Financial Report December 31, 2009



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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees The Heritage Foundation Washington, D.C.

We have audited the accompanying statements of financial position of The Heritage Foundation (the Foundation) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Heritage Foundation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey of Pullen, LCP

Vienna, Virginia August 18, 2010

Statements Of Financial Position December 31, 2009 And 2008

| Assets | 2009 | 2008 |
|--|-------------------|-------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 7,949,281 | \$ 4,908,428 |
| Contributions receivable | 11,571,694 | 9,068,991 |
| Prepayments and other assets | 1,009,048 | 596,586 |
| Total current assets | 20,530,023 | 14,574,005 |
| Long-Term Assets | | |
| Investments | 106,790,996 | 89,803,660 |
| Deferred compensation investments | 3,279,681 | 2,603,294 |
| Contributions receivable, net | 5,160,374 | 7,062,655 |
| Property and equipment, net | 47,191,877 | 45,304,488 |
| Cash surrender value of insurance | 389,845 | 325,431 |
| Total long-term assets | 162,812,773 | 145,099,528 |
| Total assets | \$ 183,342,796 | \$ 159,673,533 |
| Liabilities And Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 8,381,758 | \$ 8,018,018 |
| Notes payable | 203,333 | 3,960,918 |
| Total current liabilities | 8,585,091 | 11,978,936 |
| Long-Term Liabilities | | |
| Notes payable | 3,798,074 | 293,807 |
| Deferred compensation obligations | 3,279,681 | 2,603,294 |
| Split-interest obligations | 11,485,380 | 11,581,358 |
| Total long-term liabilities | 18,563,135 | 14,478,459 |
| Total liabilities | 27,148,226 | 26,457,395 |
| Net Assets | | |
| Unrestricted | | |
| Board designated | 89,787,656 | 74,490,655 |
| Undesignated | 44,292,023 | 40,492,408 |
| Temporarily restricted – gifts from annuities, trusts and promises to give | 20,914,891 | 17,033,075 |
| Permanently restricted | 1,200,000 | 1,200,000 |
| • | 156,194,570 | 133,216,138 |
| | \$ 183,342,796 | \$ 159,673,533 |

See Notes To Financial Statements.

Statements Of Activities Years Ended December 31, 2009 And 2008

| | | 2009 | 2008 |
|--|----|-------------|-------------------|
| Changes In Unrestricted Net Assets | | | _ |
| Revenue and support: | | | |
| Public support – contributions | \$ | 60,165,464 | \$ 49,459,247 |
| Publications, subscriptions, and registration fees | | 633,241 | 350,932 |
| Investment income (loss) | | 16,334,564 | (32,740,016) |
| Rental and other income | | 1,582,454 | 858,906 |
| Net assets released from restriction – satisfaction of | | | |
| time or program restrictions | | 9,423,578 | 5,600,264 |
| Total unrestricted revenue and support | | 88,139,301 | 23,529,333 |
| Expenses: | | | |
| Program services: | | | |
| Research | | 23,441,695 | 24,019,945 |
| Media and government relations | | 14,449,478 | 14,093,510 |
| Educational programs | | 15,091,617 | 13,089,042 |
| Total program services | | 52,982,790 | 51,202,497 |
| Supporting services: | | | |
| Management and general | | 1,865,527 | 1,644,242 |
| Fundraising | | 14,194,368 | 11,798,886 |
| Total supporting services | - | 16,059,895 | 13,443,128 |
| Total expenses | | 69,042,685 | 64,645,625 |
| · | | | |
| Change in unrestricted net assets | | 19,096,616 | (41,116,292) |
| Changes In Temporarily Restricted Net Assets | | | |
| Contributions | | 11,911,384 | 13,759,839 |
| Investment income (loss) | | 2,776,976 | (4,209,243) |
| Change in value of split-interest agreements | | (1,061,518) | (28,519) |
| Change in value of pledges and irrevocable trusts | | (321,448) | (308,493) |
| Net assets released from restrictions | | (9,423,578) | (5,600,264) |
| Change in temporarily restricted net assets | | 3,881,816 | 3,613,320 |
| Change in net assets | | 22,978,432 | (37,502,972) |
| Net Assets | | | |
| Beginning | | 133,216,138 | 170,719,110 |
| Ending | \$ | 156,194,570 | \$ 133,216,138 |
| | | | . , |

See Notes To Financial Statements.

