

The Heritage Foundation and Affiliates

Consolidated Financial Report
December 31, 2021

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Independent Auditor's Report

RSM US LLP

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, 2021 and 2020, 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, 2021 and 2020, 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 available to be issued (or within one year after the date that the financial statements are available to be issued when applicable).

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.
June 3, 2022

The Heritage Foundation and Affiliates

Consolidated Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,590,559	\$ 9,118,156
Contributions receivable	3,865,108	5,629,525
Prepayments and other assets	2,250,191	2,009,498
Total current assets	21,705,858	16,757,179
Long-term assets:		
Investments	297,377,518	265,874,747
Interest rate swaps	518,515	-
Deferred compensation investments	3,325,172	2,918,432
Contributions receivable, net	2,202,614	2,957,123
Property and equipment, net	96,132,451	92,825,388
Total long-term assets	399,556,270	364,575,690
Total assets	\$ 421,262,128	\$ 381,332,869
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 9,373,658	\$ 9,526,479
Current portion of notes payable	432,198	412,269
Total current liabilities	9,805,856	9,938,748
Long-term liabilities:		
Notes payable, net of current portion	31,612,668	26,544,867
Interest rate swaps	-	1,249,775
Deferred compensation obligations	3,325,172	2,918,432
Split-interest obligations	9,246,270	8,926,899
Total long-term liabilities	44,184,110	39,639,973
Total liabilities	53,989,966	49,578,721
Net assets:		
Without donor restrictions:		
Board designated	153,885,673	135,626,527
Undesignated	119,502,758	107,052,274
Total without donor restrictions	273,388,431	242,678,801
With donor restrictions	93,883,731	89,075,347
Total net assets	367,272,162	331,754,148
Total liabilities and net assets	\$ 421,262,128	\$ 381,332,869

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Support and revenue:		
Public support—contributions	\$ 71,808,596	\$ 65,132,865
Investment return, net	33,084,183	17,300,055
Rental and other income	4,108,163	1,466,697
Net assets released from restriction—satisfaction of time or program restrictions	7,988,424	3,540,371
Total support and revenue in net assets without donor restrictions	116,989,366	87,439,988
Expenses:		
Program services:		
Research	29,072,807	26,034,836
Media and government relations	8,948,262	6,959,308
Educational programs	31,359,296	30,194,899
Total program services	69,380,365	63,189,043
Supporting services:		
Management and general	1,567,710	1,321,384
Fundraising	15,331,661	14,417,021
Total supporting services	16,899,371	15,738,405
Total expenses	86,279,736	78,927,448
Change in net assets without donor restrictions	30,709,630	8,512,540
Changes in net assets with donor restrictions:		
Contributions	3,576,183	1,236,336
Investment return, net	10,641,737	5,069,469
Change in value of split-interest agreements	(585,316)	(528,789)
Change in value of contributions and irrevocable trusts	(231,043)	(263,048)
Contributions rescinded	(604,753)	(228,822)
Net assets released from restrictions	(7,988,424)	(3,540,371)
Change in net assets with donor restrictions	4,808,384	1,744,775
Change in net assets	35,518,014	10,257,315
Net assets:		
Beginning	331,754,148	321,496,833
Ending	\$ 367,272,162	\$ 331,754,148

