The Heritage Foundation and Affiliates

Consolidated Financial Report
December 31, 2025

Contents

RSM US LLP

Independent Auditor's Report

Board of Trustees
The Heritage Foundation

Opinion
We have audited the consolidated financial statements of The Heritage Foundation and Affiliates (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment 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 effectiveness of the 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 the 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.

Other Information Included in the Annual Report
Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Washington, D.C.
August 26, 2026

The Heritage Foundation and Affiliates

Consolidated Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	**$ 12,961,242**	$ 19,113,436
Current portion of contributions receivable	**9,741,433**	11,147,071
Prepayments and other assets	**2,300,941**	2,213,928
Total current assets	**25,003,616**	32,474,435
Long-term assets:		
Investments	**254,410,175**	244,609,523
Interest rate swaps	**4,611,848**	6,061,234
Deferred compensation investments	**2,925,853**	2,879,084
Contributions receivable, net of current portion	**6,305,153**	12,369,463
Operating lease right-of-use assets	**40,365**	200,292
Property and equipment, net	**113,082,284**	117,675,949
Total long-term assets	**381,375,678**	383,795,545
Total assets	**$ 406,379,294**	$ 416,269,980
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 9,297,412**	$ 12,160,896
Current portion of notes payable	**2,066,976**	1,999,063
Current portion of operating lease liabilities	**42,354**	166,644
Total current liabilities	**11,406,742**	14,326,603
Long-term liabilities:		
Notes payable, net of current portion	**53,314,269**	55,378,599
Operating lease liabilities, net of current portion	**-**	42,354
Deferred compensation obligations	**2,925,853**	2,879,084
Split-interest obligations	**7,428,974**	7,960,297
Total long-term liabilities	**63,669,096**	66,260,334
Total liabilities	**75,075,838**	80,586,937
Net assets:		
Without donor restrictions:		
Board designated	**137,342,669**	132,182,502
Undesignated	**91,012,235**	100,953,800
Total without donor restrictions	**228,354,904**	233,136,302
With donor restrictions	**102,948,552**	102,546,741
Total net assets	**331,303,456**	335,683,043
Total liabilities and net assets	**$ 406,379,294**	$ 416,269,980

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statements of Activities
Years Ended December 31, 2025 and 2024

	2025	2024
Changes in net assets without donor restrictions:		
Support and revenue:		
Public support—contributions	**$ 90,024,505**	$ 102,252,608
Investment return, net	**22,683,495**	15,124,324
Rental and other income	**2,691,882**	3,127,519
Net assets released from restriction—satisfaction of time or program restrictions	**8,975,269**	11,106,834
Total support and revenue in net assets without donor restrictions	**124,375,151**	131,611,285
Expenses:		
Program services:		
Policy	**39,234,099**	48,055,670
Media, government relations and outreach	**12,210,802**	18,068,092
Educational programs and communications	**53,536,395**	50,689,067
Total program services	**104,981,296**	116,812,829
Supporting services:		
Management and general	**3,436,856**	4,078,614
Fundraising	**20,738,397**	20,205,030
Total supporting services	**24,175,253**	24,283,644
Total expenses	**129,156,549**	141,096,473
Change in net assets without donor restrictions	**(4,781,398)**	(9,485,188)
Changes in net assets with donor restrictions:		
Contributions	**1,176,723**	3,131,922
Investment return, net	**8,491,443**	5,564,143
Change in value of split-interest agreements	**(351,297)**	(457,051)
Change in value of contributions and irrevocable trusts	**190,711**	352,225
Contribution write-offs	**(130,500)**	-
Net assets released from restrictions	**(8,975,269)**	(11,106,834)
Change in net assets with donor restrictions	**401,811**	(2,515,595)
Change in net assets	**(4,379,587)**	(12,000,783)
Net assets:		
Beginning	**335,683,043**	347,683,826
Ending	**$ 331,303,456**	$ 335,683,043

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services				Supporting Services			
	Policy	Media, Government Relations and Outreach	Educational Programs and Communications	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 19,353,437	$ 4,594,954	$ 10,537,116	$ 34,485,507	$ 766,558	$ 6,637,546	$ 7,404,104	$ 41,889,611
Consultants and independent contractors	3,182,486	1,247,255	11,126,143	15,555,884	347,840	3,110,976	3,458,816	19,014,700
Fringe benefits	4,671,103	1,447,311	2,868,400	8,986,814	209,177	1,649,138	1,858,315	10,845,129
Printing and copying	256,780	65,944	3,907,609	4,230,333	33,870	1,027,967	1,061,837	5,292,170
Postage and shipping	26,409	20,858	4,785,662	4,832,929	1,933	1,151,944	1,153,877	5,986,806
Conferences and meetings	1,830,329	1,497,356	1,550,704	4,878,389	248,820	1,869,620	2,118,440	6,996,829
Depreciation	1,954,188	623,050	2,681,025	5,258,263	273,266	866,171	1,139,437	6,397,700
Advertising	1,147,764	377,729	1,680,058	3,205,551	357,811	965,721	1,323,532	4,529,083
Occupancy	1,999,151	626,279	2,738,075	5,363,505	577,172	425,747	1,002,919	6,366,424
Taxes, licenses and bank fees	63,534	19,898	287,022	370,454	13,438	398,065	411,503	781,957
Information technology	1,489,230	478,433	2,659,998	4,627,661	230,792	1,309,266	1,540,058	6,167,719
Professional fees	324,144	108,127	759,534	1,191,805	93,657	64,678	158,335	1,350,140
Supplies	45,956	14,768	56,301	117,025	10,092	10,000	20,092	137,117
Travel	1,220,778	427,699	712,372	2,360,849	95,133	714,802	809,935	3,170,784
Staff training	29,826	7,675	326,987	364,488	4,910	9,013	13,923	378,411
Dues and subscriptions	215,935	295,363	373,034	884,332	34,052	57,752	91,804	976,136
Photography and video	11,854	5,637	223,753	241,244	3,574	10,114	13,688	254,932
Interest expense	723,756	225,254	987,592	1,936,602	78,676	357,607	436,283	2,372,885
Insurance	82,387	25,641	186,293	294,321	25,935	12,967	38,902	333,223
Honoraria and writer’s fees	479,510	19,743	80,792	580,045	17,946	13,973	31,919	611,964
Books and products	19,744	8,808	58,321	86,873	1,834	29,955	31,789	118,662
Miscellaneous	95,798	27,678	120,992	244,468	10,370	45,375	55,745	300,213
Other programs and grants	10,000	45,342	4,828,612	4,883,954	-	-	-	4,883,954
Total expenses	$ 39,234,099	$ 12,210,802	$ 53,536,395	$ 104,981,296	$ 3,436,856	$ 20,738,397	$ 24,175,253	$ 129,156,549