Statements Of Cash Flows Years Ended December 31, 2009 And 2008

| | | 2009 | | 2008 |
|--|-----------|--------------|----|--------------|
| Cash Flows From Operating Activities | | | | |
| Change in net assets | \$ | 22,978,432 | \$ | (37,502,972) |
| Adjustments to reconcile change in net assets to net cash | | | | |
| provided by (used in) operating activities: | | | | |
| Net unrealized (gain) loss on investments | | (23,789,519) | | 43,530,858 |
| Net realized loss (gain) on sale of investments | | 6,002,644 | | (3,917,884) |
| Change in value of split-interest agreements | | 1,061,518 | | 28,519 |
| Discount on contributions receivable | | (296,033) | | 229,219 |
| Change in value of terminated split-value agreements | | 106,440 | | 300,171 |
| Depreciation and amortization | | 2,784,812 | | 2,559,539 |
| Loss on disposal of assets | | 47 | | 3,310 |
| Change in value of interest rate swap | | (62,399) | | 174,975 |
| Contributed property and equipment | | - | | (639,881) |
| Changes in assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Contributions receivable | | (304,389) | | (6,280,599) |
| Prepayments and other assets | | (412,462) | | 253,580 |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued expenses | | 363,740 | | 1,569,908 |
| Split-interest obligations | | (1,263,936) | | (588,055) |
| Net cash provided by (used in) operating activities | | 7,168,895 | | (279,312) |
| Cash Flows From Investing Activities | | | | |
| Change in cash surrender value of life insurance | | (64,414) | | 191,552 |
| Purchases of long-term investments | | (84,289,944) | | (34,364,450) |
| Sales of long-term investments | | 85,089,483 | | 41,447,274 |
| Purchases of property, and equipment | | (4,672,248) | | (9,006,981) |
| Net cash used in investing activities | | (3,937,123) | | (1,732,605) |
| Cash Flows From Financing Activities | | | | |
| Principal payments on notes payable | | (190,919) | | (239,050) |
| Net cash used in financing activities | | (190,919) | | (239,050) |
| Net increase (decrease) in cash and cash equivalents | | 3,040,853 | | (2,250,967) |
| | | 0,040,000 | | (2,200,001) |
| Cash And Cash Equivalents | | | | |
| Beginning | | 4,908,428 | | 7,159,395 |
| Ending | <u>\$</u> | 7,949,281 | \$ | 4,908,428 |
| Supplemental Disclosure Of Cash Flow Information: | | | | |
| Interest paid | \$ | 209,270 | \$ | 193,602 |
| interest para | Ψ | 200,210 | Ψ | 100,002 |
| Supplemental Schedule Of Noncash Investing Activities: | | | | |
| Contributed property and equipment | \$ | - | \$ | 639,881 |
| Net, increase (decrease) in cash surrender value of life insurance | \$ | 64,414 | \$ | (191,552) |
| | • | • | | , |

See Notes To Financial Statements.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

<u>Nature of activities</u>: Founded in 1973, The Heritage Foundation (the 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.

A summary of significant accounting policies of the Foundation follows:

<u>Basis of accounting</u>: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

<u>Basis of presentation</u>: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (the Codification). As required by the Non-Profit Entities topic of the Codification, *Financial Statements of Not-for-Profit Organizations*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets – Net assets representing unrestricted resources available to support the Foundation's operations and temporarily restricted resources that become available for use in the year given by satisfying donor-imposed time or purpose restrictions. Unrestricted net assets 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, 2009 and 2008, totaled \$89,787,656 and \$74,490,655, respectively. The undesignated fund constitutes the Foundation's operating fund and net investment in property, plant, and equipment net of related liabilities.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. When a donor-imposed restriction expires due to accomplishing the stipulated purpose or through passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation, typically with earned investment income used for donor-designated purposes.

<u>Cash and cash equivalents</u>: The Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

<u>Financial risk</u>: The Foundation maintains its cash in bank deposit accounts and money market funds, 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 corporate debt securities, U.S. government securities, equity securities, and alternative investments. Such investments are exposed to various risks such as 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 financial statements.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Other investments such those in partnerships, hedge funds, trusts, LLCs and private equity are valued at fair value based on the applicable percentage of ownership of the underlying net assets as determined by the fund at the measurement date. In determining fair value, these funds use valuations provided by the underlying funds or partnerships which are also substantiated by the fund's independent auditors. The underlying funds or partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying funds, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective other investments and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the fund's investment in partnerships, private placements or other securities generally represents the amount the fund would expect to receive if it were to liquidate its investment in those underlying investments, excluding any redemption charges that may apply. Furthermore, liquidity may be affected by gate provisions and holdbacks imposed by certain funds.

<u>Property and equipment</u>: 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. Depreciation is recognized on a straight-line basis over estimated useful lives of 30 years for building and building improvements, and 3 to 10 years for office furniture and equipment. Depreciation for all assets was based on a half-year convention for the year of acquisition and the last year of useful life for assets purchase prior to 2006. Beginning in 2006, assets are depreciated on a full-year convention. The Foundation capitalizes all property and equipment with a cost of \$2,500 or more.

<u>Derivative financial instruments</u>: The Foundation has entered into an interest rate swap agreement to manage interest rate exposure on \$3,866,666 of an original \$10,000,000 note payable to finance construction and building improvements and refinance existing debt (Note 6). The interest rate swap exchanged the floating rate (one-month LIBOR plus 175 basis points) for a fixed effective rate of 4.09% and matures on May 31, 2012.

Such interest rate swaps are accounted for under the Codification topic, *Accounting for Derivative Instruments and Hedging Activities*. As a not-for-profit organization, the Foundation is not allowed to use cash flow hedging. Therefore, the interest rate swap is recorded in the statement of financial position at fair value. The change in the fair value is reflected in other income in the statement of activities. The fair value of the interest rate swap at December 31, 2009 and 2008, was \$(221,408) and \$(283,807), respectively, and is included in long-term notes payable in the accompanying statement of financial position.

<u>Valuation of long-lived assets</u>: The Foundation accounts for the valuation of long-lived assets in accordance with the Codification. As required by the Non-profit Entities topic of the Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*, it is required that long-lived assets and certain identifiable intangible assets be 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 2009 or 2008.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

<u>Contributions receivable and revenue</u>: The Foundation recognized revenue for contributions 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 statement of financial position.