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2021

	Program Services				Supporting Services			Total Expenses
	Research	Media and Government Relations	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 17,654,075	\$ 3,793,812	\$ 6,244,190	\$ 27,692,077	\$ 496,185	\$ 4,265,039	\$ 4,761,224	\$ 32,453,301
Consultants and independent contractors	1,603,167	1,192,110	4,143,600	6,938,877	142,890	2,788,517	2,931,407	9,870,284
Fringe benefits	4,129,700	1,088,017	1,988,828	7,206,545	134,722	1,222,134	1,356,856	8,563,401
Printing and copying	48,789	28,954	5,405,878	5,483,621	1,581	1,425,890	1,427,471	6,911,092
Postage and shipping	31,192	28,837	6,040,284	6,100,313	3,155	1,430,222	1,433,377	7,533,690
Conferences and meetings	1,159,817	1,056,518	566,933	2,783,268	101,666	671,760	773,426	3,556,694
Depreciation	1,099,173	338,313	1,183,271	2,620,757	59,271	579,654	638,925	3,259,682
Advertising	23,582	1,575	729,385	754,542	219	244,086	244,305	998,847
Occupancy	1,343,748	416,723	1,483,710	3,244,181	450,048	255,406	705,454	3,949,635
Taxes, licenses and bank fees	30,384	9,420	144,998	184,802	4,310	373,202	377,512	562,314
Information technology	770,436	272,899	2,284,993	3,328,328	56,730	1,535,620	1,592,350	4,920,678
Professional fees	81,648	25,130	99,425	206,203	14,996	24,958	39,954	246,157
Supplies	26,528	11,420	41,035	78,983	4,409	9,986	14,395	93,378
Travel	375,448	209,419	106,187	691,054	11,231	253,688	264,919	955,973
Staff training	79,350	21,481	104,556	205,387	15,616	39,638	55,254	260,641
Dues and subscriptions	244,057	206,087	206,136	656,280	24,908	61,314	86,222	742,502
Photography and video	18,715	10,814	140,882	170,411	2	1,412	1,414	171,825
Interest expense	192,042	59,108	206,735	457,885	10,356	101,274	111,630	569,515
Insurance	36,605	11,267	60,462	108,334	28,915	5,129	34,044	142,378
Honoraria and writer's fees	51,822	-	32,292	84,114	-	5,522	5,522	89,636
Books and products	28,938	18,375	133,345	180,658	4,273	34,564	38,837	219,495
Miscellaneous	10,778	10,983	7,171	28,932	2,227	2,646	4,873	33,805
Other programs and grants	32,813	137,000	5,000	174,813	-	-	-	174,813
Total expenses	\$ 29,072,807	\$ 8,948,262	\$ 31,359,296	\$ 69,380,365	\$ 1,567,710	\$ 15,331,661	\$ 16,899,371	\$ 86,279,736

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	Program Services				Supporting Services			Total Expenses
	Research	Media and Government Relations	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 16,873,725	\$ 3,467,173	\$ 6,481,307	\$ 26,822,205	\$ 506,725	\$ 4,437,313	\$ 4,944,038	\$ 31,766,243
Consultants and independent contractors	1,326,277	1,153,972	5,276,057	7,756,306	107,489	2,511,198	2,618,687	10,374,993
Fringe benefits	3,856,265	876,941	1,883,290	6,616,496	127,815	1,173,712	1,301,527	7,918,023
Printing and copying	46,912	25,624	4,359,627	4,432,163	2,515	1,194,016	1,196,531	5,628,694
Postage and shipping	21,005	11,089	5,079,563	5,111,657	1,749	1,302,286	1,304,035	6,415,692
Conferences and meetings	262,057	296,902	142,263	701,222	17,326	580,523	597,849	1,299,071
Depreciation	1,139,946	304,716	1,319,557	2,764,219	57,857	631,255	689,112	3,453,331
Advertising	209	89	1,225,978	1,226,276	60	525,624	525,684	1,751,960
Occupancy	897,202	243,663	1,066,602	2,207,467	366,221	132,295	498,516	2,705,983
Taxes, licenses and bank fees	27,875	7,360	134,312	169,547	4,805	271,816	276,621	446,168
Information technology	676,454	200,284	1,761,510	2,638,248	38,135	1,302,805	1,340,940	3,979,188
Professional fees	81,522	21,791	105,405	208,718	19,572	23,092	42,664	251,382
Supplies	16,389	4,908	24,221	45,518	2,837	7,402	10,239	55,757
Travel	102,793	27,486	40,708	170,987	3,621	101,547	105,168	276,155
Staff training	35,749	9,353	40,098	85,200	7,860	7,724	15,584	100,784
Dues and subscriptions	213,679	157,346	96,832	467,857	15,876	54,345	70,221	538,078
Photography and video	34,967	4,913	141,512	181,392	35	5,620	5,655	187,047
Interest expense	196,808	52,608	227,817	477,233	9,989	108,984	118,973	596,206
Insurance	35,354	9,450	61,293	106,097	28,231	5,043	33,274	139,371
Honoraria and writer's fees	50,700	-	16,895	67,595	-	1,500	1,500	69,095
Books and products	5,715	8,537	182,403	196,655	1,064	45,813	46,877	243,532
Miscellaneous	8,233	2,717	7,649	18,599	1,602	(6,892)	(5,290)	13,309
Other programs and grants	125,000	72,386	520,000	717,386	-	-	-	717,386
Total expenses	\$ 26,034,836	\$ 6,959,308	\$ 30,194,899	\$ 63,189,043	\$ 1,321,384	\$ 14,417,021	\$ 15,738,405	\$ 78,927,448

