

THE RICHARD NIXON FOUNDATION

Financial Statements

With

Independent Auditors' Report

December 31, 2018 and 2017

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

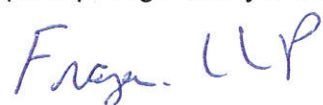
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Brea, California
June 30, 2019

THE RICHARD NIXON FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,943,211	\$ 1,772,208
Pledges receivable - current, net	886,688	790,037
Grant receivable - current	333,333	-
Other receivables	14,258	20,210
Inventories, net	245,200	177,250
Other current assets	318,900	147,610
Total current assets	<u>3,741,590</u>	<u>2,907,315</u>
Noncurrent assets:		
Restricted cash	600,000	-
Certificates of deposit	1,184,459	1,558,119
Long term pledges receivable, net	64,796	788,162
Long term grant receivable	299,484	-
Property and equipment, net	12,293,060	13,433,126
Investments, at fair value	38,572,118	43,824,372
Intangible assets, net	1,005,733	1,300,779
Total noncurrent assets	<u>54,019,650</u>	<u>60,904,558</u>
Total assets	<u>\$ 57,761,240</u>	<u>\$ 63,811,873</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,548,789	\$ 1,494,428
Loan payable - current portion (Note 9)	174,728	97,310
Grant payable (Note 10)	33,000	-
Total current liabilities	<u>1,756,517</u>	<u>1,591,738</u>
Noncurrent liabilities:		
Loan Payable - net of current portion (Note 9)	7,356,732	7,527,690
Grant payable - net of current portion (Note 10)	69,960	-
Total noncurrent liabilities	<u>7,426,692</u>	<u>7,527,690</u>
Net assets:		
Without donor restrictions (Note 12)	7,811,349	10,990,897
With donor restrictions (Note 13)	40,766,682	43,701,548
Total net assets	<u>48,578,031</u>	<u>54,692,445</u>
Total liabilities and net assets	<u>\$ 57,761,240</u>	<u>\$ 63,811,873</u>

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

THE RICHARD NIXON FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without donor restrictions	With donor restrictions	Totals
Revenues, gains (losses) and other support:			
Contributions	\$ 202,353	\$ 2,358,481	\$ 2,560,834
Admission fees, net	411,146	-	411,146
Membership dues	433,141	-	433,141
Facilities use fees	\$ 1,859,375		
Less: facilities use direct expenses	<u>(447,316)</u>		
Net facilities use fees	1,412,059	-	1,412,059
Net investment loss	(1,167,287)	(2,184,031)	(3,351,318)
Gift shop sales	436,651		
Less: gift shop costs of goods sold	<u>(272,950)</u>		
Net gift shop income	163,701	-	163,701
Special event income	357,186		
Less: special event expenses	<u>(744,073)</u>		
Net special event loss	(386,887)	-	(386,887)
Other income	1,858		
Interest expense, net	<u>(386,934)</u>		
Net other expense	(385,076)	-	(385,076)
Net assets released from restrictions	<u>3,109,316</u>	<u>(3,109,316)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>3,792,466</u>	<u>(2,934,866)</u>	<u>857,600</u>
Expenses:			
Program services	6,169,293	-	6,169,293
General and administrative	220,328	-	220,328
Fundraising	<u>582,393</u>	<u>-</u>	<u>582,393</u>
Total expenses	<u>6,972,014</u>	<u>-</u>	<u>6,972,014</u>
Changes in net assets	(3,179,548)	(2,934,866)	(6,114,414)
Net assets at beginning of year	10,990,897	43,701,548	54,692,445
Net assets at end of year	<u>\$ 7,811,349</u>	<u>\$ 40,766,682</u>	<u>\$ 48,578,031</u>