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 recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate risk free rate of return at the date of the promise to give. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible pledges is recorded based on estimated amounts not expected to be collected. At December 31, 2009 and 2008, there was no reserve for uncollectible amounts recorded.

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

<u>Split-interest agreements</u>: Contributions received in the form of irrevocable split-interest agreements (charitable gift annuities and charitable trusts) are recorded as contribution revenue 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 ranging from three to six percent. Any subsequent changes in the value of the split-interest agreements are recorded as change in value of split-interest agreements in the statement of activities. Assets are recorded at the present value of amounts to be received and are discounted using an appropriate risk-free rate of return.

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 unrestricted purposes.

Income tax status: The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(a), as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Foundation has been classified by the Internal Revenue Service as a public charity and is not a private foundation. Contributions to the Foundation are deductible for federal income, estate, and gift tax purposes. Income, which is not related to exempt purposes, is subject to tax.

On January 1, 2009, the Foundation adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

<u>Allocation of joint costs</u>: The Foundation incurred joint costs of \$13,809,066 and \$11,924,185 for the years ended December 31, 2009 and 2008, respectively. The Foundation allocated these joint costs among program and fundraising expenses as follows:

| | | 2009 | 2008 |
|------------------------------|---------|------------|------------------|
| Educational programs expense | \$ | 11,481,159 | \$ 9,239,466 |
| Fundraising expense | <u></u> | 2,327,907 | 2,684,719 |
| | \$ | 13,809,066 | \$ 11,924,185 |

<u>Donated materials</u>: The Foundation receives donations of various property and equipment. If eligible to be recorded, the property is recorded at fair value at the date of donation. Total amount of donated property was \$639,881 during the year ended December 31, 2008.

Advertising costs: Advertising costs are expensed when incurred. Total advertising expense was \$3,785,042 and \$2,453,375 for the years ended December 31, 2009 and 2008, respectively.

<u>Use of estimates</u>: The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain items in the December 31, 2008 financial statements have been reclassified to conform to the December 31, 2009 financial statement presentation. These reclassifications had no effect on previously reported net assets.

<u>Subsequent events</u>: The Foundation evaluated subsequent events for potential required disclosures through August 18, 2010, which is the date the financial statements were available to be issued.

Note 2. Promises To Give

The following are unconditional promises to give at December 31, 2009 and 2008:

| | 2009 | 2008 |
|--|------------------|------------------|
| Due in less than one year | \$ 11,571,694 | \$ 9,068,991 |
| Due in one to five years | 5,369,667 | 7,527,000 |
| Due in greater than five years | 299,894 | 340,875 |
| Total to be received | 17,241,255 | 16,936,866 |
| Less, discounting for multi-year pledges | (509,187) | (805,220) |
| | \$ 16,732,068 | \$ 16,131,646 |

Notes To Financial Statements

Note 3. Investments

Investments at December 31, 2009 and 2008, consist of the following:

| | 2009 | 2008 |
|-------------------------------------|-------------------|------------------|
| Investments in limited partnerships | \$ 21,608,988 | \$ 26,597,588 |
| Equity funds | 22,903,014 | 20,227,325 |
| Split interest agreement assets | 15,400,981 | 13,936,286 |
| Hedge funds | 24,642,635 | 11,613,449 |
| Fixed income | 14,495,824 | 8,621,713 |
| Money market funds | 5,387,687 | 7,605,970 |
| Private equity | 2,351,867 | 1,201,329 |
| | \$ 106,790,996 | \$ 89,803,660 |

The following summarizes investment income for the years ended December 31, 2009 and 2008:

| | 2009 | 2008 |
|----------------------------|-------------------|--------------------|
| Net realized (loss) gain | \$ (6,002,644) | \$ 3,917,884 |
| Net unrealized gain (loss) | 23,789,519 | (43,530,858) |
| Interest and dividends | 1,324,665 | 2,663,715 |
| | \$ 19,111,540 | \$ (36,949,259) |

Note 4. Fair Value Of Financial Instruments

Effective January 1, 2008, the Foundation implemented the Codification, *Fair Value Measurements*, 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: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and listed derivatives. As required by the Codification, the Foundation does not adjust the quoted price for these investments, even in situation where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. Investments generally included in this category are corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is limited market activity for the asset or liability. The inputs for determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited interests in private investment funds, real estate funds, debt funds and distressed debt.

Notes To Financial Statements

Note 4. Fair Value Of Financial Instruments (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

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

Publicly traded securities, including the split interest agreement assets, are classified as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market based inputs. Most partnerships, hedge funds, and other securities are classified as Level 2 instruments because they comprise equity interests in non-public entities; however, there are observable market based inputs upon which fair market value can be reasonably determined. The remaining investments are classified as Level 3 instruments, due to the fact that they represent closely held partnership interests, which are typically private and do not have observable market inputs, nor are they readily corroborated by broader market data.

Private equity investments are classified as Level 3 because they do not have observable market inputs. The Foundation made its initial investment in these funds in 2008. As of December 31, 2009, 27% of capital committed to these funds has been called.

The interest rate swap connected to the Foundation's term loan financing is classified as a Level 2 instrument because its value is a function of the difference between the interest rate on the Foundation's note payable and the rate in the swap agreement; hence there are observable market based inputs.