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 35,518,014	\$ 10,257,315
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(42,109,096)	(21,047,301)
Change in value of split-interest obligations	585,316	528,789
Change in discount on contributions receivable	(52,990)	(69,931)
Change in value of terminated split-interest obligations	548,320	528,950
Depreciation	3,259,682	3,453,331
Loss on disposal of assets	188,649	334,151
Change in value of interest rate swap	(1,768,290)	300,402
Pledges rescinded	604,753	228,822
Contributions restricted to investment in perpetuity	(422,326)	(101,000)
Contributions restricted to capital expenditures	(449,801)	(235,102)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	1,967,163	670,321
Prepayments and other assets	(240,693)	(1,163,436)
Increase (decrease) in:		
Accounts payable and accrued expenses	(152,821)	269,219
Net cash used in operating activities	(2,524,120)	(6,045,470)
Cash flows from investing activities:		
Purchases of investments	(16,135,957)	(684,518,589)
Sales of investments	25,920,092	695,622,727
Purchases of property and equipment	(6,755,394)	(10,458,896)
Net cash provided by investing activities	3,028,741	645,242
Cash flows from financing activities:		
Proceeds from notes payable	5,500,000	6,000,000
Principal payments on notes payable	(412,270)	(393,067)
Proceeds from the line of credit	13,500,000	11,752,152
Payments on the line of credit	(13,500,000)	(11,752,152)
Contributions restricted to investment in perpetuity	422,326	101,000
Contributions restricted to capital expenditures	449,801	235,102
Payments on split interest obligations	(814,265)	(1,938,713)
Proceeds from split interest obligations	822,190	791,837
Net cash provided by financing activities	5,967,782	4,796,159
Net increase (decrease) in cash and cash equivalents	6,472,403	(604,069)
Cash and cash equivalents:		
Beginning	9,118,156	9,722,225
Ending	\$ 15,590,559	\$ 9,118,156
Supplemental disclosure of cash flow information:		
Interest paid	\$ 852,803	\$ 890,381

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

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 composed of the following entities: The Heritage Foundation, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC and Intern Housing, LLC.

Founded in 1973, The Heritage Foundation is an educational and research institute—a think tank—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 three 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.

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 and Intern Housing, LLC. All intercompany accounts and transactions between The Heritage Foundation, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC and Intern Housing, LLC 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 (FASB) Accounting Standards Codification (the Codification). 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.

Net assets without donor restrictions: Net assets 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 at December 31, 2021 and 2020, totaled \$153,885,673 and \$135,626,527, respectively. The undesignated fund constitutes the Foundation's operating fund and net investment in property and equipment net of related liabilities.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

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. At December 31, 2021 and 2020, there was no allowance for uncollectible amounts recorded as all contribution receivables are expected to be collected.

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 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.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

Property and equipment: Property and equipment consists of land, buildings, 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 3 to 39 years for building and building improvements, and 3 to 10 years for office furniture and equipment. The Foundation capitalizes individual property and equipment purchases with a cost of \$5,000 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 2021 or 2020.

Derivative financial instruments: The Foundation has entered into three 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.

