

TAX FOUNDATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
Tax Foundation
Washington, DC

Opinion

We have audited the accompanying financial statements of Tax Foundation, (a non-profit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tax Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tax Foundation, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tax Foundation's, ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tax Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tax Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Washington, DC
April 22, 2022

TAX FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,299,474	\$ 1,560,626
Investments	3,795,939	2,919,493
Contributions receivable	443,000	-
Accounts receivable	118,000	37,372
Prepaid expenses	55,755	127,657
Total Current Assets	5,712,168	4,645,148
PROPERTY AND EQUIPMENT		
Furniture and equipment	493,138	493,138
Leasehold improvements	645,581	645,581
Sub-total Property and Equipment	1,138,719	1,138,719
Less accumulated depreciation and amortization	(847,537)	(750,219)
Total Property and Equipment, Net	291,182	388,500
OTHER ASSETS		
Beneficial interest in split interest agreement	49,745	45,996
Deposits	36,751	36,751
Total Other Assets	86,496	82,747
TOTAL ASSETS	\$ 6,089,846	\$ 5,116,395
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 114,979	\$ 17,188
Accrued expenses	176,463	248,808
Capital lease liability, current portion	3,589	3,342
Deferred rent and lease incentive, current portion	109,059	97,763
Total Current Liabilities	404,090	367,101
NON-CURRENT LIABILITIES		
Capital lease liability, net of current portion	-	4,171
Deferred rent and lease incentive, net of current portion	554,962	664,020
Total Non-Current Liabilities	554,962	668,191
Total Liabilities	959,052	1,035,292
NET ASSETS		
Without donor restrictions	4,579,233	3,328,619
With donor restrictions	551,561	752,484
Total Net Assets	5,130,794	4,081,103
TOTAL LIABILITIES AND NET ASSETS	\$ 6,089,846	\$ 5,116,395

The accompanying notes are an integral part of these financial statements.

TAX FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 4,874,736	\$ 939,500	\$ 5,814,236
Fundraising Event:			
Annual dinner	923,704	-	923,704
Less: direct costs	(378,959)	-	(378,959)
Net Revenue From Fundraising Event	544,745	-	544,745
Investment income, net	380,759	-	380,759
Honoraria and reimbursements	1,428	-	1,428
In-kind contributions	11,000	-	11,000
Net assets released from restrictions	1,140,423	(1,140,423)	-
Total Revenue and Support	6,953,091	(200,923)	6,752,168
 EXPENSES			
Program Services:			
Federal tax policy	1,564,173	-	1,564,173
Marketing and communication	1,072,159	-	1,072,159
State tax policy	789,951	-	789,951
Global tax reform	449,361	-	449,361
Total Program Services	3,875,644	-	3,875,644
Support Services:			
General and administration	884,154	-	884,154
Fundraising	942,679	-	942,679
Total Support Services	1,826,833	-	1,826,833
Total Expenses	5,702,477	-	5,702,477
 CHANGE IN NET ASSETS	1,250,614	(200,923)	1,049,691
 NET ASSETS, beginning of year	3,328,619	752,484	4,081,103
 NET ASSETS, end of year	\$ 4,579,233	\$ 551,561	\$ 5,130,794

The accompanying notes are an integral part of these financial statements.

TAX FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 3,474,410	\$ 1,841,000	\$ 5,315,410
Fundraising Event:			
Annual dinner	298,000	-	298,000
Less: direct costs	<u>(43,696)</u>	<u>-</u>	<u>(43,696)</u>
Net Revenue From Fundraising Event	254,304	-	254,304
Investment income, net	369,611	-	369,611
Honoraria and reimbursements	2,490	-	2,490
Net assets released from restrictions	<u>1,429,687</u>	<u>(1,429,687)</u>	<u>-</u>
Total Revenue and Support	5,530,502	411,313	5,941,815
 EXPENSES			
Program Services			
Federal tax policy	1,305,296	-	1,305,296
Marketing and communication	1,049,296	-	1,049,296
State tax policy	706,371	-	706,371
Global tax reform	<u>399,389</u>	<u>-</u>	<u>399,389</u>
Total Program Services	3,460,352	-	3,460,352
Support Services:			
General and administration	601,854	-	601,854
Fundraising	<u>685,755</u>	<u>-</u>	<u>685,755</u>
Total Support Services	1,287,609	-	1,287,609
Total Expenses	<u>4,747,961</u>	<u>-</u>	<u>4,747,961</u>
 CHANGE IN NET ASSETS	782,541	411,313	1,193,854
 NET ASSETS, beginning of year	<u>2,546,078</u>	<u>341,171</u>	<u>2,887,249</u>
 NET ASSETS, end of year	<u><u>\$ 3,328,619</u></u>	<u><u>\$ 752,484</u></u>	<u><u>\$ 4,081,103</u></u>

The accompanying notes are an integral part of these financial statements.

