The Heritage Foundation and Affiliates

Consolidated Financial Report
December 31, 2022

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, 2022 and 2021, 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, 2022 and 2021, 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.
June 12, 2023

The Heritage Foundation and Affiliates

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 10,186,081	$ 15,590,559
Contributions receivable	8,357,919	3,865,108
Prepayments and other assets	2,607,579	2,250,191
Total current assets	21,151,579	21,705,858
Long-term assets:		
Investments	236,066,956	297,377,518
Interest rate swaps	5,980,927	518,515
Deferred compensation investments	2,708,356	3,325,172
Contributions receivable, net	19,964,832	2,202,614
Operating lease right of use assets	551,946	-
Property and equipment, net	101,240,569	96,132,451
Total long-term assets	366,513,586	399,556,270
Total assets	$ 387,665,165	$ 421,262,128
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,791,794	$ 9,373,658
Current portion of notes payable	1,494,077	432,198
Current portion of operating lease liabilities	191,160	-
Total current liabilities	10,477,031	9,805,856
Long-term liabilities:		
Notes payable, net of current portion	33,717,332	31,612,668
Operating lease liabilities, net of current portion	368,357	-
Deferred compensation obligations	2,708,356	3,325,172
Split-interest obligations	8,406,218	9,246,270
Total long-term liabilities	45,200,263	44,184,110
Total liabilities	55,677,294	53,989,966
Net assets:		
Without donor restrictions:		
Board designated	122,578,958	153,885,673
Undesignated	105,347,967	119,502,758
Total without donor restrictions	227,926,925	273,388,431
With donor restrictions	104,060,946	93,883,731
Total net assets	331,987,871	367,272,162
Total liabilities and net assets	$ 387,665,165	$ 421,262,128

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
Support and revenue:		
Public support—contributions	**$ 69,563,555**	$ 71,808,596
Investment return, net	**(33,329,669)**	33,084,183
Rental and other income	**8,834,510**	4,108,163
Net assets released from restriction—satisfaction of time or program restrictions	**3,732,620**	7,988,424
Total support and revenue in net assets without donor restrictions	**48,801,016**	116,989,366
Expenses:		
Program services:		
Policy	**31,751,492**	29,072,807
Media, government relations, and outreach	**11,360,659**	8,948,262
Educational programs and communications	**32,837,470**	31,359,296
Total program services	**75,949,621**	69,380,365
Supporting services:		
Management and general	**1,910,102**	1,567,710
Fundraising	**16,402,799**	15,331,661
Total supporting services	**18,312,901**	16,899,371
Total expenses	**94,262,522**	86,279,736
Change in net assets without donor restrictions	**(45,461,506)**	30,709,630
Changes in net assets with donor restrictions:		
Contributions	**27,336,458**	3,576,183
Investment return, net	**(11,255,847)**	10,641,737
Change in value of split-interest agreements	**(70,748)**	(585,316)
Change in value of contributions and irrevocable trusts	**(2,057,524)**	(231,043)
Contributions rescinded	**(42,504)**	(604,753)
Net assets released from restrictions	**(3,732,620)**	(7,988,424)
Change in net assets with donor restrictions	**10,177,215**	4,808,384
Change in net assets	**(35,284,291)**	35,518,014
Net assets:		
Beginning	**367,272,162**	331,754,148
Ending	**$ 331,987,871**	$ 367,272,162