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 7%. 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.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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, 2021 and 2020. 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC and Intern Housing, LLC are limited liability companies whose sole member is The Heritage Foundation. Consequently, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC and Intern Housing, LLC are disregarded entities for federal and state income tax purposes.

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 \$15,344,603 and \$12,952,927 for the years ended December 31, 2021 and 2020, respectively. The Foundation allocated these joint costs among program and fundraising expenses as follows:

	2021	2020
Educational programs expense	\$ 13,476,725	\$ 11,143,895
Fundraising expense	1,867,878	1,809,032
	<u>\$ 15,344,603</u>	<u>\$ 12,952,927</u>

Advertising costs: Advertising costs are expensed when incurred. Total advertising expense was \$998,846 and \$1,751,960 for the years ended December 31, 2021 and 2020, respectively.

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the 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 statements of 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.

Adopted accounting pronouncement: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The Foundation adopted this ASU as it pertains to the Foundation as a recourse provider through the modified prospective transition method during the year ended December 31, 2020. This ASU did not have a significant impact on the Foundation's consolidated financial statements.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. This ASU did not have a significant impact on the Foundation's consolidated financial statements.

Subsequent events: The Foundation evaluated subsequent events through June 3, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2. Contributions Receivable

The following are unconditional promises to give at December 31, 2021 and 2020:

	2021	2020
Due in less than one year	\$ 3,865,108	\$ 5,629,525
Due in one to five years	2,295,001	3,102,500
Total to be received	6,160,109	8,732,025
Less discounting for multi-year promises to give (rates of 1.11%-3.13%)	(92,387)	(145,377)
	<u>\$ 6,067,722</u>	<u>\$ 8,586,648</u>

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.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

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.

As of December 31, 2021 and 2020, 69% and 52% 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.

Multi-strategy equity pooled separate accounts (PSA) are valued based on the fair value of the underlying assets in the PSA and the number of units in each PSA owned by the Foundation as a percentage of the total number of units in the PSA. A valuation agent is selected by Lincoln National Life Insurance Company for each PSA. The valuation agent calculates the net assets of the account on each open market day. There were no unfunded commitments related to the PSA and the funds can be redeemed daily with no notice period.

The guaranteed income fund is valued at a contract value reported by the insurance company. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. The guarantee contract is invested primarily in publicly traded and privately placed debt securities and mortgage loans. Funds can be withdrawn to be placed in separate funds upon request. Withdrawals may be deferred for up to six months if it is determined that investment conditions prevent an orderly sale of investments.

The deferred compensation plan obligations are based on the fair market value of the deferred compensation plan assets, which are valued using a practical expedient and are therefore, not subject to the fair value hierarchy.

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.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The tables below summarize the Foundation's financial assets and liabilities measured at fair value on a recurring basis, at December 31, 2021 and 2020.

Description	2021			
	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	\$ 67,803,214	\$ 67,803,214	\$ -	\$ -
Mutual funds:				
Equity mutual funds:				
Index funds	11,580,824	11,580,824	-	-
Established international	629,120	629,120	-	-
Multi-strategy	58,474,017	58,474,017	-	-
Total equity mutual funds	70,683,961	70,683,961	-	-
Fixed income mutual funds:				
Index funds	21,184,210	21,184,210	-	-
Multi-strategy	14,823,789	14,823,789	-	-
Total fixed income mutual funds	36,007,999	36,007,999	-	-
Total mutual funds	106,691,960	106,691,960	-	-
Total publicly traded securities	174,495,174	174,495,174	-	-
Corporate bonds and U.S Government securities	20,283,780	-	20,283,780	-
Alternative investments valued using a net asset per share or equivalent as a practical expedient (a)	80,406,995	-	-	-
Common trust funds valued using a net asset value per share or equivalent as a practical expedient (a)	12,092,718	-	-	-
Deferred compensation assets:				
Multi-strategy equity PSAs valued using a practical expedient (a)	3,325,172	-	-	-
Total deferred compensation assets valued using a practical expedient	3,325,172	-	-	-
Cash equivalents	10,098,851	10,098,851	-	-
Total investments and deferred compensation assets	300,702,690	184,594,025	20,283,780	-
Interest rate swap asset	518,515	-	518,515	-
Total assets at fair value	\$ 301,221,205	\$ 184,594,025	\$ 20,802,295	\$ -
Deferred compensation obligations (a)	\$ 3,325,172	\$ -	\$ -	\$ -
Total liabilities	\$ 3,325,172	\$ -	\$ -	\$ -

