

The Heritage Foundation and Affiliates

Consolidated Financial Report
December 31, 2018

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Independent Auditor's Report

To the Board of Trustees
The Heritage Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Heritage Foundation and Affiliates (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Heritage Foundation and Affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the Foundation adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the statement of functional expenses, additional disclosures over liquidity and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

Washington, D.C.
May 28, 2019

The Heritage Foundation and Affiliates

**Consolidated Statements of Financial Position
December 31, 2018 and 2017**

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,856,972	\$ 7,032,712
Contributions receivable	11,134,133	8,242,842
Prepayments and other assets	1,171,750	760,214
Total current assets	22,162,855	16,035,768
Long-term assets:		
Investments	180,051,282	205,019,805
Deferred compensation investments	2,415,100	2,503,349
Contributions receivable, net	4,545,249	6,202,500
Property and equipment, net	84,630,621	85,207,012
Cash surrender value of insurance	882,107	942,466
Total long-term assets	272,524,359	299,875,132
Total assets	\$ 294,687,214	\$ 315,910,900
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,205,142	\$ 9,447,900
Notes payable	375,130	4,628,105
Total current liabilities	8,580,272	14,076,005
Long-term liabilities:		
Notes payable	21,881,703	21,579,924
Deferred compensation obligations	2,415,100	2,503,349
Split-interest obligations	11,185,069	11,954,068
Total long-term liabilities	35,481,872	36,037,341
Total liabilities	44,062,144	50,113,346
Net assets:		
Without donor restrictions:		
Board designated	114,731,352	127,938,833
Undesignated	76,859,233	79,234,709
Total without donor restrictions:	191,590,585	207,173,542
With donor restrictions	59,034,485	58,624,012
Total net assets	250,625,070	265,797,554
Total liabilities and net assets	\$ 294,687,214	\$ 315,910,900

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

**Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017**

	2018	2017
Changes in net assets without donor restrictions:		
Support and revenue:		
Public support – contributions	\$ 62,654,043	\$ 66,766,600
Investment (loss) gain, net	(11,390,089)	26,567,546
Rental and other income	4,256,358	3,606,444
Net assets released from restriction – satisfaction of time or program restrictions	8,954,653	10,420,926
Total support and revenue in net assets without donor restrictions	64,474,965	107,361,516
Expenses:		
Program services:		
Research	25,772,435	25,363,243
Media and government relations	8,847,201	9,782,531
Educational programs	28,881,069	29,498,166
Total program services	63,500,705	64,643,940
Supporting services:		
Management and general	1,409,745	1,701,024
Fundraising	15,147,472	18,590,470
Total supporting services	16,557,217	20,291,494
Total expenses	80,057,922	84,935,434
Change in net assets without donor restrictions	(15,582,957)	22,426,082
Changes in net assets with donor restrictions:		
Contributions	13,615,831	10,117,999
Investment (loss) gain, net	(2,660,714)	4,143,094
Change in value of split-interest agreements	(774,003)	(736,484)
Change in value of pledges and irrevocable trusts	259,858	(312,805)
Pledges rescinded	(1,075,846)	(100,000)
Net assets released from restrictions	(8,954,653)	(10,420,926)
Change in net assets with donor restrictions	410,473	2,690,878
Change in net assets	(15,172,484)	25,116,960
Net assets:		
Beginning	265,797,554	240,680,594
Ending	\$ 250,625,070	\$ 265,797,554