Deferred compensation investments are composed of a cross-section of instruments, including assets traded on public exchanges (Level 1 portion), partnerships, hedge funds and other securities (Level 2 portion), as well as closely held partnership interests (Level 3 portion). Each of these is classified in the appropriate Level in accordance with the methodology stated above.

The estimated fair values of the Foundation's short-term financial instruments, including receivables, cash value of life insurance, and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The fair value of the Foundation's notes payable approximates fair value as the interest rate on the underlying instruments fluctuate with market rates.

Notes To Financial Statements

Note 4. Fair Value Of Financial Instruments (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by hierarchy level.

| | | | De | cember 31, 20 | 09 | |
|--|-------------------|------------------|----|----------------|----|------------|
| Description | Total | Level 1 | | Level 2 | | Level 3 |
| Publicly traded securities | \$ 42,786,525 | \$ 42,786,525 | \$ | - | \$ | - |
| Partnerships, hedge funds and other securities | 46,251,623 | - | | 37,268,765 | | 8,982,858 |
| Private investments | 2,351,867 | - | | - | | 2,351,867 |
| Deferred compensation investments | 3,279,681 | 1,961,721 | | 1,048,789 | | 269,171 |
| Split interest agreement assets | 15,400,981 | 15,400,981 | | - | | - |
| Total assets | \$ 110,070,677 | \$ 60,149,227 | \$ | 38,317,554 | \$ | 11,603,896 |
| Interest rate swap liability | 221,408 | - | | 221,408 | | - |
| Total liabilities | \$ 221,408 | \$ - | \$ | 221,408 | \$ | - |
| | | | De | cember 31, 200 | 08 | |
| Description | Total | Level 1 | | Level 2 | | Level 3 |
| Publicly traded securities | \$ 36,302,842 | \$ 36,302,842 | \$ | - | \$ | - |
| Partnerships, hedge funds and other securities | 38,363,204 | - | | 38,211,037 | | 152,167 |
| Private investments | 1,201,329 | 1,201,329 | | - | | - |
| Deferred compensation investments | 2,603,294 | 1,650,885 | | 897,064 | | 55,345 |
| Split interest agreement assets | 13,936,285 | 13,936,285 | | - | | - |
| Total assets | \$ 92,406,954 | \$ 53,091,341 | \$ | 39,108,101 | \$ | 207,512 |
| Interest rate swap liability | \$ 283,807 | \$ - | \$ | 283,807 | \$ | - |
| Total liabilities | \$ 283,807 | \$ _ | \$ | 283,807 | \$ | - |

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, FAS 157 requires reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The following table represents the reconciliation of the Foundation's assets measured at fair value on a recurring basis using significant unobservable inputs.

Notes To Financial Statements

Note 4. Fair Value Of Financial Instruments (Continued)

| | December 31, 2009 | | | | | | | | |
|--|------------------------------------|-----------|----|------------------------|----|---------------------------------|--|--|--|
| Description | Partnerships And Hedge Funds | | | Private Investments | | Deferred mpensation Asset | | | |
| Beginning balance of assets & liabilities | \$ | 152,167 | \$ | - | \$ | 55,345 | | | |
| Total unrealized/realized gains (losses) or change | | | | | | | | | |
| in value recorded in revenue | | (390,390) | | (262,065) | | (113,560) | | | |
| Transfers in and/or out of Level 3 | | 9,221,081 | | 2,613,932 | | 327,386 | | | |
| Ending balance of assets & liabilities | \$ | 8,982,858 | \$ | 2,351,867 | \$ | 269,171 | | | |

| | | Decembe | r 31, 2008 | |
|--|---------|-----------|------------|------------|
| | | | | Deferred |
| | Partner | | | mpensation |
| Description | He | dge Funds | | Asset |
| Beginning balance of assets & liabilities | \$ | 152,167 | \$ | 56,336 |
| Total unrealized/realized gains (losses) or change | | | | |
| in value recorded in revenue | | - | | (991) |
| Transfers in and/or out of Level 3 | | | | |
| Ending balance of assets & liabilities | \$ | 152,167 | \$ | 55,345 |

The following table provides additional disclosures on the Foundation's Level 2 and 3 assets at December 31, 2009, as required per ASU 2009-12:

| | | Unfunded | Redemption | Redemption |
|--|------------------|-------------|--------------------------|---------------|
| Strategy Category | Fair Value | Commitments | Frequency | Notice Period |
| Global Equity Opportunistic (a) | \$ 15,098,611 | N/A | Quarterly | 30 days |
| Event-driven Hedge Fund ^(b) | 11,221,208 | N/A | Quarterly to Semi-annual | 60 days |
| Equity Long/Short Hedge Fund (c) | 4,714,579 | N/A | Quarterly | 45 days |
| Balanced Global Opportunistic(d) | 1,738,386 | N/A | Semi-annual | 60 days |
| Multi-strategy Hedge Fund of Funds (e) | 9,456,258 | N/A | Quarterly | 65 days |
| Traditional Equity ^(f) | 5,284,736 | N/A | Daily | 30 days |
| Private Equity ^(g) | 2,407,672 | 7,317,053 | N/A ^(h) | N/A |
| | \$ 49,921,450 | | | |

- (a) Global Equity Opportunistic refers to investments in equity securities across worldwide markets, not restricted to specific regions or market capitalization.
- (b) Event-driven strategies are investments in opportunities created by significant transaction events, such as spinoffs, mergers and acquisitions, and reorganizations. These strategies include Risk Arbitrage, Distressed Situations Investing, Special Situations, and Opportunistic Investing.
- (c) Long/Short Equity managers seek capital appreciation by taking positions in equities and generally involve fundamental analysis in the investment decision process. Managers in this category tend to benefit through effective stock picking and manage market exposure by shifting allocations between long and short investments, depending on market conditions and outlook. Long/Short Equity strategies may comprise investments in one or multiple countries, including emerging markets and one or multiple sectors within those markets.