TAX FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Support Services			TOTAL	
	Federal Tax Policy	Marketing and Communication	State Tax Policy	Global Tax Reform	Total Program Services	General and Administration	Fundraising		Total Support Services
Personnel Costs:									
Salaries	\$ 986,706	\$ 607,054	\$ 434,463	\$ 232,486	\$ 2,260,709	\$ 433,017	\$ 407,923	\$ 840,940	\$ 3,101,649
Payroll taxes	73,633	45,470	32,569	17,411	169,083	30,952	30,580	61,532	230,615
Employee benefits	46,049	38,020	26,448	14,877	125,394	(5,438)	24,796	19,358	144,752
Retirement benefits	36,026	22,107	15,834	8,465	82,432	15,946	14,867	30,813	113,245
Total Personnel Costs	1,142,414	712,651	509,314	273,239	2,637,618	474,477	478,166	952,643	3,590,261
Accounting	-	-	-	-	-	101,439	-	101,439	101,439
Advertising	93,430	62,989	37,576	32,746	226,741	14,772	52,178	66,950	293,691
Bank and credit card fees	-	-	-	-	-	11,572	-	11,572	11,572
Charitable registration	-	-	-	8,114	8,114	2,397	-	2,397	10,511
Conference and meetings	2,272	1,599	1,010	757	5,638	1,263	1,515	2,778	8,416
Depreciation and amortization	30,959	20,872	12,451	10,851	75,133	4,895	17,290	22,185	97,318
Direct mail expenses	-	74,180	-	-	74,180	77,543	247,308	324,851	399,031
Dues and subscription	5,304	22,341	27,904	17,562	73,111	9,970	14,693	24,663	97,774
Equipment rental and maintenance	4,504	3,036	1,811	1,578	10,929	713	2,515	3,228	14,157
Grant writing	-	-	-	-	-	-	25,898	25,898	25,898
Insurance	5,671	3,991	2,520	1,890	14,072	3,467	3,465	6,932	21,004
IT Support	14,099	9,505	5,670	4,941	34,215	2,230	7,874	10,104	44,319
Legal	1,440	971	579	505	3,495	230	804	1,034	4,529
Occupancy	117,467	79,195	47,244	41,170	285,076	18,572	65,601	84,173	369,249
Office supplies	1,757	1,237	781	586	4,361	976	1,172	2,148	6,509
Other expenses	4,073	2,746	1,638	1,427	9,884	2,914	-	2,914	12,798
Printing and reproduction	15,839	11,146	7,040	5,280	39,305	8,799	10,560	19,359	58,664
Professional fees	101,578	44,500	125,000	41,050	312,128	94,468	-	94,468	406,596
Staff development	12,388	8,352	4,982	4,342	30,064	1,959	6,919	8,878	38,942
Telecommunications	1,009	5,833	-	-	6,842	45,959	75	46,034	52,876
Travel	9,969	7,015	4,431	3,323	24,738	5,539	6,646	12,185	36,923
Total Expenses	\$ 1,564,173	\$ 1,072,159	789,951	\$ 449,361	\$ 3,875,644	\$ 884,154	\$ 942,679	\$ 1,826,833	\$ 5,702,477

The accompanying notes are an integral part of these financial statements.