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services				Supporting Services			
	Policy	Media, Government Relations and Outreach	Educational Programs and Communications	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 21,366,097	$ 5,663,982	$ 9,184,981	$ 36,215,060	$ 787,567	$ 5,967,993	$ 6,755,560	$ 42,970,620
Consultants and independent contractors	6,883,776	2,411,755	9,456,865	18,752,396	405,830	2,725,913	3,131,743	21,884,139
Fringe benefits	5,255,726	1,615,359	2,268,416	9,139,501	179,129	1,614,174	1,793,303	10,932,804
Printing and copying	207,171	49,341	4,886,120	5,142,632	9,082	1,306,614	1,315,696	6,458,328
Postage and shipping	31,548	13,544	5,118,505	5,163,597	2,571	1,323,301	1,325,872	6,489,469
Conferences and meetings	2,200,875	1,991,176	1,622,084	5,814,135	314,295	1,527,172	1,841,467	7,655,602
Depreciation	1,942,002	735,960	2,048,425	4,726,387	262,348	682,790	945,138	5,671,525
Advertising	2,165,856	789,254	2,403,560	5,358,670	600,311	1,445,444	2,045,755	7,404,425
Occupancy	1,988,205	753,722	2,106,400	4,848,327	517,295	387,438	904,733	5,753,060
Taxes, licenses and bank fees	83,779	42,996	242,006	368,781	14,527	458,446	472,973	841,754
Information technology	1,275,953	585,584	1,985,268	3,846,805	157,590	1,406,980	1,564,570	5,411,375
Professional fees	2,390,165	1,925,350	2,327,360	6,642,875	619,445	322,661	942,106	7,584,981
Supplies	53,637	21,412	75,134	150,183	9,785	19,247	29,032	179,215
Travel	1,247,550	366,148	502,806	2,116,504	60,359	645,276	705,635	2,822,139
Staff training	20,416	5,034	229,448	254,898	3,086	4,388	7,474	262,372
Dues and subscriptions	340,044	587,247	498,021	1,425,312	61,100	281,942	343,042	1,768,354
Photography and video	86,917	12,374	107,837	207,128	2,834	11,391	14,225	221,353
Interest expense	115,085	43,270	121,392	279,747	25,493	26,691	52,184	331,931
Insurance	133,828	50,317	179,910	364,055	38,271	19,136	57,407	421,462
Honoraria and writer's fees	180,435	46,500	171,190	398,125	-	5,500	5,500	403,625
Books and products	56,227	10,919	64,540	131,686	6,057	22,075	28,132	159,818
Miscellaneous	5,228	848	3,799	9,875	1,639	458	2,097	11,972
Other programs and grants	25,150	346,000	5,085,000	5,456,150	-	-	-	5,456,150
Total expenses	$ 48,055,670	$ 18,068,092	$ 50,689,067	$ 116,812,829	$ 4,078,614	$ 20,205,030	$ 24,283,644	$ 141,096,473

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ (4,379,587)	$ (12,000,783)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(25,348,621)	(17,909,601)
Change in value of split-interest obligations	351,297	457,051
Change in discount on contributions receivable	(477,974)	(518,830)
Change in value of terminated split-interest obligations	182,852	110,125
Depreciation	6,397,700	5,671,525
Contribution write-offs	(130,500)	-
(Gain) loss on disposal of property and equipment	(472,493)	495,094
Change in value of interest rate swaps	1,449,387	(703,608)
Contributions restricted to investment in perpetuity	(1,110,134)	(159,115)
Change in operating leases	(6,717)	(1,814)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	8,078,422	3,866,715
Prepayments and other assets	(87,013)	555,321
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,863,484)	2,838,758
Net cash used in operating activities	(18,416,865)	(17,299,162)
Cash flows from investing activities:		
Purchases of investments	(18,612,242)	(10,107,622)
Proceeds from sales of investments	33,999,625	35,012,499
Proceeds from sales of property and equipment	1,062,882	-
Purchases of property and equipment	(2,394,424)	(12,514,528)
Net cash provided by investing activities	14,055,841	12,390,349
Cash flows from financing activities:		
Proceeds from notes payable	-	12,000,000
Principal payments on notes payable	(1,996,418)	(1,437,618)
Proceeds from the line of credit	18,130,404	18,144,297
Payments on the line of credit	(18,130,404)	(18,144,297)
Contributions restricted to investment in perpetuity	1,110,134	159,115
Payments on split interest obligations	(1,065,472)	(602,620)
Proceeds from split interest obligations	160,586	104,827
Net cash (used in) provided by financing activities	(1,791,170)	10,223,704
Net (decrease) increase in cash and cash equivalents	(6,152,194)	5,314,891
Cash and cash equivalents:		
Beginning	19,113,436	13,798,545
Ending	$ 12,961,242	$ 19,113,436
Supplemental disclosure of cash flow information:		
Cash payments for interest	$ 2,181,451	$ 2,249,750