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2018

	Program Services				Supporting Services			Total Expenses
	Research	Media and Government Relations	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 15,690,157	\$ 3,473,929	\$ 5,894,085	\$ 25,058,171	\$ 496,474	\$ 4,034,999	\$ 4,531,473	\$ 29,589,644
Consultants and independent contractors	719,929	1,234,217	3,236,378	5,190,524	77,602	2,600,050	2,677,652	7,868,176
Fringe benefits	3,717,910	1,011,421	1,852,562	6,581,893	129,201	1,248,557	1,377,758	7,959,651
Printing and copying	42,641	117,955	6,142,359	6,302,955	2,135	1,185,071	1,187,206	7,490,161
Postage and shipping	14,536	31,055	4,832,201	4,877,792	1,999	847,708	849,707	5,727,499
Conferences and meetings	790,345	1,209,480	396,415	2,396,240	41,246	1,587,791	1,629,037	4,025,277
Depreciation	1,361,046	467,222	1,520,238	3,348,506	74,438	799,940	874,378	4,222,884
Advertising	988	47	70,246	71,281	40	540,684	540,724	612,005
Occupancy	1,058,103	362,680	1,189,563	2,610,346	387,967	159,291	547,258	3,157,604
Taxes, licenses, and bank fees	41,907	14,922	820,177	877,006	7,716	314,961	322,677	1,199,683
Information technology	799,604	220,930	1,767,995	2,788,529	33,700	851,253	884,953	3,673,482
Professional fees	80,003	27,464	93,248	200,715	39,768	23,884	63,652	264,367
Supplies	60,212	20,319	70,616	151,147	9,335	25,296	34,631	185,778
Travel	664,776	240,641	190,621	1,096,038	19,185	606,050	625,235	1,721,273
Staff training	115,794	42,369	100,680	258,843	24,317	26,316	50,633	309,476
Dues and subscriptions	182,724	158,117	61,489	402,330	6,132	54,859	60,991	463,321
Photography and video	3,187	5,460	160,964	169,611	612	29,523	30,135	199,746
Interest expense	247,948	85,116	276,949	610,013	13,563	145,729	159,292	769,305
Insurance	79,140	27,167	94,396	200,703	40,168	11,453	51,621	252,324
Honoraria and writer's fees	44,400	1,000	12,033	57,433	-	-	-	57,433
Books and products	23,006	49,957	79,637	152,600	2,969	37,526	40,495	193,095
Miscellaneous	9,079	3,023	18,217	30,319	1,178	16,531	17,709	48,028
Other programs and grants	25,000	42,710	-	67,710	-	-	-	67,710
Total expenses	\$ 25,772,435	\$ 8,847,201	\$ 28,881,069	\$ 63,500,705	\$ 1,409,745	\$ 15,147,472	\$ 16,557,217	\$ 80,057,922

The Heritage Foundation and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2017

	Program Services				Supporting Services			Total Expenses
	Research	Media and Government Relations	Educational Programs	Total	Management and General	Fundraising	Total	
Salaries	\$ 15,368,230	\$ 3,966,553	\$ 6,501,439	\$ 25,836,222	\$ 621,195	\$ 4,823,793	\$ 5,444,988	\$ 31,281,210
Consultants and independent contractors	1,165,182	1,206,767	4,084,901	6,456,850	107,174	3,038,921	3,146,095	9,602,945
Fringe benefits	3,595,810	1,045,247	1,651,689	6,292,746	124,013	1,315,101	1,439,114	7,731,860
Postage and shipping	18,592	32,930	5,349,894	5,401,416	1,336	1,592,967	1,594,303	6,995,719
Printing and copying	87,048	175,029	4,953,297	5,215,374	258,843	1,445,078	1,703,921	6,919,295
Depreciation	1,313,449	506,594	1,522,513	3,342,556	88,088	962,717	1,050,805	4,393,361
Information technology	731,762	258,947	1,811,145	2,801,854	40,378	1,537,166	1,577,544	4,379,398
Conferences and meetings	682,039	1,465,723	355,370	2,503,132	34,716	1,544,128	1,578,844	4,081,976
Occupancy	920,056	397,116	1,096,056	2,413,228	271,827	143,662	415,489	2,828,717
Travel	573,243	211,562	220,152	1,004,957	18,847	695,463	714,310	1,719,267
Taxes, licenses and bank fees	51,381	19,701	497,453	568,535	5,723	359,897	365,620	934,155
Interest expense	234,760	90,546	272,127	597,433	15,755	172,045	187,800	785,233
Dues and subscriptions	154,033	183,508	226,118	563,659	7,383	209,170	216,553	780,212
Advertising	1,637	302	55,121	57,060	371	410,509	410,880	467,940
Insurance	140,405	54,154	173,485	368,044	42,037	21,018	63,055	431,099
Books and products	22,816	7,954	242,797	273,567	2,694	81,002	83,696	357,263
Supplies	94,288	40,918	119,794	255,000	22,548	50,701	73,249	328,249
Staff training	83,505	25,192	75,466	184,163	18,894	50,073	68,967	253,130
Professional fees	75,458	29,104	101,075	205,637	17,208	24,813	42,021	247,658
Photography and video	8,184	10,098	133,853	152,135	1,555	34,535	36,090	188,225
Other programs and grants	-	51,297	40,000	91,297	-	-	-	91,297
Miscellaneous	6,975	3,289	8,400	18,664	439	68,676	69,115	87,779
Honoraria and writer's fees	34,390	-	6,021	40,411	-	9,035	9,035	49,446
Total expenses	\$ 25,363,243	\$ 9,782,531	\$ 29,498,166	\$ 64,643,940	\$ 1,701,024	\$ 18,590,470	\$ 20,291,494	\$ 84,935,434