TAX FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Support Services				TOTAL
	Federal Tax Policy	Marketing and Communication	State Tax Policy	Global Tax Reform	Total Program Services	General and Administration	Fundraising	Total Support Services	
Personnel Costs:									
Salaries	\$ 847,095	\$ 607,054	\$ 434,463	\$ 232,486	\$ 2,121,098	\$ 161,749	\$ 407,923	\$ 569,672	\$ 2,690,770
Payroll taxes	63,501	45,470	32,569	17,411	158,951	11,182	30,580	41,762	200,713
Employee benefits	51,245	38,020	26,448	14,877	130,590	9,918	24,796	34,714	165,304
Retirement benefits	30,872	22,107	15,834	8,465	77,278	5,436	14,867	20,303	97,581
Total Personnel Costs	992,713	712,651	509,314	273,239	2,487,917	188,285	478,166	666,451	3,154,368
Accounting	-	-	-	-	-	108,727	-	108,727	108,727
Advertising	-	19,687	-	-	19,687	3,502	-	3,502	23,189
Bank and credit card fees	-	-	-	-	-	7,135	-	7,135	7,135
Conference and meetings	-	-	-	-	-	8,551	-	8,551	8,551
Charitable registration	-	-	-	9,930	9,930	10,099	-	10,099	20,029
Depreciation and amortization	32,677	24,244	16,865	9,487	83,273	6,324	15,811	22,135	105,408
Direct mail expenses	-	140,894	-	124	141,018	137,319	58,315	195,634	336,652
Dues and subscription	1,415	22,341	27,904	17,562	69,222	649	14,693	15,342	84,564
Equipment rental and maintenance	4,506	3,228	2,310	1,236	11,280	860	2,169	3,029	14,309
Insurance	6,848	4,908	3,512	1,879	17,147	1,308	3,298	4,606	21,753
IT Support	926	13,350	-	-	14,276	21,562	1,496	23,058	37,334
Occupancy	115,690	82,906	59,335	31,751	289,682	22,090	55,712	77,802	367,484
Office supplies	4,440	3,182	2,277	1,219	11,118	848	2,139	2,987	14,105
Other expenses	-	188	-	9,711	9,899	7,389	-	7,389	17,288
Printing and reproduction	-	14,528	494	-	15,022	312	1,344	1,656	16,678
Professional fees	133,999	-	75,000	37,408	246,407	68,104	40,000	108,104	354,511
Staff development	386	499	-	400	1,285	6,106	-	6,106	7,391
Telecommunications	8,111	5,813	4,160	2,226	20,310	1,549	3,906	5,455	25,765
Travel	3,585	877	5,200	3,217	12,879	1,135	8,706	9,841	22,720
Total Expenses	\$ 1,305,296	\$ 1,049,296	\$ 706,371	\$ 399,389	\$ 3,460,352	\$ 601,854	\$ 685,755	\$ 1,287,609	\$ 4,747,961

The accompanying notes are an integral part of these financial statements.

**TAX FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,049,691	\$ 1,193,854
Adjustments to reconcile changes in net assets to net cash provided for operating activities:		
Depreciation and amortization	97,318	105,408
Net investment income	(312,289)	(332,932)
Beneficial interest in split interest agreement	(3,749)	(3,749)
(Increase) decrease in assets:		
Contributions receivable	(443,000)	-
Accounts receivable	(80,628)	176,826
Prepaid expenses	71,902	(39,973)
Increase (decrease) in liabilities:		
Accounts payable	97,791	(65,902)
Accrued expenses	(72,345)	136,596
Capital lease liability	(3,924)	(2,330)
Deferred rent and lease incentive	(97,762)	(86,741)
Net Cash Provided by Operating Activities	303,005	1,081,057
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(11,927)
Purchases of investments	(567,120)	(52,657)
Proceeds from sales of investments	2,963	29,999
Net Cash Used for Investing Activities	(564,157)	(34,585)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(261,152)	1,046,472
CASH AND CASH EQUIVALENTS, beginning of year	1,560,626	514,154
CASH AND CASH EQUIVALENTS, end of year	\$ 1,299,474	\$ 1,560,626

The accompanying notes are an integral part of these financial statements.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Tax Foundation (the “Foundation”) is a 501(c)(3) nonprofit research and educational organization that was incorporated on September 14, 1990. The Foundation researches and analyzes various aspects of federal, state and local tax policies to assess the impact that such policies have on the economy, businesses, individuals and families. This compilation and analysis of tax policies is the first stage in the process of educating business executives, policies makers and the public about the role tax policies play in their lives and to help them differentiate sound tax policies from inefficient and destructive tax policies. The Foundation's operations are funded primarily through contributions from private foundations, corporations and individuals.

Program Descriptions

Federal Tax Policy - This program promotes sound tax policies in Washington D.C. The Foundation provides objective data and analysis on tax policies, using several tools, including modeling of economic and budgetary effects, research and writing, Capitol Hill Briefings, and Congressional Testimonies. The Foundation established itself as the go-to resource on federal tax issues for policymakers. In 2021, despite in-person limitations, the staff conducted more than 70 Capitol Hill meetings and briefings, testified three times, and produced dozens of reports and blog posts on a variety of issues that received 14,900 citations in leading media outlets.

Marketing and Communication - The Foundation’s marketing team makes tax policies engaging and accessible to taxpayers, legislators, and the media through innovative, multi-channel campaigns. The Foundation’s team delivers high-quality content to the right people, at the right time, in a format that promotes deeper understanding using tools like social media, digital advertising, interactive web experiences, and email. In 2021, the Foundation earned 30,725 media citations in the world's top news outlets, including *The Wall Street Journal*, *The Washington Post*, *The New York Times*, NBC News, Fox News, and NPR—a 51 percent increase over 2020; its experts conducted 112 radio and TV interviews and placed 22 op-eds; taxfoundation.org was visited 23.1 million times; its social media accounts earned 28 million impressions and grew to 89,347 total followers; its digital advertising resulted in 22.2 million impressions and drove 1.9 million video views; and its email newsletter grew to 53,839 subscribers.