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services				Supporting Services			
	Policy	Media, Government Relations, and Outreach	Educational Programs and Communications	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 18,501,649	$ 4,501,019	$ 6,443,095	$ 29,445,763	$ 582,151	$ 4,884,282	$ 5,466,433	$ 34,912,196
Consultants and independent contractors	1,445,099	1,667,214	3,702,961	6,815,274	70,095	2,873,204	2,943,299	9,758,573
Fringe benefits	4,422,483	1,132,493	1,997,508	7,552,484	148,522	1,302,711	1,451,233	9,003,717
Printing and copying	61,413	66,141	5,506,223	5,633,777	5,757	1,474,917	1,480,674	7,114,451
Postage and shipping	26,681	37,018	4,286,065	4,349,764	2,445	1,209,745	1,212,190	5,561,954
Conferences and meetings	1,588,764	1,603,861	1,143,132	4,335,757	173,714	751,327	925,041	5,260,798
Depreciation	1,263,532	452,091	1,303,273	3,018,896	75,987	652,776	728,763	3,747,659
Advertising	419,309	143,553	1,848,848	2,411,710	104,919	656,359	761,278	3,172,988
Occupancy	1,484,158	552,017	1,571,809	3,607,984	493,137	289,318	782,455	4,390,439
Taxes, licenses and bank fees	39,304	16,056	157,123	212,483	8,104	351,645	359,749	572,232
Information technology	818,987	320,784	1,548,774	2,688,545	60,305	1,139,653	1,199,958	3,888,503
Professional fees	132,856	49,545	154,412	336,813	37,200	29,620	66,820	403,633
Supplies	29,677	15,288	32,603	77,568	4,194	11,742	15,936	93,504
Travel	700,155	305,013	300,008	1,305,176	39,018	432,087	471,105	1,776,281
Staff training	51,509	9,615	118,969	180,093	5,913	14,518	20,431	200,524
Dues and subscriptions	288,854	264,566	402,628	956,048	41,133	116,955	158,088	1,114,136
Photography and video	7,767	32,916	192,083	232,766	1,123	19,378	20,501	253,267
Interest expense	216,579	77,492	223,391	517,462	13,025	111,892	124,917	642,379
Insurance	66,945	23,953	90,106	181,004	37,461	9,409	46,870	227,874
Honoraria and writer's fees	72,350	-	13,093	85,443	-	1,500	1,500	86,943
Books and products	28,690	15,570	218,140	262,400	4,178	63,626	67,804	330,204
Miscellaneous	54,731	2,704	8,226	65,661	1,721	6,135	7,856	73,517
Other programs and grants	30,000	71,750	1,575,000	1,676,750	-	-	-	1,676,750
Total expenses	$ 31,751,492	$ 11,360,659	$ 32,837,470	$ 75,949,621	$ 1,910,102	$ 16,402,799	$18,312,901	$ 94,262,522

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			
	Policy	Media, Government Relations, and Outreach	Educational Programs and Communications	Total	Management and General	Fundraising	Total	Total Expenses
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 Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (35,284,291)**	$ 35,518,014
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized loss (gain) on investments	**45,842,665**	(42,109,096)
Change in value of split-interest obligations	**(70,748)**	585,316
Change in discount on contributions receivable	**1,857,781**	(52,990)
Change in value of terminated split-interest obligations	**393,294**	548,320
Depreciation	**3,747,659**	3,259,682
Loss on disposal of assets	**60,141**	188,649
Change in value of interest rate swap	**(5,462,412)**	(1,768,290)
Contributions rescinded	**42,504**	604,753
Contributions restricted to investment in perpetuity	**(1,301,000)**	(422,326)
Contributions restricted to capital expenditures	**(200,000)**	(449,801)
Change in operating leases	**7,571**	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	**(24,155,314)**	1,967,163
Prepayments and other assets	**(357,388)**	(240,693)
Decrease in:		
Accounts payable and accrued expenses	**(581,864)**	(152,821)
Net cash used in operating activities	**(15,461,402)**	(2,524,120)
Cash flows from investing activities:		
Purchases of investments	**(26,388,044)**	(16,135,957)
Sales of investments	**39,727,669**	25,920,092
Purchases of property and equipment	**(8,915,918)**	(6,755,394)
Net cash provided by investing activities	**4,423,707**	3,028,741
Cash flows from financing activities:		
Proceeds from notes payable	**8,500,000**	5,500,000
Principal payments on notes payable	**(5,333,457)**	(412,270)
Proceeds from the line of credit	**6,921,572**	13,500,000
Payments on the line of credit	**(6,921,572)**	(13,500,000)
Contributions restricted to investment in perpetuity	**1,301,000**	422,326
Contributions restricted to capital expenditures	**200,000**	449,801
Payments on split interest obligations	**(1,162,598)**	(814,265)
Proceeds from split interest obligations	**2,128,272**	822,190
Net cash provided by financing activities	**5,633,217**	5,967,782
Net (decrease) increase in cash and cash equivalents	**(5,404,478)**	6,472,403
Cash and cash equivalents:		
Beginning	**15,590,559**	9,118,156
Ending	**$ 10,186,081**	$ 15,590,559
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 1,390,933**	$ 852,803

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 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 without 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 as of December 31, 2022 and 2021, totaled $122,578,958 and $153,885,673, respectively. The undesignated fund constitutes the Foundation's operating fund and net investment in property and equipment net of related liabilities.

