Financial Statements and Report of Independent Certified Public Accountants

The George W. Bush Foundation

December 31, 2011 and 2010

The George W. Bush Foundation

Years Ended December 31, 2011 and 2010

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Report of Independent Certified Public Accountants

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Board of Directors
The George W. Bush Foundation

We have audited the accompanying statements of financial position of The George W. Bush Foundation (the "Foundation"), as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The George W. Bush Foundation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Dallas, Texas
May 11, 2012

The George W. Bush Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	2011	2010
Cash and cash equivalents	$ 62,277,935	$ 71,220,765
Investments, at fair value	53,085,168	15,198,093
Contributions receivable, net	117,386,902	156,933,492
Other receivables	45,421	54,250
Prepaid expenses	52,765	4,000
Property and equipment, net	112,270,588	39,139,298
Other asset, net	33,835,667	33,971,667
Total assets	$378,954,446	$316,521,565
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 14,664,936	$ 4,490,003
Construction retainage payable	5,713,606	290,822
Total liabilities	20,378,542	4,780,825
Net assets:		
Unrestricted	210,273,608	126,143,869
Temporarily restricted	148,302,296	185,596,871
Total net assets	358,575,904	311,740,740
Total liabilities and net assets	$378,954,446	$316,521,565

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

The George W. Bush Foundation

STATEMENTS OF ACTIVITIES

December 31,

	2011	2010
Changes in unrestricted net assets:		
Support and revenue:		
Contributions, net	$ 36,145,555	$ 51,448,554
In-kind revenue	146,826	34,450
Interest and dividends	782,962	83,444
Net realized and unrealized losses on investments	(651,726)	(15,245)
Other income	39,606	2,315
Net assets released from restrictions	78,045,333	41,883,199
Net unrestricted support and revenue	114,508,556	93,436,717
Expenses:		
Program services	18,867,983	6,558,707
Fundraising	9,591,742	13,611,987
Management and general	1,919,092	1,596,360
Total expenses	30,378,817	21,767,054
Increase in unrestricted net assets	84,129,739	71,669,663
Changes in temporarily restricted net assets:		
Contributions, net	40,750,758	109,729,428
Net assets released from restrictions	(78,045,333)	(41,883,199)
(Decrease) increase in temporarily restricted net assets	(37,294,575)	67,846,229
Increase in net assets	46,835,164	139,515,892
Net assets at beginning of year	311,740,740	172,224,848
Net assets at end of year	$358,575,904	$311,740,740

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

The George W. Bush Foundation

STATEMENTS OF CASH FLOWS

December 31,

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 46,835,164	$139,515,892
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	152,117	115,030
Net realized and unrealized losses on investments	651,726	15,245
Change in unamortized discount on contributions receivable	(664,435)	(149,946)
Amortization of value of ground lease	136,000	28,333
Contributed stock	(7,290,814)	(5,829,732)
Contribution of ground lease	-	(34,000,000)
Changes in operating assets and liabilities:		
Contributions receivable	40,211,025	(36,035,938)
Other receivables	8,829	(54,250)
Prepaid expenses	(48,765)	272,734
Accounts payable and accrued expenses	10,174,933	2,940,791
Construction retainage payable	5,422,784	290,822
Net cash provided by operating activities	95,588,564	67,108,981
Cash flows from investing activities:		
Purchases of investments	(86,343,788)	(15,000,000)
Proceeds from sales of investments	55,095,801	5,616,394
Purchases of property and equipment	(476,188)	(171,864)
Construction in progress	(72,807,219)	(21,171,429)
Net cash used in investing activities	(104,531,394)	(30,726,899)
Net (decrease) increase in cash and cash equivalents	(8,942,830)	36,382,082
Cash and cash equivalents at beginning of year	71,220,765	34,838,683
Cash and cash equivalents at end of year	$ 62,277,935	$ 71,220,765

