



OPPORTUNITY FOR ALL
FAVORITISM TO NONE

ANNUAL REPORT

• 2014 •



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A MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT



It was the year in which “hope and change” up and went. Millions of Americans remained jobless or under-employed. Wages remained stagnant. The work-force participation rate sank to 62.7 percent—a 36-year low.

While families struggled, Big Government got bigger. Federal spending topped \$3.5 trillion, pushing the national debt over the \$18 trillion mark. Businesses staggered under an additional \$73 billion in regulatory costs. And dependency on government grew apace.

Roughly one in three Americans received some type of means-tested welfare assistance. More than 46 million Americans were on food stamps. Fifty years into Washington’s \$22 trillion war on poverty, the poverty rate remained essentially unchanged.

The progressive approach fared no better abroad. The Russian “reset” ended with Moscow’s invasion of Crimea and Ukraine. The “Pivot to Asia” didn’t stop China from undermining democracy in Hong Kong and extending its territorial claims throughout the South China Sea. Despite “dialogue,” Iran’s mullahs doggedly pursued the nuclear bomb. And the politically driven withdrawal from Iraq allowed the “JV” terrorists of ISIS to put our hard-won victory there in jeopardy.

Small wonder that the August CNN/ORC International Poll found public trust in the federal government at an all-time low. By November, Americans had had enough. Conservatives scored overwhelming victories at both state and federal levels.

Of course, The Heritage Foundation and our sister organization, Heritage Action for America, had been promoting conservative policy solutions and fighting for conservative principles throughout the year. As always, our “1-2-3 Punch” of research, communications, and advocacy got results.

RESEARCH—REORGANIZED AND RAMPED UP

To assure that our research program remains anchored to and fully supportive of the three pillars of conservative philosophy—a strong economy, a strong civil society, and a strong defense—we realigned our research centers into three major institutes:

- The Institute for Economic Freedom and Opportunity.
- The Institute for Family, Community, and Opportunity.
- The Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy.

We then charged each institute with producing an annual index that objectively assesses how well our nation is faring in these key areas.

The “Index of Economic Freedom”, known and respected around the world, came out in January. This 20th edition revealed America as the only nation in the world to have suffered a decline in economic freedom for seven straight years.

The impact was huge. PricewaterhouseCooper LLP asked permission to use Index research to educate their clients about the real-world consequences of economic freedom. More than a dozen college textbook authors also requested and received permission to use *Index* essays, nation reports, and graphics in upcoming editions of their work.

In July, The Institute for Family, Community, and Opportunity introduced its inaugural “Index of Culture and Opportunity.” Tracking 10-year trends in 31 social and economic factors that directly affect opportunities for the American people to flourish, it revealed a mix of good news and bad. For example, while abortion and violent crime rates have decreased, the marriage rate has declined and unwed childbearing continues to rise. Jennifer Marshall, Index co-editor and Vice President for the Institute, called for “sustained focus, among policymakers and in neighborhoods across the country, to get back on track and improve opportunity for all Americans.”

The Davis Institute for National Security and Foreign Policy launched a six-month, all-hands-on-deck research effort to develop the first-ever “Index of U.S. Military Strength.” Slated for February 2015 publication, the Index presents an in-depth assessment of existing and emerging threats to our national security and our capacity to defeat them and advance U.S. interests globally.

While preparing this forward-looking analysis, The Institute continued to provide cutting-edge research aimed at halting the deterioration of American military power. Its *2014 Defense Reform Handbook* proved an invaluable guide



for lawmakers seeking to exercise effective oversight of defense policy management.

COMMUNICATIONS—WINNING AMERICANS’ HEARTS AND MINDS

While Congress remains the principal “target audience” for Heritage policy proposals, in 2014 we ramped up our outreach to another key audience: the American public. The goal: to inspire and activate Main Street support for conservative policies that can expand opportunity for all.

With the help of market research conducted under our American Perceptions Initiative, we engaged five major sectors of the general public on an unprecedented scale. In social media, newspaper columns, radio and TV interviews, town hall meetings and speaking tours, we expressed our policy ideas in terms calculated to appeal most to the audience(s) being addressed.

Nowhere was this strategy employed more consistently than in the two online media outlets Heritage launched in 2014: *The Daily Signal* and *America Within*.

The Daily Signal is a completely reimagined iteration of *The Foundry*, the Heritage blog that set the think-tank standard for online communications. More than a blog, *The Daily Signal* is a multimedia news organization featuring original reporting, plain-talk presentations of Heritage research findings, and cutting-edge policy commentary by Heritage experts.

Our research-based approach to digital journalism debuted

IN MEMORIAM

HERITAGE BID A FINAL FAREWELL TO THREE LONGTIME BOARD MEMBERS AND A FAITHFUL SUPPORTER



DOUGLAS ALLISON



LEE KLINETOBE



RICHARD M. SCAIFE



FORMER U.S. REP.
PHILIP CRANE

in June and has proved hugely popular. *The Daily Signal* attracted nearly 34 million visitors in 2014, more than quadrupling our reach from the previous year.

America Within met with great success as well. The digital, multimedia site is designed to appeal to millennials, many of whom eschew political labels. These folks, “the moveable middle,” are a key audience conservatives must win over if we are to achieve lasting public policy victories.



THE HERITAGE FOUNDATION BOARD OF TRUSTEES

(From left): Anthony J. Saliba, Chicago, Ill.; Meg Allen, Geneva, Switzerland; Robert Pennington, Darien, Conn.; Brian Tracy, Solana Beach, Calif.; Kay Coles James, Fairfax Station, Va.; Larry P. Arnn, Hillsdale, Mich.; David R. Brown, Chairman Emeritus, Oklahoma City, Okla.; Nersi Nazari, Atherton, Calif.; Edwin J. Feulner, Alexandria, Va.; Thomas A. Saunders III, Chairman, New York, N.Y.; Jim DeMint, Greenville, S.C.; Jerry Hume, San Francisco, Calif.; Phillip N. Truluck, Bethesda, Md.; J. William Middendorf II, Little Compton, R.I.; Abby Moffat, Bethesda, Md.; Belden H. Bell, Marshall, Va.; Barb Van Andel-Gaby, Duluth, Ga.; Todd W. Herrick, Bay Harbor, Mich.; Marion G. Wells, Ft. Lauderdale, Fla.; Steve Forbes, New York, N.Y.; Midge Decter, New York, N.Y.
(Not pictured: William E. Simon, Jr., Los Angeles, Calif.; and Frank Shakespeare, Honorary Trustee, Deerfield, Wis.)

DAVID HILLS PHOTOGRAPHY/FRASIER PHOTO

HONORS GIVEN...

Our Salvatori prize in American Citizenship went to two families who stood up for religious liberty by fighting the Obamacare mandate to cover abortion-inducing drugs and devices. The Green Family, owners of Hobby Lobby, and the Hahn Family, owners of Conestoga Wood Specialties, took their challenge to the Supreme Court... and won.

On Oct. 22, Heritage's Edwin Meese III presented D.C. Circuit Judge Janice Rogers Brown with our Defender of the Constitution Award.

... HONORS RECEIVED

Dr. Ryan T. Anderson's effectiveness in making the case for marriage earned him two honors: the National Organization for Marriage's Public Square Leadership Award and the Catholic Citizens of Illinois' St. Thomas More Citizenship Award. The U.S. Conference of Catholic Bishops also appointed him as a consultant to its Committee on the Defense of Marriage.

The Republic of Poland awarded James Dean, Manager of International and Diplomatic Programs, the Officer's Cross of the Order of Merit for his "outstanding contribution to the building of democratic society and democratic institutions."

The Republic of Hungary awarded Distinguished Fellow Lee Edwards its Officer's Cross of Order of Merit for "his strenuous" work documenting the "cold war history of the Central-Eastern European countries and the sins of communism."

Distinguished Fellow Kim R. Holmes received the Fount of Freedom Award for the defense of liberty in his book "Rebound: Getting America Back to Great."

Heather Pfitzenmaier, Director of our Young Leaders Program, was honored as a rising young conservative star in her own right when Red Alert Politics named her to its annual "30 under 30" list.

To that end, *America Within* presents inspirational stories about entrepreneurs, community leaders, and culture-shapers with just a touch of politics and policy. The telling of each tale reflects a worldview that values free enterprise, individual liberty, and limited government. The site's stories, profiles, and videos have found a receptive audience. Though not launched until July, *America Within* attracted

250,000 unique readers in its first six months—126,000 of them in December.

Heritage's 2014 social media initiatives left us more capable than ever of taking our case directly to the American people. The Foundation now has more Facebook friends and Twitter followers than EITHER political party—precisely the communications infrastructure needed to carry the conservative message to the next generation.



“Heather Pfitzenmaier, director of Heritage’s Young Leaders Program, was named one of the nation’s most influential young conservatives in Red Alert Politics’ “30 under 30” list.

ADVOCACY: EDUCATING LAWMAKERS INSIDE AND OUTSIDE THE BELTWAY

The final punch in the Heritage enterprise's 1-2-3 combination is legislative advocacy. Here, we use an inside/outside strategy, with Heritage Action professionals working with lawmakers and their Capitol Hill staff while a grassroots army of volunteer activists engages "back home."

Heritage Action made a major commitment to growing that army in 2014. They increased the number of regional coordinators—who recruit volunteers and keep them informed about policy recommendations and legislative strategy—to 13. By year's end, our Sentinel network comprised more than 10,500 trained volunteers—easily outnumbering the ground troops recruited by President Obama's Organizing for America.

Their reach extended further as well. Sentinels are what the pollsters call "influencers." With their connections in civic

groups, business associations, Tea Party organizations, and political clubs, Sentinels were able to share policy information, political developments, and legislative scorecards with 1.4 million others. Now with Sentinels in every state and every congressional district, Heritage Action has one of the most extensive and influential political action networks in the nation.

VICTORY THROUGH COORDINATED EFFORT

Heritage's 1-2-3 punch produced a number of significant policy victories throughout the year. In the Spring and again during the post-election lame duck session, Congress resisted efforts to pass a permanent "Doc Fix" bill that would have only increased Medicare's unfunded liabilities. Our winning argument: physician reimbursement must be addressed as part of a much larger reform of Medicare, one that puts the ailing program on a sound, sustainable fiscal footing.

An Allison Center analysis called for a minimum fleet of 11 aircraft carriers to project U.S. military strength abroad. It influenced the Defense Department's decision to continue funding the 11th carrier: the USS George Washington. And 13 additional Heritage recommendations, including continued production of Tomahawk land-attack cruise missiles, were incorporated into the FY 2015 National Defense Authorization Act.

The "Gang of Seven" immigration "reform" bill was stopped cold in the House. Heritage's research-inspired message—that the amnesty provisions were "unfair, unworkable, and unaffordable"—was echoed repeatedly in House floor debates. Ultimately, those arguments carried the day—first on the Hill and later, on Election Day.

When President Obama subsequently announced that, notwithstanding the clear expression of the people's will, he was going to implement amnesty via executive action, Heritage scholars quickly produced a factsheet identifying three ways Congress could use its power of the purse to block the president's maneuver.

The lame duck session that ended the 113th Congress gave Heritage one last victory for the year. Conservatives in the House GOP caucus beat back a leadership attempt to relax the ban on earmarks.

PREPARING THE PATH FOR VICTORIES IN 2015...

Boxers know that, to land punches with maximum effect, they need to have their feet firmly planted. That's why we hosted our annual Conservative Members Retreat in February, attended by 35 Members of Congress. Themed "A Worthy

HERITAGE | BY THE NUMBERS

212
PUBLIC LECTURES & SEMINARS

204 ISSUE BRIEFS

116 BACKGROUNDERS	35 LEGAL MEMORANDA
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29 CONGRESSIONAL TESTIMONIES

212
BRIEFINGS FOR MEMBERS OF CONGRESS

1,440 COMMENTARIES IN MAJOR PRINT OUTLETS	2,831 RADIO INTERVIEWS
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11.5 MILLION VISITORS TO HERITAGE.ORG

33.8 MILLION
VISITORS TO "THE DAILY SIGNAL"

473,755
"MORNING BELL" E-NEWSLETTER SUBSCRIBERS

f 1.7M FACEBOOK "LIKES"	 470K TWITTER FOLLOWERS
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and hundreds of thousands
of members
(who made all the above possible)

THANK YOU!

NEW TO BOOKSHELVES

"2014 Index of Economic Freedom"

Terry Miller,
Anthony B. Kim
and Kim R.
Holmes, eds



"Obama's Enforcer:
Eric Holder's Justice
Department"

Hans von Spakovsky and
John Fund

"A Race for the
Future: How
Conservatives
Can Break
the Liberal
Monopoly
on Hispanic
Americans"

Mike Gonzalez



"2014 Index of Culture and
Opportunity: The Social
and Economic Trends that
Shape America"

Jennifer A. Marshall and
Rea S. Hederman, Jr., eds.

"Falling in Love with
America Again"

Jim DeMint

"Rich States, Poor States"

Arthur B. Laffer, Stephen
Moore and Jonathan Williams

"An Inquiry into the
Nature and Causes of
the Wealth of States:
How Taxes, Energy, and
Worker Freedom Change
Everything"

Arthur B. Laffer, Stephen
Moore, Rex A. Siquefield and
Travis H. Brown

"What is Marriage?
Man and Woman:
A Defense"

Ryan T. Anderson,
Robert P. George and
Sherif Girgis

Fight," Heritage scholars and Heritage Action strategists outlined a positive legislative reform agenda that would help get the country back on track and bolster support back home.

By Spring, lawmakers were running with that agenda. Sen Mike Lee, R-Utah, had introduced the Higher Education Reform and Opportunity Act. Rep. Jeb Hensarling, R-Texas, pushed the Protecting American Taxpayers and Homeowners Act. And Sen Tim Scott, R-S.C., offered equally bold school choice legislation, the CHOICE Act.