Notes To Financial Statements

Note 4. Fair Value Of Financial Instruments (Continued)

- (d) Balanced Global Opportunistic refers to a range of investments in domestic and international equities, and fixed income. These managers seek to achieve the proper balance between those markets based on region-specific economic conditions and forecasts, combined with fundamental analysis.
- (e) 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. 45% 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.
- (f) Traditional Equity investing involves long only positions in publicly traded equity securities of predominantly U.S. domiciled companies.
- (g) 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.
- (h) Private Equity partnerships permit redemption only amongst partners. As such, there is no redemption frequency or notice period officially outlined in the investment agreement.

Note 5. Property And Equipment

Property and equipment and accumulated depreciation consist of the following at December 31, 2009 and 2008:

| | 2009 | 2008 |
|----------------------------------|------------------|------------------|
| Land, building, and improvements | \$ 57,802,791 | \$ 54,392,525 |
| Office furniture and equipment | 9,825,168 | 8,572,391 |
| | 67,627,959 | 62,964,916 |
| Less accumulated depreciation | (20,436,082) | (17,660,428) |
| Property and equipment, net | \$ 47,191,877 | \$ 45,304,488 |

Depreciation expense for the years ended December 31, 2009 and 2008, totaled \$2,784,812 and \$2,559,539, respectively.

Notes To Financial Statements

Note 6. Notes Payable

Notes payable as of December 31, 2009 and 2008, are as follows:

| | 2009 | 2008 |
|---------------------------------------|-----------------|-----------------|
| Construction note payable | \$ 3,769,999 | \$ 3,949,999 |
| Office equipment note payable | - | 10,919 |
| Interest rate swap liability (Note 1) | 221,408 | 283,807 |
| Construction note payable | 10,000 | 10,000 |
| | 4,001,407 | 4,254,725 |
| Less current portion | (203,333) | (3,960,918) |
| Notes payable, long term | \$ 3,798,074 | \$ 293,807 |

Note Payable (Construction and Building Improvements) - In 2002, the Foundation obtained a \$10 million note which was used to finance construction, building improvements and refinance existing debt. During 2005, \$4,950,000 of the note was paid off. In 2008, the remaining outstanding balance of the note was subject to an interest-rate swap agreement, with an effective fixed rate of 5.99% over seven years. In 2009, the principal balance of \$3,866,666 was refinanced and extended. The unpaid principal balance of the new note, plus accrued and unpaid interest, is due on May 31, 2012. A new swap agreement was initiated with a term matching the new note and with an effective interest rate of 4.09% per annum (Note 1). The note is secured by certain assets held in the Foundation's investment portfolio and requires that the Foundation maintain a debt service coverage ratio (as defined by the lending institution) of at least 1.35 to 1 and a ratio of unrestricted liquidity to funded debt of at least 5 to 1.

Note Payable (Office Equipment) - In 2008, the Foundation had a three-year, interest-free note used to finance the purchase of office equipment. Principal payments are made monthly, and the note was used to pay-off existing capital lease obligations in 2009, allowing the Foundation to enter into new operating lease agreements. The note was secured by the related office equipment.

Mortgage Note Payable - During 2005, the Foundation obtained an interest-only term loan in the amount of \$10,000 to finance the cost of preliminary design and planning for use of property at 426 3rd Street, NE. The loan bears interest at LIBOR plus 60 basis points (.83% at December 31, 2009) with principal due at maturity in August, 2010 and is secured with a deed of trust placed on the property.

Minimum future payments under these notes payable as of December 31, 2009, are as follows:

| Years Ending December 31, | |
|---------------------------|-----------------|
| 2010 | \$ 203,333 |
| 2011 | 193,333 |
| 2012 | 3,604,741 |
| | \$ 4,001,407 |

Notes To Financial Statements

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. Contributions to the plan by the Foundation were \$1,598,900 and \$1,335,474 for the years ended December 31, 2009 and 2008, respectively. Employees vest at 25% per year of service beginning after two years and are fully vested after five years.

Deferred Compensation Plan - The Foundation provides employees the opportunity to defer current compensation under both 403(b) and a 457(b) plan. Although the Foundation makes no contributions to these plans, the 457(b) plan assets and related liability to employees of \$1,109,374 and \$766,845 at December 31, 2009 and 2008, respectively, are includable on the Foundation's statement of financial position within deferred compensation obligations.

The total market value of all deferred compensation investments and the related deferred compensation obligations to employees was \$3,279,681 and \$2,603,294 at December 31, 2009 and 2008, respectively.

Note 8. Restricted Net Assets

In August 2008, the Codification on Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Fund was issued. 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 permanently restricted net assets (a) the original value of cash gifts donated to permanent endowment and (b) the discounted value of future gifts promised to permanent endowment, net of allowance for uncollectible pledges. The remaining portion of donor-restricted endowment funds not classified in permanently restricted net assets is classified as temporarily restricted net assets 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 permanently restricted cash contributions that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. The annual investment withdrawal is calculated at 5% of the 3-year quarterly average of the investment market values at September 30th. All earnings from these funds are reflected as temporarily restricted net assets until appropriated for program expenditures.