State Tax Policy - This program promotes state tax reform with comprehensive annual reports, research, policy analysis, and in-depth state-specific studies. In 2021, the Foundation testified or presented to officials—mostly virtually—79 times in 28 states and the District of Columbia. The Foundation is often looked to by legislators, taxpayers, and the media to recommend tax reform options or provide analysis of tax plans. The Foundation’s analysis and studies, such as the State Business Tax Climate Index, inform the tax reform debate across the country and have been crucial to major tax changes in many states. Foundation experts were a vital resource to policymakers and journalists as states navigated tax policies during the pandemic.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(Continued)

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Program Descriptions (continued)

Global Tax Reform – This program was launched in 2018 in order to promote pro-growth tax policies throughout the world with a primary focus on Europe. The Global Tax Reform produces in-depth studies of economic data and uses a variety of measures, such as the International Tax Competitiveness Index, to compare tax systems. The Foundation’s experts have provided briefings in countries throughout Europe and are relied upon by media, policy makers, and other policy groups to provide analysis of tax proposals throughout the world. In 2021, the Foundation’s work was cited in 107 countries and received 5,800 international media citations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit-Entities*. In accordance with Topic 958, net assets, revenue, gains and losses are classified based on the existence or absence of donor -imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Foundation and/or the passage of time, or that must be in perpetuity by the Foundation. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support with donor restrictions and increase net assets with donor restrictions.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers money market accounts and all highly liquid investments with original maturities of less than three months to be cash equivalents except for those funds that are part of the investment portfolio. The Foundation maintains its cash and cash equivalents balances in certain accounts which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the accounts may exceed these limits. However, the Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments in mutual funds and stocks are reported at fair value, which is based on observable quoted market prices. Interest income is reported when earned. Dividends are recorded on the ex-dividend date. Investment income includes the gains and losses on investments bought and sold as well as held during the year.

Contributions and Accounts Receivable

Contributions and accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved. Management believes all accounts receivable are collectable within one year or less; therefore, no allowance for uncollectible accounts has been established. As of the end of the year ended December 31, 2020, accounts receivable totaled \$37,372.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Expenditures over \$2,500 that extend the life of an asset by more than one year are capitalized while repairs and maintenance are expensed. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives (ranging from three to nine years) of the related assets. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the lease term.

Deferred Rent

The Foundation recognizes rent expense on a straight line basis over the term of the lease. Deferred rent is recorded as the difference in rent expense on a straight-line basis and cash payments.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Foundation recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as when the contribution are received, are reported as contributions with donor restrictions.

Revenue from the annual dinner is recognized when the event occurs, and is reported in the accompanying statements of activities net of direct expenses.

In-Kind Contributions

In-Kind contributions are recorded at fair value of the services or items received. The Tax Foundation recognizes in-kind contributions that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2021 and 2020, donated goods totaled \$11,000 and \$0, respectively.

Method Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or a support function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy expenses, which are allocated on the basis of salaries and related costs, determined by estimated of time and effort expended.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of revenue and expenses during the reporting periods and reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE C – INCOME TAXES

The Foundation has been recognized as exempt from federal income tax by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The Foundation’s information returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The Foundation’s Form 990 returns for the years 2018 through 2020 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Foundation has various sources of liquidity at its disposal including cash and cash equivalents, contributions receivable, accounts receivable and investments.

For purposes of analyzing resources available to meet general expenditure over a 12-month period, the Foundation considers all expenditures related to its ongoing program activities and services to support those activities to be general expenditures.

The following table reflects the Foundation’s financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of donor restrictions:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,299,474	\$ 1,560,626
Investments	3,795,939	2,919,493
Contributions receivable	443,000	-
Accounts receivable	118,000	37,372
Total Financial Assets	<u>5,656,413</u>	<u>4,517,491</u>
Less: Net assets with Donor Restrictions	<u>(551,561)</u>	<u>(752,484)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within one Year	<u>\$ 5,104,852</u>	<u>\$ 3,765,007</u>

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 of the fair value hierarchy under FASB ASC Topic 820 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets of liabilities in active market that the Foundation has the ability to access.

Level 1 – Inputs are based on unadjusted quoted prices for identical assets traded in an active market that the Foundation has the ability to access.

Level 2 – Inputs are based on quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

Level 3 - Inputs are unobservable and significant to the overall fair value measurement.