The 2014 elections ushered in many new lawmakers who are keenly interested in furthering an effective conservative agenda. To help Capitol Hill's freshmen find their feet fast, Heritage held a two-day orientation session in November. Eighteen soon-to-be Members of Congress attended the "how-to sessions," which covered everything from staffing offices to providing constituent services to remaining true to principles.

And at year's end, Heritage and Heritage Action were putting the final touches on "Opportunity for All, Favoritism to

None," a 192-page policy guide for the 114th Congress. When released at our Conservative Policy Summit in January, 2015, "Opportunity for All" will give lawmakers—and the American public—a clear view of how implementing a bold, conservative legislative agenda can enhance freedom, opportunity, and prosperity for all.

... AND BEYOND

Heritage also embarked on three-year expansion program to establish an even more solid footing on Capitol Hill. The project includes turning a new acquisition, 236 Massachusetts Ave., into apartments for our year-round intern program, and renovating the first four floors of our 208 Massachusetts Ave. building. The enlarged physical presence will let us work even more closely with allies, who can use the renovated space for offices and meetings, and expand our own research and communications operations.

We are tremendously grateful to an anonymous couple whose offer of a \$20 million matching gift to get this project off the ground inspired Dr. Patrice K. Richardson and members of her family to make an eight-figure contribution in honor of the late E.W. "Rich" Richardson. When the construction dust settles in 2017, Heritage will stand tall as a "center for freedom" in the heart of our nation's capital.

Heritage fought the good fight throughout 2014, and our unique 1-2-3 punch knocked down many wrong-headed proposals and delivered many significant victories. The American people endorsed our call for limited government at the polls, and we enter 2015 with tremendous optimism and confidence.

We are keenly aware, however, that we wouldn't be in the ring at all, much less battling it out against the Left, were it not for the continued support and generosity of you, our members. We are able to make a difference, because you are making a difference. And for that we are grateful, every day.



Thomas A. Saunders III

THOMAS A. SAUNDERS III
Chairman



Jim DeMint

JIM DEMINT
President & CEO

DAVID HILLS



Heritage unveiled the 2014 “Index of Economic Freedom” at a Jan. 14 press conference in Hong Kong. Here, Index Research Manager Analyst Anthony Kim fields a reporter’s question as Amb. Terry Miller, Director of Heritage’s Center for Trade and Economics, looks on.

PROTECTING ECONOMIC FREEDOM

Rigorous economic research has been a mainstay at Heritage since our founding. In 2014, we brought our three economic research centers together under one roof—the Institute for Economic Freedom and Opportunity. Under the leadership of Vice President Jack Spencer and working in concert with our other Institutes, our Communications Team and Heritage Action, IEFO experts sparked policy advances at home and abroad.

PROMOTING ECONOMIC FREEDOM AT HOME AND ABROAD

Heritage’s Center for Trade and Economics (CTE) analyzes global economic developments and how free markets, the rule of law, and democratic institutions can foster economic growth around the world.

For 20 years, our annual “Index of Economic Freedom” has tracked the ebb and flow of economic freedom in more than 180 nations. The 2014 Index contained welcome news: after a long, dry spell, economic freedom was once again on the rise, with the average score hitting an all-time high.

Not all the news was good, however. Economic freedom in the U.S. declined for the seventh straight year, dropping us from the ranks of the world’s 10 most free economies. The culprit behind the fall: continued expansion of government spending and regulation—especially in the areas of health care and finance.

While Heritage worked to restore economic freedom at home, CTE analysts, working under the direction of Ambassador Terry Miller, focused on promoting it globally. Following dual Index launch events (in Washington, D.C., and Hong Kong), Miller and other Heritage experts travelled to more than 20 countries, giving lectures and seminars identifying reforms that could bring the benefits of economic freedom to their people.

Heritage scholars also published *A Global Agenda for Economic Freedom*—a blueprint for U.S. policymakers seeking a practical and effective global strategy for promoting economic freedom around the world.

In November, Miller and Bryan Riley, our Jay Van Andel Senior Trade Policy Analyst, published *Why Trade Matters and How to Unleash It*. The data-rich Special Report demonstrates that countries where free trade flourishes enjoy higher per capita incomes, lower hunger rates, and cleaner environments. The moral: Trade freedom begets human well-being.

At home, the CTE team trained its sights on the Merchant Marine Act of 1920, aka the Jones Act. This supposedly “untouchable” protectionist policy bars foreign-built, foreign-flagged ships from carrying goods between U.S. ports. The restriction costs U.S. consumers dearly and sometimes delays timely delivery of life-saving supplies.



CENTER FOR TRADE AND ECONOMICS: 5 KEY PAPERS

U.S. Should Support Tunisia’s Democratic Progress with Concrete Action

Anthony Kim, Charlotte Florance, and James Phillips, Feb. 20, 2014

Using the Index of Economic Freedom: A Practical Guide

Ryan Olson, April 4, 2014

Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries

Brian Slattery, Bryan Riley, and Nicolas Loris, May 22, 2014

Russia’s Avoidable Economic Decline

Ariel Cohen, Ph.D., Ivan Benovic, and James Roberts, Sept. 17, 2014

The Transatlantic Trade and Investment Partnership (TTIP): Economic Benefits and Potential Risks

Theodore Bromund, Ph.D., Luke Coffey, and Bryan Riley, Sept. 17, 2014



Sen. Rand Paul, R-Ky., keynoted the Washington, D.C., launch event for the 2014 “Index of Economic Freedom,” Jan. 14 in Allison Auditorium.

CTE researchers documented the nature and extent of the problem and built a broad coalition of business executives, academics and defense experts to pursue reform. At Heritage’s Dec. 5 seminar, *Jones Act vs. Free Markets*, Sen. John McCain, R-Ariz., vowed to repeal the act. On Jan. 13, 2015, he filed an amendment to do exactly that.

KEEPING GOVERNMENT COST ESTIMATES “REAL”

Over the years, researchers in our Center for Data Analysis (CDA) have developed cutting-edge computer models that predict how policy proposals will affect job growth, investment, wages, federal revenues, and more. For decades, Heritage has been at the cutting edge of “dynamic” economic modeling—modeling that takes proper account of the economy’s responses to changes in government taxation, regulation, and spending. Lawmakers have come to rely on CDA analyses to give a clearer picture of a bill’s real-world economic effects than can be obtained via the less sophisticated analytic models used by the Congressional Budget Office (CBO).

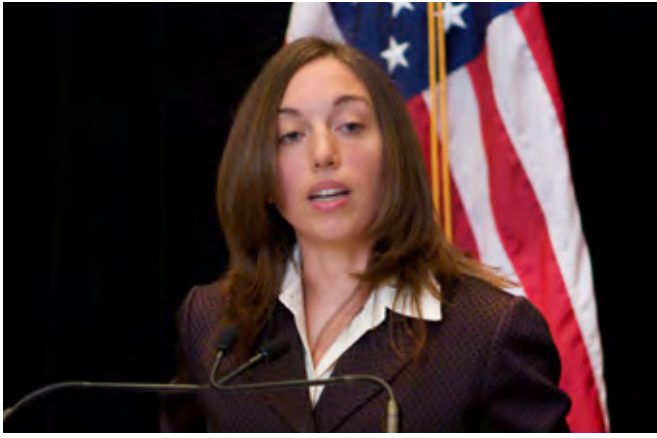
Since 1996, Heritage has urged Congress to embrace dynamic scoring institutionally. On Jan. 6, 2015, it did. The new House of Representatives updated House rules to require both the CBO and the Joint Committee on Taxation to use dynamic scoring when estimating the economic effects of legislative proposals.

CDA analysts used their newest computer model—the Heritage Energy Model—to great effect when the Administration rolled out its 2014 Climate Action Plan and, later, its Clean Power Plan.

Both schemes claimed to offer a cost-effective way to reduce carbon dioxide emissions. Those claims were based on EPA estimates of the “social cost of carbon” (SCC) as determined by the U.S. Energy Information Administration’s National Energy Modeling System.

As fate would have it, Drs. Kevin Dayaratna and David Kreutzer had derived the Heritage model from that very system, so they were able to “reverse engineer” the EPA analyses to determine how the agency had reached its “social cost” estimates. What they found were outdated and unrealistic assumptions that caused the model to inflate the proposal’s economic benefits and minimize its costs. Their findings forced the EPA to “refine” (i.e., correct) its SCC estimate—another example of how Heritage research helps keep regulators honest.

In addition to debunking the SCC estimates, the CDA did a full analysis of how the EPA’s proposed cap on carbon dioxide



LEFT: At the President’s Club meeting, Romina Boccia, Heritage’s Grover M. Hermann Research Fellow in Federal Budgetary Affairs, outlines our plan to balance the federal budget. RIGHT: Heritage’s Research Fellow in Labor Economics, James Sherk, works on testimony regarding IRS abuses. He testified before the House Oversight and Government Reform Committee on Aug. 6.

emissions from power plants would affect the economy. Fewer jobs, higher electricity price, lower personal disposable income—our researchers presented the disturbing economic news for each state and by individual congressional districts as well. State officials and activist groups have found this specific information invaluable in fighting these proposals.

CDA research influenced county-level policy as well. Just before Labor Day, CDA Senior Analyst of Labor Policy James Sherk issued a report proposing that, in the absence of a state right-to-work law, cities and counties could pass their own. By year’s end, three counties in Kentucky had approved local “workplace freedom” measures.

PUSHING BACK AGAINST OVER-REGULATION

The Thomas A. Roe Institute for Economic Studies covers a broad range of economic issues, from government spending and taxes to monetary policy, from energy and environment to agriculture and transportation. Roe scholars spent much of 2014 fending off regulators’ attempts to extend their reach ever wider and deeper.

Since 2007, courts have twice rejected the Federal Communications Commission’s efforts to regulate the internet. In 2014, the FCC tried again, proposing even more drastic “net neutrality” regulations. In November, the President lent his support to the effort. Shortly thereafter, AT&T announced it would “pause” new investments in fiber optic lines. The dead hand of regulation had struck again.

Net-neutrality advocates say government needs to keep Internet service providers from indulging in a host of evils, from

slowing broadband speeds to suppressing political speech. But James Gattuso, Heritage’s Senior Research Fellow in Regulatory Policy, dismisses such scenarios as “a rather unlikely parade of horrors.”

In two Backgrounders, he demonstrated that most practices outlawed under net neutrality actually benefit consumers and help spur innovation and competition in the marketplace. In Gattuso’s research, defenders of Internet freedom will find the intellectual ammunition needed to fight the FCC. Again.

In October, Roe’s Research Fellow in Agricultural Policy, Daren Bakst, blew the whistle on an “interpretive rule”



CENTER FOR DATA ANALYSIS: 5 KEY PAPERS

Unfounded FUND: Yet Another EPA Model Not Ready for the Big Game

Kevin D. Dayaratna, Ph.D. and David Kreutzer, Ph.D., April 22, 2014

Chairman Camp’s Tax Reform Plan a Milestone for Dynamic Analysis

Rea Hederman, Rachel Greszler, and John Ligon, Feb. 28, 2014

Europe’s Fiscal Crisis Revealed: An In-Depth Analysis of Spending, Austerity, and Growth

Alberto Alesina, Ph.D., Romina Boccia, Ryan Bourne, Salim Furth, Ph.D., David Howden, Ph.D., Filip Jolevski, Miguel Marin, Matthew Melchiorre, Derrick Morgan, Dalibor Roháč, Veronique de Rugy, Ph.D., and Malin Sahlén, June 6, 2014

Higher Fast-Food Wages: Higher Fast-Food Prices

James Sherk, Sept. 4, 2014

New Obamacare Enrollment Data: Employer-Based Coverage Declines

Edmund F. Haislmaier and Drew Gonshorowski, July 28, 2014

proposal from the EPA. The agency claimed it would free farmers from some Clean Water Act requirements. But Bakst's analysis—*Another EPA and Army Corps Power Grab*—showed it would actually do the opposite, imposing new requirements on them. His research helped force EPA to withdraw its proposal.

In 2013, Heritage's Nicolas Loris and Jack Spencer teamed with analysts from the Center for American Progress and the Information Technology & Innovation Foundation to produce a report calling for fundamental reform in Department of Energy spending on R&D and commercialization projects and for opening national labs resources to the private sector. In 2014, both chambers of Congress introduced legislation to implement many of the report's recommendations. In addition to passing the bill, the House formed a commission on lab reform and then asked Loris to present the paper to the commissioners.

Loris, Roe's Herbert and Joyce Morgan Fellow, also built the case for energy exports. Crude oil exports have been prohibited since the Cold War era, and liquefied natural gas (LNG) exports are severely restricted. These barriers to free trade hurt Americans and retard economic growth. Loris penned

two impactful papers on energy exports and worked with Heritage Action on the Hill to educate lawmakers on the issue. These efforts moved then-Rep. (now Sen.) Cory Gardner, R-Colo., to introduce an LNG export bill which passed the House and now has excellent prospects in the 2015 Senate.



ROE INSTITUTE: 5 KEY PAPERS

The Fed at 100: A Primer on Monetary Policy
Norbert Michel, Ph.D., Jan. 29, 2014

10 Guiding Principles for Agriculture Policy:
A Free Market Vision
Daren Bakst, May 5, 2014

Energy Exports Promote Prosperity and Bolster
National Security
Nicolas Loris, July 23, 2014

Business Inversions: Tax Reform Is the Only Way
to Curb Them
Curtis Dubay, Sept. 4, 2014

Eliminating Waste and Controlling Government Spending
Romina Boccia, Oct. 17, 2014

A HERITAGE HOMECOMING: STEVEN MOORE RETURNS

Steven Moore, our Grover M. Hermann Fellow in Budgetary Affairs in the mid-1980s, "came home" to Heritage on Jan. 21. Just 10 days later, the former economics columnist for *The Wall Street Journal* was in Richmond, addressing 35 members of Congress at Heritage's annual Conservative Members Retreat. He outlined seven initiatives to get America working and the economy growing.