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Heritage Foundation and Affiliates (the Foundation) is comprised of the following entities: The Heritage Foundation; 3rd Street Properties, LLC; Massachusetts Avenue Properties, LLC; Intern Housing, LLC; Education Freedom, LLC and The Daily Signal Institute.

Founded in 1973, The Heritage Foundation is an educational and research institute whose mission is to formulate and promote conservative public policies, based on the principles of free enterprise, limited government, individual freedom, traditional American values and a strong national defense. The Foundation pursues this mission by performing timely, accurate research on key policy issues, and effectively marketing these findings to its primary audiences, who are members of Congress, key congressional staff, policy makers in the Executive Branch, the nation's news media, the academic and policy communities and its donors and the public at large. The Foundation's vision is to build an America where freedom, opportunity, prosperity and civil society flourish.

The Heritage Foundation is the sole member of four limited liability companies that are used for a variety of purposes.

3rd Street Properties, LLC is a limited liability company used to purchase and hold real estate property.

Massachusetts Avenue Properties, LLC is a limited liability company used to purchase and hold real estate property.

Intern Housing, LLC is a limited liability company that operates an intern housing program.

Education Freedom, LLC was formed in 2024 for purpose of acquiring student loans and issuing public tax-exempt bonds, however, its operations were not significant to the Foundation's consolidated financial statements. During March 2025, the Foundation sold its member interest in the LLC to a third-party.

The Daily Signal Institute (Daily Signal) is a not-for-profit organization formed in 2024 to serve as a digital-only news and commentary website, as an alternative to the establishment press, with the goal of serving a mass audience of conservatives and independent-minded Americans. The Daily Signal is governed by its own Board of Directors, and was previously part of the Heritage Foundation as a department in the organization.

A summary of the Foundation's significant accounting policies follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of The Heritage Foundation, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC, Intern Housing, LLC, Education Freedom, LLC and the Daily Signal. All intercompany accounts and transactions between The Heritage Foundation, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC, Intern Housing, LLC, Education Freedom LLC and the Daily Signal have been eliminated in the consolidated financial statements.

Basis of presentation: The consolidated financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (the Codification or ASC). As required by the Not-for-Profit Entities topic of the Codification, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets without donor restrictions represent resources available to support the Foundation's operations and restricted resources that become available for use in the year given, by satisfying donor-imposed time or purpose restrictions. Net assets without donor restrictions include both Board-designated and undesignated funds. The Board of Trustees has approved the establishment of an operating reserve (designated fund) to provide working capital and financing stability for the Foundation in the future. Funds have also been designated by the Board for certain programs and capital acquisitions. Total designated funds as of December 31, 2025 and 2024, totaled $137,342,669 and $132,182,502, respectively. The undesignated fund constitutes the Foundation's operating fund and net investment in property and equipment net of related liabilities.

Net assets with donor restrictions: The Foundation's net assets with donor restrictions are comprised of two types of restrictions: net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time, and net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation, typically with earned investment income used for donor-restricted purposes. When a donor-imposed restriction expires due to accomplishing the stipulated purpose, or through passage of time, the restricted net assets are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Cash and cash equivalents: The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Cash equivalents held temporarily in the investment portfolio are excluded from cash and cash equivalents.

Financial risk: The Foundation maintains its cash in bank deposit accounts and money market accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant financial risk on cash balances.

The Foundation invests in a professionally managed portfolio that contains various securities that are exposed to risks, such as interest rate, market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Contributions receivable and support and revenue: The Foundation recognizes support and revenue for unconditional contributions when received, including those contributions received in the form of unconditional promises to give. These promises to give are classified as contributions receivable on the consolidated statements of financial position. Conditional promises to give are not recognized as support and revenue until conditions have been materially met.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are discounted at an appropriate rate, commensurate with the risks involved. Amortization of the discount is included in the change in value of pledges and irrevocable trusts on the consolidated statements of activities. An allowance for uncollectible pledges is recorded when management identifies amounts not expected to be collected. As of December 31, 2025 and 2024, there was no allowance for uncollectible amounts recorded as all contribution receivables are expected to be collected.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments with readily determinable fair values are reported at fair value with gains and losses included in the consolidated statements of activities. Other investments in partnerships, hedge funds, trusts, LLCs and private equity (alternative investments) are reported at fair value, based on a practical expedient, the net asset value per share or equivalent, determined by the fund or the investment manager at the measurement date. The estimated values, provided by the fund or the investment manager, are subject to an annual independent audit, and are reviewed by management for reasonableness. The Foundation also holds simple agreements for future equity (SAFE), which will typically be converted to equity securities prior to their expiration. Generally, the stated value of the SAFEs approximates fair value. The Foundation may consider other factors to estimate fair value, including proceeds that would be received in a liquidation analysis. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

Estate gifts: The Foundation is the beneficiary under various wills and other agreements, the total realizable amounts of which are not presently determinable. The Foundation's share of such amounts is not recorded until the Foundation has an irrevocable right to the bequest, and the proceeds are measurable.