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

THE RICHARD NIXON FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without donor restrictions	With donor restrictions	Totals
Revenues, gains (losses) and other support:			
Contributions	\$ 319,435	\$ 2,359,401	\$ 2,678,836
Admission fees	496,489	-	496,489
Membership dues	267,919	-	267,919
Facilities use fees	\$ 2,111,044		
Less: facilities use direct expenses	<u>(452,477)</u>		
Net facilities use fees	1,658,567	-	1,658,567
Net investment gain	1,986,217	3,648,173	5,634,390
Gift shop sales	457,036		
Less: gift shop costs of goods sold	<u>(292,403)</u>		
Net gift shop income	164,633	-	164,633
Special event income	322,187		
Less: special event expenses	<u>(335,087)</u>		
Net special event income	(12,900)	-	(12,900)
Other income	861		
Interest expense	(386,686)		
Loss on disposal of asset	<u>(419)</u>		
Net other expense	(386,244)	-	(386,244)
Net assets released from restrictions	<u>3,061,850</u>	<u>(3,061,850)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>7,555,966</u>	<u>2,945,724</u>	<u>10,501,690</u>
Expenses:			
Program services	5,629,352	-	5,629,352
General and administrative	331,034	-	331,034
Fundraising	<u>604,340</u>	<u>-</u>	<u>604,340</u>
Total expenses	<u>6,564,726</u>	<u>-</u>	<u>6,564,726</u>
Changes in net assets	991,240	2,945,724	3,936,964
Net assets at beginning of year	9,999,657	40,755,824	50,755,481
Net assets at end of year	<u>\$ 10,990,897</u>	<u>\$ 43,701,548</u>	<u>\$ 54,692,445</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, 2018

	Program Activity		Supporting Activities			Total expenses
	Program Services	General & Administrative	Fundraising	Subtotal		
Salaries and wages	\$ 2,733,810	\$ 100,597	\$ 368,005	\$ 468,602	\$ 3,202,412	
Employee benefits	247,594	10,207	51,710	61,917	309,511	
Subtotal	<u>2,981,404</u>	<u>110,804</u>	<u>419,715</u>	<u>530,519</u>	<u>3,511,923</u>	
Travel, entertainment, and lodging	59,517	3,643	1,214	4,857	64,374	
Equipment maintenance	422,588	1,652	2,633	4,285	426,873	
Supplies and materials	67,130	942	75,617	76,559	143,689	
Contractual services, insurance, and other expenses	941,973	28,725	17,407	46,132	988,105	
Grant contributions	142,140	-	-	-	142,140	
Financing expenses	10,000	-	-	-	10,000	
Depreciation and amortization	1,544,541	74,562	65,807	140,369	1,684,910	
Total expenses	<u>\$ 6,169,293</u>	<u>\$ 220,328</u>	<u>\$ 582,393</u>	<u>\$ 802,721</u>	<u>\$ 6,972,014</u>	

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

THE RICHARD NIXON FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (6,114,414)	\$ 3,936,964
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	1,337,453	1,318,248
Amortization	347,457	346,874
Bad debt expense	10,000	-
Loss on disposition of property and equipment	-	419
Transfer of property and equipment for exhibit donation	-	135,951
Net realized and unrealized loss (gain) on investments	4,296,683	(4,769,794)
Provision for inventory write down	(17,267)	8,925
Changes in operating assets and liabilities:		
Pledges receivable, net	616,715	(294,284)
Grant receivable	(632,817)	-
Other receivables	5,952	(5,958)
Inventories, net	(50,683)	23,607
Other current assets	(171,290)	(59,168)
Accounts payable and accrued liabilities	54,361	(905,647)
Grant payable	102,960	-
Net cash used in operating activities	<u>(214,890)</u>	<u>(263,863)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of property and equipment	-	900
Payments for purchase of property and equipment	(197,388)	(287,853)
Purchases of investments	(7,697,039)	(14,676,857)
Payments for purchase of intangible assets	(52,410)	-
Proceeds from sales of investments	8,652,610	15,579,427
Net change in certificates of deposits	373,660	187,921
Net cash provided by investing activities	<u>1,079,433</u>	<u>803,538</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit in restricted cash account	(600,000)	-
(Payments on) proceeds from loans payable	(93,540)	625,000
Net cash (used in) provided by financing activities	<u>(693,540)</u>	<u>625,000</u>
Net change in cash and cash equivalents	171,003	1,164,675
Cash and cash equivalents at beginning of year	1,772,208	607,533
Cash and cash equivalents at end of year	<u>\$ 1,943,211</u>	<u>\$ 1,772,208</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 390,834</u>	<u>\$ 386,696</u>