Within two months, he had crisscrossed the country, speaking before college groups, lawmakers, and business associations in 11 states. Along the way, he logged more than 100 radio and television appearances and penned more than 50 commentaries for publications such as *The Wall Street Journal*, *Investor's Business Daily*, *The Chicago Tribune*, and *National Review*.

He also released two books: "An Inquiry into the Nature and Causes of the Wealth of States" and the 2014 edition of "Rich States, Poor States." The former, co-authored with economist Arthur Laffer, demonstrates that states with low tax rates, less regulation, less debt, and workplace freedom laws perform far better economically than others. It became a *New York Times* best-seller.

The whirlwind of activity brought results at the state level as well as in D.C. When Missouri passed the largest tax cut in that state's history, House Speaker Tim Jones credited

"the work of Moore and Laffer." And in Tennessee, Moore's arguments against a UAW organizing drive at the Chattanooga VW plant led to what *The Washington Post* called a "shocking" defeat and "a huge blow" to the union.

Throughout 2014, Moore engaged *The New York Times'* Paul Krugman in a very public debate over why some states out-perform others economically. That battle will continue—and not just in the nation's newspaper pages. Krugman has agreed to debate Moore live at the 2015 Freedom Fest in Las Vegas.





Heritage President Jim DeMint welcomes scores of researchers, practitioners, policy leaders and communicators to Heritage's 4th Annual Antipoverty Forum. The event was held Nov. 20 at the historic Reserve Officers Association in Washington, D.C.

PRESERVING CIVIL SOCIETY

Expanding opportunity in America is not just a question of jobs and economic climate. It also has a lot to do with the state of marriage and the family, and the vibrancy of community life.

That's the message of Heritage's "Index of Culture and Opportunity," which debuted in 2014. The Index monitors and analyzes 31 separate cultural and economic indicators over the last 10 years. It tracks everything from the marriage rate and religious attendance to welfare dependence and educational opportunities. Why?

"Social and economic trends constantly shape and re-shape America," explains Jennifer Marshall, Index co-editor and Vice President for Heritage's Institute for Family, Community and Opportunity. "And Americans' opportunity to flourish is determined, in large measure, by the social and economic factors measured in the Index."

The Index revealed a "good news/bad news" state of affairs. For example, while the abortion rate and violent crime rate have decreased, the marriage rate has fallen and unwed child-bearing continues to rise. And while more K-12 students are benefitting from school choice programs, the student loan burden continues to grow for college graduates.

DEVOS CENTER FOR RELIGION AND CIVIL SOCIETY

The purpose of the Index is to help policymakers and community leaders focus on domestic issues most critical to the

future of our nation. The DeVos Center for Religion and Civil Society promoted it heavily among both audiences, briefing the National Religious Broadcasters, the Black Conservative Summit, Heritage Congressional Fellows, and other opinion leaders.

DeVos scholars, as usual, were instrumental in helping shape the debate on several of the year's most important social issues. Marshall and Policy Analyst Sarah Torre coordinated messaging for a coalition of groups supporting the religious liberty of the Green and Hahn families, whose Christian faith led them to challenge the Obamacare mandate that they provide coverage of abortion-inducing drugs. As they pled their cases before the Supreme Court in March, Torre addressed a rally just outside. The Court's decision upholding religious liberty in both cases—Hobby Lobby and Conestoga Wood Specialties—gave the families and the conservative movement a substantial victory.

Throughout the year, DeVos Center scholars made the case for marriage. Dr. Ryan T. Anderson spoke at numerous college and law school campuses in support of the proposition that marriage should continue to be recognized in law as the union of one man and one woman. A video of his appearance at Stanford University's Anscombe Society went viral, logging over 370,000 views on the Internet. Anderson also made the case in print and broadcast media. Highlights included appearances on "Stossel" and "The Independents," on FOX Business, and a *Washington Post* op-ed co-authored with Heritage's Edwin Meese III. Anderson's essay *Freedom to Marry & Dissent, Rightly Understood*, co-written with



At the Antipoverty Forum, Lindsey Burke, Heritage's Will Skillman Fellow in Education, talks about the importance of education in economic mobility.

focus on reforms that will dismantle the welfare state's disincentives to marry, work, and get an education.

Lindsey Burke, Heritage's Will Skillman Fellow in Education, spearheaded a national movement to help states free themselves from Common Core. The D.C.-driven system of national standards and tests disempowers local educators and the parents of students, while imposing questionable educational materials on students. Burke outlined the pitfalls of this approach at statewide policy conferences as well as in newspaper columns and radio and TV interviews.

If Washington didn't get the message, the American people did. From South Carolina to Georgia to Wyoming, voters consistently sided with candidates who rejected Common Core. *Politico* called Diane Douglas' victory in Arizona's state superintendent race "a huge win for the anti-Common Core movement." Burke also made a powerful case against the President's \$1 trillion initiative to establish universal pre-kindergarten. Her review of research showed that, while incredibly costly, pre-K instruction does little or nothing to improve long-term educational achievement. Moreover, she noted, many parents want to stay home with their kids during those early, most formative years.

When Burke wasn't pushing back against Common Core and universal pre-K, she was advancing a key Heritage education

Princeton's Robert P. George, was RealClearPolicy.com's most read article of 2014.

As intolerant forces increasingly tried to silence those defending traditional marriage, Marshall hosted regular strategy meetings of leading religious liberty and marriage groups. She also spoke at June's national March for Marriage in front of the Capitol.

On Jan. 8, Senior Research Fellow Robert Rector commemorated the 50th Anniversary of the War on Poverty by documenting its abject failure in a *Wall Street Journal* column. Despite nearly \$22 trillion in government spending, the poverty rate remains essentially unchanged. Rather than fulfill its promise to help more Americans achieve self-sufficiency, dependency on government has instead sky-rocketed.

In research papers, commentaries, and briefings with Hill staff, Rector and his colleague, Rachel Sheffield, continued to stress marriage as a critical antidote to poverty. Sen. Tim Scott, R-S.C., echoed that theme at Heritage's 4th Annual Antipoverty Forum. His keynote speech called on policy-makers to



DEVOS CENTER: 5 KEY PAPERS

Obamacare's Many Loopholes: Forcing Individuals and Taxpayers to Fund Elective Abortion Coverage

Sarah Torre, Jan. 13, 2014

New Preschool Spending an Unnecessary Burden on American Taxpayers

Lindsey Burke and Rachel Sheffield, March 7, 2014

Protecting Religious Liberty in the State Marriage Debate

Ryan T. Anderson, Ph.D., and Leslie Ford, April 10, 2014

Reauthorizing the Higher Education Act: Toward Policies that Increase Access and Lower Costs

Lindsey Burke, Aug. 19, 2014

How the ABLE Act Would Expand the Welfare State

Robert Rector, and Romina Boccia, Nov. 10, 2014

recommendation: Education Savings Accounts. She travelled to Minnesota, Oklahoma, Utah, and Virginia to promote the concept and produced a video series in which Arizona families describe how they have used the accounts to improve their children's educational opportunities.

CENTER FOR HEALTH POLICY STUDIES

On Feb. 13, Heritage's Dr. Robert Moffit travelled to the Medical College of Wisconsin to debate the future of Medicare with *New Republic* Senior Editor Jonathan Cohn and Dr. Cyril Hetzsko. Moffit and his debate teammate, Dr. Richard Armstrong, argued that the federal health insurance program would have to be converted into a defined-contribution plan to secure firm fiscal footing. It ended with the student audience voting Moffit and Armstrong the hands-down winners.

Ten months later, Edmund Haislmaier, Moffit's colleague in our Center for Health Policy Studies (CHPS), was the featured speaker at the Yale Political Union's debate entitled "America Needs a Single-Payer Health Care System." Taking on all comers, Haislmaier rebutted the proposition, proclaiming the virtues of a free-market, consumer-driven system. Again, Heritage's position carried the day.

Indeed, CHPS experts won critical policy arguments throughout the year—in state capitals as well as in Washington, D.C. Heritage relentlessly pressed the case for fiscal responsibility in health care, and Congress backed off enacting a proposed "fix" for Medicare's inadequate reimbursement rates for doctors that would have added to the nation's deficits. While Heritage argued for a permanent fix, our experts also



CENTER FOR HEALTH POLICY STUDIES: 5 KEY PAPERS

Impact of the Affordable Care Act on the Health Care Workforce

Amy Anderson, DNP, RN, CNE, March 18, 2014

Medicare Payment System: Why Congress Should Delay the ICD-10 Coding System

Robert Moffit, Ph.D., March 31, 2014

Obamacare's Impact on Doctors: An Update

Alyene Senger, Aug. 23, 2014

Obamacare's Enrollment Increase: Mainly Due to Medicaid Expansion

Edmund F. Haislmaier and Drew Gonshorowski, Oct. 22, 2014

A Fresh Start to Health Care Reform

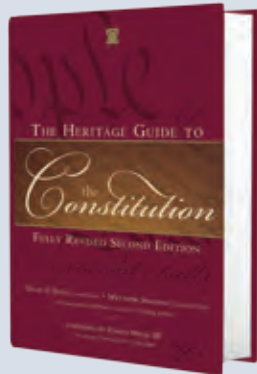
Edmund F. Haislmaier, Robert E. Moffit, Ph.D., Nina Owcharenko, and Alyene Senger, Oct. 30, 2014

TOP: Ryan Anderson, our William E. Simon Fellow in Religion and a Free Society, hosts a March 14 panel discussion of "Dereliction of Duty: State Attorneys General Failing to Defend Marriage Laws in Court." BOTTOM: Nina Owcharenko, Preston A. Wells, Jr., Fellow and Director of our Center for Health Policy Studies

B. KENNETH SIMON CENTER FOR PRINCIPLES AND POLITICS

The Simon Center increases public understanding of America's founding principles. In 2014, the Center released the second edition of our 2005 landmark publication: "The Heritage Guide to the Constitution," a line-by-line originalist analysis of that great document.

The new edition takes into account a decade of Supreme Court decisions and legal scholarship on such issues as gun rights, religious freedom, campaign finance, civil rights and health care reform. The first edition has sold over 50,000 copies, and the online edition has been visited more than 1.3 million times since it was first posted in 2012.



Under the leadership of Director David Azerrad, the Center brought on board Dr. Carson Holloway, an Associate Professor of Political Science at the University of Nebraska, as the Center's inaugural Visiting Fellow in American Political Thought.

The Center also added two new essays to its popular "First Principles" series: *The Birth of Democracy: What Progressivism Did to the States*, by R.J. Pestritto and Taylor Kempema of Hillsdale College, and *Martin Luther King, Jr., and the American Dream* by University of Wisconsin Professor Peter C. Myers.

Other major publications included:

- "The Second Amendment and the Inalienable Right to Self-Defense," by Nelson Lund (George Mason University Law School)
- "John Rawls: Theorist of Modern Liberalism," by Jerome Foss (St. Vincent College)
- "The Conservative Mind of Russell Kirk" by Lee Edwards, Heritage's Distinguished Fellow of Conservative Thought.

The Center also sponsored a four-part program: "Lessons for Conservatives: From Goldwater to the Tea Party." Syndicated columnist George Will delivered the kick-off lecture. Other featured speakers included William Kristol, Jonah Goldberg, Stephen F. Hayes, and Newt Gingrich. The series drew more than 500 people to Allison Auditorium and more than 13,000 viewers online.

insisted that lawmakers do it in a way that protects taxpayers and incorporates much-needed structural reforms to the Medicare program.

After the elections, lawmakers tried to revive the "doc fix" AND increase funding for the Children's Health Insurance Program. The two changes would have cost taxpayers hundreds of billions of dollars. Moffit and CHPS Director Nina Owcharenko made the policy case against ramrodding these changes through the Lame Duck session. Meanwhile, Heritage Action worked Hill offices, stressing the strategic view that passage now would strip lawmakers of leverage needed to wrest more far-ranging reforms from the White House in 2015. Congress wound up leaving both proposals off the year-end spending bill.

Heritage was also instrumental in stopping Obamacare-sanctioned bailouts of insurance companies. The "risk corridor" program lets insurers collect federal subsidies if they lose too much on policies sold through the Obamacare exchanges. In 2014, the Administration announced that, despite an earlier pledge to limit subsidy expenditures, it was now resolved to pay insurers whatever they needed to cover big losses.

Heritage sounded the alarm, stressing that this could put taxpayers on the hook. Haislmaier testified twice before Congressional committees and penned a nationally syndicated column educating the public about the problem. Within weeks, Congress pulled the plug on this ripe-for-abuse bailout program.

Our researchers produced a series of reports on the real-world effects of Obamacare, providing a useful corrective to the Administration's overblown claims of success. And in "Fresh Start for Health Care Reform," four CHPS scholars laid out the key policy reforms needed to transition to a patient-centered, market-based health system.

Meanwhile, CHPS was busy helping states fight back against Obamacare. For example, when Virginia's new governor decided to make his mark by expanding Medicaid, Owcharenko was one of the experts called by the General Assembly's Medicaid Task Force to discuss the consequences of expansion. The Legislature heeded the warnings and rejected the proposal.



A packed house—and a sea of TV cameras—await Texas Gov. Rick Perry’s speech on “The Border Crisis and the New Politics of Immigration” Aug. 21 in Allison Auditorium.

DEFENDING FREEDOM AT HOME AND ABROAD

On May 28, President Obama gave the graduating class at West Point a triumphal speech on foreign and defense policy. The Commander in Chief suggested that the biggest challenge facing U.S. armed forces in the future would be... climate change.

Elsewhere in 2014: Russia annexed Crimea and invaded Ukraine; a flood of illegal immigrants—including huge numbers of unaccompanied children—swamped our southern border; ISIS terrorists seized control over much of Iraq, and China moved to restrict open elections in Hong Kong.