Notes To Financial Statements

Note 8. Restricted Net Assets (Continued)

Temporarily restricted net assets at December 31, 2009 and 2008, consist of the following:

| | 2009 | 2008 | |
|---|-------------------------------|-------------------------------|--|
| Contributions restricted by purpose Contributions restricted by passage of time | \$ 2,317,467 18,597,424 | \$ 3,220,000 13,813,075 | |
| Contains and rocalistical by passage of affice | \$ 20,914,891 | \$ 17,033,075 | |

Permanently restricted net assets represent funds that are subject to donor-imposed restrictions requiring the corpus to be held in perpetuity. At December 31, 2009 and 2008, permanently restricted net assets consist of the following:

| | 2009 | 2008 |
|---|---------------------------------------|---------------------------------------|
| William E. Simon Fellow – Study of Religion and Free Society Westerman Intern Program John R. & Margrite Davis Intern Endowment | \$ 1,000,000 100,000 100,000 | \$ 1,000,000 100,000 100,000 |
| - | \$ 1,200,000 | \$ 1,200,000 |

The Foundation's endowments consist entirely of donor restricted funds and the following is the endowment fund activity for the years ended December 31, 2009 and 2008:

| | December 31, 2009 | | | | | | | | | | | | | |
|--|-------------------|-----------------------------------|----|--|----|-------------------------------------|----|-------------------------------------|--|--|--|--|--|--|
| | U | nrestricted | | emporarily Restricted | | ermanently Restricted | | Total | | | | | | |
| Beginning of year Investment return Amounts appropriated for expenditure Transfers | \$ | \$ 221,130 - - (221,130) | | - 331,219 (65,737) 221,130 | \$ | 1,200,000 - - - | \$ | 1,421,130 331,219 (65,737) | | | | | | |
| End of year | \$ | - | \$ | 486,612 | \$ | 1,200,000 | \$ | 1,686,612 | | | | | | |
| | | Inrestricted | | December Dec | | , 2008 Permanently Restricted | | Total | | | | | | |
| Beginning of year Investment return Amounts appropriated for expenditure Transfers | \$ | 968,741 (580,514) (167,097) | \$ | - - - | \$ | 1,200,000 - - - | \$ | 2,168,741 (580,514) (167,097) | | | | | | |
| End of year | \$ | 221,130 | \$ | - | \$ | 1,200,000 | \$ | 1,421,130 | | | | | | |

Notes To Financial Statements

Note 9. Operating Leases

The Foundation leases equipment 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, 2009, are as follows:

| Years | Ending | December | 31 |
|--------|---------------|----------|------------|
| i cais | | | UI. |

| 2010 | \$ 133,247 |
|------|---------------|
| 2011 | 133,247 |
| 2012 | 17,924 |
| | \$ 284,418 |

Expense incurred under these leases for the years ended December 31, 2009 and 2008, totaled \$136,279 and \$115,943, respectively.

Note 10. Related Party Transactions

During 2009, the Foundation renewed a lease to provide space to a company affiliated with a member of the Board of Trustees. The lease runs from July 21, 2009, through Sept 1, 2010. Annual lease payments total \$55,840. Lease payments relating to this lease amounted to approximately \$53,748 during the year ended December 31, 2009. Future minimum lease payments relating to this lease will amount to approximately \$41,880 for the year ending December 31, 2010. Rental income recognized during the years ended December 31, 2009 and 2008 was \$53,748 and \$49,860, respectively.

The Foundation signed a lease to provide intern housing to a college affiliated with a member of the Board of Trustees. The lease runs from November 13, 2009 through May 9, 2010. Future minimum lease payments relating to this lease are expected to be \$22,656 for the year ending 2010.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On The Supplementary Information

To the Board of Trustees The Heritage Foundation Washington, D.C.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information, which follows, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey of Pullen, LLP