The Heritage Foundation and Affiliates

Consolidated Statements of Cash Flows Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (15,172,484)	\$ 25,116,960
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized loss (gain) on investments	14,424,767	(30,554,525)
Change in value of split-interest obligations	774,003	736,484
Increase in discount on contributions receivable	(103,961)	(80,089)
Change in value of terminated split-interest obligations	235,536	(20,547)
Depreciation	4,222,884	4,393,361
Loss (gain) on disposal of assets	1,665,320	(33,728)
Change in value of interest rate swap	(323,142)	(261,727)
Pledges rescinded	1,075,846	100,000
Contributions restricted to investment in perpetuity	(5,450,175)	(281,500)
Contributions restricted to capital expenditures	(5,696,462)	(5,758,000)
Contributed property	(100,000)	(1,632,994)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(2,205,925)	34,348
Prepayments and other assets	(411,536)	208,410
Change in cash surrender value of life insurance	60,359	(152,317)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,242,758)	(1,379,086)
Net cash used in operating activities	(8,247,728)	(9,564,950)
Cash flows from investing activities:		
Purchases of investments	(8,478,876)	(2,831,243)
Sales of investments	18,508,487	14,664,531
Purchases of property and equipment	(5,211,813)	(11,017,624)
Net cash provided by investing activities	4,817,798	815,664
Cash flows from financing activities:		
Proceeds from notes payable	1,000,000	4,000,000
Principal payments on notes payable	(4,628,054)	(548,805)
Proceeds from the line of credit	11,228,342	11,325,816
Payments on the line of credit	(11,228,342)	(11,325,816)
Contributions restricted to investment in perpetuity	5,450,175	281,500
Contributions restricted to capital expenditures	5,696,462	5,758,000
Payments on split interest obligations	(1,778,538)	(1,488,123)
Proceeds from split interest obligations	514,145	359,909
Net cash provided by financing activities	6,254,190	8,362,481
Net increase (decrease) in cash and cash equivalents	2,824,260	(386,805)
Cash and cash equivalents:		
Beginning	7,032,712	7,419,517
Ending	\$ 9,856,972	\$ 7,032,712
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,139,937	\$ 954,075
Net (decrease) increase in cash surrender value of life insurance	\$ (60,359)	\$ 152,317

See notes to consolidated financial statements.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Heritage Foundation and Affiliates (the Foundation) is composed of the following entities: The Heritage Foundation, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC and Intern Housing, LLC.

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

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

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

Massachusetts Avenue Properties, LLC is a Limited Liability Company used to purchase and hold real estate property.

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

A summary of significant accounting policies of the Foundation follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned, and expenses are recognized when incurred.

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

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

Net assets without donor restrictions: Net assets represent resources available to support the Foundation's operations and restricted resources that become available for use in the year given by satisfying donor-imposed time or purpose restrictions. Net assets without donor restrictions include both board-designated and undesignated funds. The Board of Trustees has approved the establishment of an operating reserve (designated fund) to provide working capital and financing stability for the Foundation in the future. Funds have also been designated by the Board for certain programs and capital acquisitions. Total designated funds at December 31, 2018 and 2017, totaled \$114,731,352 and \$127,938,833, respectively. The undesignated fund constitutes the Foundation's operating fund and net investment in property and equipment net of related liabilities.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

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

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

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

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

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

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is included in the change in value of pledges and irrevocable trusts on the consolidated statements of activities. An allowance for uncollectible pledges is recorded when management identifies amounts not expected to be collected. At December 31, 2018 and 2017, there was no allowance for uncollectible amounts recorded as all contribution receivables are expected to be collected.

Investments: Investments with readily determinable fair values are reported at fair value with gains and losses included in the consolidated statements of activities. Other investments in partnerships, hedge funds, trusts, LLCs and private equity (alternative investments) are reported at fair value based on a practical expedient, the net asset value per share or equivalent, determined by the fund or the investment manager at the measurement date. The estimated values, provided by the fund or the investment manager, are subject to an annual independent audit, and are reviewed by management for reasonableness. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

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

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

Property and equipment: Property and equipment consists of land, buildings, building improvements, office furniture and equipment, which are stated at cost as of the date of acquisition or, for gifts-in-kind, the fair market value at the date of donation, less accumulated depreciation. Depreciation is recognized on a straight-line basis over estimated useful lives of 3 to 39 years for building and building improvements, and 3 to 10 years for office furniture and equipment. The Foundation capitalizes individual property and equipment purchases with a cost of \$5,000 or more.