All of these unfortunate developments had one thing in common: they had all been predicted by Heritage’s Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy. “It’s not that our analysts have a crystal ball,” says Dr. James Jay Carafano, Vice President for the Davis Institute. “It’s that they see the world clearly, and they know how our friends and enemies are most likely to react to policy decisions made in Washington, D.C.”

And throughout the year, analysts in Davis’ three major policy research centers dedicated their attention to identifying

emerging threats to American interests around the globe—as well as emerging opportunities—and devising policy recommendations best calculated to keep America secure, free, and prosperous.

PRESERVING AMERICAN SOVEREIGNTY

Advocates of the “one-world” system view national sovereignty as an archaic and dangerous concept. But the scholars in our Margaret Thatcher Center for Freedom view sovereignty as an essential bulwark of freedom—the right that safeguards all other rights from the tyranny of a grasping internationalist majority.

“Sovereignty, once relinquished, can seldom be regained,” says Dr. Nile Gardiner, Director of the Thatcher Center. “That’s why we must defend it against all incursions by the internationalist set.”

Three sovereignty-threatening treaties, already signed by the Administration, were candidates for Senate consent to ratification in 2014. And two Thatcher Center scholars provided the analyses and arguments to keep them bottled up.



THATCHER CENTER: 5 KEY PAPERS

Self-Determination and National Security: Why the U.S. Should Back British Sovereignty over Gibraltar

Luke Coffey, Feb. 13, 2014

Beyond the Crimea Crisis: Comprehensive Next Steps in U.S.–Russian Relations

Nile Gardiner, Ph.D., Jack Spencer, Luke Coffey, and Nicolas Loris, March 25, 2014

Protecting Internet Freedom and American Interests: Required Reforms and Standards for ICANN Transition

Paul Rosenzweig, Brett D. Schaefer, James L. Gattuso, and David Inserra, June 16, 2014

The Transatlantic Trade and Investment Partnership (TTIP): The Geopolitical Reality

Theodore R. Bromund, Ph.D., Nile Gardiner, Ph.D., and Luke Coffey, Sept. 17, 2014

Freedom from the EU: Why Britain and the U.S. Should Pursue a U.S.–U.K. Free Trade Area

Theodore R. Bromund, Ph.D. and Nile Gardiner, Ph.D., Sept. 26, 2014

Dr. Ted R. Bromund led the charge against ratification of the Arms Trade Treaty (ATT) which, if applied seriously, would gravely constrain U.S. foreign policy options. For example, it could be used to block arms sales to allies such as Israel and Taiwan or to bar us from supplying weapons to Kurdish groups fighting ISIS. Bromund’s analysis fueled opposition to the treaty, discouraging the Administration from even submitting it to the Senate. To head off undesirable “executive action,” Congress attached a rider to the omnibus appropriations bill barring the Administration from spending any money to implement the ATT before ratification.

Two other ill-advised treaties—the UN Convention on the Rights of the Child and the UN Convention on the Rights of Persons with Disabilities—fared no better. Despite their “feel-good” titles, neither would have done anything to improve the lot of America’s young or disabled, yet both would have undermined U.S. sovereignty. Bromund made the case against the former, while Steven Groves, Heritage’s Bernard and Barbara Lomas Senior Research Fellow, explained the pitfalls and empty promises of the latter.

Heritage affected UN affairs in a material way, as well. To fight widespread graft and corruption there, Brett Schaefer, Heritage’s Jay Kingman Fellow in International Regulatory Affairs, urged that the U.S. withhold 15 percent of its UN contributions until the Secretary of State could certify that the organization has implemented a specified set of effective whistleblower protections. The omnibus appropriations bill turned that recommendation into law.

Schaefer also led the Heritage team that fought to keep the internet free, opposing efforts to turn stewardship of the Internet Corporation for Assigned Names and Numbers (ICANN) over to the UN or a committee under the control of foreign governments. Instead, Heritage recommended a set of standards for ICANN governance that would assure this global communications commons could not fall under the thumb of repression.



During Q&A with reporters following his immigration speech, Gov. Perry calls for a more robust U.S. military response in Iraq to combat the Islamist State.

PIVOTING TO ASIA WITH A PURPOSE

Several research recommendations from our Asian Studies Center became the law of the land in 2014. The National Defense Authorization Act (NDAA) limited security assistance for the Burmese military until the Secretary of State certifies that the regime in Rangoon has taken substantive steps toward democratization. Among the reforms needed for certification are: ending military ties to North Korea; ceasing attacks on ethnic minority groups, and adopting a formal military code of conduct. Heritage recommended these conditions because the Administration had signaled its intent to pursue rapprochement with the post-junta government, even in the absence of concrete reforms.

The omnibus appropriations bill featured another Heritage recommendation: restrictions on U.S.-China space cooperation. Heritage has long warned of the dangers of cooperating with Beijing on manned space flight, and the bill bars that. It also blocks the Administration from entering a “Space Code of Conduct” agreement which would restrict American activity in space. U.S. defense is far more dependent on space-based assets such as GPS systems and spy satellites. National security demands that we be able to operate freely in the Space Commons.

On July 28, the House passed the North Korea Sanctions Enforcement Act. Heritage had long urged stiffening sanctions to get Pyongyang to halt its nuclear weapons program and return to the bargaining table. Bruce Klingner’s testimony before the House Foreign Affairs Committee was key in building bipartisan support for the bill. Rep. Gerald Connolly, D-Va., commented afterwards:

It’s not often that I find myself in near total agreement with The Heritage Foundation. But I must say I found your testimony right on and very helpful in terms of not just providing a critique of U.S. policy but also providing a road map of how we might make it more efficacious.

The Senate never took up the bill. But in December, President Obama implemented several of its provisions via executive action—following the North Korean cyber-attack on Sony.

PRESSING FOR A STRONG, RATIONAL DEFENSE

In March, the Pentagon issued its Quadrennial Defense Review (QDR). As with each of the three previous defense reviews issued under President Obama, this one declared the American military could do more with less. An independent review of the QDR, commissioned by Congress, disagreed.



ASIAN STUDIES CENTER: 5 KEY PAPERS

Promoting True Democratic Transition in Cambodia
Walter Lohman and Olivia Enos, March 31, 2014

A National Strategy for the South China Sea
Steven Groves and Dean Cheng, April 24, 2014

Allies Should Confront Imminent North Korean Nuclear Threat
Bruce Klingner, June 3, 2014

America’s Secret Weapon to Secure Taiwan’s Future:
Trade, William Wilson, Ph.D., Sept. 19, 2014

Pursuing a Freedom Agenda Amidst Rising Global Islamism
Lisa Curtis, Charlotte Florance, Walter Lohman, and James Phillips, Nov. 17, 2014



House Armed Services Committee Chairman Buck McKeon, R-Calif., calls for increased investment in the U.S. military, May 6 in Allison Auditorium.

Indeed, the bipartisan commission concluded that the President's defense cuts were "self-defeating" and a "serious strategic misstep."

To point Congress in the right direction, Heritage's defense team published *The 2014 Defense Reform Handbook*—a guide to help lawmakers exercise their defense oversight responsibilities most effectively.

Critical "hardware" recommendations from experts in our Douglas and Sarah Allison Center for Foreign and National Security Policy prevailed as well. The Allison Center's arguments establishing the need to maintain a minimum fleet of 11 aircraft carriers directly influenced the Defense Department's decision to keep USS George Washington in service. And the NDAA included Heritage's recommendation to continue producing Tomahawk land-attack cruise missiles in Fiscal Year 2015.

The Allison Center provided strategic advice as well. As the Administration struggled to identify an effective response to the terrorism metastasizing in Iraq and Syria, Carafano and Dr. Steven Bucci, Director of the Allison Center, published *The Way Forward in Iraq*. Ultimately, the President adopted several of their core recommendations—e.g., keep Kurdistan in the fight, help the Iraqis take back their country. However, it was still unclear whether he had gotten the message about working to marginalize Iran's influence rather than cut a nuclear deal with Tehran.

Meanwhile, to help Congress sort out its constitutional duties relating to the war in the Middle East, Senior Legal Fellow Charles Stimson, published *A Framework for an Authorization for Use of Military Force against ISIS*.

As the year ended, the Davis team was putting the final touches on "The Index of U.S. Military Strength." This first-of-its-kind resource will give policymakers—and the American people—an annual, objective assessment of where national security is improving and where it's weakening.

When released in February 2015, the Index will provide a consistent benchmark for measuring the adequacy and appropriateness of our defensive posture. In addition to defining America's vital security interests and the severity of threats to these interests, each year the Index will assess the capability, capacity, and readiness of U.S. military forces.

The information and insights offered in "The Index of U.S. Military Strength"—along with that contained in our "Index of Economic Freedom" and "Index of Culture and Opportunity"—will show policymakers what must

be done to increase freedom, prosperity, and security for all Americans.

"Reclaiming America and expanding opportunity for all begins with these three resources," says Heritage President Jim DeMint.



ALLISON CENTER: 5 KEY PAPERS

Cybersecurity Information Sharing: One Step Toward U.S. Security, Prosperity, and Freedom in Cyberspace
David Inserra and Paul Rosenzweig, April 1, 2014

Ten-Step Checklist for Revitalizing America's Immigration System: How the Administration can Fulfill Its Responsibilities
David Inserra, Nov. 3, 2014

The Future of Overseas Contingency Operations: Due Diligence Required
Emil Maine and Diem Salmon, Nov. 4, 2014

Nuclear Negotiations with Iran: U.S. Must Avoid a Rush to Failure
James Phillips, Nov. 22, 2014

National Security Priorities for the Next Secretary of Defense
James Jay Carafano, Ph.D., Dakota Wood, James Phillips, and Luke Coffey, Nov. 26, 2014



Left to right: South Korean Ambassador to the U.S. Ahn Ho-Young, Board Member Abby Moffat, Diana Spencer, and President Jim DeMint gather around a portrait of Heritage benefactor B.C. Lee before entering Allison Auditorium for the 16th Annual B. C. Lee Lecture on U.S. Policy in the Asia-Pacific.



Heritage Directors John Malcolm (Edwin Meese III Center for Legal and Judicial Studies) and Nina Owchareko (Center for Health Policy Studies) brief staff on the implications of the Supreme Court ruling in *Burwell v. Hobby Lobby*. The Court affirmed that family-owned corporations cannot be forced to buy insurance coverage for contraception if it violates the owners' religious convictions.

FIGHTING FOR ECONOMIC LIBERTIES AND THE RULE OF LAW

The modern state has grown quite adept at restricting economic competition. It protects established businesses by erecting wholly unnecessary barriers to entry into the marketplace. That's why some states allow only licensed morticians to sell caskets. Or bar would-be entrepreneurs from braiding hair without a cosmetology license—something that requires hundreds of hours of classroom instruction (virtually none dedicated to hair-braiding) and thousands of dollars in “training fees.”

The Heritage Foundation believes the government's job is to assure that everyone has an opportunity to compete, not to protect entrenched interests. And so our Edwin Meese III Center for Legal and Judicial Studies opened a new area of study in 2014: the preservation of economic liberties. The goal is to fight government encroachment on fundamental economic liberties, like the individual's right to buy and use private property as he sees fit... or the right of private parties to advance their own self-interests without being second-guessed by labor unions, legislatures, or courts.

In October, the Meese Center published *Economic Liberty and the Constitution*. This Special Report reviewed a century's-worth of court rulings on the government's authority to regulate economic activity and identified the specific constitutional rights at risk from excessive intervention. The report's authors—Georgetown Law Center Professor Randy E. Barnett, George Mason University School of Law Professor

David E. Bernstein, Institute for Justice Senior Attorney Clark M. Neily III, and Meese Center Senior Legal Research Fellow Paul J. Larkin—opened the public discussion with an Oct. 7 seminar at Heritage. Heritage advanced the discussion again in December with another seminar co-hosted with the Buckeye Institute in Cincinnati, Ohio.

ENDING ABUSIVE SEIZURES

The Meese Center expanded its longstanding campaign against over-criminalization to address Civil Asset Forfeiture (CAF)—a policy that allows law enforcement officials to seize property they *believe* may have been involved in criminal activity. In practice, it means that government can take someone's car, home, money, or valuables without even charging that person with a crime.

In a series of feature articles such as “The Biggest Little Racket in Nevada” and “This Man Had \$75K Legally Stolen From Him by a Sheriff's Deputy,” Andrew Kloster and other Meese Center scholars chronicled CAF abuses. They promoted the District of Columbia's newly enacted reforms as a model for states to emulate and hosted numerous public lectures—in the Texas State Capitol and elsewhere—to build support for nationwide reform. Meanwhile, working through Heritage Action for America, Meese Center experts offered guidance to interested Senators and Representatives who have introduced several proposals to curb CAF abuse.

PUSHING BACK AGAINST POLITICIZATION OF THE IRS

Heritage also played an active role in the ongoing Congressional investigation into IRS targeting of conservative organizations. Senior Legal Fellow Hans von Spakovsky testified twice before the House Committee on Oversight and Government Reform. He also maintained a high media profile—broadcast as well as print—on the brazen politicization of the tax agency.



TOP: Edwin Meese, our Ronald Reagan Distinguished Fellow Emeritus, presents Judge Janice Rogers Brown with “The Heritage Foundation Guide to the Constitution” following her delivery of the Joseph Story Distinguished Lecture on Oct. 22.
BOTTOM: National Review columnist John Fund (left) and Heritage Senior Legal Fellow Hans von Spakovsky field questions in Lehrman Auditorium during a June 17 discussion of their book, Obama’s Enforcer: Eric Holder’s Justice Department.”

In February, von Spakovsky hosted a public discussion of the free-speech implications of proposed IRS regulations for 501(c)(4) organizations. The all-star panel, which included *The Wall Street Journal’s* Kimberley Strassel and *National Review’s* Eliana Johnson, drew a huge crowd. The following month, von Spakovsky moderated another panel on the topic at CPAC.