Vienna, Virginia August 18, 2010

The Heritage Foundation

Schedule Of Functional Expenses Year Ended December 31, 2009

| | | Program Services | | | | | | | | | Supporting Services | | | | | | | |
|-------------------------------------|----------|------------------|----|------------|----|-------------|----|------------|----|------------|---------------------|-------------|----|------------|----|------------|--|--|
| | <u> </u> | | | Media And | | | | | | | | | | | | | | |
| | | | (| Government | | Educational | | | M | anagement | | | | | | Total | | |
| | | Research | | Relations | | Programs | | Total | A | nd General | F | und-raising | | Total | | Expenses | | |
| Supplies | \$ | 254,838 | \$ | 112,007 | \$ | 50,057 | \$ | 416,902 | \$ | 17,207 | \$ | 79,132 | \$ | 96,339 | \$ | 513,241 | | |
| Telephone | | 210,332 | | 118,391 | | 42,794 | | 371,517 | | 12,264 | | 49,452 | | 61,716 | | 433,233 | | |
| Leased equipment | | 64,055 | | 39,484 | | 85,905 | | 189,444 | | 5,098 | | 38,787 | | 43,885 | | 233,329 | | |
| Staff training | | 134,089 | | 62,361 | | 43,702 | | 240,152 | | 30,684 | | 22,860 | | 53,544 | | 293,696 | | |
| Postage and freight | | 140,055 | | 60,697 | | 4,131,620 | | 4,332,372 | | 6,461 | | 2,228,112 | | 2,234,573 | | 6,566,945 | | |
| Professional fees | | 115,434 | | 75,221 | | 34,753 | | 225,408 | | 83,010 | | 6,399 | | 89,409 | | 314,817 | | |
| Rent | | 84,410 | | 43,744 | | 20,869 | | 149,023 | | 5,446 | | 11,912 | | 17,358 | | 166,381 | | |
| Occupancy charges | | 737,454 | | 455,859 | | 224,714 | | 1,418,027 | | 58,736 | | 248 | | 58,984 | | 1,477,011 | | |
| Insurance | | 79,816 | | 49,199 | | 24,343 | | 153,358 | | 14,118 | | 3,323 | | 17,441 | | 170,799 | | |
| Data processing | | 16,608 | | 10,111 | | 5,003 | | 31,722 | | 28,146 | | 99,296 | | 127,442 | | 159,164 | | |
| Photography, copying, and recording | | 99,489 | | 46,944 | | 6,656 | | 153,089 | | 3,894 | | 36,613 | | 40,507 | | 193,596 | | |
| Books | | 70,506 | | 28,728 | | 19,337 | | 118,571 | | 1,473 | | 191,561 | | 193,034 | | 311,605 | | |
| Subscriptions | | 100,062 | | 157,304 | | 8,467 | | 265,833 | | 7,752 | | 8,236 | | 15,988 | | 281,821 | | |
| Taxes and licenses | | 79,462 | | 42,161 | | 27,607 | | 149,230 | | 104,745 | | 8,251 | | 112,996 | | 262,226 | | |
| Maintenance | | 54,118 | | 33,358 | | 34,819 | | 122,295 | | 4,324 | | 32,739 | | 37,063 | | 159,358 | | |
| Travel and subsistence | | 31,488 | | 17,746 | | 3,638 | | 52,872 | | 1,747 | | 457,608 | | 459,355 | | 512,227 | | |
| Miscellaneous | | 9,583 | | 5,726 | | 153,751 | | 169,060 | | 1,873 | | 143,496 | | 145,369 | | 314,429 | | |
| Printing and mailing | | 161,546 | | 107,451 | | 4,971,072 | | 5,240,069 | | 14,522 | | 2,776,958 | | 2,791,480 | | 8,031,549 | | |
| Conferences | | 2,401,519 | | 1,064,275 | | 113,784 | | 3,579,578 | | 46,154 | | 1,514,133 | | 1,560,287 | | 5,139,865 | | |
| Advertising | | 151,822 | | 3,479,545 | | 12,900 | | 3,644,267 | | 15,043 | | 125,732 | | 140,775 | | 3,785,042 | | |
| Other programs and grants | | 26,289 | | 14,377 | | 6,867 | | 47,533 | | 2,694 | | 5,383 | | 8,077 | | 55,610 | | |
| Salaries | | 12,484,084 | | 5,772,156 | | 1,785,287 | | 20,041,527 | | 973,153 | | 2,521,225 | | 3,494,378 | | 23,535,905 | | |
| Fringe benefits | | 2,553,253 | | 1,215,357 | | 481,907 | | 4,250,517 | | 204,559 | | 579,691 | | 784,250 | | 5,034,767 | | |
| Scholars and consultants | | 1,819,650 | | 572,081 | | 1,793,609 | | 4,185,340 | | 119,652 | | 2,512,520 | | 2,632,172 | | 6,817,512 | | |
| Honoraria and writer's fees | | 214,621 | | 14,006 | | 5,445 | | 234,072 | | 6,432 | | 84,789 | | 91,221 | | 325,293 | | |
| Temporary assistance | | 77,049 | | 11,683 | | 33,306 | | 122,038 | | 1,508 | | 11,791 | | 13,299 | | 135,337 | | |
| On-line service fees | | 253,498 | | 212,894 | | 314,948 | | 781,340 | | 13,933 | | 28,572 | | 42,505 | | 823,845 | | |
| Interest expense | | 71,052 | | 43,798 | | 45,742 | | 160,592 | | 5,654 | | 43,024 | | 48,678 | | 209,270 | | |
| Depreciation | | 945,513 | | 582,814 | | 608,715 | | 2,137,042 | | 75,245 | | 572,525 | | 647,770 | | 2,784,812 | | |
| Total expenses | \$ | 23,441,695 | \$ | 14,449,478 | \$ | 15,091,617 | \$ | 52,982,790 | \$ | 1,865,527 | \$ | 14,194,368 | \$ | 16,059,895 | \$ | 69,042,685 | | |