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

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1 - Nature of organization

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 programs intended to enhance the public's understanding of the life and legacy of President Richard Nixon. On July 11, 2007, the Foundation was incorporated into the Federal System of Presidential Libraries. While the museum and certain other portions of the building were leased to the Federal Government in perpetuity, the Foundation retains ownership of the entire facility and operational authority over a substantial portion of the museum and building.

Note 2 - Summary of significant accounting policies

Basis of presentation

The Foundation applies the provisions of Accounting Standards Codification (ASC) Topic 958, "Not-for-Profit Entities," which establishes standards for general-purpose external financial statements provided by not-for-profit organizations. Among other provisions, ASC Topic 958 requires the classification and disclosure of net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets, revenues, expenses, gains, and losses of the Foundation are reported in two classes as follows:

- *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 stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to the stipulations. 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 stipulations or a Board approved policy.

During 2018, the Foundation adopted FASB Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The accounting change has been retrospectively applied to the prior period presented as if the policy had always been used, omitting the analysis of expenses and liquidity and availability of resource disclosures for 2017, as allowed by the ASU. The effect of the change in accounting principle applied retrospectively resulted in a reclassification in the presentation of net assets as further described on page 13.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Foundation to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Foundation's significant estimates consist of the useful lives of depreciable assets and the allocation of expenses among general administrative, program services and fundraising. The foundation allocates its expenses annually based on the functions performed and the nature of the activities. Year to year allocation method may change and actual results could differ from those estimates.

Income tax status

The Nixon Foundation is exempt from Federal and State income taxes under Section 501(c) (3) of the U.S. Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The museum store, however, has certain revenues which are unrelated to the Nixon Foundation's exempt purpose that are subject to the unrelated business income tax provisions of IRC Section 512. For the years ended December 31, 2018 and 2017, no provision for income taxes has been included in the accompanying financial statements. Penalties and interest incurred related to underpayment of income taxes are classified as income tax expense in the year incurred. No penalties or interest related to income taxes were incurred during the years ended December 31, 2018 and 2017.

The Foundation has no unrelated business income tax for the years ended December 31, 2018 and 2017.

Cash and cash equivalents

Cash equivalents are defined as all highly liquid investments with a maturity of three months or less from the original maturity date. Cash and cash equivalents are considered restricted if limitations exist as to the Foundation's ability to withdraw or use the cash and cash equivalents. Such limitations may be imposed by (1) creditors and other outside parties, or (2) donors, who place permanent or temporary restrictions on their contributions. For the years ended December 31, 2018 and 2017, the Foundation maintained purpose restricted cash amounts to be used toward the Richard Nixon Centennial Campaign. Cash amounts restricted for the Richard Nixon Centennial Campaign for the years ended December 31, 2018 and 2017 were \$1,615,635 and \$985,067, respectively.

From time to time, the Foundation maintains cash deposits that exceed coverage by FDIC insurance. For the years ended December 31, 2018 and 2017, the Foundation had \$1,945,000 and \$872,000, respectively, of cash deposits in excess of the FDIC limits. The Foundation has not experienced any losses and does not believe they are exposed to any significant credit risk on cash holdings.