Meanwhile, David Addington, Heritage’s Group Vice President for Research, filed public comments for Heritage on the proposed rules change, and von Spakovsky filed separate comments in his personal capacity as a former Federal Election Commissioner. Ultimately, the proposed change was withdrawn. But Heritage remains on watch in case the IRS tries to change the rules again.

APPELLATE ADVOCACY

The Meese Center held 21 moot court practice sessions and convened 19 *amicus curiae* conferences for advocates preparing to argue their cases before the Supreme Court and other federal appellate courts. This important, behind-the-scenes activity helped the conservative movement gain several significant victories in 2014. In nearly all of the Supreme Court cases heard in the 2013/2014 term, the Justices upheld constitutional freedoms – including religious liberty, freedom of speech, and workers’ rights. The High Court also ruled against unreasonable searches and seizures by government, executive branch overreach, and the consideration of race in college admissions.



MEESE CENTER: 5 KEY PAPERS

An Executive Unbound: The Obama Administration Unilateral Actions

Elizabeth Slattery and Andrew Kloster, Feb. 12, 2014

The Extent of America’s Overcriminalization Problem

Paul Larkin, May 9, 2014

The IRS Tries to Silence Political Speech Again—This Time with New Regulations,

Hans von Spakovsky, May 12, 2014

“Choking Off” Disfavored Businesses and Their Clients: How Operation Choke Point Undermines the Rule of Law and Harms the Economy,
Alden Abott, Aug. 4, 2014

President Obama’s Executive Action on Immigration Sets a Dangerous Precedent,

John Malcolm, Dec. 5, 2014

IMPECCABLE SCHOLARSHIP

Heritage is home to scores of the nation's top policy experts—and our members help make sure it stays that way. To help Heritage continue to attract and retain the brightest conservative minds in the business, dedicated donors have funded the following fellowships.



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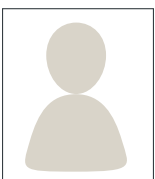
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Open

DISTINGUISHED FELLOWS

Heritage gives a special designation to those scholars who have combined outstanding academic work with outstanding service to our nation and the conservative movement. In addition to Lee Edwards, the leading historian of the conservative movement, Heritage honors three others with the title of Distinguished Fellow.

LEE EDWARDS' ANNUS MIRABILIS

By any measure, 2014 was a remarkable year for Dr. Lee Edwards, Heritage's Distinguished Fellow in Conservative Thought.



As the Chairman of the Victims of Communism Memorial Foundation, he led celebrations of two milestone events: the 20th anniversary of the Foundation itself, and the 25th anniversary of the fall of the Berlin Wall. The Foundation, a nonprofit educational and human rights organization devoted to commemorating the more

than 100 million victims of communism, also observed a much sadder silver anniversary—that of the Tiananmen Square Massacre.

Under Edwards' leadership, the Foundation made major strides in expanding the number of schools that have adopted its curriculum explaining the history and legacy of communism—the deadliest ideology in history. In light of this and other achievements, the Hungarian government awarded Edwards its Officer's Cross of the Order of Merit.

A prolific writer, Edwards added two new titles—*The Conservative Mind of Russell Kirk* and *Barry M. Goldwater: The Most Consequential Loser in American Politics*—to our B. Kenneth Simon Center's series of essays on "Makers of American Political Thought." As 2014 drew to a close, he published *The Great Communicator: The Political Rhetoric of Ronald Reagan* in *Intercollegiate Review*.

But when asked about his proudest achievement of the year, Edwards mentions none of these writings nor the honors bestowed on him. Instead, he cites *A Brief History of the Cold War*, a monograph he co-wrote with his daughter, Elizabeth Edwards Spalding. "I think it's very special when a father and daughter can work together on such a project and still love each other in the end," Edwards quips.

Edwards has been chronicling the advance of conservative thought and the lives of its leaders for more than a half century and shows no signs of slowing down. When asked what keeps him so highly motivated, he replies simply, "I know what history will say about the conservative moment because I'm writing it."

Elaine Chao—A former Secretary of the U.S. Department of Labor, President and CEO of United Way of America and Peace Corps Director, Ms. Chao now concentrates on trade, job creation, and workforce issues.



Kim Holmes—A former Assistant Secretary of State and member of the Defense Policy Board, Dr. Holmes oversaw Heritage's defense and foreign policy team for more than two decades. He was a founding editor of our annual "Index of Economic Freedom" and launched our widely respected homeland security program.



Edwin Meese III—A former U.S. Attorney General and Counselor to President Reagan, Mr. Meese is our Ronald Reagan Distinguished Fellow Emeritus. For more than a decade, he chaired our Center for Legal and Judicial Studies. He now concentrates on coordinating the work of conservative public interest legal groups.





Heritage launched an online news outlet, The Daily Signal on June 3. It quickly became a “must read” for millions seeking objective news reporting, insightful commentary, and informative graphics and videos.

TAKING OUR MESSAGE STRAIGHT TO THE AMERICAN PEOPLE

*Having the best research and the best policy recommendations only gets you so far. What’s true in the business world holds true in the realm of politics and ideas:
Nothing happens until somebody sells something.*

Heritage’s Strategic Communications Team is charged with “selling” both the broad conservative message and our specific policy proposals to expand opportunity. And under the leadership of Group Vice President Geoffrey Lysaught, they’ve been selling as never before.

That’s because they are reaching out to new audiences—communicating more and more with people who share many conservative values but don’t self-identify as conservative. These are the folks who make up the “moveable middle”—a diverse segment of the population that is poised for explosive growth and will determine electoral outcomes for years to come.

Throughout the year, we worked with leading market research firms to learn about these key audiences and how to connect with them so that they might more fully share in our vision of

making America a land of opportunity for all. Armed with the insights of that research, we launched two new media properties that have met with phenomenal success.

THE AMERICAN PERCEPTIONS INITIATIVE

What is the best way to frame an issue for maximum appeal? How can we move people who don’t view themselves as “conservative,” *per se*, to actively support conservative policies?

Enter, the American Perceptions Initiative, a permanent research project using systematic audience studies, message testing, and market research to help us understand precisely *who* we must win over on a given policy initiative, how they interpret arguments for and against our recommendations, and how we can best gain their attention and trust.



TOP: It was a major scoop: Confidants of Hillary Clinton scrubbed Benghazi-related documents before handing them over to the Accountability Review Board. And when former CBS investigative reporter Sharyl Attkisson broke the news, she broke it on The Daily Signal. The story went international and sparked debate in Congress. BOTTOM: In July, Daily Signal Reporter Josh Siegel traveled to the Texas/Mexico border for a series of stories on how the surge in illegal immigration was affecting local communities and businesses.

The nuts-and-bolts “messaging” research has proved illuminating. For instance, we’ve learned that referring to “workplace freedom” laws instead of “right to work” laws is far more effective in moving people to support policies that limit coercive union manipulation.

Our “issue-based” marketing studies have been revealing as well. With regard to health care, for example, most voters resent bureaucratic interference and limits on consumer/patient choice. Unsurprisingly, their primary emotions regarding Obamacare are concern, worry, and suspicion. The more we present our health care solutions in a way that responds directly to these emotions, the bigger the mandate we will have to finally overturn Obamacare.

What we learn from American Perceptions can be invaluable in any specific policy debate. But there’s a larger point, as well: Heritage now has the marketing research tools that will help us show that conservative policy solutions don’t just solve

problems; they offer a path to greater freedom, opportunity, and human flourishing. We are connecting dots so that people can act on them, whether or not they have previously considered themselves conservative. And that is a recipe for victory.

THE DAILY SIGNAL

For 40 years, Heritage’s Communications and Media Relations Team has done an outstanding job of placing Heritage experts—and their ideas—in the mainstream media. That didn’t change in 2014. Broadcast Services logged more than 4,000 radio and television interviews, while Editorial Services placed more than 1,400 commentaries in major print media outlets.

Despite this success, most mainstream media remain fully marinated in a cultural and political narrative set by the Left. America deserves better, and on June 3 Heritage gave America the media it deserves: fair, objective, fact-driven news; research-based news analysis and commentary... leavened with eye-catching, informative graphics and videos.

That’s when we retired our widely popular blog, *The Foundry*, and debuted our own multimedia digital news outlet: *The Daily Signal*. The launch itself was huge news within the media world, generating stories in *The Washington Post*, *Los Angeles Times*, Bloomberg Businessweek CNN, National Public Radio and more.

After making news, *The Daily Signal* team spent the rest of the year breaking news. Here are three stories that made a huge splash—and a difference.

- Hillary Clinton confidants participated in a document-scrubbing operation when the State Department Accountability Review Board called for material pertaining to the Sept. 11, 2012, terrorist attacks in Benghazi. Longtime investigative reporter Sharyl Attkisson broke



Josh Siegel | The Daily Signal
Tepeguaje Ranch, Encino, Texas

the news just days before the House Select Committee on Benghazi held its first hearing. The story received worldwide media attention and sparked debate in Congress.

- Debo Adegbile was cruising toward Senate confirmation as head of the Justice Department’s Civil Rights Division—until News Director Ken McIntyre began reporting on Adegbile’s controversial legal defense of notorious cop killer Mumia Abu-Jamal. The resulting public outcry led the Senate to reject the appointment.
- Reporter Josh Siegel recounted the plight of a 2-year-old Iraqi injured in an ISIS attack, prompting a global fundraising campaign to pay for the boy’s medical treatment. The effort raised \$2,250, enough to get Hasan Uday Albayati to an Iranian hospital. He’s now living a normal life with his family in Iraq.

Ground-breaking news coverage—combined with a commitment to interactive storytelling using graphics and multimedia platforms—quickly set *The Daily Signal* apart from other media brands and earned a huge audience. *The Daily Signal* and *The Foundry*, combined, attracted more than 33.8 million unique visitors in 2014—exceeding our goal by 50 percent and more than quadrupling the reach from the previous year.

Part of this growth was fueled by Heritage’s success on Facebook and Twitter—leading social networking sites that we use to help rally Americans around a cause, foster discussion and debate, or simply share information. Heritage now has more than 1.7 million fans on Facebook and more than 470,000 followers on Twitter.

No matter what the media platform—be it social media, *The Daily Signal*, *America Within* or even mainstream outlets—Heritage communications serve a strategic purpose. Our goal is never simply to encourage or educate people, or make them laugh, or get them discussing issues from an informed perspective. These are all good things. But our end game is always to walk people down a path that plugs them in to different aspects of Heritage, or Heritage Action, so that they can begin to act on what they have learned—and work with us to change Washington and expand opportunity for all.

AMERICA WITHIN

A key element of our new communications strategy is messaging that gets to the heart of what it means to be an American. And so, in July, we launched *America Within* (www.americawithin.com) a digital, multimedia website.

Calculated to appeal primarily to millennials, the site entertains with interactive features such as one-question polls, videos, and articles that profile leaders in categories ranging

from “Style” and “Community” to “Politics.” While the site entertains, it also promotes the very qualities and values which undergird conservatism—such as the benefits of hard work and self-sufficiency. These are principles embraced by many Americans who *don’t* consider themselves “conservative.” The site’s content implicitly encourages readers to discover their own America within.

Certainly readers have discovered *America Within*. And they like what they see—literally. After only six months, *America Within* had notched more than 55,000 Facebook likes—that’s well over twice the number attached to that excellent conservative mainstay *Commentary* (24,000) and nearly triple the number boasted by *Millennial Magazine* (19,000).

Meanwhile, readership grew exponentially. In its first six months, *America Within* attracted nearly 250,000 readers—126,000 of them in the last month alone.



America Within also launched in 2014. The multimedia website promotes conservative qualities and values embraced by most Americans—even those who don’t self-identify as conservatives.

FOSTERING A NEW GENERATION OF CONSERVATIVE LEADERS

*“Freedom is never more than one generation away from extinction.”
—Ronald Reagan*

Heritage has always worked to keep the flame of Freedom and Opportunity burning bright for future generations of Americans. We’ve made it our mission to nurture some of the nation’s most promising young minds and give them the training and experience necessary to assure principled, effective leadership that will hold our country in good stead for the future.

The centerpiece of this effort is our Young Leaders Program (YLP). Over the last 35 years, Heritage’s intern program has helped more than 3,000 college “kids” grow up, get educated, and move into policy-shaping careers. Hundreds have gone on to great things. Rich Lowry, for instance, interned for us in 1986, working on our quarterly publication, *Policy Review*. Today he edits *National Review*, the grandfather of conservative journals.

In 1997, Harvard’s Tom Cotton interned at Heritage’s first online media property, Townhall.com. Fifteen years later he returned to Washington, as the newly elected Representative



of Arkansas’ 4th District. In 2014, he became U.S. Senator Tom Cotton.

YLP Director Heather Pfitzenmaier welcomed 189 interns in 2014. In addition to working alongside nationally respected analysts and experts, they received a solid grounding in conservative principles and practices through a rigorous schedule of briefings, “First Principles” luncheon lectures, policy discussions, and instructor-led field trips to Mount Vernon, the Capitol, National Archives, and the Pentagon.

At the end of each 10-week session, Heritage “graduates” scores of young conservatives, ready to change the world. But that’s only the beginning. We keep in touch with our grads through our LinkedIn and Facebook sites—and sometimes even help them find work. In 2014, our Job Bank processed more than 2,750 resumes and placed 125 conservatives—38 of them former interns—in full-time jobs.

Of course, Heritage outreach to the next generation extends far beyond our cadre of “young and bright and ardently right” interns, as *The New York Times* described them. In 2014, our External Relations team welcomed 85 groups of high schoolers, college students, and young professionals to Heritage, briefing all of them on Heritage policy recommendations and the conservative principles undergirding them.



Heritage Interns head back to work after a tour of the Capitol.