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

Description	2020			
	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	\$ 66,511,233	\$ 66,511,233	\$ -	\$ -
Mutual funds:				
Equity mutual funds:				
Index funds	27,060,317	27,060,317	-	-
Established international	485,773	485,773	-	-
Multi-strategy	36,368,326	36,368,326	-	-
Total equity mutual funds	63,914,416	63,914,416	-	-
Fixed income mutual funds:				
Multi-strategy	30,953,262	30,953,262	-	-
Total fixed income mutual funds	30,953,262	30,953,262	-	-
Total mutual funds	94,867,678	94,867,678	-	-
Total publicly traded securities	161,378,911	161,378,911	-	-
Corporate bonds and U.S Government securities	14,899,973	-	14,899,973	-
Alternative investments valued using a net asset per share or equivalent as a practical expedient (a)	69,553,327	-	-	-
Common trust funds valued using a net asset value per share or equivalent as a practical expedient (a)	10,344,051	-	-	-
Other assets:				
Multi-strategy equity PSAs valued using a practical expedient (a)	2,888,896	-	-	-
Guaranteed income fund valued using a practical expedient (a)	29,536	-	-	-
Total other assets valued using a practical expedient	2,918,432	-	-	-
Total assets at fair value	259,094,694	161,378,911	14,899,973	-
Cash equivalents	9,698,485	9,698,485	-	-
Total investments and deferred compensation assets	\$ 268,793,179	\$ 171,077,396	\$ 14,899,973	\$ -
Deferred compensation obligations (a)	\$ 2,918,432	\$ -	\$ -	\$ -
Interest rate swap liability	1,249,775	-	1,249,775	-
Total liabilities	\$ 4,168,207	\$ -	\$ 1,249,775	\$ -

(a) In accordance with ASU 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.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

The following table provides additional disclosures on the Foundation's alternative investment assets at December 31, 2021 and 2020:

	Fair Value at 2021	Fair Value at 2020	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equity Opportunistic ^(a)	\$ 50,359,395	\$ 44,274,153	N/A	Quarterly	30 days
Private Equity ^(b)	17,812,100	12,498,744	\$ 8,918,090	N/A ^(c)	N/A ^(c)
Event-Driven ^(d)	12,235,500	12,780,430	N/A	Quarterly to Semi-annual	60 days
Total	<u>\$ 80,406,995</u>	<u>\$ 69,553,327</u>			

- (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) Event-Driven strategies are investments in opportunities created by significant transaction events, such as spin-offs, mergers and acquisitions and reorganizations. These strategies include risk arbitrage, distressed situations investing, special situations and opportunistic investing.

The following summarizes net investment return for the years ended December 31, 2021 and 2020:

	2021	2020
Net realized and unrealized gain	\$ 42,109,096	\$ 21,047,301
Interest and dividends	2,533,376	2,479,123
Investment fees	(916,552)	(1,156,900)
	<u>\$ 43,725,920</u>	<u>\$ 22,369,524</u>

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment and accumulated depreciation consist of the following at December 31, 2021 and 2020:

	2021	2020
Land, building and improvements	\$ 117,824,034	\$ 116,278,553
Construction in progress	17,725,831	13,904,539
Office furniture and equipment	9,897,684	9,690,501
	<u>145,447,549</u>	<u>139,873,593</u>
Less accumulated depreciation	(49,315,098)	(47,048,205)
Property and equipment, net	<u>\$ 96,132,451</u>	<u>\$ 92,825,388</u>

Depreciation expense for the years ended December 31, 2021 and 2020, totaled \$3,259,682 and \$3,453,331, respectively.