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

NOTE A - NATURE OF OPERATIONS

The George W. Bush Foundation (the "Foundation") is a 501(c)(3) not-for-profit organization. It was incorporated January 17, 2006 to manage and hold funds to support the construction and operations of the George W. Bush Presidential Library (the "Library"), as well as to undertake and support research and educational activities on policy issues.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The Foundation did not have any permanently restricted net assets as of December 31, 2011 and 2010.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of cash on hand or in demand deposit accounts. Cash equivalents are short-term, interest bearing instruments with maturity dates of 90 days or less at the time of purchase. The Foundation places its cash and cash equivalents with high quality financial institutions, which at times may exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions are recorded as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When expenditures are made which meet the donor specified purpose or upon expiration of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions received with donor imposed restrictions that are met in the same year as received are reported as unrestricted support.

Contributions receivable

Contributions receivable represent commitments for the construction and support of the Library, as well as support of research and educational activities on policy issues. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contributions in accordance with donor-imposed restrictions, if any, on the contributions. All contributions receivable are deemed collectible by management; thus, no allowance is recorded.

Investments

All investments with readily determinable fair values are recorded at fair value based on quoted market prices. Under this method of accounting, fair value fluctuations are recorded in the period in which they occur by adjusting the carrying value of such investments and recognizing a net unrealized gain or loss. Realized gains and losses are recognized in the period in which they are incurred and are included in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by explicit donor stipulations or law.

Dividend, interest, and other investment income are recorded as an increase in unrestricted net assets unless their use is restricted by donors. Donated investments are recorded at fair value at the date of receipt.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition. Donated property and equipment are recorded at fair value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 15 years.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

Construction in Progress

Construction in progress represents all costs associated with the construction of the Library including architecture, landscape design, and exhibit design fees. When placed in service, the accumulated costs of the Library building and segregated component units will be depreciated over their estimated useful lives.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC, as evidenced by the Foundation's confirmation letter dated March 2006. The Foundation has been classified as an organization that is not a private foundation under IRC Sections 509(a)(1), and as such, contributions to the Foundation qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation did not have any unrelated business income tax liability or expense for the years ended December 31, 2011 and 2010.

The Foundation has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. The Foundation does not have any outstanding interest or penalties, and none have been recorded in the statement of activities for the years ended December 31, 2011 and 2010.

Functional Allocation of Expenses

The costs of providing programs have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

NOTE C - GEORGE W. BUSH PRESIDENTIAL CENTER CAMPAIGN

As of August 2008, the Foundation formally began the pledge phase of a capital campaign titled, "George W. Bush Presidential Center Campaign". The committed amounts will be used to build the George W. Bush Presidential Center at Southern Methodist University ("SMU") and to support research and educational activities on policy issues. The George W. Bush Presidential Center will contain archives of the records of the George W. Bush administration, a museum that will tell the story of the consequential first decade of the 21st century, and a public policy institute that will attract leading scholars to speak, teach, and write on the important topics of our times.

NOTE C - GEORGE W. BUSH PRESIDENTIAL CENTER CAMPAIGN - Continued

Contributions receivable at December 31 consist of the following:

	2011	2010
Contributions receivable expected to be received in:		
Less than one year	$ 52,910,373	$ 71,176,898
One to five years	62,985,874	85,059,288
After five years	2,969,000	2,840,086
	118,865,247	159,076,272
Less: unamortized discount	(1,478,345)	(2,142,780)
Total contributions receivable, net	$117,386,902	$156,933,492

Contributions receivable at December 31, 2011 and 2010, were discounted using rates ranging from 0.12% to 4.00% and 0.29% to 4.00%, respectively.

NOTE D - FAIR VALUE MEASUREMENTS

Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures," establishes a fair value hierarchy that distinguishes between assumptions based on observable and unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either level 1 or level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

- Level 1 - Quoted prices for identical instruments in active markets
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets
- Level 3 - Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Foundation evaluates its hierarchy disclosures periodically and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Foundation expects that changes in classification between different levels will be rare.