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. As of December 31, 2022 and 2021, 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.

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 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 $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 2022 or 2021.

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.

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.

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, 2022 and 2021. 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.

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

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 $13,688,327 and $15,344,603 for the years ended December 31, 2022 and 2021, respectively. The Foundation allocated these joint costs among program and fundraising expenses as follows:

	2022	2021
Educational programs expense	$ 12,082,929	$ 13,476,725
Fundraising expense	1,605,398	1,867,878
	$ 13,688,327	$ 15,344,603

Advertising costs: Advertising costs are expensed when incurred. Total advertising expense was $3,172,988 and $998,846 for the years ended December 31, 2022 and 2021, 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 February 2016, the FASB issued Accounting Standards Codification (ASC) Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets 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. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities.

The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, Leases.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

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

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 Foundation 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 made an accounting policy election available under Topic 842 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 Topic 842). 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. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public 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.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Foundation’s operating leases of approximately $762,924, at January 1, 2022. The adoption of the new lease standard did not materially impact consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Subsequent events: The Foundation has evaluated subsequent events through June 12, 2023, the date on which the consolidated financial statements were available to be issued.

Note 2. Contributions Receivable

The following are unconditional promises to give as of December 31, 2022 and 2021:

	2022	2021
Due in less than one year	$ 8,357,919	$ 3,865,108
Due in one to five years	21,915,000	2,295,001
Total to be received	30,272,919	6,160,109
Less discounting for multi-year promises to give (rates of 1.11%–3.13%)	(1,950,168)	(92,387)
	$ 28,322,751	$ 6,067,722

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.

As of December 31, 2022 and 2021, 80% and 69%, 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.

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

Note 3. Investments and Fair Value Measurements (Continued)

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 tables below summarize the Foundation's financial assets and liabilities measured at fair value on a recurring basis, as of December 31, 2022.

	2022			
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	$ 48,760,163	$ 48,760,163	$ -	$ -
Mutual funds:				
Equity mutual funds:				
Index funds	7,000,294	7,000,294	-	-
Established international	455,690	455,690	-	-
Multi-strategy	29,865,708	29,865,708	-	-
Total equity mutual funds	37,321,692	37,321,692	-	-
Fixed income mutual funds:				
Index funds	17,209,106	17,209,106	-	-
Multi-strategy	11,574,131	11,574,131	-	-
Emerging markets	660,201	660,201	-	-
Total fixed income mutual funds	29,443,438	29,443,438	-	-
Total mutual funds	66,765,130	66,765,130	-	-
Total publicly traded securities	115,525,293	115,525,293	-	-
Corporate bonds and U.S Government securities	19,993,162	-	19,993,162	-
Alternative investments valued using a net asset per share or equivalent as a practical expedient (a)	70,474,948	-	-	-
Common trust funds valued using a net asset value per share or equivalent as a practical expedient (a)	9,100,880	-	-	-
Deferred compensation assets:				
Multi-strategy equity PSAs valued using a practical expedient (a)	2,708,356	-	-	-
Total deferred compensation assets valued using a practical expedient	2,708,356	-	-	-
Cash equivalents	20,972,673	20,972,673	-	-
Total investments and deferred compensation assets	238,775,312	136,497,966	19,993,162	-
Interest rate swap asset	5,980,927	-	5,980,927	-
Total assets at fair value	$ 244,756,239	$ 136,497,966	$ 25,974,089	$ -
Deferred compensation obligations (a)	$ 2,708,356	$ -	$ -	$ -
Total liabilities	$ 2,708,356	$ -	$ -	$ -

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, as of December 31, 2021.

	2021			
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	$ 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:				
Multi-strategy	21,184,210	21,184,210	-	-
Index funds	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 assets at fair value	300,702,690	184,594,025	20,283,780	-
Interest rate swap asset	518,515	-	518,515	-
Total investments and deferred compensation assets	$ 301,221,205	$ 184,594,025	$ 20,802,295	$ -
Deferred compensation obligations (a)	$ 3,325,172	$ -	$ -	$ -
Total liabilities	$ 3,325,172	$ -	$ -	$ -

(a) In accordance with Accounting Standards Update (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.