TOP PHOTO: Necks crane as interns take in the view of the Capitol Rotunda.

The YLP also spread the message to colleges across the country, coordinating 107 campus events in 32 states. In addition to promoting Heritage research and principles before large student gatherings, YLP staff often met with individual faculty members and administrators to build relationships and spoke with small groups of student leaders to encourage their on-campus advocacy of conservatism.

CONTINUING EDUCATION ON THE HILL

Of course, no place stands in greater need of education than Capitol Hill, where the average age of House office staff members is barely 30. Heritage conducts three programs to serve that student body.

The Heritage Congressional Fellows (HCF) Program is a year-long, 24-installment lecture and discussion series hosted by our B. Kenneth Simon Center for Principles and Politics and our Policy Promotion Team. It gives junior congressional staffers a firm grounding in First Principles and how they apply to modern policy debates. In October, 59 legislative and communications staffers completed the 2014 program, one of the largest graduating classes in the program's 13-year history.

For senior Hill staffers committed to advancing the conservative agenda, Heritage—in conjunction with Hillsdale College—offers continuing education via the Madison Fellows Program. Madison Fellows meet monthly for roundtable discussions with national policy, political, and opinion leaders. Some 130 participants were enrolled in the program in 2014.

The Davis Institute runs a program to prepare selected young professionals—both on the Hill and off—for future leadership roles in the arenas of national security and foreign policy. Running from March to September, the Marshall Fellows Program incorporates lectures, educational field trips, and social networking events. One highlight in 2014: a two-day simulation of the Yalta Conference to practice international negotiating skills. Marshall Fellows were matched with cadets at Virginia Military Institute to form teams representing the UK, the USSR, and the U.S. Participants said the experience was “invaluable.” At year's end, Davis graduated 15 newly minted Marshall Fellows.

GROWING THE CONSERVATIVE MOVEMENT

Still the “Mother Church of the Conservative Movement,” Heritage brought together more than 500 conservative leaders representing 262 organizations for our 37th Annual Resource Bank Meeting. For three days, attendees shared strategies, best practices, and successes in “how-to” sessions

and participated in discussions stressing how to use the principles of federalism and the virtues of competition to reform health care, education, energy, agriculture, and welfare policy. Highlights included the Robert H. Kriebel Lecture by Louisiana Gov. Bobby Jindal and a spirited closing address from Sen. Ted Cruz, R-Texas.



Louisiana Gov. Bobby Jindal outlines “The Jobs Plan America Needs” in a Sept. 14 lecture in Allison Auditorium.

PACKING THE LECTURE HALLS, TIME AFTER TIME

The Lectures and Seminars Program, directed by John Hilboldt, draws crowds—and newsmakers—to Heritage four times a week, on average.

In 2014, **25 MEMBERS OF THE HOUSE** spoke at events in our Lehrman and Allison auditoria. More than **13,000 PEOPLE** filled our lecture halls to hear presentations from them and other luminaries such as Sen. Ted Cruz, economist Arthur Laffer, and historian Victor Davis Hanson.

The quality and relevance of our programming draws a vast national and international audience as well. In 2014, C-SPAN broadcast **26 OF OUR PROGRAMS LIVE**—giving Heritage more than 40 hours of national air time. Another **15 PRESENTATIONS** were taped and aired later on C-SPAN.

Of course other national networks—including “the Big Three,” FOX, and CNN—covered our events, as did many international broadcasters. Indeed, foreign networks sent cameras to **RECORD OUR EVENTS 69 TIMES**. Truly, the world's eyes are on Heritage.

NAMED INTERNS: CLASS OF 2014

H. N. AND FRANCES C. BERGER FOUNDATION INTERNS

Charlyce Bozzello,
College of the Holy Cross

Christine Cooke, *Cornell College*

Donald Gayou,
The George Washington University

Kevin Grout, *University of Louisville*

George Margulies, *New York University*

JOHN AND BARBARA BRUNING INTERN

Alyssa Hazelwood,
Michigan State University

MARY H. CAMPBELL FOUNDATION INTERN

Christopher Du Bois,
University of Texas, Dallas

RICHARD EARL CARTER MEESE CENTER INTERN

Mr. Jason Miller, *The Catholic University of America, Columbus School of Law*

GENE D'AGOSTINO MEESE CENTER INTERN

Mr. James Mazars de Mazarin,
Georgetown University

BERNIECE AND WILLIAM GREWCOCK INTERNS

Thomas Cooke, *Cornell College*

William Thetford,
Patrick Henry College

Ashley Wright, *Hillsdale College*

Philip Wegmann, *Hillsdale College*

Bronte Wigen, *Hillsdale College*

KANTNER FOUNDATION INTERN

Rob Richards, *University of Florida*

DAVID A. KING INTERN

Megan Walden, *Kansas State University*

KEVIN KLINE INTERN

Jenna Durnell,
Southwest Baptist University

KEVIN KOOKOGEY MEESE CENTER INTERN

Peter McGinley,
University of Notre Dame

ROBERT MAIR MEESE CENTER INTERNS

Julius Kairey,
Cornell University

Blake Willis,
University of Wisconsin, Madison

ROBERT S. AND JANET L. MILLER FOUNDATION INTERNS

Alayna Ackerman,
University of South Dakota

Spencer Galbraith,
Brigham Young University, Idaho

Brian Graziano,
University of Pennsylvania

Bridget Mudd, *University of Virginia*

Melody Wood, *Christendom College*

CARTER & MOYER INTERN

Louis Cona, *Georgetown University*

NICHOLSON FOUNDATION INTERNS

Chris Farhat,
American Military University

Victoria McCaffrey, *Hillsdale College*

FULA AND ENRICO PELITTI INTERN

Ben Snodgrass
Patrick Henry College

PILGRIM FOUNDATION INTERNS

Alexander Shen, *Dartmouth College*

Kate Wakeman, *Briar Cliff University*

DORIS AND RICHARD PISTOLE INTERN

Meghan DiSesa, *Grove City College*

RAY FOUNDATION INTERNS

Lourdes Bautista,
Ave Maria University

Joshua de Gastyne, *Emory University*

Abigail Thompson, *Stetson University*

HAMILTON RODDIS FOUNDATION INTERNS

Lauren Aragon,
The University of Oklahoma

Travis Klein, *Virginia Military Institute*

Andrew Pappert,
Syracuse University College of Law

Chandler Thornton,
American University

Andrew Tucker, *Davidson College*

JORDAN SAUNDERS INTERN

Natalie Johnson,
James Madison University

GREG SHEEHAN MEESE CENTER INTERN

Andrew Block,
George Mason University Law

COL. CHARLES B. AND SALLY G. STEVENSON INTERN

Madeleine DeGeorges,
Auburn University

GEORGE W. TIPPINS INTERN

Jacob Valdez,
University of Pennsylvania

TOM TRACY INTERN

Hillary Rosenjack,
Vanderbilt University

RON WEINEL INTERN

John McKenna,
University of Notre Dame

SAMUEL L. WESTERMAN FOUNDATION INTERNS

Hanna Hebert, *Allegheny College*

Andrea Barragan, *Yale University*

WILLIAM M. YOUNG MEESE CENTER INTERN

Kayla Murrish, *Grove City College*

THE ROBERT AND AUDREY ZINSER MEESE CENTER INTERN

James Hampson,
Pennsylvania State University



At November's Sentinel Summit in Atlanta, Jessica Anderson, Heritage Action's Grassroots Director, warms up the crowd before introducing a dozen Sentinels to speak about their personal experiences in political activism. *BELOW: Sentinels fit right in with fellow patriots George Washington and Ronald Reagan at the Sentinel Summit photo booth.*

HERITAGE ACTION: SETTING THE AGENDA FOR VICTORY

The only reliable habit of government is growth. It is necessary, therefore, to cool the congressional hothouse before hardy, conservative policy reforms can take root.

If conservatives are to have any success, we must do more than slow the rate at which progressive forces are overtaking the land. We must stop them in their tracks.

That was the view when Heritage Action for America was created in 2010, and it was Heritage Action's charge in 2014. Our mission: to champion the conservative policy recommendations of The Heritage Foundation and create the conditions necessary to turn those policies into law.

It was a big challenge, and so Heritage Action “went big” in 2014. As *The Wall Street Journal* wrote of us, “the group is issuing a broader call-to-arms, challenging conservatives to renew their commitment to an agenda that champions a more-robust foreign policy and elevates marriage and religious liberty, as well as the same free-market economic populism that characterized its earlier initiatives.”

The American people responded. In November, they spoke. And conservative candidates—for state as well as federal offices—won big.





A REVOLVING DOOR TO FREEDOM

For decades, The Heritage Foundation has been a source of conservative talent for congressional and executive branch offices. With conservatives making sweeping gains in the 2014 elections, Heritage Action for America’s team found itself in high demand.

Erin Siefring, Heritage Action’s Chief Liaison with House members, became Chief of Staff for Rep. Dave Brat, R-Va. Legislative Strategist Cari Kelly became Legislative Director for Rep. Gary Palmer, R-Ala. And Communications Deputy Katherine Rosario became Communications Director for Rep. Ken Buck, R-Colo. The trio joined an impressive group of Heritage Action alumni already in Congress, including Rep. Ron DeSantis’s, R-Fla., Chief of Staff, Rep. Mark Walker’s, R-N.C., Legislative Director and Sen. Ted Cruz’s, R-Texas, Digital Director.

As Heritage Action CEO Michael A. Needham told *Roll Call*, “Having people on the Hill who think the way we think is certainly good for what we’re trying to achieve.” But the story doesn’t end there. As *Roll Call* noted, the “revolving-door at the conservative group is spinning both ways.”

Sondra Clark, who left Heritage a year earlier to ramp up the Republican National Committee’s digital effort, joined Heritage Action as Digital Director. Thomas Binion became our new Legislative Strategist after a stint as Rep. Steve King’s, R-Iowa, Legislative Director.

Speaking of Heritage and Heritage Action, Needham said, “One of the great advantages of being a large, permanent institution is that we’re able to help people take what they learn here and spread that throughout the public-policy universe.” That is how we win.

Rep. Jeb Hensarling, R-Texas, echoed Heritage Action’s objections to crony capitalism in his May 20 speech at Allison Auditorium. Its title: A Time for Choosing: The Main Street Economy vs. The Washington Crony Economy.

In the national elections, few issues were more impactful than the threat of President Obama’s executive amnesty for illegal immigrants. The year before, Heritage Action almost single-handedly had held the line against overwhelming odds. *National Review* characterized the situation as “David against the Gang of Eight’s Goliath,” noting that Heritage Action was basically the last line of defense against amnesty.

What a difference a year makes! In 2014, opposition to amnesty prevailed in race after race, leading America’s more conservative political party to historic victories.

The election was also informed by continuing grassroots disenchantment with Obamacare. When Heritage Action began in 2010, a leading Republican senator said talk of full repeal was “frankly a distraction.” Yet today, full repeal remains so much a part of the legislative and political conversation that the new GOP-majority is plotting how and when to execute its battle plan.

Full repeal is certain to be a central issue in the next national election as well, and all candidates will have to address it. Heritage Action has made continued focus on Obamacare’s flaws a centerpiece of its strategy. As a result, government-run health care has not had a chance to settle into the foundation of the country like previous entitlement programs, such as Social Security. The Left has been so busy trying to defend Obamacare, it’s been unable to take the next step in expanding the government takeover of our health system.

Even as Heritage Action fought to keep the big issues on the table, it managed to rack up an impressive number of smaller policy victories throughout 2014.

- As *The Hill* reported, Heritage Action “led the fight” against bailing out the International Monetary Fund—a provision the Administration tried to tack onto a bill to help Ukraine. Ultimately, the White House dropped the effort.
- A bipartisan, government-inflating energy efficiency bill met defeat for the second year in a row. So prominent and detailed was Heritage Action’s opposition, our arguments were included in a Congressional Research Service report on the bill.
- After six long years, emergency federal unemployment benefits—a drag on employment growth—were

allowed to expire. Both the Associated Press and *The Hill* noted Heritage Action’s “influential” role in making that happen.

- For the second time in as many years, Heritage Action worked with allies on the House Judiciary Committee to block consideration of a Senate-passed Internet sales tax bill. This spared countless small businesses from a potentially obliverative new tax.
- Thanks to multiple bruising, high-stakes fights in the past, the Senate didn’t even bother to consider several sovereignty-threatening, Obama-endorsed treaties.

And, even in the midst of the Obama era, Heritage Action managed to secure an important victory on Obamacare. The elimination of taxpayer-backed bailouts to insurance companies led *Politico* to describe Heritage as a “top conservative powerhouse.”

As Heritage Action fought on policy, it also shifted the rhetoric and messaging surrounding important legislative battles. It was a message Chief Executive Officer Michael A. Needham took to “FOXNews Sunday” shortly before the election. “Over the next couple of months,” Needham advised, the Republican Party “can do great things to show the American people that it’s a party that stands for opportunity for all Americans and favoritism to none.”

New concepts and messages often take years before they become ingrained in political discourse. And it is through extended legislative battles that messages are refined and converts are won. By all accounts, Heritage Action successfully injected its message about opportunity vs. favoritism into the national debate over the Export-Import Bank. Heritage Action pressed to end the FDR-era institution which Barack Obama, while still a senator, once assailed as “little more than a slush fund for corporate welfare.” In 2014, opposition to this taxpayer-backed bank reached its highest point in more than four decades, and many pundits are predicting its demise in 2015.

Fighting favoritism is a noble endeavor, but incomplete without replacing the toxic policies with true conservative reforms. This is why Heritage Action continued to advance an opportunity agenda by promoting principled policies modeled on Heritage Foundation ideas. These included Sen. Mike Lee’s (R-Utah) and Rep. Ron DeSantis’ (R-Fla.) higher education reform bill; Rep. Jeb Hensarling’s (R-Texas) bill to end Fannie Mae and Freddie Mac; Rep. Raul Labrador’s (R-Idaho) bill to protect religious liberty, and Sen. Marco Rubio’s (R-Fla.) bill to soften the wage-stifling impact of labor unions. In this way, *The Wall Street Journal* noted, Heritage Action “championed the party’s most conservative lawmakers and legislation.”