Valuation of long-lived assets: Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Foundation had no impairment of long-lived assets during 2018 or 2017.

Cash surrender value of insurance: During 1999, the Foundation entered into a split-dollar insurance agreement with the Foundation's then president. The Foundation made premium payments to fund the life insurance policy. The then president assigned the cash surrender value and proceeds from the death benefit of the policy to the Foundation to the extent of the Foundation's cumulative premium payments.

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

Such interest rate swaps are accounted for under the Codification topic, Derivatives and Hedging. As a not-for-profit organization, the Foundation is not allowed to use cash flow hedging. Therefore, the interest rate swaps are recorded in the consolidated statements of financial position at fair value. The changes in the fair values are reflected in other income in the consolidated statements of activities. The fair values of the interest rate swap liabilities at December 31, 2018 and 2017, were \$(531,503) and \$(854,645), respectively, and are included in long-term notes payable in the accompanying consolidated statements of financial position.

Split-interest agreements: Contributions received in the form of irrevocable split-interest agreements (charitable gift annuities and charitable trusts) are recorded as contribution support at the present value of amounts expected to transfer to the Foundation at the estimated date of death of the current beneficiaries, which is estimated using Internal Revenue Service mortality tables and discount rates commensurate with the risks involved, ranging from 1% to 7%. Any subsequent changes in the value of the split-interest obligations are recorded as change in value of split-interest obligations in the consolidated statements of activities.

During the life of the beneficiary or for the specified period of time, the Foundation pays the donor, or other specified parties, amounts as determined in the donor agreement. Upon fulfillment of the beneficiary payments or termination of the trust, the remaining assets are available to the Foundation for general purposes.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

Income tax status: The Heritage Foundation is a nonprofit organization exempt from federal income taxes under Section 501(a), as an entity described in Section 501(c)(3) of the Internal Revenue Code. The Heritage Foundation has been classified by the Internal Revenue Service as a public charity and is not a private foundation. Contributions to The Heritage Foundation are deductible for federal income, estate and gift tax purposes. Income which is not related to exempt purposes is subject to tax. There was no significant net unrelated income tax during the years ended December 31, 2018 and 2017, respectively. 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC and Intern Housing, LLC are limited liability companies whose sole member is The Heritage Foundation. Consequently, 3rd Street Properties, LLC, Massachusetts Avenue Properties, LLC and Intern Housing, LLC are disregarded entities for federal and state income tax purposes.

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

Allocation of joint costs: The Foundation incurred joint costs of \$15,661,970 and \$16,201,282 for the years ended December 31, 2018 and 2017, respectively. The Foundation allocated these joint costs among program and fundraising expenses as follows:

	2018	2017
Educational programs expense	\$ 13,960,396	\$ 12,758,107
Fundraising expense	1,701,574	3,443,175
	<u>\$ 15,661,970</u>	<u>\$ 16,201,282</u>

Advertising costs: Advertising costs are expensed when incurred. Total advertising expense was \$612,005 and \$467,940 for the years ended December 31, 2018 and 2017, respectively.

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

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

Adopted accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The Foundation adopted this ASU during the year ended December 31, 2018. As permitted by the ASU in the year of adoption, the Foundation has elected to present the liquidity disclosure for only the year ended December 31, 2018.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

Pending accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard is effective on January 1, 2020, with early adoption permitted.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. Where the Foundation is the resource recipient, the ASU is applicable to contributions received during the year ending December 31, 2019. When the Foundation is a resource provider, the ASU is applicable to contributions provided during the year ending December 31, 2020. The Association is currently evaluating the impact of this ASU on its consolidated financial statements.

Reclassifications: Certain items were reclassified to conform with current year presentation. These reclassifications had no impact on change in assets or net assets.