Property and equipment: Property and equipment consists of land, building, building improvements, office furniture and equipment, which are stated at cost as of the date of acquisition or, for gifts-in-kind, the fair value at the date of donation, less accumulated depreciation. Depreciation is recognized on a straight-line basis over estimated useful lives of three to 39 years for building and building improvements, and three to 10 years for office furniture and equipment. The Foundation capitalizes individual property and equipment purchases with a cost of $15,000 or more.

Valuation of long-lived assets: Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Foundation had no impairment of long-lived assets during 2025 or 2024.

Derivative financial instruments: The Foundation has entered into interest rate swap agreements to manage the interest rate exposure on the notes payable. The fair values of the interest rate swap agreements are the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties.

Such interest rate swaps are accounted for under the Codification topic, Derivatives and Hedging. As a not-for-profit organization, the Foundation is not allowed to use cash flow hedging. Therefore, the interest rate swaps are recorded in the consolidated statements of financial position at fair value. The changes in the fair values are reflected in rental and other income in the consolidated statements of activities.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Split-interest agreements: Contributions received in the form of irrevocable split-interest agreements (charitable gift annuities and charitable trusts) are recorded as contribution support at the present value of amounts expected to transfer to the Foundation at the estimated date of death of the current beneficiaries, which is estimated using Internal Revenue Service mortality tables and discount rates commensurate with the risks involved, ranging from 1% to 8%. Any subsequent changes in the value of the split-interest obligations are recorded as change in value of split-interest obligations in the consolidated statements of activities. During the life of the beneficiary, or for the specified period of time, the Foundation pays the donor, or other specified parties, amounts as determined in the donor agreement. Upon fulfillment of the beneficiary payments or termination of the trust, the remaining assets are available to the Foundation for general purposes.

Leases: The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation recognizes most leases on its consolidated statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases, based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of activities.

The Foundation made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of ASC Topic 842, Leases). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date, and are reduced by any lease incentives received. To determine the present value of lease payments, the Foundation made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature, and recorded in variable lease expense in the period incurred.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income tax status: The Heritage Foundation is a nonprofit organization exempt from federal income taxes under Section 501(a), as an entity described in Section 501(c)(3) of the Internal Revenue Code. The Heritage Foundation has been classified by the Internal Revenue Service as a public charity, and is not a private foundation. Contributions to The Heritage Foundation are deductible for federal income, estate and gift tax purposes. Income which is not related to exempt purposes is subject to tax. There was no significant net unrelated income tax during the years ended December 31, 2025 and 2024. 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC, Intern Housing, LLC and Education Freedom, LLC are limited liability companies whose sole member is The Heritage Foundation. Consequently, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC, Intern Housing, LLC and Education Freedom LLC are disregarded entities for federal and state income tax purposes. The Daily Signal is exempt from federal income taxes under 501(a), as an entity described in 501(c)(3) of the Internal Revenue Code.

Management evaluated the Foundation’s tax positions, and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Allocation of joint costs: The Foundation incurred joint costs of $12,318,176 and $14,283,731 for the years ended December 31, 2025 and 2024, respectively. The Foundation allocated these joint costs among program and fundraising expenses as follows:

	2025	2024
Educational programs expense	$ 10,760,429	$ 12,187,962
Fundraising expense	1,557,747	2,095,769
	$ 12,318,176	$ 14,283,731

Advertising costs: Advertising costs are expensed when incurred. Total advertising expense was $4,529,083 and $7,404,425 for the years ended December 31, 2025 and 2024, respectively.

Use of estimates: The preparation of consolidated 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, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses: The costs of providing various program and supporting activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of overhead costs such as depreciation, interest, rent and insurance are allocated based on personnel time.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on the consolidated change in net assets or net assets.

Subsequent events: The Foundation has evaluated subsequent events through August 26, 2026, the date on which the consolidated financial statements were available to be issued. See Note 13 for a discussion of subsequent events.

Note 2. Contributions Receivable

The following are unconditional promises to give as of December 31, 2025 and 2024:

	2025	2024
Due in less than one year	$ 9,741,433	$ 11,147,071
Due in one to five years	6,572,701	13,114,985
Total to be received	16,314,134	24,262,056
Less discounting for multi-year promises to give (rates of 1.11%–3.13%)	(267,548)	(745,522)
	$ 16,046,586	$ 23,516,534

Note 3. Investments and Fair Value Measurements

The Foundation follows the Codification topic, Fair Value Measurement*,* which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Publicly traded securities are classified as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market-based inputs. Corporate bonds and U.S. Government securities are classified as Level 2 instruments because they comprised assets that are not publicly traded and valued using observable market-based inputs or unobservable inputs corroborated by market data. The Foundation's investment in SAFEs are measured at fair value on a recurring basis and are classified within Level 3 of the fair value hierarchy because the valuation utilizes significant unobservable inputs and there is limited or no observable market activity for the instruments.

As of December 31, 2025 and 2024, 74% and 80%, respectively, of capital committed to the private equity funds has been called.