TOP: Sen. Tim Scott, R-S.C., discusses education reform and his legislative proposal to expand school choice at Heritage Action’s Conservative Policy Summit. BOTTOM: Heritage Action President Michael Needham explains how the new Congress can use the 10 key reform bills presented at the Feb. 10 Summit as benchmarks of a conservative agenda.



Sen. Ted Cruz, R-Texas, (right) meets privately with Heritage Action Sentinels before delivering the 9th Annual Margaret Thatcher Freedom Lecture on Dec. 10.

Heritage Action’s 2014 policy victories and the spadework done to be even more impactful over the next three years did not occur due to blind chance. Behind every victory and every reform proposal lay superior policy arguments. But that has been true since the inception of The Heritage Foundation four decades ago.

Heritage Action’s unique inside-outside approach to Capitol Hill is starting to shift the incentive structure in Washington. Success in Washington requires more than facts and moral persuasion. Rewards abound for elected officials willing to shirk their principles and sell out their constituents. Lawmakers must feel constant pressure to do the right thing, even if they are acting to protect their own political interests.

That is why the Sentinel Program exists.

It began as a small team of 267 Sentinels in 2012. Since then their ranks have swollen to 10,227. These individuals are community leaders, “influentials” with a substantive reach—via civic organizations, political clubs, and activist communities—of 1.44 million people. They are highly motivated and highly informed. They ask tough questions at town hall meetings, write well-timed letters to their local newspapers, and use social media to apply pressure to their members of Congress. Conservative Americans look to Heritage Action’s Sentinels for leadership and knowledge on the important legislative battles in Washington.

“While most of the political attention is on the developing 2016 presidential field, the most consequential action in 2015 will be taking place within the newly GOP-controlled

Congress,” the *National Journal* wrote. “Expect the Heritage [Action] to be on the forefront of that fight—and its success in Congress will go a long way in determining the [conservative] movement’s long-term clout.”

CAFFEINATED ACTIVISM

For many in Washington, August is a time to relax. That’s not the case at Heritage Action. Throughout the five-week congressional recess, Heritage Action Sentinels, with the help of Heritage Action Regional Coordinators, hosted a series of events we called, “Coffee with Your Member.”

These intimate gatherings gave our Sentinels an opportunity to break from the seemingly endless legislative battles on Capitol Hill and develop a personal relationship with their Representatives. Relationship-building is a key component of our overall strategy for helping Sentinels know the issues, grow their networks, and go out and lead in their communities.

The events also gave lawmakers the opportunity to experience the vast reach, knowledge, and professionalism of Heritage Action. Heritage Action Sentinels worked seamlessly with our Regional Coordinators and members of our Washington-based government relations team to organize coffees with more than a dozen lawmakers. House Members attending the informal affairs included Reps. Mo Brooks (Ala.), Michael Burgess (Texas), Curt Clawson (Fla.), Ron DeSantis (Fla.), John Fleming (La.), Paul Gosar (Ariz.), Doug Lamborn (Colo.), Luke Messer (Ind.), Scott Perry (Pa.), Reid Ribble (Wis.), Matt Salmon (Ariz.), David Schweikert (Ariz.), and Ted Yoho (Fla.).



In the newly-christened Colbert Conference Room, Heritage Founder Ed Feulner (2nd left) and President Jim DeMint unveil a portrait of Thomas Colbert. Looking on are Colbert (far right) and his wife, Ann. BOTTOM: Associate Members Wendy and Jason Damron catch up with Regional Manager Richard McAdams (left) at the 2014 Leadership Conference in Naples, Fla.

DRAWING INSPIRATION AND STRENGTH DAILY

Year after year, our members inspire us. In hundreds of one-on-one meetings around the country... at scores of public and private events hosting old friends and new... at our President's Club meeting right here in Washington, our members challenge and embolden us every day to fight for the vision we share. That vision is one of making Washington a place where lawmakers and bureaucrats serve the people—not the other way around.

In 2014, our members demonstrated their confidence in us as never before. They donated a record \$91 million to Heritage, and supported Heritage Action for America at a

record high level of \$10 million as well.

And it is that support that enables the Heritage enterprise to do everything possible to advance our shared vision. It makes possible the world-class policy research and analysis that has always been our trademark. It makes possible our research-based communications and marketing strategy that reveals the most effective messages for reaching hearts and minds and spurring action. It makes possible Heritage Action's bold advocacy of Heritage's policy solutions and its ability to hold lawmakers accountable.

It has even made it possible to upgrade and expand our physical presence on Capitol Hill. In 2014, we had the honor of recognizing donors with the dedication of three new facilities: the Glen W. Bell, Jr., Radio Studio, the George Strake and Al Herzstein Team Lounge (target opening November/December 2015) and the E. W. Richardson American Leadership Building (target opening in May/June 2017).

Our members want to see Washington reclaimed and changed for good. We are humbled by the trust they have placed in us. And we are determined to keep *earning* that trust through every policy battle we fight in pursuit of our shared vision of an America that offers opportunity for all and favoritism to none.





Members tell us they feel connected to The Heritage Foundation. Maybe that's because, to us, they aren't just supporters—they are family! If you plan to visit our nation's capital, we would enjoy welcoming you to our campus. Let us give you a tour of what you have built.

Thank you for your help in making Heritage the leading conservative organization in America.

Board Member Brian Tracy and his wife, Barbara (standing left) renew acquaintances with other Heritage members during a reception at the 2014 Annual Leadership Conference.

MEET THE GROSSMANS

Jerry and Jackie Grossman of Great Falls, Va., have always been conservative. But they weren't always involved in policy battles like they are today. Between their work—Jerry as the Managing Director of an investment banking firm and Jackie in education—and raising two daughters, they didn't have much time to spare.

But 10 years ago, as Jerry's career began winding down, the Grossmans became more involved. "As the election approached," Jerry recalls, "it became clear that the political left would stop at nothing to disparage President Bush and conservative positions in general."

As a military veteran, Jerry was disappointed with the Republican failure to refute the Left's anti-military talking points. Moreover, he says, "There seemed to be no strong voice in defense of conservative principles, no leadership in support of America's traditions and foundational beliefs. The ultimate result was the election of Barack Obama."

The Grossmans found the leadership they wanted when family friends introduced them to The Heritage Foundation. Jerry and Jackie soon became members, but they didn't realize all that Heritage had to offer until they attended the 2010 Annual Leadership Conference. "It gave us the opportunity to talk with many Heritage experts," says Jerry. "We were very impressed."

After the conference, the Grossmans began looking for more ways to get involved with Heritage. "We decided that, while we planned to support a number of



organizations, Heritage would be our No. 1 priority," Jerry notes. In 2011, they joined the Heritage Legacy Society, changing their will to make Heritage a recipient of estate proceeds. "We wanted to support an organization that had sustained its quality, grown its influence, and would be around for many years," Jerry says.

In December, Jerry took his involvement to the next level, becoming a Board Member of Heritage Action.

The Grossmans want our nation to return to the principles of our Founding Fathers. They look to Heritage to help achieve this goal, and they encourage others to do the same: "If you're concerned about the governance of the country and looking for ways to help turn the country back toward its founding principles, you couldn't select a better organization to support than The Heritage Foundation."



Legacy Society Members Sylvia and Bud Hahn (left) share a laugh with tablemates at the welcome reception of the President's Club meeting.

2014 HERITAGE FOUNDATION FOUNDERS

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 Brauer
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 Mr. Peter H. Flood
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 Mr. Stanley E. Fulton
 Girish Gaitonde
 Mr. Warren Galkin
 Mr. and Mrs. Roland E. Garlinghouse



LEFT: Board Member Belden Bell (far right) and his wife, Rae (both members of the Heritage Legacy Society), join Dr. David Brown, Honorary Chairman and Trustee Emeritus, and his wife, Ann (far left), on the patio of the Ritz-Carlton in Naples, Fla.

RIGHT: Also mingling at the Leadership Conference reception were Executive Associate Members Mike and Sara Rose (left) and Associate Members Bill and Lynn Shearer.

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 Roger Gatewood
 Mr. and Mrs. J. Patrick GavaghanRollin
 M. Gerstacker Foundation
 Mr. and Mrs. Ed W. Gilbertson
 Mrs. Janet W. Gildermaster
 Mr. Robert J. Gillette and Ms.
 Geraldine Pietrosante
 Mr. William R. Goddard, Jr.
 Mr. Earl Godwin
 Mr. and Mrs. Marvin H. Goehring
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 Ms. Alice S. Graefe
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 Mr. and Mrs. Allen Bruce Porter
 Mr. and Mrs. Reinhold Preik
 Jack R. Purcell
 Mr. and Mrs. John H. Quinn, Jr.
 Dr. and Mrs. Bobby Rankin



A panel of Heritage Action Sentinels answer questions from the audience at November's Sentinel Summit in Atlanta.

MEMBERSHIP LEVELS

LEVEL	STARTING AT
BASIC	\$25
PATRIOTS CLUB	\$100
YOUNG PRESIDENT'S CLUB.....	\$250
PRESIDENT'S CLUB.....	\$1,000
EXECUTIVE COMMITTEE.....	\$2,500
PREMIER PRESIDENT'S CLUB	\$5,000
ASSOCIATE	\$10,000
EXECUTIVE ASSOCIATE	\$25,000
PREMIER ASSOCIATE.....	\$50,000
FOUNDER	\$100,000
TRUSTEES' CIRCLE.....	\$500,000
CHAIRMAN'S CIRCLE.....	\$1,000,000

FOR DETAILS ON THE BENEFITS ATTACHED TO EACH LEVEL, PLEASE CALL (800) 546-2843 OR VISIT MYHERITAGE.ORG.



TOP: In Naples, Fla., Pamela Hoffman shares highlights from Jim DeMint's latest book with President's Club Member Louise Brigham (far left), Colette Frankson, and Associate Members Libby and Jim Huyuck (far right). ABOVE: Premier Associate Member Bob Gordon (left) and Associate Member Tom Gordon (right) cruise the Potomac with Jim DeMint during the President's Club meeting in October.

- Dr. and Mrs. Michael E. Reif
 - Mr. and Mrs. Charles D. Reite
 - Mr. Terry D. Richardson
 - Mr. Robert E. Richardson
 - Mrs. Anna L. Roberts
 - Mrs. Lisenne Rockefeller
 - Mr. and Mrs. John B. Rothenberger
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 - Mr. and Mrs. Michael Young
 - Ms. Leslie Dorn Young
 - Mr. and Mrs. Donald H. Young
 - Mr. and Mrs. Roger Ziemer
 - Mr. Dan Zimmerman
 - Laura J. Zulueta
- 39 Associates have asked to remain anonymous.*



Glenn Beck wraps up a private tour of his TV studio for Jim DeMint and a group of Texas Members including Founders Debbie and Jim Smith (to DeMint's right) and Associate Member Randy West (far right).

A GREAT GIFT TO HONOR ONE OF “THE GREATEST GENERATION”

When he was taken prisoner by Nazi soldiers, WWII bomber pilot and squadron commander E.W. “Rich” Richardson thought he would never see his family again. Happily, he was wrong. Patton’s troops liberated his prison camp, and Richardson returned home. Eventually he settled in Albuquerque, where he started his own family and a new chapter in his extraordinary life.

Richardson built one of the nation’s top Ford dealerships, and until his passing in 2003, he used the fruits of his success to encourage the good work of others in his community. His philanthropy included gifts to numerous universities, including the University of Nevada Medical School where his daughter, Dr. Patrice K. Richardson, earned her degree.

In 2013, Dr. Richardson honored her late father by establishing James J. Carafano, Ph.D. as Heritage’s first E.W. Richardson Fellow. A leading expert on defense issues, Carafano also serves as Vice President of our Kathryn and

Shelby Cullom Davis Institute for National Security and Foreign Policy.

In June 2014, Dr. Richardson honored her father’s life and legacy in an even bigger way. She announced that her family would make an eight-figure gift to Heritage and Heritage Action to help bring Washington back in line with the principles that guided E.W. Richardson throughout his life: free enterprise, traditional American values, and a strong national defense. In doing so, she issued a subtle challenge to other Heritage members: to help pay tribute to the men and women of “the greatest generation.”

In gratitude to Patrice Richardson as well as Rich’s wife Barbara, Heritage in November formally dedicated its new E.W. Richardson American Leadership Building—a seven-story office building and conference center, whose purchase and renovation was made possible by this remarkable family’s remarkably generous gift.



TOP LEFT: Board members break ground for a sorely needed underground parking garage at Heritage HQ.

TOP RIGHT: E.W. Richardson, World War II bomber pilot. BOTTOM: Artist’s sketch of Heritage’s Massachusetts Ave. complex, with the E.W. Richardson American Leadership Building to the right.



TOP LEFT: Founder Betty Anderlik and Ed Feulner get artistic during a painting workshop at the Leadership Conference. TOP RIGHT: Michael Barvick (center), Heritage's Director of Major Gift Planning, greets Founders John and Barbara Rumple at the Leadership Conference in Naples. MIDDLE: (left to right) Associate Member Lynda Middlemas, Founders Elizabeth and Rod Odom, Associate Member William Middlemas and Heritage Asst. Director of Major Gift Planning Andrew McIndoe enjoy the outdoor reception at the Ritz-Carlton. BOTTOM: Associate Members Susan Conger (left) and Martha Ann Hunter (right) were among those enjoying the river cruise at the annual President's Club meeting.



MEET ROBERT STUMP



A child of the Great Depression, Robert Stump learned the importance of hard work at an early age. "My parents were just two farmers out here in Iowa," Robert recalls. "They taught me to respect hard work and conservative values."