Pledges receivable

Pledges receivable represent amounts pledged toward the Richard Nixon Centennial Campaign and the Legacy Exhibits. Pledges receivable are stated at the amount management expects to collect from outstanding balances. The Foundation has an allowance for doubtful accounts for pledge receivables of \$10,000 as of December 31, 2018. No allowance for doubtful accounts for pledges receivable was considered necessary at December 31, 2017. Of the total pledges receivable at December 31, 2018, approximately \$950,000 is expected to be received by December 31, 2019. The remaining long term portion of the pledge receivables are expected to be collected within one to eight years.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of significant accounting policies (continued)

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. No allowance for doubtful accounts for grants receivable was considered necessary at December 31, 2018. The outstanding balance on the grant receivable is \$666,667, of which \$333,333 is considered current. The remaining portion of the grant receivable is expected to be collected in 2020.

Financial assets measured at fair value on a recurring basis

ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Foundation. ASC Topic 825 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When determining the fair value measurement for assets and liabilities required to be recorded at fair value, the Foundation considered the principal or most advantageous market that transactions would normally occur and considered assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

ASC Topic 825 also establishes a fair value hierarchy that requires an entity to maximize the use of sources independent from the reporting entity and minimize the use of the Foundation assumptions developed based on the best information available in the circumstances when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of assumptions that is significant to the fair value measurement. ASC Topic 825 establishes three levels of assumptions that market participants may use to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of significant accounting policies (continued)

Financial assets measured at fair value on a recurring basis (continued)

The Foundation's significant financial assets are measured at fair value on a recurring basis and are categorized as Level 1 (as previously defined). The assets consisted of the following types of instruments as of December 31, 2018 and 2017 (in thousands):

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Funds	\$ 34,033	\$ 32,638	\$ 32,457	\$ 36,439
Stocks	2,942	2,389	2,996	3,097
Non U.S. Securities	-	-	72	91
Other Assets	3,568	3,545	4,222	4,197
	<u>\$ 40,543</u>	<u>\$ 38,572</u>	<u>\$ 39,747</u>	<u>\$ 43,824</u>

The Foundation did not identify any other non-recurring assets and liabilities that are required to be presented on the statements of financial position at fair value in accordance with ASC Topic 825.

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, 2018 and 2017 amounted to \$319,253 and \$336,520, respectively.

Property and equipment

Land is stated at estimated fair value at date of donation. Property and equipment are stated at cost. The net gain or loss on items of property retired or otherwise disposed of is included in income, and the applicable asset cost and accumulated depreciation are removed from the accounts. The cost of certain repairs and maintenance is charged to expense unless the Foundation deems such amounts to be sufficiently material to warrant capitalization and depreciation; major renewals and betterments are capitalized. Property and equipment purchases over \$1,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets ranging from five to thirty years.

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 5 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, 2018, the Foundation does not believe these intangible assets to be impaired.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of significant accounting policies (continued)

Investment policies, return objectives and risk parameters

The purpose of the investments and the endowment fund (Note 14) is to provide growth in income to the Foundation for operations. The Foundation has adopted investment policies for the endowment assets that attempt to provide safety through diversification in a portfolio of common stocks, bonds, cash equivalents and other investments which may reflect varying rates of return. The overall rate of return objective for the portfolio is a reasonable "real" rate consistent with the risk levels established by the Board.

The return objective for the endowment fund, measured over a full market cycle or rolling three and five year periods, shall be the return to exceed the CPI plus 5.5% as well as a custom index which represents the allocation of the endowment fund among asset classes.

To satisfy its return objectives and risk parameters, the Foundation's investments are diversified within asset classes. Moreover, the equity fund is allocated to managers who have distinct and different investment styles. Portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. To facilitate the achievement of the endowment fund's long-term investment objective, the fund has established target asset allocations.

