THE REASON FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

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YEAR ENDED SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Reason Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of The Reason Foundation, which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Reason Foundation as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Green Hasson & Janks LLP

February 1, 2022
Los Angeles, California

THE REASON FOUNDATION

STATEMENT OF FINANCIAL POSITION
September 30, 2021

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Cash and Cash Equivalents	$ 2,376,669	$ -	$ 2,376,669
Investments	12,311,274	1,144,527	13,455,801
Accounts Receivable (Net)	114,971		114,971
Pledges Receivable	-	350,000	350,000
Deposits and Other Assets	201,457	-	201,457
Property and Equipment (Net)	2,709,782	-	2,709,782
Intangible Assets	73,691	-	73,691
TOTAL ASSETS	$ 17,787,844	$ 1,494,527	$ 19,282,371
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accrued Compensation Expenses	$ 857,143	$ -	$ 857,143
Accounts Payable and Other Accrued Expenses	417,280	-	417,280
Unearned Subscriptions	323,563	-	323,563
Deferred Compensation	1,033,123	-	1,033,123
TOTAL LIABILITIES	2,631,109	-	2,631,109
NET ASSETS:			
Without Donor Restrictions	15,156,735	-	15,156,735
With Donor Restrictions	-	1,494,527	1,494,527
TOTAL NET ASSETS	15,156,735	1,494,527	16,651,262
TOTAL LIABILITIES AND NET ASSETS	$ 17,787,844	$ 1,494,527	$ 19,282,371

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Public Support			
Contributions	$ 10,926,804	$ 2,920,000	$ 13,846,804
Reason Magazine	1,156,605	-	1,156,605
Conferences	6,040	-	6,040
Proceeds from Fundraising Events (Net of Direct Benefit Costs of $30,415)	133,802	-	133,802
Investment Return (Net)	1,671,788	30,424	1,702,212
Gain on Sale of Intangible Assets	102,333	-	102,333
Other Income	24,140	-	24,140
Net Assets Released from Donor Restrictions	3,419,425	(3,419,425)	-
TOTAL REVENUE AND SUPPORT	17,440,937	(469,001)	16,971,936
EXPENSES:			
Program Services	11,667,710	-	11,667,710
Management and General	507,391	-	507,391
Fundraising	1,222,654	-	1,222,654
TOTAL EXPENSES	13,397,755	-	13,397,755
CHANGE IN NET ASSETS	4,043,182	(469,001)	3,574,181
Net Assets - Beginning of Year	11,113,553	1,963,528	13,077,081
NET ASSETS - END OF YEAR	$ 15,156,735	$ 1,494,527	$ 16,651,262

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2021

	Program Services					Support Services		
	Public Affairs	Reason-TV	Magazine	Research	Total Program Services	Management and General	Fundraising	Total
Personnel Expenses								
Salaries	$ 324,963	$ 1,045,397	$ 2,634,108	$ 2,423,945	6,428,413	$ 273,921	$ 685,272	$ 7,387,606
Employee Benefits	30,326	72,435	154,039	167,088	423,888	17,199	65,371	506,458
Payroll Taxes	53,285	114,088	224,438	174,801	566,612	41,935	122,563	731,110
TOTAL PERSONNEL EXPENSES	408,574	1,231,920	3,012,585	2,765,834	7,418,913	333,055	873,206	8,625,174
Contract Services	6,757	225,064	313,085	789,480	1,334,386	28,517	57,622	1,420,525
Magazine Printing and Distribution	250	5,858	498,935	3,409	508,452	-	3,043	511,495
Advertising and Promotion	7,596	410	326,642	48,433	383,081	2,463	1,811	387,355
Occupancy	14,392	65,317	118,064	116,543	314,316	19,495	30,888	364,699
Marketing Contractors	-	-	372,765	-	372,765	-	-	372,765
Foundation-hosted Events and Conferences	-	155,215	89,591	90,046	334,852	-	(16,114)	318,738
Dues and Subscriptions	4	1,547	47,489	112,599	161,639	64	2,048	163,751
On-line Services	950	17,046	94,511	38,698	151,205	1,523	9,832	162,560
Conference Attendance and Sponsorships	500	-	10,771	132,489	143,760	-	5,919	149,679
Insurance	6,134	19,734	54,366	45,758	125,992	5,171	12,936	144,099
Postage and Shipping	868	1,065	37,822	11,044	50,799	494	88,190	139,483
Supplies	633	33,331	23,792	46,761	104,517	6,024	17,973	128,514
Travel	24	21,378	11,680	59,021	92,103	1,568	34,105	127,776
Printed Material	73	453	14,683	11,705	26,914	162	89,249	116,325
Professional Fees	-	-	-	-	-	103,381	-	103,381
Commissions	-	-	70,028	-	70,028	-	-	70,028
Depreciation and Amortization	1,630	5,242	13,209	12,155	32,236	1,375	3,436	37,047
Telephone	1,935	2,731	9,075	10,498	24,239	631	3,069	27,939
Books and Periodicals	1,684	3,593	3,271	4,444	12,992	1,925	5,216	20,133
Miscellaneous	107	623	1,051	2,740	4,521	1,543	225	6,289
TOTAL FUNCTIONAL EXPENSES	$ 452,111	$ 1,790,527	$ 5,123,415	$ 4,301,657	$ 11,667,710	$ 507,391	$ 1,222,654	$ 13,397,755