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, 2022 and 2021:

	Fair Value at 2022	Fair Value at 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equity Opportunistic [a]	$ 35,701,019	$ 50,359,395	N/A	Quarterly	30 days
Private Equity[b]	17,801,492	17,812,100	$ 8,918,090	N/A[c]	N/A[c]
Event-Driven[d]	12,375,314	12,235,500	N/A	Quarterly to Semi-annual	60 days
Multi-Strategy[d]	4,597,123	-	N/A	Monthly	30 days
Total	$ 70,474,948	$ 80,406,995			

(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.

The following summarizes net investment return for the years ended December 31, 2022 and 2021:

	2022	2021
Net realized and unrealized (loss) gain	$ (45,842,665)	$ 42,109,096
Interest and dividends	2,096,695	2,533,376
Investment fees	(839,546)	(916,552)
	$ (44,585,516)	$ 43,725,920

Note 4. Property and Equipment

Property and equipment and accumulated depreciation consist of the following as of December 31, 2022 and 2021:

	2022	2021
Land, building and improvements	$ 138,026,351	$ 117,824,034
Construction in progress	5,713,234	17,725,831
Office furniture and equipment	9,477,240	9,897,684
	153,216,825	145,447,549
Less accumulated depreciation	(51,976,256)	(49,315,098)
Property and equipment, net	$ 101,240,569	$ 96,132,451

Depreciation expense for the years ended December 31, 2022 and 2021, totaled $3,747,659 and $3,259,682, respectively.

Note 5. Notes Payable

Notes payable as of December 31, 2022 and 2021, are as follows:

	2022	2021
Notes payable	$ 35,211,409	$ 32,044,866
Less current portion	(1,494,077)	(432,198)
Notes payable, long-term	$ 33,717,332	$ 31,612,668

Interest expense for the years ended December 31, 2022 and 2021, was $642,379 and $569,515, respectively.

All notes payable 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.

The Foundation had a $6,500,000 note with a financial institution that was paid in full during 2022. As of December 31, 2021, the outstanding liability totaled $5,107,533. The principal balance was payable in 119 consecutive monthly installments. The unpaid principal balance of the note, plus accrued and unpaid interest, was scheduled to be due on June 12, 2023. The interest rate on this loan was 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 interest rate swap agreement was terminated in conjunction with the loan payoff in 2022. As of December 31, 2021, the value of the interest rate swap liability was $222,164.

The Foundation has a $7,000,000 note with a financial institution. As of December 31, 2022 and 2021, the outstanding liability totaled $5,211,409 and $5,437,333, 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 LIBOR plus 1.38%. In 2022, the note was amended to replace LIBOR with the Secured Overnight Financing Rate (SOFR). An interest rate swap was also initiated with terms matching the note with an effective interest rate of 4.54%. As of December 31, 2022, the value of the interest rate swap asset was $160,842. As of December 31, 2021, the value of the interest rate swap liability was $570,733.

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 84 months from the date of commencement (the draw period) at a rate of LIBOR plus 1.50%. In 2022 the note was amended to replace LIBOR with SOFR. 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. As of December 31, 2022 and 2021, the outstanding balance of the note was $30,000,000 and $21,500,000, 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 $5,820,085 and $1,311,412 as of December 31, 2022 and 2021, 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 SOFR plus 1.46%. 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, 2022, there was no balance outstanding.

As of December 31, 2022, minimum future principal payments under these notes are as follows:

Years ending December 31:	
2023	$ 1,494,077
2024	1,440,195
2025	1,483,063
2026	1,527,290
2027	1,572,923
Thereafter	27,693,861
	$ 35,211,409

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, 2024, and there was no outstanding balance as of December 31, 2022 and 2021.

Note 7. Employee Benefits

Discretionary contribution plan: The Foundation provides a non-contributory 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 $2,217,000 and $1,849,000 for the years ended December 31, 2022 and 2021, 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.

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 fair value of all deferred compensation investments and the related deferred compensation obligations to employees was $2,708,356 and $3,325,172 as of December 31, 2022 and 2021, 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 (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

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 fair values at September 30. All earnings from these funds are reflected as donor restricted net assets until appropriated for program expenditures.

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. As of December 31, 2022, a deficiency existed in three individual donor-restricted endowment funds, which together have an original gift value of $6,903,000, a current fair value of $6,694,942, and a deficiency of $208,058. There were no deficiencies as of December 31, 2021. These deficiencies resulted from both unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds, and continued appropriations for certain programs that were deemed prudent.