Subsequent events: The Foundation evaluated subsequent events through May 28, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2. Contributions Receivable

The following are unconditional promises to give at December 31, 2018 and 2017:

	2018	2017
Due in less than one year	\$ 11,134,133	\$ 8,242,842
Due in one to five years	3,839,125	5,070,336
Due in greater than five years	1,000,000	1,530,000
Total to be received	15,973,258	14,843,178
Less discounting for multi-year promises to give (rates of 1.11% - 3.13%)	(293,876)	(397,836)
	<u>\$ 15,679,382</u>	<u>\$ 14,445,342</u>

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements

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

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

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

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

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. At each reporting period, transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Foundation's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

Publicly traded securities are classified as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market based inputs.

As of December 31, 2018 and 2017, 89% and 87%, respectively, of capital committed to the private equity funds has been called.

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

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

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

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

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

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

The tables below summarize the Foundation's financial assets and liabilities measured at fair value on a recurring basis, at December 31, 2018 and 2017.

Description	Total	2018		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Publicly traded securities:				
Mutual funds:				
Equity mutual funds:				
Index funds	\$ 2,018,290	\$ 2,018,290	\$ -	\$ -
Established international	485,493	485,493	-	-
Multi-strategy	275,721	275,721	-	-
Total equity mutual funds	2,779,504	2,779,504	-	-
Fixed income mutual funds:				
Multi-strategy	1,433,025	1,433,025	-	-
Index funds	819,972	819,972	-	-
Total fixed income mutual funds	2,252,997	2,252,997	-	-
Total mutual funds	5,032,501	5,032,501	-	-
Total publicly traded securities	5,032,501	5,032,501	-	-
Alternative investments valued using a net asset per share or equivalent as a practical expedient (a)	160,576,672	-	-	-
Common trust funds valued using a net asset value per share or equivalent as a practical expedient (a)	10,370,403	-	-	-
Other assets:				
Multi-strategy equity PSAs valued using a practical expedient (a)	2,331,622	-	-	-
Guaranteed income fund valued using a practical expedient (a)	83,478	-	-	-
Total other assets valued using a practical expedient	2,415,100	-	-	-
Total assets at fair value	178,394,676	5,032,501	-	-
Cash equivalents	4,071,706	4,071,706	-	-
Total investments and deferred compensation assets	\$ 182,466,382	\$ 9,104,207	\$ -	\$ -
Deferred compensation obligations (a)	\$ 2,415,100	\$ -	\$ -	\$ -
Interest rate swap liability	531,503	-	531,503	-
Total liabilities	\$ 2,946,603	\$ -	\$ 531,503	\$ -

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

Description	2017			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Publicly traded securities:				
Common stock:				
Energy	\$ 6,691	\$ 6,691	\$ -	\$ -
Mutual funds:				
Equity mutual funds:				
Index funds	2,673,897	2,673,897	-	\$ -
Established international	647,168	647,168	-	-
Multi-strategy	401,435	401,435	-	-
Total equity mutual funds	3,722,500	3,722,500	-	-
Fixed income mutual funds:				
Multi-strategy	1,621,302	1,621,302	-	-
Index funds	859,535	859,535	-	-
Total fixed income mutual funds	2,480,837	2,480,837	-	-
Total mutual funds	6,203,337	6,203,337	-	-
Total publicly traded securities	6,210,028	6,210,028	-	-
Alternative investments valued using a net asset per share or equivalent as a practical expedient (a)	179,009,851	-	-	-
Common trust funds valued using a net asset value per share or equivalent as a practical expedient (a)	12,665,436	-	-	-
Other assets:				
Multi-strategy equity PSAs valued using a practical expedient (a)	2,395,287	-	-	-
Guaranteed income fund valued using a practical expedient (a)	108,062	-	-	-
Total other assets valued using a practical expedient	2,503,349	-	-	-
Total assets at fair value	200,388,664	6,210,028	-	-
Cash equivalents	7,134,490	7,134,490	-	-
Total investments and deferred compensation assets	\$ 207,523,154	\$ 13,344,518	\$ -	\$ -
Deferred compensation obligations (a)	\$ 2,503,349	\$ -	\$ -	\$ -
Interest rate swap liability	854,645	-	854,645	-
Total liabilities	\$ 3,357,994	\$ -	\$ 854,645	\$ -

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

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

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

The following table provides additional disclosures on the Foundation's alternative investment assets at December 31, 2018 and 2017:

	Fair Value at 2018	Fair Value at 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy ^(a)	\$ 106,111,333	\$ 117,818,249	N/A	Daily	1 day
Global Equity Opportunistic ^(b)	26,034,663	29,942,252	N/A	Quarterly	30 days
Fixed Income ^(c)	14,951,086	17,983,068	N/A	Daily	1 day
Private Equity ^(d)	9,282,531	8,955,609	\$ 2,254,278	N/A ^(e)	N/A ^(e)
Event-Driven ^(f)	4,197,059	4,310,673	N/A	Quarterly to Semi-annual	60 days
Total	<u>\$ 160,576,672</u>	<u>\$ 179,009,851</u>			

- (a) Multi-strategy managers employ a combination of any of the above mentioned strategies and may shift amongst those strategies at any time as conditions permit. Less than 1% of the investment balance in this category is in the process of being liquidated. As such, the redemption frequency or notice period shown relate to those multi-strategy investments not currently planned for liquidation.
- (b) Global Equity Opportunistic refers to investments in equity securities across worldwide markets, not restricted to specific regions or market capitalization.
- (c) Fixed Income managers use a multi-strategy approach and invest in a broad range of sectors and ratings. These managers seek to manage risk in an overall portfolio and seek returns for the investor.
- (d) Private Equity represents securities in operating companies that are not publicly traded on an exchange. This could be achieved through private equity investment funds, direct co-investments in individual portfolio companies, secondary private equity offerings or direct and indirect investments in privately and publicly issued debt securities and privately issued equity securities of companies that are currently experiencing financial and/or operational distress.
- (e) Private Equity partnerships permit redemption only at the fund/General Partner's discretion. As such, there is no redemption frequency or notice period officially outlined in the investment agreement.
- (f) Event-Driven strategies are investments in opportunities created by significant transaction events, such as spin-offs, mergers and acquisitions and reorganizations. These strategies include risk arbitrage, distressed situations investing, special situations and opportunistic investing.

The following summarizes investment income for the years ended December 31, 2018 and 2017:

	2018	2017
Net realized and unrealized (loss) gain	\$ (14,424,767)	\$ 30,554,525
Interest and dividends	1,440,958	1,225,592
Investment fees	(1,066,994)	(1,069,477)
	<u>\$ (14,050,803)</u>	<u>\$ 30,710,640</u>

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment and accumulated depreciation consist of the following at December 31, 2018 and 2017:

	2018	2017
Land, building and improvements	\$ 111,729,614	\$ 98,627,130
Construction in progress	4,567,561	14,407,993
Office furniture and equipment	9,855,775	15,106,142
	<u>126,152,950</u>	<u>128,141,265</u>
Less accumulated depreciation	(41,522,329)	(42,934,253)
Property and equipment, net	<u>\$ 84,630,621</u>	<u>\$ 85,207,012</u>

Depreciation expense for the years ended December 31, 2018 and 2017, totaled \$4,222,884 and \$4,393,361, respectively.

Note 5. Notes Payable

Notes payable as of December 31, 2018 and 2017, are as follows:

	2018	2017
Notes payable	\$ 21,725,330	\$ 25,353,384
Interest rate swap liability	261,418	410,117
Interest rate swap liability	270,085	444,528
	<u>22,256,833</u>	<u>26,208,029</u>
Less current portion	(375,130)	(4,628,105)
Notes payable, long-term	<u>\$ 21,881,703</u>	<u>\$ 21,579,924</u>

Interest expense for the years ended December 31, 2018 and 2017, was \$769,305 and \$785,233, respectively.

The Foundation had a note with a financial institution. The loan amount was \$5,186,560. At December 31, 2017, the outstanding liability totaled \$4,270,267. The outstanding liability balance was paid in full on June 12, 2018.

The Foundation has a second note with a financial institution. The loan amount was \$6,500,000. At December 31, 2018 and 2017, the outstanding liability totaled \$5,666,760 and \$5,835,530, respectively. The principal balance is payable in 119 consecutive monthly installments. The unpaid principal balance of the note, plus accrued and unpaid interest, is due on June 12, 2023. The note is unsecured and requires that the Foundation maintain a debt service coverage ratio (as defined by the lending institution) of at least 1 to 1 and unrestricted liquidity of at least \$65,000,000. The interest rate on this loan is London Interbank Offered Rate (LIBOR) plus 1.37%; however, a forward starting interest rate swap was initiated effective in 2015, with a term matching the note at an effective rate of 4.94% per annum. The value of the interest rate swap liability was \$261,418 and \$410,117 as of December 31, 2018 and 2017, respectively.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 5. Notes Payable (Continued)