Note 5. Notes Payable

Notes payable as of December 31, 2021 and 2020, are as follows:

	2021	2020
Notes payable	\$ 32,044,866	\$ 26,957,136
Less current portion	(432,198)	(412,269)
Notes payable, long-term	<u>\$ 31,612,668</u>	<u>\$ 26,544,867</u>

Interest expense for the years ended December 31, 2021 and 2020, was \$569,516 and \$596,206, respectively.

The Foundation has a note with a financial institution. The loan amount was \$6,500,000. At December 31, 2021 and 2020, the outstanding liability totaled \$5,107,533 and \$5,303,204, respectively. The principal balance is payable in 119 consecutive monthly installments. The unpaid principal balance of the note, plus accrued and unpaid interest, is due on June 12, 2023. The note is unsecured and requires 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. The interest rate on this loan is London Interbank Offered Rate (LIBOR) plus 1.37%; however, a forward starting interest rate swap with a term matching the note at an effective rate of 4.94% per annum. The value of the interest rate swap liability was \$222,164 and \$437,638 as of December 31, 2021 and 2020, respectively.

The Foundation has a second note with a financial institution. The loan amount was \$7,000,000. At December 31, 2021 and 2020, the outstanding liability totaled \$5,437,333 and \$5,653,932, 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 note is unsecured and requires 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. The interest rate on this loan is LIBOR plus 1.38%; however, an interest rate swap was initiated with term matching the note with an effective interest rate of 4.54%. The value of the interest rate swap liability was \$570,733 and \$941,837 as of December 31, 2021 and 2020, respectively.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 5. Notes Payable (Continued)

The Foundation also has a closed ended note with a financial institution totaling \$30,000,000 used to fund certain construction projects. The note allows advances to be taken for 60 months from the date of commencement (the draw period) at a rate of LIBOR plus 1.50%. In 2020, the Foundation's \$30,000,000 closed ended note was amended to allow advances to be taken on the loan for 84 months from the date of commencement (the draw period) at a rate of LIBOR plus 1.50%. 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 155 consecutive monthly installments on the outstanding principal balance based on a 20-year amortization beginning on January 1, 2023. Any unpaid principal and interest is due in full on the maturity date, which is November 30, 2035. The note is unsecured and requires 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. As of December 31, 2021 and 2020, the outstanding balance of the note was \$21,500,000 and \$16,000,000, respectively. On May 7, 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 \$1,311,412 and \$129,700 as of December 31, 2021 and 2020.

As of December 31, 2021, minimum future principal payments under these notes are as follows:

Years ending December 31:	
2022	\$ 432,198
2023	6,214,121
2024	1,323,139
2025	1,334,643
2026	1,346,678
Thereafter	21,394,087
	<u>\$ 32,044,866</u>

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 SOFR plus 119 basis points. It is unsecured and requires that the Foundation maintain a debt service coverage ratio of at least 1.2 to 1 and unrestricted liquidity of at least \$65,000,000. The line of credit matures on December 31, 2023, and there was no outstanding balance at December 31, 2021 and 2020.

Note 7. Employee Benefits

Discretionary contribution plan: The Foundation provides a non-contributory discretionary contribution plan to all employees with at least one year of service who have attained the age of 21 and who worked at least 1,000 hours during the year. Expenses for the plan were approximately \$1,849,000 and \$2,023,000 for the years ended December 31, 2021 and 2020, 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.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 7. Employee Benefits (Continued)

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 market value of all deferred compensation investments and the related deferred compensation obligations to employees was \$3,325,172 and \$2,918,432 at December 31, 2021 and 2020, respectively.

Note 8. Restricted Net Assets

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 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.