Note 8. Restricted Net Assets (Continued)

Net assets with donor restrictions as of December 31, 2022 and 2021, consist of the following:

	2022	2021
Temporary in nature, excluding endowment funds:		
Contributions restricted by passage of time	$ 32,527,475	$ 12,847,042
Total temporary in nature, excluding endowment funds	32,527,475	12,847,042
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	1,703,000	602,000
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	28,105,864
John and Virginia Rigsby Intern Fund	200,000	-
Accumulated gains on endowment	3,161,578	13,959,965
Term endowment	25,855,000	25,855,000
Total endowment funds	71,533,471	81,030,858
Total net assets with donor restrictions	$ 104,060,946	$ 93,877,900

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, 2022 and 2021:

	2022 Net Assets With Donor Restrictions
Beginning of year	$ 81,030,858
Investment return, net	(8,928,127)
Amounts appropriated for expenditure	(1,870,260)
Contributions	1,301,000
End of year	$ 71,533,471

	2021 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	$ 81,030,858

Note 9. Leases

Lessee: The Foundation leases equipment and office space under noncancelable operating lease agreements. Some leases include one or more options to renew, generally at the Foundation's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, 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 leases generally do 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 year ended December 31, 2022 was $220,061.

At December 31, 2022, the weighed-average remaining lease term for operating leases is 3.07 years. At December 31, 2022, the weighted average discount rate for operating leases is 1.41%.

Note 9. Leases (Continued)

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	$	212,489
Right of use assets obtained in exchange for new lease obligations:		
Operating leases	$	762,924

Future undiscounted cash flows for each of the next four years are as follows as of December 31, 2022:

Years ending December 31:		
2023	$	197,648
2024		163,481
2025		168,385
2026		42,405
Total lease payments		571,919
Less imputed interest		(12,402)
Total present value of lease liabilities	$	559,517

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of December 31, 2021:

Years ending December 31:		
2022	$	207,489
2023		197,648
2024		163,481
2025		168,385
2026		42,405
	$	779,408

Expense incurred under these leases for the year ended December 31, 2021, totaled $240,771.

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 were presented on a net basis under Topic 840 during the year ended December 31, 2021. Beginning January 1, 2022, Topic 842 requires services directly reimbursed by lessees to be presented on a gross basis in revenues and expenses.

Note 9. Leases (Continued)

Future minimum lease payments to be received, as determined under Topic 840, or all non-cancelable leases for each of the five succeeding fiscal years and thereafter are as follows as of December 31, 2022:

Years ending December 31:		
2023	$	192,453
2024		194,236
2025		215,073
2026		216,966
2027		218,915
Thereafter		220,922
	$	1,258,565

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, 2022 and 2021, the Foundation had medical claims accruals of approximately $466,000 and $458,000, 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 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 $138,490 and $155,527 for 2022 and 2021, respectively.

Contracts for administrative services are on an annual basis and begin on January 1, each year. Administrative service contract income totaled $2,082,856 and $1,544,634 in 2022 and 2021, 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 $767,496 and $517,500 for the years ended December 31, 2022 and 2021, respectively. During the year ended December 31, 2022, the Foundation provided a $400,000 contribution to the related entity. There were no contributions to the related entity in 2021.

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, 2022 and 2021, in the ordinary course of business.

Note 12. Liquidity and Availability

The following represents the Foundation's financial assets as of December 31, 2022 and 2021, are as follows:

	2022	2021
Cash and cash equivalents	$ 10,186,081	$ 15,590,559
Contributions receivable, net	28,322,751	6,067,722
Investments	236,066,956	297,377,518
Total available liquidity	274,575,788	319,035,799
Less:		
Board designated net assets*	122,578,958	153,885,673
Net assets with donor restrictions	104,060,946	93,883,731
	226,639,904	247,769,404
Financial assets available to meet cash needs for general expenditures within one year	$ 47,935,884	$ 71,266,395

* 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 Event

In February 2023, the Foundation entered into a $6,000,000 interest rate swap agreement, to secure a fixed interest rate on a portion of its $25,000,000 note payable (see Note 5). The agreement has an effective interest rate of 4.85% commencing on December 31, 2024, and terminating on December 31, 2039.