - Speaker income is recognized at a point in time on the date the speech takes place.

List rental income - List rental income is recognized at a point in time when a contract with a mailing house is fulfilled.

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

Contract assets and liabilities come from conference and speaker income and are included in accounts receivable and contract liabilities in the accompanying Statements of Financial Position. As of December 31, 2023 contract assets were $136,550 and contract liabilities were $27,330. These balances are the result of timing differences between when revenue is recognized and when the related payments are received. The opening balances of contract assets and contract liabilities as of January 1, 2023 were $109,950 and $27,330, respectively.

The following revenue streams are outside the scope of ASC 606:

Rental income – Rental income includes rent from short term rental properties and a townhouse for events. Revenue is recognized monthly as the revenue is earned or at the time of the events.

Contributions and bequests: Contributions and bequests are recognized when they are received, or unconditionally promised, or when conditions related to the contribution are satisfied. The Foundation reports such support as donor-restricted if it is subject to time or donor-imposed purpose restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions when a stipulated time restriction ends, purpose restriction is satisfied, or both.

In-kind donations: The Organization receives goods such as books, stamps and a cruise cabin rental from individuals.

Contributed goods are recognized when received at management's estimate of their fair value. Upon distribution, the goods are recorded as a decrease in either net assets with donor restrictions or net assets without donor restrictions, depending on the presence of any donor-imposed restrictions on their use.

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 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.

Expenses	Method of Allocation
Salaries and benefits	Time and effort
Depreciation	Department salaries
Rent and occupancy	Department salaries
Postage and shipping	Analysis of purpose
Printing	Analysis of purpose
Equipment rental and maintenance	Analysis of purpose
Outsourcing and 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 year ended December 31, 2023, advertising costs totaled $769,359.

Income taxes: The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation generated no unrelated business income during 2023. Management has concluded that the Foundation has maintained their exempt status.

Uncertainty in income taxes: The Foundation evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2023, there are no accruals for uncertain tax positions. If applicable, the Foundation records interest and penalties as a component of income tax expense. Tax years from 2020 through the current year remain open for examination by tax authorities.

Subsequent Events: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 30, 2024, the date the financial statements were available to be issued.

Recently adopted accounting standard: In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, or CECL, which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For most instruments, entities must apply the standard using a cumulative-effect adjustment to beginning net assets as of the beginning of the fiscal year of adoption.

The adoption of CECL as of January 1, 2023 did not have a material impact. A cumulative effect adjustment to beginning net assets was not required. Financial assets and liabilities held by the Foundation subject to the "expected credit loss" model prescribed by CECL include accounts receivable.

2. Liquidity and the availability of resources

Financial assets available for general expenditure within one year of the statements of financial position consist of the following at December 31, 2023:

Cash and cash equivalents	**$**	**5,609,305**
Investments and deferred compensation		**52,849,370**
Accounts receivable		**1,108,778**
Bequest receivable, net of discount		**5,408,307**
Promises to give, net of discount		**2,136,177**
Total financial assets		**67,111,937**
Less amounts not available to be used within one year:		
Donor restricted net assets		**(50,723,911)**
Financial assets available to meet general expenditures over the next twelve months	**$**	**16,388,026**

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 4). The Foundation keeps average days cash on hand of 60 days at December 31, 2023.

3. Investments

Investments consisted of the following as of December 31, 2023:

Money market funds	$	**1,323,390**
Domestic equity mutual funds		**31,458,124**
Equities		**9,260,031**
Fixed income mutual funds		**5,176,666**
Government securities		**5,439,098**
Exchange traded funds		**192,061**
Total investments	**$**	**52,849,370**

Investment income consisted of the following for the year ended December 31, 2023:

Investment income:		
Interest and dividends	$	**1,220,285**
Investment fees		**(106,482)**
Realized and unrealized gains		**6,164,795**
Gross investment income		**7,278,598**
Plus: investment income included in change in value of annuities		**153,165**
Total investment income, net	**$**	**7,431,763**

4. Fair value

Certain assets were recorded at fair value on a recurring basis as of December 31, 2023 based on the following level of hierarchy:

		Fair Value Measurements		
December 31, 2023	**Total**	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market mutual funds	**$ 1,323,390**	**$ 1,323,390**	**$ -**	**$ -**
Domestic equity mutual funds	**31,458,124**	**31,458,124**	**-**	**-**
Equities	**9,260,031**	**9,260,031**	**-**	**-**
Fixed income mutual funds	**5,176,666**	**5,176,666**	**-**	**-**
Government securities	**5,439,098**	**-**	**5,439,098**	**-**
Exchange traded funds	**192,061**	**192,061**	**-**	**-**
Total investments	**$ 52,849,370**	**$ 47,410,272**	**$ 5,439,098**	**$ -**

Beneficial interest in remainder trust	**$ 422,817**	**$ -**	**$ -**	**$ 422,817**
Beneficial interest in perpetual trust	**$ 1,103,534**	**$ -**	**$ -**	**$ 1,103,534**

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.