NOTE D - FAIR VALUE MEASUREMENTS - Continued

The following table summarizes the valuation of assets measured at fair value on a recurring basis in the statement of financial position at December 31, 2011.

	Total	Level 1	Level 2	Level 3
Fixed income mutual funds	$14,179,189	$14,179,189	$ -	$ -
Domestic equity securities	1,017,121	1,017,121	-	-
Corporate debt securities	37,888,858	-	37,888,858	-
	$53,085,168	$15,196,310	$37,888,858	$ -

The following table summarizes the valuation of assets measured at fair value on a recurring basis in the statement of financial position at December 31, 2010.

	Total	Level 1	Level 2	Level 3
Fixed income mutual funds	$14,995,446	$14,995,446	$ -	$ -
Domestic equity securities	202,647	202,647	-	-
	$15,198,093	$15,198,093	$ -	$ -

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2011 and 2010, consist of the following:

	2011	2010
Furniture and fixtures	$ 651,367	$ 361,413
Equipment	268,016	183,295
Leasehold improvements	435,525	334,012
Construction in progress	111,245,778	38,438,559
	112,600,686	39,317,279
Less: accumulated depreciation	(330,098)	(177,981)
Property and equipment, net	$112,270,588	$39,139,298

NOTE F - GROUND LEASE

In October 2010, the Foundation entered into a ground lease agreement with SMU Corp. for the use of approximately 23 acres of land on which to build the Library. The initial term of the lease is 100 years, and there are six renewal options of 25 years each. The rent for the initial term was $1,000, and the same rent will be due for each renewal term.

As the Foundation received this unconditional promise to use the land and SMU Corp. retains legal title to the land, a contribution has been recorded as temporarily restricted contribution revenue. The fair value of the land at October 15, 2010, was $34,000,000, and it is being amortized ($136,000 in 2011) over the expected term of the lease of 250 years. The amortization is included in net assets released from restrictions and as part of management and general expense. The fair value of the land, net of accumulated amortization, is classified as other asset, net, in the accompanying statements of financial position.

NOTE G - SMU ENDOWMENT

In February 2008, the Foundation entered into a fundraising agreement with SMU. The agreement provides for the establishment of an endowment at SMU for the purpose of underwriting SMU's share of the cost of joint programs conducted with the Foundation. The SMU endowment is to be funded by the Foundation when contributions received by the Foundation net of fundraising expenses exceed $200,000,000 up to $500,000,000. Fifteen percent of the excess is to be distributed to SMU at least quarterly. When fully funded, the SMU endowment will be $45,000,000.

In 2011, contributions received, net of fundraising expenses, exceeded $200,000,000 for the first time. As of December 31, 2011, $5,655,383 was due to SMU and is included in accounts payable and accrued expenses and as part of program services expense.

NOTE H - COMMITMENTS AND CONTINGENCIES

In May 2008, the Foundation entered into a five year lease agreement with SMU for the use of approximately 3,000 square feet of office space during the Library's construction phase. In September 2009 the office space was expanded to approximately 4,500 square feet. The Foundation will not pay any base rental amount but will be responsible for parking fees and its share of common area maintenance expenses in accordance with the agreement.

In 2009 through 2011, the Foundation entered into five lease agreements for additional office space and various equipment leases with terms ranging from one to ten years.

NOTE H - COMMITMENTS AND CONTINGENCIES - Continued

Rent expense for the years ended December 31, 2011 and 2010, was $408,410 and $220,188, respectively. Minimum future payments under these agreements as of December 31, 2011, are as follows:

2012	$ 380,090
2013	108,389
2014	99,163
2015	98,327
2016	101,052
Thereafter	310,196
	$1,097,217

NOTE I - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 11, 2012, the date the financial statements were available to be issued. Through this date, the Foundation is not aware of any subsequent events that would require recognition or disclosure in these financial statements.