Contributions received and given

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions, including endowment gifts, pledges, grants, as well as any other unconditional promises to give, are recognized as revenue or expenses in the period pledged. Amounts expected to be collected or paid within one year are recorded at their net realizable value. Amounts expected to be collected or paid in future years are recorded at the present value of estimated future cash flows discounted using an effective interest rate method. The amortization of the imputed discount is reported as a reduction to contribution income or expense.

For the years ended December 31, 2018 and 2017, contributions received from current and former board members amounted to approximately \$1,108,800 and \$75,600, respectively. During the year ended December 31, 2018, approximately 80% of the Foundation's total contribution revenue was provided by two contributors. For the year ended December 31, 2017, approximately 74% of the Foundation's total contribution revenue was provided by two contributors.

During 2018, the Foundation entered into a pledge agreement with Chapman University to contribute \$165,000 towards the War and Society Graduate Fellowship Program (Note 10). The Foundation has recorded the payable at the gross amount of the payments instead of recording the balance at the net present value of the payments. The difference in the two amounts is immaterial.

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 year ended December 31, 2018 amounted to \$15,357. There were no donated services or assets during the year ended December 31, 2017.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of significant accounting policies (continued)

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, 2018 and 2017, amounted to \$220,082 and \$304,687, respectively.

Joint costs

The Foundation conducts activities that include fundraising, program services, and general and administrative components. Those activities include salaries and benefits of management and depreciation of property and equipment.

Joint costs for the years ended December 31, 2018 and 2017 have been allocated as follows (in thousands):

	2018	2017
Officer salaries and benefits		
Fundraising	\$ 24	\$ 23
Program services	841	687
General and administrative	83	126
	948	836
Depreciation of property and equipment		
Fundraising	66	65
Program services	1,197	1,179
General and administrative	74	74
	1,337	1,318
Total Joint Costs	\$ 2,285	\$ 2,154

Functional expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a pro-rata basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Long-lived assets

The Foundation adopted ASC Topic 360, "Impairment or Disposal of Long-Lived Assets," effective January 1, 2002. ASC Topic 360 establishes a number of rules for the recognition, measurement and display of long-lived assets which are impaired and either held for sale or continuing use with the business. Pursuant to ASC Topic 360, management reviews the Foundation's long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management believes that no impairment triggering events have occurred during the years ended December 31, 2018 and 2017.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 2 - Summary of significant accounting policies (continued)

Accounting pronouncements adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statement of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (c) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (e) presenting investment return net of external and direct internal investment expenses, and (f) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Foundation has implemented this ASU for the year ended December 31, 2018.

Note 3 - Pledges and grant receivable, net

Pledges and grant receivables of the Foundation consists of the following as of December 31, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Pledges receivable - current	\$ 950	\$ 808
Grant receivable - current	333	-
Imputed discount	(53)	(18)
Allowance	(10)	-
Receivable - current, net	<u>1,220</u>	<u>790</u>
Pledges receivable - long-term	66	819
Grant receivable - long term	333	-
Imputed discount	(44)	(44)
Receivable - one to five years	<u>355</u>	<u>775</u>
Pledges receivable - long term	12	17
Imputed discount	(3)	(4)
Receivable - six to eight years	<u>9</u>	<u>13</u>
Total pledges and grant receivable, net	<u>\$ 1,584</u>	<u>\$ 1,578</u>

Total allowance for doubtful accounts against the pledge and grant receivables totaled \$10,000 for the year ended December 31, 2018 which is included in the current portion on the accompanying statement of financial position. For the years ended December 31, 2018 and 2017, the discount rate for pledges and grants receivable were 5.50% and 4.50%, respectively. Amortization of the imputed discount is included as contribution revenue which amounted to \$40,491 and \$43,819 for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, 100% of the Foundation's total pledges receivable were provided by seven and six contributors, respectively.