Common trust funds (CTF) are unregistered bank investment products that pool fiduciary client assets and employ a multi-strategy objective. There were no unfunded commitments related to the CTF, and the funds can be redeemed daily with no notice period.

The interest rate swaps connected to the Foundation’s term loan financing are classified as Level 2 instruments because their values are a function of the difference between the interest rate on the Foundation’s notes payable and the rates in the swap agreements; hence there are observable market-based inputs.

Note 3. Investments and Fair Value Measurements (Continued)

The table below summarize the Foundation's financial assets measured at fair value on a recurring basis, as of December 31, 2025:

	2025			
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Publicly traded securities:				
Common stocks—multiple sectors	$ 123,984,764	$ 123,984,764	$ -	$ -
Mutual funds:				
Equity mutual funds:				
Index funds	1,872,662	1,872,662	-	-
Established international	358,349	358,349	-	-
Multi-strategy	306,261	306,261	-	-
Total equity mutual funds	2,537,272	2,537,272	-	-
Fixed income mutual funds:				
Balanced	2,749,921	2,749,921	-	-
Taxable fixed income	26,044,868	26,044,868	-	-
Index funds	17,373,220	17,373,220	-	-
Multi-strategy	329,389	329,389	-	-
Emerging markets	789,649	789,649	-	-
Total fixed income mutual funds	47,287,047	47,287,047	-	-
Total mutual funds	49,824,319	49,824,319	-	-
Total publicly traded securities	173,809,083	173,809,083	-	-
Corporate bonds and U.S. Government securities	101,103	-	101,103	-
Privately held investments:				
SAFEs	2,350,000	-	-	2,350,000
Alternative investments valued using a net asset per share of equivalent as a practical expedient (a)	36,649,942	-	-	-
Common trust funds valued using a net asset value per share or equivalent as a practical expedient (a)	10,886,333	-	-	-
Deferred compensation assets:				
Multi-strategy equity PSAs valued using a practical expedient (a)	2,925,853	-	-	-
Total deferred compensation assets valued using a practical expedient	2,925,853	-	-	-
Cash equivalents	30,613,714	30,613,714	-	-
Total investments and deferred compensation assets	257,336,028	204,422,797	101,103	2,350,000
Interest rate swap asset	4,611,848	-	4,611,848	-
Total assets at fair value	$ 261,947,876	$ 204,422,797	$ 4,712,951	$ 2,350,000

Note 3. Investments and Fair Value Measurements (Continued)

The tables below summarize the Foundation's financial assets measured at fair value on a recurring basis, as of December 31, 2024:

	2024			
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Publicly traded securities:				
Common stocks—multiple sectors	$ 94,505,378	$ 94,505,378	$ -	$ -
Mutual funds:				
Equity mutual funds:				
Index funds	1,509,365	1,509,365	-	-
Established international	299,445	299,445	-	-
Multi-strategy	273,231	273,231	-	-
Total equity mutual funds	2,082,041	2,082,041	-	-
Fixed income mutual funds:				
Balanced	1,805,700	1,805,700	-	-
Taxable fixed income	16,592,185	16,592,185	-	-
Index funds	12,286,793	12,286,793	-	-
Multi-strategy	455,304	455,304	-	-
Emerging markets	714,923	714,923	-	-
Total fixed income mutual funds	31,854,905	31,854,905	-	-
Total mutual funds	33,936,946	33,936,946	-	-
Total publicly traded securities	128,442,324	128,442,324	-	-
Corporate bonds and U.S. Government securities	236,055	-	236,055	-
Alternative investments valued using a net asset per share of equivalent as a practical expedient (a)	70,940,127	-	-	-
Common trust funds valued using a net asset value per share or equivalent as a practical expedient (a)	9,625,885	-	-	-
Deferred compensation assets:				
Multi-strategy equity PSAs valued using a practical expedient (a)	2,879,084	-	-	-
Total deferred compensation assets valued using a practical expedient	2,879,084	-	-	-
Cash equivalents	35,365,132	35,365,132	-	-
Total investments and deferred compensation assets	247,488,607	163,807,456	236,055	-
Interest rate swap asset	6,061,234	-	6,061,234	-
Total assets at fair value	$ 253,549,841	$ 163,807,456	$ 6,297,289	$ -

(a) In accordance with Accounting Standards Update 2015-07, certain investments that were measured at a net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts of those investments presented in this table are intended to permit reconciliation of the fair value hierarchy to the line item presented in the consolidated statements of financial position.

Note 3. Investments and Fair Value of Financial Instruments (Continued)

The following table provides additional disclosures on the Foundation's alternative investment assets as of December 31, 2025 and 2024:

	Fair Value at 2025	Fair Value at 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equity Opportunistic [a]	$ 3,578,337	$ 27,584,743	N/A	Quarterly	30 days
Private Equity[b]	23,072,116	17,478,682	$ 9,975,107	N/A[c]	N/A[c]
Event-Driven[d]	836,472	16,303,032	N/A	Quarterly to Semi-annual	60 days
Multi-Strategy[d]	172,768	9,573,670	N/A	Monthly	30 days
Private Credit[e]	8,990,249	-	N/A	N/A[c]	N/A[c]
Total	$ 36,649,942	$ 70,940,127			

(a) Global Equity Opportunistic refers to investments in equity securities across worldwide markets, not restricted to specific regions or market capitalization.