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 during the year ended December 31, 2023.

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, 2023:

Beginning balance	$ **329,652**
Unrealized gain on trusts	**93,165**
Beneficial interest in remainder trust	**$ 422,817**

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.

The following is a reconciliation of the beginning to ending balance of the beneficial interests in perpetual trusts measured at fair value using significant unobservable inputs (level 3) during the periods ended December 31, 2023:

Beginning balance	$ **966,169**
Unrealized gain on trusts	**137,365**
Beneficial interest in perpetual trust	**$ 1,103,534**

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.

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, 2023:

	Fair value	**Valuation techniques**	**Unobservable input**	**Range of significant input values**
Beneficial interest in remainder trust	**$ 422,817**	Income approach/ Present value of future cash flows	Discount rate/ Life expectancy	7% - 7.5% IRS Actuarial Table Pub. 1458
Beneficial interest in perpetual trust	**$ 1,103,534**	Income approach/ Discounted cash flow analysis of assets contributed to the trust	Beneficial interest based on assets contributed to the trust	N/A

5. Bequests receivable

Bequests receivable are comprised of the following at December 31, 2023:

Bequests expected in:		
Less than one year	$	**3,562,716**
One to five years		**620,000**
More than five years		**3,000,000**
Total bequest receivable		**7,182,716**
Less: discount		**(1,774,409)**
Total bequests receivable, net	**$**	**5,408,307**

Bequests receivable are discounted to their present value using a risk-free rate of return rates between 5.00% and 6.73%.

As of December 31, 2023, three donors had bequest receivable balances outstanding which represented 74% of total bequest receivables.

6. Promises to give

Promises to give are comprised of the following at December 31, 2023:

Promises to give expected in:		
Less than one year	$	**900,073**
One to five years		**1,172,881**
More than five years		**359,449**
Total promises to give		**2,432,403**
Less: discount		**(296,226)**
Total promises to give, net	**$**	**2,136,177**

Unconditional promises to give are discounted to their present value using a risk-free rate of return rates between 2.36% and 5.99%.

As of December 31, 2023, four donors had pledge balances outstanding which represented 76% of total promises to give.

7. Property, buildings and equipment

Property, buildings and equipment is as follows at December 31, 2023:

Land and improvements	$	**12,435,322**
Buildings and improvements		**25,715,233**
Furniture and equipment		**6,229,703**
Vehicles		**350,000**
Construction in progress		**2,265,063**
Total property, buildings and equipment		**46,995,321**
Less: Accumulated depreciation		**(19,070,636)**
Property, buildings and equipment, net	**$**	**27,924,685**

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.

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

In 2020, the Foundation was conveyed the 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 $1,387,037 for the year ended December 31, 2023 and is included in depreciation and amortization in the accompanying Statements of Functional Expenses.

8. 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.

9. Charitable gift annuity liability

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, 2023 totaled $702,400 and is included in other assets in the accompanying Statements of Financial Position. Total assets separately maintained as cash and investments relating to charitable gift annuities totaled $1,541,518 as of December 31, 2023.

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 year ended December 31, 2023, contributions related to gift annuities were $60,000. Gift annuity liabilities terminated as a result of annuitant deaths during 2023 were $58,377. 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, 2023:

Investment income	$	**47,390**
Realized and unrealized gain		**138,388**
Investment fees		**(11,115)**
Payout of death		**(58,377)**
Actuarial adjustment		**43,339**
Change in value of investments segregated for annuities	**$**	**159,625**

10. Leases

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.

The Foundation maintains various leases for equipment and vehicles. The leases expire on various dates ending in 2024 through 2028.

The ROU assets represent the Foundation's right to use underlying assets for the lease term, and the lease liabilities represent the Foundation's obligation to make lease payments arising from these leases. The ROU asset and lease liability from the operating leases were calculated based on the present value of future lease payments over the lease term. The Foundation has made an accounting policy election to use a risk-free rate, in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liability as of December 31, 2023, was 3.42%. The weighted average remaining lease term is 3.23 as of December 31, 2023.

Total operating lease cost was $936,961 for the year ended December 31, 2023. Total cash flows from operating leases were $1,033,373 for the year ended December 31, 2023.