For years Robert's father rented a 140-acre farm. Eventually, his hard work and saving allowed him to buy 260 acres. Today, the farm is worth nearly \$2 million and belongs to Robert's five children. "Because of my father's hard work, my children are getting a financial boost," Robert notes, "something they can hang on to for the rest of their lives."

The farm is an incredible blessing, but Robert was troubled by how much his children had to pay in inheritance taxes. "People work all their lives to build something they can leave to their children," Robert says, "and then the government steps in with the inheritance tax." His desire for lower taxes and less government interference led him to join The Heritage Foundation.

Robert sees firsthand the government interference that Heritage is fighting. As the President of Libertyville Savings, his town's local bank, he deals with government-imposed red tape daily. "We'd be a lot better off if government stayed out of our way and let us do our business," he says.

To get our nation back on track, Robert believes we must educate future generations. "I think the best thing we can do as parents or grandparents is instill in them conservative values," he says.

And he believes that both present and future generations can look to Heritage as a guiding light. "I'd encourage everyone to support Heritage," says Robert. "They are a real force working for a smaller, more responsible government that will benefit all Americans."

TOP: President's Club Members William and Mary Grant enjoy a light moment during a briefing at the October meeting in D.C. Next to them is Legacy Society Member Bob Hanrahan. MIDDLE: Premier President's Club Member Carol Manning shares her experiences as a grassroots activist at the Sentinels Summit. At her side is fellow Sentinel Donna Ellingsen. BOTTOM: Associate Member William Cook (left) and William Deiter enjoy a break in the February 2014 Regional Meeting in Bonita Springs, Fla.





Heritage's Wall of Freedom honors Founding Members of our Legacy Society, men and women who have made a commitment to preserve "the sacred fire of liberty."

A LEGACY OF OPPORTUNITY FOR FUTURE GENERATIONS

In a letter to his wife, John Adams wrote, "Posterity! You will never know how much it cost the present generation to preserve your freedom! I hope you will make good use of it."

Like America's Founders, Heritage members do understand the great cost of freedom, and our Legacy Society members are especially committed to preserving it for future generations.

In 2014, Legacy Society members informed us of estate plans that include more than \$57 million in new commitments to Heritage.

Co-chaired by Rae and Belden Bell of Marshall, Va., and Marion Wells of Ft. Lauderdale, Fla., the Heritage Legacy Society welcomes the members listed below who let us know in 2014 that they wanted to use their estates or other planned gifts to help secure America's freedom for her posterity.

Mr. Robert Allen
 Dr. John H. Ball
 Mr. Roger Barnsby
 Mr. Tim F. Beals
 Mr. and Mrs. Irvin Berry
 Mr. Roland Besel
 Mr. Richard Brunson, Sr., PhD
 Mr. and Mrs. Eldon L. Buckner
 Mrs. Dorothy A. Campbell
 Mr. William J. Campion
 Mr. Lawrence C. Cattran
 Mr. Walter Chaffee
 Ms. and Mr. Velma J. Chapman
 Ms. Gladys Choate
 Mrs. Marjorie Tolle Clements
 Dr. and Mrs. Douglas P. Clough
 Mr. Andrew J. Combe
 Mr. James Crane
 Honorable T. K. Cribb, Jr.

Mrs. Diana Daniel
 Mr. and Mrs. Charles Davis
 Mr. G. Allen Davis, Jr.
 Mr. Robert E. Davis
 Ms. Nina Derda
 Mr. Fred Desel
 Mr. James H. Dible
 Dr. Robert G. Dillon
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 Ms. Nancy Eaton
 Mr. Timothy D. Elmore
 Dr. J. Pat Evans
 Mr. and Mrs. Herman Flink
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 Mr. Robert Glasure
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 Mr. James D. Houston
 Mr. John W. Hurst, Sr.
 Ms. Mimi January
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 Mr. Robert T. Jones
 Mrs. Nancy F. Jung
 John W. Karrow, M.D.

Mrs. Lois A. Keller
 Mr. and Mrs. Theodore G. Keller, Jr.
 Mr. Richmond Kilpatrick
 Mr. Thomas A. King
 Mr. Neal Kirkham
 Mrs. Kevin Kiser
 Mr. Joe Knox
 Dr. Daniel J. Koretz
 Ms. Helen Irene Lantz
 Mr. Andrew Lenard
 Ms. Bettie W. Lewis
 Mr. and Mrs. Thomas F. Linnen, Sr.
 Louis M. Linxwiler Jr.
 Ms. Nancy M. Lockstead
 Mr. and Mrs. Jesse William Lovelace
 Mrs. Helga W. Mackey
 Mr. and Mrs. Nelson Maguire
 Ms. Sheryl Maier
 Mr. David Majernik

Mr. Edward C Malmstrom
 Mrs. Ellen Marchand
 Dr. Fredrick W. Marx, Jr.
 Mr. Thomas May and Mrs. Cynthia Eldred
 Mr. Ronald L. Mercer
 Mr. Ross Merritt
 Mrs. Dae Miller
 Mr. Roy Miller
 Mr. Sam M. Monson
 Mr. Al Moore
 Mrs. Sheila K. Morgan
 Ms. Henrietta Morris
 Mr. John T. Morris
 Mr. Donald Mountz
 Mr. Don Neumann
 Valyrie R. Nibley
 Mr. and Mrs. Fred Nichols
 Mr. and Mrs. Reinhard Nottrodt
 Ms. Molly B. Nugen
 Salvatore Thomas Nuzzarello, M.D.
 Father James A. Ogurchock
 Mrs. Yvonne Oshima
 Mrs. Paul Ottenfeld
 Camille Parra
 Mr. George Paterson
 Mr. Don Pearce
 Mr. and Mrs. Carl B. Pearlston
 Mr. Wes Perry
 Rev. and Mrs. Peter C Picos
 LeRoy W. Plekenpol
 Mr. and Mrs. James A. Plute
 Dr. and Mrs. Les Pospisil
 Mr. John T. Pratt
 Patrice Richardson, M.D.
 Mr. Gerald F. Riseley
 Maureen Rolnick
 Mr. and Mrs. Mark Rostvold
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 Mr. Harry Sims
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 Ms. Dorothy Stephens
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 Mr. Curtis Templeton
 Mrs. Cynthia Tennyson
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 Mr. and Mrs. Jeffrey Stewart Trimbath
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 Mr. and Mrs. Don VanRenterghem
 Mr. Norman F. Von Herzen
 Ms. Elaine Wahrenberger
 Ms. Sally Waller
 Mr. Robert M. Weekley
 Dr. Jane L. Williamson, D.V.M.
 Mr. James Winfield
 Mrs. Bonnie Winslow
 Ms. Roberta Winters
 Mr. and Mrs. Bark Hay Wong
 Mr. and Mrs. Roger Ziemer
 28 Heritage Legacy Society members
 wish to remain anonymous.



The Hon. George Strake, former Texas Secretary of State and an Associate Member of Heritage, addresses fellow conservatives at a local meeting of Heritage members in Houston.

WITH GRATITUDE, WE HONOR THE MEMORY OF THOSE HERITAGE LEGACY SOCIETY MEMBERS WHOSE GIFTS WE RECEIVED IN 2014:

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 Ms. Mary Alchian
 Ms. Juanita L. Alexander
 Mr. Douglas F. Allison
 Mr. Fredrick W. Arndt
 Mr. Richard Aster Jr.
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 Mr. David L. Bethany
 Mr. B. A. Bleier
 Mr. Ken Brown
 Mr. J. Randolph Buck
 Mr. Donald P. Burgess
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 Ms. Mary Lou Countryman
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 Mr. and Mrs. Charles Davis
 Ms. Sue H. De Shazo
 Rev. Louis DeSalvo
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 Mrs. Bettie C. Fenton
 Mrs. Louise Fischer
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 Mrs. Janet W. Gildermaster
 Mr. Harold E. Goodell
 Ms. Alice S. Graefe
 Mr. John B. Heenan
 Mr. James M. Hill, Jr.
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 Jack A. MaCris M.D.
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Five Heritage Legacy Society members wished that their gifts remain anonymous.



TOP: Founders Sally and George Mayer enjoy a casual discussion during a reception at the Annual President's Club meeting in Washington, D.C. BOTTOM: Heritage Founders William and Brenda Amos flank Dr. Ben Carson following his inspiring speech at the President's Club.

HONORING DONOR INTENT

When giving to any nonprofit, you should be able to rely on the organization do three things:

- use your gift to advance its mission;
- honor any restrictions you place on the gift, and
- treat you with respect.

Unfortunately, many philanthropic organizations have broken faith with their donors.

At The Heritage Foundation, we regard your support as a trust. We hold ourselves strictly accountable to you, and we pledge always to respect your philanthropic intent. Indeed, our Articles of Incorporation demand it.

Should any major donor desire a written contract clearly stating the purpose and intent of the donation and how it shall be spent, we will gladly sign it. Moreover, we make the president of Heritage personally responsible for answering donor questions and reporting expenditures of donor funds.

This is our solemn pledge to you: When you contribute to The Heritage Foundation, your intent as a donor is always honored, never forgotten.

THE HERITAGE FOUNDATION

OPPORTUNITY FOR ALL, FAVORITISM TO NONE

OUR MISSION:

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.

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THE HERITAGE FOUNDATION

214 MASSACHUSETTS AVENUE N.E.
WASHINGTON, D.C. 20002
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THE HERITAGE FOUNDATION

2014 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION*

As of December 31, 2014

ASSETS

Cash and cash equivalents	\$6,807,296
Receivables	13,367,690
Prepayments and other assets	878,644
Total current assets	21,053,630

Investments	174,608,681
Receivables, net	4,083,324
Property and equipment, net	60,574,654
Other assets	725,584
Total long-term assets	239,992,243

TOTAL ASSETS	\$261,045,873
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LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$8,826,553
Notes payable	518,065
Total current liabilities	9,344,618

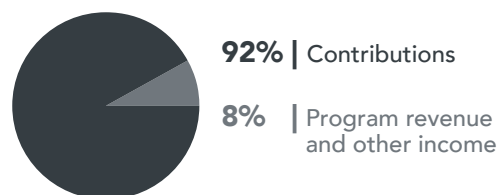
Notes payable	18,688,885
Deferred obligations and planned gifts	15,870,694
Total long-term liabilities	34,559,579

TOTAL LIABILITIES	43,904,197
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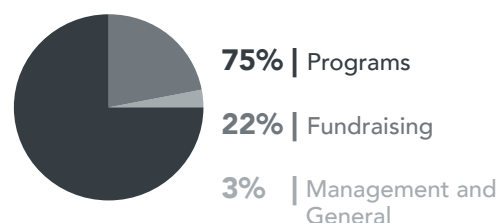
Unrestricted net assets:	
Board designated	109,836,527
Undesignated	60,401,926
Temporarily restricted net assets	43,503,223
Permanently restricted net assets	3,400,000
Total net assets	217,141,676

TOTAL LIABILITIES AND NET ASSETS	\$261,045,873
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2014 OPERATING REVENUES



2014 OPERATING EXPENSES



STATEMENT OF ACTIVITIES*

Year ended December 31, 2014

OPERATING REVENUES

Contributions:	
Individuals	\$77,369,643
Foundations	11,105,962
Corporations	2,790,537
Total operating contributions	91,266,142

Investment withdrawal	5,466,419
Program revenue	231,542
Rental and other income	2,169,688
Total other operating income	7,867,649

TOTAL OPERATING REVENUES	\$99,133,791
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OPERATING EXPENSES

Research	\$22,786,847
Education	27,650,469
Media and government relations	8,083,403
Total program services	58,520,719

Fundraising	17,007,379
Management and general	2,380,734
Total supporting services	19,388,113

TOTAL OPERATING EXPENSES	77,908,832
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NET GAIN FROM OPERATIONS	21,224,959
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NON-OPERATING ACTIVITIES

+ Net investment gain	10,867,359
+ Restricted contributions	10,528,558
(-) Depreciation	3,632,838
(-) Interest expense	540,495
(-) Investment withdrawal	5,466,419
(-) Loss on disposal of other assets	2,039,585
(-) Change in restricted net assets	8,050,526

TOTAL NON-OPERATING ACTIVITIES	1,666,054
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CHANGE IN NET ASSETS	22,891,013
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NET ASSETS - BEGINNING OF YEAR	194,250,663
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NET ASSETS - END OF YEAR	\$217,141,676
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*Preliminary results – final audited financial statements will be available on or after July 31, 2015

WHAT THEY'RE SAYING ABOUT HERITAGE, HERITAGE ACTION...

“The Heritage Foundation, long known as a font of conservative ideas, ...has emerged in recent years as a newly powerful political force on the right, pushing congressional Republicans to oppose what it sees as excessive federal spending and policies that benefit specific industries.”

—Jonathan Martin, The New York Times, Jan. 8, 2015

“The one-two punch of scholarly research and grassroots activism has made Heritage formidable in the world of think tanks.”

—William Douglas, McClatchy Newspapers, Dec. 1, 2014

“Frequent calls for unity in the nation come from many sectors, though most simply push emotional buttons while delivering little substance. Enter the Heritage Foundation, which is now setting forth this simple, but canny thought: ‘Uniting America through conservative reform.’ The idea could prove a mighty foil to narratives repeated in the mainstream media that claim both the conservative movement and the Republican Party are without a clear message and plagued with infighting.”

—Jennifer Harper, The Washington Times, Feb. 10, 2014

...AND HERITAGE PRESIDENT JIM DEMINT

“DeMint, the former Republican senator from South Carolina who now runs the conservative Heritage Foundation, is widely seen as the godfather of the tea-party movement ... [Even while serving in the House, he] cared about policy and took a long view of politics.”

—Dana Milbank, The Washington Post, Dec. 16, 2014