The following valuation methods may produce a fair value calculation that may not be indicative of net realizable value reflective of future fair values. Furthermore, although management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation’s investments in mutual funds and stocks are based on observable market quotations.

The following table sets forth by level, within the fair value hierarchy, the assets of the Foundation reported at fair value on a recurring basis in the accompanying statements of financial position as follows:

Assets at Fair Value as of December 31, 2021

	Level 1	Level 2	Total
Mutual Funds	\$ 1,225,955	\$ -	\$ 1,225,955
Stocks	2,569,984	-	2,569,984
Total	<u>\$ 3,795,939</u>	<u>\$ -</u>	<u>\$ 3,795,939</u>

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS - continued

Assets at Fair Value as of December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual Funds	\$ 1,827,433	\$ -	\$ 1,827,433
Stocks	1,092,060	-	1,092,060
Total	<u>\$ 2,919,493</u>	<u>\$ -</u>	<u>\$ 2,919,493</u>

NOTE F – BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENT

The Foundation has a beneficial remainder interest in an irrevocable gift annuity held by a third party. The terms of the agreement provide for quarterly payments of \$1,550, to the primary beneficiary during their lifetime with the amount remaining to be paid to the Foundation upon the beneficiary's death. The Foundation has recorded the beneficial interest in this contribution at its estimated fair value using present value techniques assuming a remaining life expectancy of 8.1 years and a discount rate of 8%. For the years ended December 31, 2021 and 2020, the Foundation recorded an asset of \$49,745 and \$45,996, respectively, related to this split interest agreement, which is included in the accompanying statements of financial position.

NOTE G – LEASE COMMITMENTS

The Foundation leases its office space under a twelve-year operating lease agreement. The lease commenced in January 2015 and requires monthly rental payments of \$32,072, with annual escalations of approximately 2.5% and pass through of increases in operating costs and taxes. In addition, the lease provided for 13 months of rent abatement and a tenant improvement allowance of \$85 per square foot or \$681,530.

In addition, the Foundation entered into an equipment lease on January 2018, with a lease term of monthly payments of \$321 for a period of five years. Lease commitments for the Years Ending December 31, are as follows:

	<u>Office Lease</u>	<u>Equipment lease</u>	<u>Total</u>
2022	\$ 463,172	\$ 3,852	\$ 467,024
2023	474,752	321	475,073
2024	486,620	-	486,620
2025	498,786	-	498,786
2026	511,255	-	511,255
	<u>\$ 2,434,585</u>	<u>\$ 4,173</u>	<u>\$ 2,438,758</u>

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE G – LEASE COMMITMENTS - continued

Total occupancy expense recorded by the Foundation for the years ended December 31, 2021 and 2020, totaled \$369,249 and \$367,484, respectively.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

The Foundation had net assets with donor restrictions as of December 31, 2021 and 2020, as follows:

	2021	2020
Purpose Restricted:		
Tax and economic literacy project	\$ 356,573	\$ 465,000
Location matters	71,151	50,000
Upgrade to taxes and growth model	-	24,290
State Tax Business Climate Index	48,837	13,194
Total Purpose Restricted	476,561	552,484
Time restricted donations	75,000	200,000
Total	\$ 551,561	\$ 752,484

NOTE I – RETIREMENT PLAN

The Tax Foundation 401(k) Profit Sharing Plan (the “Plan”) was adopted to provide employees with retirement saving opportunities. All employees who are at least 21 years of age and have completed six months of employment with a minimum of 1,000 hours of service are eligible to participate. Eligible employees may contribute to the Plan up to the maximum limits set by the Internal Revenue Service. The employer matches 100 percent of the salary deferrals up to 5% of the compensation. Retirement expense for the years ended December 31, 2021 and 2020, totaled \$113,245 and \$97,581, respectively.

NOTE J – CONCENTRATION OF FUNDING

As of December 31, 2021 and 2020, the amount held in the Foundation's operating account exceeded the amount guaranteed by the Federal Deposit Insurance Corporation by \$1,049,474 and \$1,310,626, respectively. In addition, as of December 31, 2021 and 2020, grants and contributions receivable of \$561,000 and \$37,372 included amounts due from thirteen and three donors respectively, totaling \$438,000 and \$30,000, or 78% and 80% of the balance respectively. The Foundation has not experienced, nor does it anticipate, any loss of funds as a result of this concentration.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE K – SUBSEQUENT EVENTS

The Foundation's management has evaluated subsequent events for potential required disclosures through April 22, 2022, which is the date the financial statements are available to be issued. There were no additional events or transactions except as noted above that were discovered during the evaluation that required further recognition or disclosure.