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. The annual investment withdrawal is calculated up to 5% of the three-year quarterly average of the investment market values at September 30. All earnings from these funds are reflected as donor restricted net assets until appropriated for program expenditures.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 8. Restricted Net Assets (Continued)

Net assets with donor restrictions at December 31, 2021 and 2020, consist of the following:

	2021	2020
Temporary in nature, excluding endowment funds:		
Contributions restricted by purpose	\$ -	\$ 2,639,498
Contributions restricted by passage of time	12,847,042	13,184,434
Total temporary in nature, excluding endowment funds	<u>12,847,042</u>	<u>15,823,932</u>
Endowment funds:		
William E. Simon Fellow Endowment	1,000,000	1,000,000
Miller Family Fdn. Intern Endowment	1,000,000	1,000,000
William Grewcock Intern Endowment	1,000,000	1,000,000
John Bruning Intern Endowment	200,000	200,000
Westerman Intern Endowment	100,000	100,000
John R. & Margrite Davis Intern Endowment	100,000	100,000
John Von Kannon Philanthropy Endowment	1,148,960	1,148,960
Haskell Robinson Endowment	602,000	601,000
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	28,105,864	27,684,538
Accumulated gains on endowment	13,959,965	6,602,848
Term endowment	25,855,000	25,855,000
Total endowment funds	<u>81,030,858</u>	<u>73,251,415</u>
Total net assets with donor restrictions	<u>\$ 93,877,900</u>	<u>\$ 89,075,347</u>

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 8. Restricted Net Assets (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, 2021 and 2020:

	<u>December 31, 2021</u>
	Net Assets With Donor Restrictions
Beginning of year	\$ 73,251,415
Investment return, net	8,574,717
Amounts appropriated for expenditure	(1,217,600)
Contributions	422,326
End of year	<u>\$ 81,030,858</u>

	<u>December 31, 2020</u>
	Net Assets With Donor Restrictions
Beginning of year	\$ 70,263,897
Investment return, net	4,073,913
Amounts appropriated for expenditure	(1,187,395)
Contributions	101,000
End of year	<u>\$ 73,251,415</u>

Note 9. Commitments and Contingencies

Leases: The Foundation leases equipment and office space under noncancelable operating lease agreements. Future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year at December 31, 2021, are as follows:

Years ending December 31:	
2022	\$ 154,096
2023	158,719
2024	163,481
2025	168,385
2026	173,437
	<u>\$ 818,118</u>

Expense incurred under these leases for the years ended December 31, 2021 and 2020, totaled \$240,771 and \$249,177, respectively.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies (Continued)

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 \$4,400,000. At December 31, 2021 and 2020, the Foundation had medical claims accruals of approximately \$458,000 and \$380,000, respectively, which are included in accounts payable and accrued expenses on the consolidated statements of financial position.

Note 10. Related Party Transactions

The Foundation leases office space and provides administrative services to a related entity whose Board of Directors is independent of the Foundation's Board of Trustees. The entity's 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 that ended March 31, 2020. Subsequent to March 31, 2020, the lease for office space went month to month.

Lease revenue from the related entity totaled \$155,527 and \$162,708 for 2021 and 2020, respectively.

Contracts for administrative services are on an annual basis and begin on January 1, each year. Administrative service contract income totaled \$1,544,634 and \$1,394,933 in 2021 and 2020, 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 \$517,500 during the years ended December 31, 2021 and 2020. During the year ended December 31, 2020, the Foundation provided a \$500,000 contribution to the related entity.

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, 2021 and 2020, in the ordinary course of business.

Note 11. Liquidity and Availability

The following represents the Foundation's financial assets at December 31, 2021 and 2020, are as follows:

	2021	2020
Cash and cash equivalents	\$ 15,590,559	\$ 9,118,156
Contributions receivable	6,067,722	8,586,648
Investments	297,377,518	265,874,747
Total available liquidity	<u>319,035,799</u>	<u>283,579,551</u>
Less:		
Board designated net assets*	153,885,673	135,626,527
Net assets with donor restrictions	93,883,731	89,075,347
	<u>247,769,404</u>	<u>224,701,874</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 71,266,395</u>	<u>\$ 58,877,677</u>

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

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 11. Liquidity and Availability (Continued)

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.