THE RICHARD NIXON FOUNDATION
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Note 4 - Property and equipment, net

Property and equipment consisted of the following as of December 31, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Land	\$ 1,993	\$ 1,993
Buildings and improvements	33,057	33,052
Displays and fixtures	2,734	2,626
Equipment	726	665
Construction in progress	42	19
	<u>38,552</u>	<u>38,355</u>
Less: accumulated depreciation	<u>(26,259)</u>	<u>(24,922)</u>
Total property and equipment, net	<u>\$ 12,293</u>	<u>\$ 13,433</u>

Total depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$1,337,453 and \$1,318,248, respectively.

Note 5 - Investments

Investment gains and losses consisted of the following for the years ended December 31, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Interest	\$ 20	\$ 18
Dividends	1,023	968
Unrealized (losses) gains on investments	(4,335)	4,068
Realized gains on sales of investments	38	701
Investment fees	(97)	(121)
Net investment (loss) gain	<u>\$ (3,351)</u>	<u>\$ 5,634</u>

Note 6 - Intangible assets, net

Intangible assets consisted of the following as of December 31, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Film	\$ 1,630	\$ 1,625
Internally-developed software	109	109
Trademark	48	-
	<u>1,787</u>	<u>1,734</u>
Less: accumulated amortization	<u>(781)</u>	<u>(433)</u>
Total intangible assets, net	<u>\$ 1,006</u>	<u>\$ 1,301</u>

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Note 6 - Intangible assets, net (continued)

The following table summarizes the amortization expense of intangible assets over the next 5 years:

December 31,	Amount
2019	\$ 347,777
2020	347,777
2021	310,179
	\$ 1,005,733

Total amortization expense for the years ended December 31, 2018 and 2017 amounted to \$347,457 and \$346,874, respectively.

Note 7 - Exhibit donation - NARA

Based on a joint agreement between the Foundation and the National Archives and Records Administration (“NARA” as described in Note 16), the Foundation has completed the \$15.8 million development and build-out renovation of the galleries and exhibits of the Richard Nixon Presidential Library and Museum. The tangible exhibit was donated to NARA in October 2016 and the transfer agreement was finalized in September 2017.

Total donation expense and capitalization of assets for the duration of the project was:

Years Ending December 31,	Donation Expense	Intangible Assets	
2015	\$ 6,817,128	\$ -	
2016	7,110,458	-	
2017	136,651	1,734,372	
	\$ 14,064,237	\$ 1,734,372	\$ 15,798,609

Note 8 - Line of credit

On January 19, 2016, the Foundation entered into a \$10 million non-revolving line of credit agreement with Pacific Mercantile Bank to fund the renovation of galleries and exhibits of the Richard Nixon Presidential Library and Museum. The line of credit had an interest rate at the WSJ Prime Rate plus 1%, with a maturity date of January 5, 2018. As of December 31, 2017, the balance outstanding on the line of credit was \$7,625,000 and the prime rate was 4.50% per annum. Collateral on this line of credit was the Foundation’s inventory, fixed assets, general intangibles, and all cash and endowment accounts, including the Rebozo Trust. The Foundation received an extension on the line of credit through May 5, 2018. In May 2018, the outstanding balance on this loan was \$7,625,000 which was paid off with the proceeds from the loan payable described in Note 9.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 8 – Line of credit (continued)

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%, and matures May 10, 2020. 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, 2018, the Foundation was in compliance with these covenants.

There was no outstanding balance on this line of credit as of December 31, 2018.

Note 9 - Loan payable

In May 2018, the Foundation entered into a variable rate term loan with Pacific Mercantile Bank in the amount of \$7,625,000, and used the proceeds to pay off the outstanding balance on the line of credit maturing in May 2018 described in Note 8. The terms of the new loan is a 15 year mortgage with a rate reset after the first five years, requires payments of principal and interest in monthly payments of \$43,174 for a period of 60 months, \$47,403 for the next 119 months, and one final payment of \$4,350,542 on May 10, 2033. The interest rate on the loan will begin 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, 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, 2018, the Foundation is in compliance with these covenants.