(b) Private Equity represents securities in operating companies that are not publicly traded on an exchange. This could be achieved through private equity investment funds, direct co-investments in individual portfolio companies, secondary private equity offerings or direct and indirect investments in privately and publicly issued debt securities and privately issued equity securities of companies that are currently experiencing financial and/or operational distress.

(c) Private Equity partnerships permit redemption only at the fund/General Partner's discretion. As such, there is no redemption frequency or notice period officially outlined in the investment agreement.

(d) Multi-strategy hedge fund that aims to generate attractive risk-adjusted returns through a balanced risk allocation across a diverse portfolio in predominantly liquid assets with both internal portfolio managers and external managed accounts.

(e) Private credit represents originating and investing in senior secured, floating rate loans to U.S. middle-market and upper-middle-market companies.

The following table presents changes in assets classified in Level 3 of the fair value hierarchy during the year ended December 31, 2025, attributed to the following:

	SAFEs
Purchases of investments	$ 2,350,000

Generally, the Foundation transfers investments out of Level 3 when an investment becomes quoted in an active market, which the Foundation has the ability to access, and the liquidity restrictions are reduced or eliminated. For the year ended December 31, 2025, there were no significant transfers into or out of Level 3. There were no Level 3 investments held during the year ended December 31, 2024.

Note 3. Investments and Fair Value of Financial Instruments (Continued)

The following summarizes net investment return for the years ended December 31, 2025 and 2024:

	2025	2024
Net realized and unrealized gain	$ 25,348,621	$ 17,909,601
Interest and dividends	6,458,666	3,356,079
Investment fees	(632,349)	(577,213)
	$ 31,174,938	$ 20,688,467

Note 4. Property and Equipment

Property and equipment and accumulated depreciation consist of the following as of December 31, 2025 and 2024:

	2025	2024
Land, building and improvements	$162,277,110	$161,447,348
Construction in progress	367,401	107,107
Office furniture and equipment	9,491,032	8,976,200
	172,135,543	170,530,655
Less accumulated depreciation	(59,053,259)	(52,854,706)
Property and equipment, net	$113,082,284	$117,675,949

Construction in progress at December 31, 2025 and 2024, represents costs incurred in connection with renovation of the Foundation's headquarters, which are expected to be fully completed during 2026.

Depreciation expense totaled $6,397,700 and $5,671,525 for the years ended December 31, 2025 and 2024, respectively.

Note 5. Notes Payable

Notes payable as of December 31, 2025 and 2024, are as follows:

	2025	2024
Notes payable	$ 55,381,245	$ 57,377,662
Less current portion	(2,066,976)	(1,999,063)
Notes payable, long-term	$ 53,314,269	$ 55,378,599

The total interest cost incurred during the years ended December 31, 2025 and 2024, was $2,372,885 and $2,449,442, respectively, of which $0 and $1,936,491, respectively, was capitalized as part of the cost of certain construction projects.

All notes payable and the line of credit (see Note 6) are unsecured and require that the Foundation maintain a debt service coverage ratio (as defined by the lending institution) of at least 1.2 to 1, and unrestricted liquidity of at least $65,000,000.

Note 5. Notes Payable (Continued)

The Foundation has a $7,000,000 note with a financial institution. As of December 31, 2025 and 2024, the outstanding liability totaled $4,466,482 and $4,726,124, respectively. The principal balance is payable in 179 consecutive monthly installments. The unpaid principal balance of the note, plus accrued and unpaid interest, is due on June 12, 2028. The interest rate on this loan is the one-month Secured Overnight Financing Rate (SOFR), plus 1.38%, which was 5.50% at December 31, 2025. An interest rate swap was also initiated with terms matching the note with an effective interest rate of 4.54%. The value of the interest rate swap asset was $13,876 and $122,261 as of December 31, 2025 and 2024, respectively.

The Foundation also has a closed ended note with a financial institution totaling $30,000,000 used to fund certain construction projects. The note allowed advances to be taken for 84 months from the date of commencement (the draw period). During the draw period, an unused fee of 12.5 basis points was assessed. At the end of the draw period, principal and interest became payable in 155 consecutive monthly installments on the outstanding principal balance, based on a 20-year amortization beginning on January 1, 2023. The interest rate on this loan is the one-month SOFR, plus 1.50%, which was 5.62% at December 31, 2025. Any unpaid principal and interest is due in full on the maturity date, which is November 30, 2035. As of December 31, 2025 and 2024, the outstanding balance of the note was $26,430,761 and $27,651,538, respectively. In 2020, the Foundation entered into an interest rate swap agreement with an effective interest rate of 2.55%, commencing on January 1, 2023, and terminating on November 30, 2035. The value of the interest rate swap asset was $4,516,292 and $5,666,801 as of December 31, 2025 and 2024, respectively.

In 2022, the Foundation established a new note with a financial institution totaling $25,000,000, used to fund certain construction projects. The note allows advances to be taken for 24 months from the date of commencement (the draw period) at a rate of the one-month SOFR, plus 1.46%, which was 5.58% at December 31, 2025. During the draw period, an unused fee of 12.5 basis points will be assessed. At the end of the draw period, principal and interest will be payable in 180 consecutive monthly installments on the outstanding principal balance, based on a 15-year amortization beginning on January 1, 2025. Any unpaid principal and interest is due in full on the maturity date, which is December 1, 2039. As of December 31, 2025 and 2024, the outstanding balance was $24,484,000 and $25,000,000, respectively. In February 2023, the Foundation entered into an interest rate swap agreement with an effective interest rate of 4.85%, commencing on December 31, 2024, and terminating on December 31, 2029. In May 2024, a second interest rate swap agreement was executed with an effective interest rate of 5.85%, commencing on December 1, 2024, and terminating on December 31, 2039. The value of the interest rate swap asset was $81,680 and $272,172 as of December 31, 2025 and 2024, respectively.