The Heritage Foundation

Schedule Of Functional Expenses Year Ended December 31, 2008

| | Program Services | | | | | | | | | Supporting Services | | | | | | | |
|-------------------------------------|----------------------|----|------------|----|-------------|----|------------|----|------------|---------------------|---------------|----|------------|----|------------|--|--|
| | | | Media And | | | | | | | | | | | =' | | | |
| | Dagaga | (| Government | | Educational | | Tatal | | anagement | | Frank maining | | Total | | Total | | |
| - | Research | | Relations | | Programs | | Total | А | nd General | | Fund-raising | | Total | | Expenses | | |
| Supplies | \$ 298,766 | \$ | 135,815 | \$ | 40,775 | \$ | 475,356 | \$ | 17,703 | \$ | 66,196 | \$ | 83,899 | \$ | 559,255 | | |
| Telephone | 226,279 | | 123,183 | | 30,513 | | 379,975 | | 11,284 | | 38,945 | | 50,229 | | 430,204 | | |
| Leased equipment | 89,431 | | 75,904 | | 41,944 | | 207,279 | | 6,122 | | - | | 6,122 | | 213,401 | | |
| Staff training | 212,448 | | 93,440 | | 35,512 | | 341,400 | | 47,773 | | 23,367 | | 71,140 | | 412,540 | | |
| Postage and freight | 167,674 | | 119,883 | | 3,421,706 | | 3,709,263 | | 4,237 | | 1,619,385 | | 1,623,622 | | 5,332,885 | | |
| Professional fees | 129,646 | | 101,747 | | 37,196 | | 268,589 | | 78,235 | | 3,409 | | 81,644 | | 350,233 | | |
| Rent | 72,745 | | 42,683 | | 11,513 | | 126,941 | | 5,058 | | 11,808 | | 16,866 | | 143,807 | | |
| Occupancy charges | 854,923 | | 499,801 | | 134,790 | | 1,489,514 | | 58,395 | | 1,232 | | 59,627 | | 1,549,141 | | |
| Insurance | 82,833 | | 48,602 | | 13,109 | | 144,544 | | 12,606 | | 2,923 | | 15,529 | | 160,073 | | |
| Data processing | 11,568 | | 6,728 | | 1,815 | | 20,111 | | 20,271 | | 81,163 | | 101,434 | | 121,545 | | |
| Photography, copying, and recording | 24,628 | | 58,583 | | 3,512 | | 86,723 | | 360 | | 40,158 | | 40,518 | | 127,241 | | |
| Books | 40,363 | | 13,216 | | 3,641 | | 57,220 | | 1,943 | | 57,052 | | 58,995 | | 116,215 | | |
| Subscriptions | 151,694 | | 143,114 | | 6,752 | | 301,560 | | 8,260 | | 9,621 | | 17,881 | | 319,441 | | |
| Taxes and licenses | 209,103 | | 83,966 | | 29,696 | | 322,765 | | 82,501 | | 5,543 | | 88,044 | | 410,809 | | |
| Maintenance | 128,292 | | 75,062 | | 20,869 | | 224,223 | | 8,742 | | - | | 8,742 | | 232,965 | | |
| Travel and subsistence | 53,199 | | 28,133 | | 3,065 | | 84,397 | | 2,619 | | 401,440 | | 404,059 | | 488,456 | | |
| Miscellaneous | 17,997 | | 6,038 | | 90,629 | | 114,664 | | 1,219 | | 56,338 | | 57,557 | | 172,221 | | |
| Printing and mailing | 91,925 | | 186,221 | | 4,879,026 | | 5,157,172 | | 2,379 | | 2,891,883 | | 2,894,262 | | 8,051,434 | | |
| Conferences | 2,629,441 | | 1,163,655 | | 72,555 | | 3,865,651 | | 53,911 | | 1,316,347 | | 1,370,258 | | 5,235,909 | | |
| Advertising | 34,832 | | 2,327,039 | | 12,060 | | 2,373,931 | | 3,775 | | 75,669 | | 79,444 | | 2,453,375 | | |
| Other programs and grants | 36,909 | | 32,263 | | 3,847 | | 73,019 | | 1,664 | | 1,250 | | 2,914 | | 75,933 | | |
| Salaries | 11,957,538 | | 5,452,283 | | 1,311,787 | | 18,721,608 | | 865,711 | | 2,400,436 | | 3,266,147 | | 21,987,755 | | |
| Fringe benefits | 2,696,256 | | 1,122,179 | | 378,958 | | 4,197,393 | | 170,508 | | 502,822 | | 673,330 | | 4,870,723 | | |
| Scholars and consultants | 1,790,887 | | 1,068,922 | | 1,806,877 | | 4,666,686 | | 46,536 | | 2,074,714 | | 2,121,250 | | 6,787,936 | | |
| Honoraria and writer's fees | 136,351 | | 17,745 | | 71,980 | | 226,076 | | 750 | | 62,250 | | 63,000 | | 289,076 | | |
| Temporary assistance | 91,557 | | 12,099 | | 254,968 | | 358,624 | | 8,862 | | 31,770 | | 40,632 | | 399,256 | | |
| Agency fees | 75,425 | | 19,905 | | 5,369 | | 100,699 | | 11,100 | | 3,700 | | 14,800 | | 115,499 | | |
| On-line service fees | 189,058 | | 144,523 | | 124,316 | | 457,897 | | 7,794 | | 19,465 | | 27,259 | | 485,156 | | |
| Interest expense | 106,759 | | 62,640 | | 16,895 | | 186,294 | | 7,308 | | - | | 7,308 | | 193,602 | | |
| Depreciation and amortization | 1,411,418 | | 828,138 | | 223,367 | | 2,462,923 | | 96,616 | | | | 96,616 | | 2,559,539 | | |
| Total expenses | \$ 24,019,945 | \$ | 14,093,510 | \$ | 13,089,042 | \$ | 51,202,497 | \$ | 1,644,242 | \$ | 11,798,886 | \$ | 13,443,128 | \$ | 64,645,625 | | |