Interest expense on all Bank debt amounted to \$390,834 and \$379,336 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, the outstanding balance on this loan was \$7,531,460.

The maturities of the term loan for each year ending after December 31, 2018 are as follows:

Years Ending December 31,	Amount
2019	\$ 174,728
2020	182,955
2021	191,570
2022	200,590
2023	196,455
Thereafter	6,585,162
Total	\$ 7,531,460

THE RICHARD NIXON FOUNDATION
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Note 10 – Grant payable

During April 2018, the Foundation signed a Letter of Intent to Collaborate between Chapman University and The Richard Nixon Foundation an Irrevocable Pledge Agreement to contribute \$165,000 to Chapman University. The areas of collaboration between Chapman University and The Richard Nixon Foundation include, but are not limited to, the development of joint programming for panels, authors, cultural displays, art exhibitions, historical retrospectives, museum tours and business seminars. As a condition of this agreement, Chapman University recognizes the War and Society graduate fellowship program as the “Richard Nixon Foundation Fellowship”.

The terms of the agreement is for a 5 year period, commencing April 27, 2018 and maturing on April 27, 2023. The first payment of \$30,360 was made in December 2017 and the second payment of \$31,680 was made in August 2018. The Foundation has recorded the payable at the gross amount of the payments instead of recording the balance at the net present value of the payments. The difference in the two amounts is immaterial.

The maturities of the grant payment for each year ending after December 31, 2018 are as follows:

December 31,	Amount
2019	\$ 33,000
2020	34,320
2021	35,640
	\$ 102,960

Note 11 - Commitments

The Foundation leases equipment in California under various non-cancelable operating leases. Minimum lease commitments at December 31, 2018 are as follows:

December 31,	Amount
2019	\$ 4,096
2020	3,477
2021	3,477
2022	2,753
	\$ 13,803

Lease expense for the years ending December 31, 2018 and 2017 amounted to \$3,803 and \$5,836, respectively.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 12 - Net assets without donor restrictions

The Foundation's net assets without donor restrictions is comprised of undesignated amounts as of December 31, 2018 and 2017 (in thousands):

	2018	2017
Undesignated	\$ 7,811	\$ 10,991

Note 13 – Net assets with donor restrictions

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

	2018	2017
Perpetual in nature	\$ 13,501	\$ 13,501
Centennial campaign	1,723	2,316
Rebozo trust	24,597	27,884
Executive cabinet room module and experience	946	-
	\$ 40,767	\$ 43,701

The various purposes of the above donor restricted amounts are as follows:

Perpetual in nature – Net assets perpetual in nature represent endowment funds, which are to be invested in perpetuity to provide a permanent source of income to fund operations of the Foundation. Based upon donor stipulations, interest earned on the endowment funds is either temporarily restricted support for the Foundation's programs or unrestricted support for the Foundation's operations. Earnings on the permanently restricted net assets funds are reinvested in equity securities and U.S. government obligations.

Centennial campaign – Net assets that are temporarily restricted by donors to provide support for the Richard Nixon Centennial Exhibit Renovation Campaign. The Centennial Campaign started in 2013 with the purpose of "It's Time To Take Another Look at Richard Nixon." This \$25 million campaign has three major priorities: (1) update the exhibits and facilities at the museum/library, (2) education/research/technology, and (3) China initiative.

Rebozo trust – Net assets that are temporarily restricted by a donor to provide monies on an annual basis to fund operating expenses of the Foundation.