As of December 31, 2025, minimum future principal payments under these notes are as follows:

Years ending December 31:	
2026	$ 2,066,976
2027	2,140,137
2028	5,829,029
2029	1,983,222
2030	2,051,259
Thereafter	41,310,622
	$ 55,381,245

Note 6. Line of Credit

The Foundation has a revolving bank line of credit of $10,000,000 from a financial institution. The revolving line of credit bears interest at the one-month SOFR, plus 1.25%, which was 5.37% at December 31, 2025. The line of credit will mature on December 31, 2026, and there was no outstanding balance as of December 31, 2025 and 2024.

Note 7. Employee Benefits

Discretionary contribution plan: The Foundation provides a noncontributory discretionary contribution plan to all employees. In 2022, the plan was amended to reduce the service requirement from one year to six months, and the number of hours worked from 1,000 hours to 500 hours. There was no change to the age requirement; the employee must have attained the age of 21. Expenses for the plan were approximately $1,257,000 and $2,889,000 for the years ended December 31, 2025 and 2024, respectively. Employees vest at 25% per year of service, beginning after two years, and are fully vested after five years. The Foundation also provides employees the opportunity to defer current compensation under a 403(b) plan. The Foundation makes no contributions to this plan.

Deferred compensation plan: The Foundation provides certain employees the opportunity to defer current compensation under a 457(b) plan. Although the Foundation makes no contributions to these plans, the plan assets and related obligations to employees are includable on the Foundation's consolidated statements of financial position.

The total fair value of all deferred compensation investments and the related deferred compensation obligations to employees was $2,925,853 and $2,879,084 as of December 31, 2025 and 2024, respectively.

Note 8. Net Assets With Donor Restrictions

The Foundation follows the Codification contents governing Reporting Endowment funds. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. The Foundation has interpreted the District of Columbia enacted UPMIFA (the Act) as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions that are permanent in nature: (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 donor-restricted endowment funds remain in the restricted endowment until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of 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:

- The purposes of the Foundation and donor-restricted endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

Note 8. Net Assets with Donor Restrictions (Continued)

The Foundation has adopted investment and spending policies for the donor restricted endowment that attempt to provide a predictable stream of funding to programs, while maintaining purchasing power. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy and to cover the costs of managing the endowment investments. At a minimum, the long-term investment portfolio should produce a 5% average return over a full market cycle. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time. The annual investment withdrawal is calculated up to 5% of the three-year quarterly average of the investment fair values at September 30. All earnings from these funds are reflected as donor restricted net assets until appropriated for program expenditures.

Net assets with donor restrictions as of December 31, 2025 and 2024, consist of the following:

	2025	2024
Temporary in nature, excluding endowment funds:		
Contributions restricted by passage of time	$ 21,229,405	$ 25,624,008
Total temporary in nature, excluding endowment funds	21,229,405	25,624,008
Endowment funds:		
William E. Simon Fellow Endowment	1,000,000	1,000,000
Miller Family Fdn. Intern Endowment	100,000	100,000
William Grewcock Intern Endowment	100,000	100,000
John Bruning Intern Endowment	1,000,000	1,000,000
Westerman Intern Endowment	1,000,000	1,000,000
John R. & Margrite Davis Intern Endowment	200,000	200,000
John Von Kannon Philanthropy Endowment	1,153,960	1,153,960
Haskell Robinson Endowment	2,004,500	1,904,500
Marjorie W. Herrick Intern Endowment	100,000	100,000
Edward R. Farber Intern Endowment	896,500	896,500
Joe N. Rumble Endowment	911,251	911,251
Kuchta Intern Endowment	200,000	200,000
Eddy de Broekert Intern Endowment	250,000	250,000
Grover M. Hermann Endowment	5,000,000	5,000,000
Mayer Intern Endowment	201,318	201,318
Linda Boyce Haller Internship Endowment	200,000	200,000
Sims Intern Endowment	200,000	200,000
Alison and Dorothy Rouse Endowment	28,329,614	28,329,614
John and Virginia Rigsby Intern Fund	200,000	200,000
Steven M. Sass Endowment	100,000	100,000
Woosley Intern Endowment Fund	1,010,134	-
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	44,157,277	43,047,143
Accumulated gains on endowment	11,706,870	8,020,590
Term endowment	25,855,000	25,855,000
Total endowment funds	81,719,147	76,922,733
Total net assets with donor restrictions	$102,948,552	$102,546,741

Note 8. Net Assets With Donor Restrictions (Continued)

The Foundation's endowments consist entirely of donor restricted funds, and the following is the endowment fund activity for the years ended December 31, 2025 and 2024:

	2025	2024
	Net Assets With Donor Restrictions	Net Assets With Donor Restrictions
Beginning of year	$ 76,922,733	$ 74,946,425
Investment return, net	6,067,578	4,211,771
Amounts appropriated for expenditure	(2,381,298)	(2,394,578)
Contributions	1,110,134	159,115
End of year	$ 81,719,147	$ 76,922,733

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 the Act requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. The Foundation has interpreted the Act as permitting spending from an underwater fund, in accordance with the prudent measures required under the law. There were no deficiencies as of December 31, 2025 or 2024.