The Foundation has a third note with a financial institution. The loan amount was \$7,000,000. At December 31, 2018 and 2017, the outstanding liability totaled \$6,058,573 and \$6,247,587, respectively. The principal balance is payable in 179 consecutive monthly installments. The unpaid principal balance of the note, plus accrued and unpaid interest, is due on June 12, 2028. The note is unsecured and requires that the Foundation maintain a debt service coverage ratio (as defined by the lending institution) of at least 1 to 1 and unrestricted liquidity of at least \$65,000,000. The interest rate on this loan is LIBOR plus 1.38%; however, an interest rate swap was initiated with term matching the note with an effective interest rate of 4.54%. The value of the interest rate swap liability was \$270,085 and \$444,528 as of December 31, 2018 and 2017, respectively.

The Foundation also has a closed ended note with a financial institution totaling \$30,000,000 used to fund certain construction projects. During 2018, the note was amended to allow advances to be taken on the loan for 60 months from the date of commencement (the draw period) at a rate of LIBOR plus 1.50%. During the draw period an unused fee of 12.5 basis points will be assessed. At the end of the draw period, principal and interest will be payable in 119 consecutive monthly installments on the outstanding principal balance based on a 25-year amortization. Any unpaid principal and interest is due in full on maturity date which is November 6, 2030. The note is unsecured and requires that the Foundation maintain a debt service coverage ratio (as defined by the lending institution) of at least 1 to 1 and unrestricted liquidity of at least \$65,000,000. As of December 31, 2018 and 2017, the outstanding balance of the note was \$10,000,000 and \$9,000,000, respectively.

As of December 31, 2018, minimum future principal payments under these notes are as follows:

Years ending December 31:	
2019	\$ 375,130
2020	427,361
2021	813,074
2022	833,044
2023	5,536,973
Thereafter	13,739,748
	<u>\$ 21,725,330</u>

Note 6. Line of Credit

The Foundation has a revolving bank line of credit of \$10,000,000 from a financial institution. The revolving line of credit bears interest at LIBOR plus 115 basis points. It is unsecured and requires that the Foundation maintain a debt service coverage ratio of at least 1 to 1 and unrestricted liquidity of at least \$65,000,000. The line of credit matures on September 30, 2019, and there was no outstanding balance at December 31, 2018 and 2017.

Note 7. Employee Benefits

Discretionary contribution plan: The Foundation provides a non-contributory discretionary contribution plan to all employees with at least one year of service who have attained the age of 21 and who worked at least 1,000 hours during the year. Expenses for the plan were approximately \$1,785,000 and \$1,701,000 for the years ended December 31, 2018 and 2017, respectively. Employees vest at 25% per year of service beginning after two years and are fully vested after five years. The Foundation also provides employees the opportunity to defer current compensation under a 403(b) plan. The Foundation makes no contributions to this plan.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 7. Employee Benefits (Continued)

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

The total market value of all deferred compensation investments and the related deferred compensation obligations to employees was \$2,415,100 and \$2,503,349 at December 31, 2018 and 2017, respectively.

Note 8. Restricted Net Assets

The Foundation follows the Codification contents governing Reporting Endowment funds. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted endowment gifts as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions that are permanent in nature: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds remain in the restricted endowment until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Foundation has adopted investment and spending policies for the donor restricted endowment that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. The annual investment withdrawal is calculated up to 5% of the three-year quarterly average of the investment market values at September 30. All earnings from these funds are reflected as donor restricted net assets until appropriated for program expenditures.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 8. Restricted Net Assets (Continued)

Net assets with donor restrictions at December 31, 2018 and 2017, consist of the following:

	2018	2017
Temporary in nature, excluding endowment funds:		
Contributions restricted by purpose	\$ 2,911,370	\$ 3,062,668
Contributions restricted by passage of time	15,125,985	18,907,848
Endowment Funds		
William E. Simon Fellow Endowment	1,000,000	1,000,000
Miller Family Fdn. Intern Endowment	1,000,000	1,000,000
William Grewcock Intern Endowment	1,000,000	1,000,000
John Bruning Intern Endowment	200,000	200,000
Westerman Intern Endowment	100,000	100,000
John R. & Margrite Davis Intern Endowment	100,000	100,000
John Von Kannon Philanthropy Endowment	1,148,960	1,148,960
Haskell Robinson Endowment	400,000	300,000
Marjorie W. Herrick Intern Endowment	100,000	100,000
Edward R. Farber Intern Endowment	896,500	896,500
Joe N. Rumble Endowment	911,251	911,251
Kuchta Intern Endowment	200,000	200,000
Eddy de Broekert Intern Endowment	250,000	250,000
Grover M. Hermann Endowment	5,000,000	-
Mayer Intern Endowment	50,175	-
Linda Boyce Haller Internship Endowment	200,000	-
Sims Intern Endowment	100,000	-
Accumulated gains on endowment	2,485,244	3,591,785
Term endowment	25,855,000	25,855,000
Total endowments	<u>\$ 40,997,130</u>	<u>\$ 36,653,496</u>
Total net assets with donor restrictions	<u>\$ 59,034,485</u>	<u>\$ 58,624,012</u>