Executive cabinet room module and experience – Net assets temporarily restricted by the donor to provide monies for the development, construction, and implementation of the Executive Cabinet Room Module and Experience.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 13 – Net assets with donor restrictions (continued)

Centennial Campaign purpose restricted net assets as of December 31, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Beginning Centennial Campaign balance	\$ 2,316	\$ 1,977
Contributions	1,392	2,359
Net investment gain	4	12
Net assets released from restrictions	<u>(1,989)</u>	<u>(2,032)</u>
Centennial Campaign	<u>\$ 1,723</u>	<u>\$ 2,316</u>

Net assets released from temporary restrictions for the years ended December 31, 2018 and 2017 (in thousands):

	<u>2018</u>	<u>2017</u>
Time restriction releases:		
Rebozo Trust	\$ 1,099	\$ 1,030
Purpose restriction releases:		
Centennial Campaign	1,989	2,032
Program restriction releases:		
Executive cabinet room module and experience	<u>21</u>	<u>-</u>
Total releases	<u>\$ 3,109</u>	<u>\$ 3,062</u>

Note 14 - Rebozo trust pledge

In May 1998, the Foundation was named as a principal beneficiary of the Charles G. Rebozo Revocable 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.

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, 2018 and 2017, the distribution percentage was 3.9% and 4.0%, respectively.

THE RICHARD NIXON FOUNDATION
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DECEMBER 31, 2018 AND 2017

Note 14 - Rebozo trust pledge (continued)

As of December 31, 2018 and 2017, the Foundation had \$25,081,907 and \$28,369,687 in the Rebozo endowment which was included in investments on the statement of financial position. A reconciliation of the beginning and ending balances of the endowment fund is as follows for the years ended December 31, (in thousands):

	<u>2018</u>	<u>2017</u>
Beginning endowment balance	\$ 28,369	\$ 25,764
Net investment (loss) gain	(2,187)	3,636
Net assets released		
from restrictions	(1,099)	(1,030)
Portfolio taxes/fees	(1)	(1)
Ending endowment balance	<u>\$ 25,082</u>	<u>\$ 28,369</u>

Endowment funds are classified as net assets with donor restrictions as follows as of December 31, (in thousands):

	<u>2018</u>	<u>2017</u>
Rebozo trust	\$ 24,597	\$ 27,884
Perpetual in nature	485	485
Total	<u>\$ 25,082</u>	<u>\$ 28,369</u>

In accordance with the Rebozo Trust, the funds shall be invested as prescribed by the Investment Committee of the Foundation subject to board approval. In order to meet the objectives and asset allocation guidelines as approved by the board, the Foundation has engaged investment managers which are overseen by the investment committee on a monthly basis.

Note 15 – Liquidity and availability of resources

The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing for which interest and earnings can be withdrawn upon, with approval from the trustees, for Foundation operations. However, amounts already appropriated from either the donor-restricted endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets, at year end	\$ 43,534,067
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(38,740,236)
Restricted by loan payable deposit	<u>(600,000)</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 4,193,831</u>

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 15 – Liquidity and availability of resources (continued)

Liquidity management

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Foundation also could draw upon a \$2,000,000 revolving line of credit (as further discussed at Note 8).

Note 16 - 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 was to donate 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 which was to be agreed upon on a later date. It was also agreed upon that NARA provide security for the entire site and that NARA and the Foundation will 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.

Note 17 - 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, 2018 and 2017 the Foundation's provision for the 401(k) plan totaled \$193,521 and \$166,582, respectively. Administrative expenses paid by the Foundation to administer the Plan amounted to \$2,219 and \$2,562 for the years ended December 31, 2018 and 2017, respectively.

Note 18 - Subsequent events

The Foundation evaluated all events and transactions through June 30, 2019, 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, 2018 that is required to be disclosed in the financial statements.

THE RICHARD NIXON FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 18 - Subsequent events (continued)

In April 2019, the Foundation received a pledge agreement in support of an Exhibit and Legacy Programs that celebrate the 50th anniversary of the Apollo11 Moon Landing. The exhibit, special commemorative events and programs are scheduled for April 2019 through January 2020. The total contribution of \$150,000 is due by December 2019.

In June 2019, the Foundation received a contribution of \$100,000 towards special events and programs to recognize the 50th Anniversary of the President's call to the Apollo11 crew on July 20th.