The following is a schedule by years of future maturities of lease liabilities required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of December 31, 2023:

		Total
Year ending December 31,		
2024	$	**1,067,889**
2025		**1,050,200**
2026		**1,040,566**
2027		**1,065,403**
2028		**1,076,403**
Thereafter		**851,550**
Total lease payments		**6,152,011**
Less: imputed interest		**(292,662)**
Future maturities of lease liabilities	**$**	**5,859,349**

11. Letter of credit

A letter of credit for $55,778 has been issued on behalf of the Foundation. The beneficiary is a business which requires it as part of a leasing agreement. The letter of credit expires on October 31, 2029. A separate letter of credit was signed in 2023 for $11,100 which expires on October 18, 2024.

12. 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 $366,252 as of December 31, 2023. 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 current and former presidents. Assets held in the plan were $49,336 as of December 31, 2023. 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 the year ended December 31, 2023.

13. Risks and uncertainties

In the normal course of operations, the Foundation may be party to claims (both as a plaintiff and a defendant). As of December 31, 2023, there are no unaccrued claims against the Foundation which management believes will have a material adverse effect on the Foundation's financial position.

14. Net assets

Net assets with donor restrictions are available for the following purpose at December 31, 2023:

Purpose restricted for periods after December 31:		
Program assistance: unappropriated endowment earnings	$	**3,927,452**
Restricted contributions – student conferences		**420,000**
Boyhood home		**250,000**
Ranch house fund		**3,010,858**
Ranch secret service command post		**256,658**
		7,864,968
Time restricted for periods after December 31:		
Beneficial interests in charitable trusts		**422,817**
Bequests receivable		**7,182,716**
Gift annuities		**640,656**
Promises to give		**2,580,236**
		10,826,425
Perpetual endowment		
High school conference		**1,900,000**
Internships		**334,698**
Reagan ranch endowment		**14,919,825**
Reagan ranch manager		**1,000,000**
Student education		**3,518,762**
Promises to give – scholarships		**243,129**
Scholarships		**2,869,870**
Yale lecture series		**500,000**
Lecture series		**500,000**
Promises to give – lecture series		**800,000**
General funds		**4,342,700**
Beneficial interest in perpetual trust		**1,103,534**
		32,032,518
Total net assets with donor restrictions	**$**	**50,723,911**

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 year ended December 31, 2023:

Appropriated endowment earnings net of endowment investment return	$	**1,368,060**
Time restricted		**2,486,650**
Purpose restriction		**5,704,297**
Net assets released from restriction	**$**	**9,559,007**

16. Endowment funds

The Foundation's endowment consists of restricted contributions established for a variety of purposes (see Note 14). 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.

Changes in endowment net assets for the year ended December 31, 2023:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ -	**$ 27,532,296**	**$ 27,532,296**
Investment income			
Investment gain:			
Investment income	-	**10**	**10**
Net loss – realized/unrealized	-	**4,313,050**	**4,313,050**
Total investment gain	-	**4,313,060**	**4,313,060**
Contributions	-	**3,336,010**	**3,336,010**
Appropriation of endowment assets for expenditures	-	**(1,368,060)**	**(1,368,060)**
Endowment net assets, end of year	**$ -**	**$ 33,813,306**	**$ 33,813,306**

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, 2023, total deficiencies were $64,771 and resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

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 Foundation 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.

17. Revenue concentration

For the year ended December 31, 2023, two donors contributed 10% of total support and revenue.

18. Related party transactions

Two board members were engaged as conference speakers during 2023 and received honoraria of $7,500 for their services. Amounts purchased or incurred with these related parties totaled approximately $45,000 for the year ended December 31, 2023. There were no amounts owed to related parties as of December 31, 2023. Board members are prohibited from participating in decisions for which they have an interest. Board members contributed approximately $44,000 for the year ended December 31, 2023 to the Foundation.

19. Allocation of joint costs

During 2023, the Foundation incurred joint costs of $4,143,183 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 year ended December 31, 2023:

Program services	**$**	**3,359,254**
Fundraising		**783,929**
Total	**$**	**4,143,183**

20. 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 2023.

21. 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, 2023, the Foundation had eight 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 $130,000.

22. Prior period adjustment

During the year ended December 31, 2023, the Foundation determined that certain fixed assets were depreciated incorrectly in prior years. The error was discovered while importing the fixed asset listing into the new accounting software. An adjustment was made to beginning net assets to reflect this restatement. The effect of this correction was to increase beginning net assets by $1,416,224 from $89,350,898 to $90,767,122. As a result of the error, the change in net assets for the year ended December 31, 2022 was understated by $188,320.