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 8. Restricted Net Assets (Continued)

The Foundation's endowments consist entirely of donor restricted funds and the following is the endowment fund activity for the years ended December 31, 2018 and 2017:

	December 31, 2018	
	Net Assets With Donor Restrictions	Total
Beginning of year	\$ 36,653,496	\$ 36,653,496
Investment return, net	(1,089,041)	(1,089,041)
Amounts appropriated for expenditure	(17,500)	(17,500)
Contributions	5,450,175	5,450,175
End of year	<u>\$ 40,997,130</u>	<u>\$ 40,997,130</u>

	December 31, 2017	
	Net Assets With Donor Restrictions	Total
Beginning of year	\$ 34,862,588	\$ 34,862,588
Investment return, net	1,524,408	1,524,408
Amounts appropriated for expenditure	(15,000)	(15,000)
Contributions	281,500	281,500
End of year	<u>\$ 36,653,496</u>	<u>\$ 36,653,496</u>

Note 9. Commitments and Contingencies

Leases: The Foundation leases equipment and office space under noncancelable operating lease agreements. Future minimum lease payments under noncancelable operating leases with initial or remaining terms in excess of one year at December 31, 2018, are as follows:

Years ending December 31:	
2019	\$ 236,001
2020	240,231
2021	205,014
2022	154,096
2023	158,719
Thereafter	505,303
	<u>\$ 1,499,364</u>

Expense incurred under these leases for the years ended December 31, 2018 and 2017, totaled \$242,584 and \$265,691, respectively.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies (Continued)

Self-insured health plan: The Foundation has a self-insured health insurance plan for its employees and their qualifying dependents. The Foundation holds stop-loss insurance coverage, which limits the Foundation's liability to an aggregate maximum claim liability per policy year of approximately \$4,700,000. At December 31, 2018 and 2017, the Foundation had medical claims accruals of approximately \$423,000 and \$385,000, respectively, which are included in accounts payable and accrued expenses on the consolidated statements of financial position.

Note 10. Related Party Transactions

The Foundation leases office space and provides administrative services to a related entity whose Board of Directors is independent of the Foundation's Board of Trustees. The entity's Board of Directors consists of three Directors that are also Trustees of the Foundation. The Foundation and the entity have entered into a lease for office space that ends March 31, 2020.

Future minimum rental receipts for the lease are as follows:

Years ending December 31:	
2019	\$ 164,592
2020	41,148
	<u>\$ 205,740</u>

Lease revenue from the related entity totaled \$163,180 and \$158,934 for 2018 and 2017, respectively.

Contracts for administrative services are on an annual basis and begin on January 1, each year. Administrative service contract income totaled \$1,206,112 and \$1,343,868 in 2018 and 2017, respectively. Also, the Foundation contracted with the related entity for services to be provided to the Foundation. Total expenses incurred by the Foundation related to this contract totaled \$517,500 and \$517,500 during the years ended December 31, 2018 and 2017, respectively.

The Foundation received approximately \$7,861,500 and \$15,800,000 of support in the form of contributions from members of the Board of Trustees and organizations associated with members of the Board of Trustees during the years ended December 31, 2018 and 2017, respectively, in the ordinary course of business.

The Heritage Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 11. Liquidity and Availability

The following represents the Foundation's financial assets at December 31, 2018:

Cash and cash equivalents	\$	9,856,972
Contributions receivable		11,134,133
Investments		180,051,282
Line of credit		<u>10,000,000</u>
Total available liquidity		<u>211,042,387</u>
Less:		
Board designated net assets*		114,731,352
Restrictions by donor held in perpetuity		<u>59,034,485</u>
		<u>173,765,837</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>37,276,550</u></u>

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

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