Note 9. Leases

Lessee: The Foundation leases office space under a noncancelable operating lease agreement. The lease includes one or more options to renew, generally at the Foundation's sole discretion, with renewal terms that can extend the lease term. In addition, the lease contains a termination option, where the rights to terminate are held by either the Foundation, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Foundation will exercise that option. The Foundation's operating lease does not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Total lease cost for the years ended December 31, 2025 and 2024, was $161,668.

At December 31, 2025 and 2024, the weighed-average remaining lease term for the operating lease is 3 months and 1.25 years, respectively. At December 31, 2025 and 2024, the weighted average discount rate for operating leases is 1.46%.

Supplemental consolidated cash flow information related to leases is as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating lease	$ 168,385	$ 163,481

Note 9. Leases (Continued)

Future undiscounted consolidated cash flows for the next year is as follows as of December 31, 2025:

Year ending December 31:		
2026	$	42,405
Total lease payments		42,405
Less imputed interest		(51)
Total present value of lease liabilities	$	42,354

Lessor: The Foundation leases space to third parties under noncancelable multi-year leases. The Foundation's rental income is primarily composed of payments defined under each lease agreement, and are either subject to scheduled fixed increases or adjustments in rent based on the consumer price index.

Additionally, rental income includes variable payments for lessee reimbursements of property-related expenses and payments based on a percentage of tenant's sales. Lessor costs for certain services directly reimbursed by lessees are presented on a gross basis in revenues and expenses.

Future minimum lease payments to be received for all noncancelable leases for each of the three succeeding fiscal years are as follows as of December 31, 2025:

Years ending December 31:		
2026	$	216,966
2027		218,915
2028		220,922
	$	656,803

Note 10. Commitments and Contingencies

Self-insured health plan: The Foundation has a self-insured health insurance plan for its employees and their qualifying dependents. The Foundation holds stop-loss insurance coverage, which limits the Foundation's liability to an aggregate maximum claim liability per policy year of approximately $5,400,000. As of December 31, 2025 and 2024, the Foundation had medical claims accruals of approximately $551,000 and $549,000, respectively, which are included in accounts payable and accrued expenses on the consolidated statements of financial position.

Note 11. Related-Party Transactions

The Foundation leases office space and provides administrative services to a related entity whose Board of Directors consists of three directors that are also trustees of the Foundation. The Foundation and the entity have a lease for office space on a month to month basis.

During the years ended December 31, 2025 and 2024, lease revenue from the related entity totaled $173,050 and $158,650, respectively.

Note 11. Related-Party Transactions (Continued)

Contracts for administrative services are on an annual basis and begin on January 1, each year. Administrative service contract income totaled $1,369,172 and $1,512,080 for the years ended December 31, 2025 and 2024, respectively. Also, the Foundation contracted with the related entity for services to be provided to the Foundation. Total expenses incurred by the Foundation related to this contract totaled $4,000,000 and $3,500,000 for the years ended December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, the Foundation provided a $550,000 and $200,000, respectively, contribution to the related entity, subject to an expenditure control agreement.

The Foundation received material support in the form of contributions from members of the Board of Trustees and organizations associated with members of the Board of Trustees during the years ended December 31, 2025 and 2024, in the ordinary course of business.

Note 12. Liquidity and Availability

The following represents the Foundation's financial assets as of December 31, 2025 and 2024, are as follows:

	2025	2024
Cash and cash equivalents	$ 12,961,242	$ 19,113,436
Contributions receivable, net	16,046,586	23,516,534
Investments	254,410,175	244,609,523
Total available liquidity	283,418,003	287,239,493
Less		
Board designated net assets*	137,342,669	132,182,502
Net assets with donor restrictions	102,948,552	102,546,741
	240,291,221	234,729,243
Financial assets available to meet cash needs for general expenditures within one year	$ 43,126,782	$ 52,510,250

* The Board designated net assets can be used to meet general expenditures at the discretion of the Board of Trustees.

The Foundation has a $10,000,000 line of credit that can provide additional liquidity.

The Foundation maintains a policy of structuring its financial assets to be available as its general operating expenses come due.

Note 13. Subsequent Events

In January 2026, the Foundation established a new note with a financial institution totaling $5,000,000, used to fund construction projects. The note permits advances to be drawn for 24 months from the date of commencement (the draw period), and bears interest at a variable rate equal to one-month at a rate of SOFR, plus 1.52%. During the draw period, an unused commitment fee of 12.5 basis points is assessed on the undrawn balance. Following the draw period, principal and interest are payable in 180 consecutive monthly installments, based on a 15-year amortization of the outstanding principal balance. All unpaid principal and accrued interest are due at maturity on December 1, 2039.

Note 13. Subsequent Events (Continued)

In January 2026, the Foundation entered into a $7,331,640 interest rate swap agreement, to secure a fixed rate on a portion of its $25,000,000 note payable (see Note 5). The agreement has an effective interest rate of 5.68%, commencing on February 1, 2026, and terminating on December 1, 2039.

In July 2026, the Foundation sold certain real property and improvements for approximately $10,000,000. Net proceeds from the transaction will be used to support future operations. No gain associated with the transaction has been recognized in the accompanying consolidated financial statements for the year ended December 31, 2025, because the transaction occurred subsequent to year-end.