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF CASH FLOWS
Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	$ 3,574,181
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided By Operating Activities:	
Depreciation and Amortization	37,047
Net Realized and Unrealized Gains on Investments	(1,436,735)
Gain on Sale of Intangible Assets	(102,333)
(Increase) Decrease in:	
Accounts Receivable (Net)	5,560
Pledges Receivable	(330,000)
Deposits and Other Assets	(24,322)
Increase in:	
Accrued Compensation Expenses	14,671
Accounts Payable and Other Accrued Expenses	175,129
Unearned Subscriptions	41,337
Deferred Compensation	289,808
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,244,343
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Property and Equipment	(10,998)
Reinvested Interest and Dividends	(268,961)
Proceeds on Sale of Investments	3,052,493
Purchases of Investments	(4,240,306)
Purchases of Intangible Assets	(234,338)
Sales of Intangible Assets	305,332
NET CASH USED IN INVESTING ACTIVITIES	(1,396,778)
NET INCREASE IN CASH AND CASH EQUIVALENTS	847,565
Cash and Cash Equivalents - Beginning of Year	1,529,104
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,376,669

NOTE 1 - ORGANIZATION

The Reason Foundation (the Foundation) is a California tax-exempt nonprofit corporation formed for the purpose of educating Americans in the basic principles of the classical liberal/libertarian political philosophy. Toward this end, the Foundation provides research and publications which apply free-market principles to public policy issues. The Foundation's activities include the monthly publication of Reason Magazine and the publication of various studies on public policy issues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions**. Net assets available for use in general operations and not subject to donor-imposed restrictions.

- **Net Assets With Donor Restrictions**.
Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at September 30, 2021 approximates its fair value.

The Foundation maintains its cash and cash equivalents in bank deposit and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

(e) ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At September 30, 2021, management evaluated the collectability of accounts receivable and decided to maintain the existing allowance for doubtful accounts of $41,100, which is included in accounts receivable.

(f) PLEDGES RECEIVABLE

Pledges receivable consists of unconditional promises to give monetary assets to the Foundation. Management anticipates it will collect 100% of the pledges receivable balance within one year and so no allowance for potentially uncollectible pledges has been established as of September 30, 2021.

(g) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, accounts receivable, pledges receivable, deposits and other assets, accrued compensation expenses, accounts payable and other accrued expenses, and unearned subscriptions. Due to the short-term nature of these balances, the carrying amounts approximate their fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Building and improvements	7-39 Years
Furniture and equipment	3 Years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

(i) INTANGIBLE ASSETS

The Foundation determines the useful lives of identifiable intangible assets after considering specific facts and circumstances related to each intangible asset. Factors considered when determining useful lives include the contractual term of any agreement, this history of the asset, and the Company's long-term strategy for the use of the asset and other economic factors, including competition and specific market conditions. Intangible assets consist of donations received in cryptocurrency, which has an indefinite life and is reported at the lower of fair market value and the value of the asset when received.

Intangible assets are reviewed for impairment when an impairment indicator exists such as the price of the currency falling below the original cost. There was no impairment of intangible assets during the period ended September 30, 2021.

(j) LONG-LIVED ASSETS

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No impairment losses were recognized during the year ended September 30, 2021.

(k) CONTRIBUTIONS

Contributions, including endowment gifts, pledges and proceeds from fundraising events, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until the conditions on which they depend have been met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) MAGAZINE REVENUE

The Foundation has contracts with customers for magazine subscriptions where the Foundation has performance obligations under the contracts and in return the Foundation receives commensurate value. These revenues are recognized under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Performance obligations under these contracts are satisfied at a point in time, specifically upon delivery of each print or digital magazine. The revenue is recognized at various points in time over the term of the subscription agreement as the magazines are delivered and the performance obligations are satisfied.

Payments received for magazine subscriptions in advance of the Foundation satisfying its performance obligations are deferred and recorded within unearned subscriptions in the accompanying statement of financial position.

The Foundation has contracts with customers for magazine advertising where the Foundation has performance obligations under the contracts and in return the Foundation receives commensurate value. Performance obligations under these contracts are satisfied as a point in time as the advertisements run in the print or digital magazines. The revenue is recognized at various points in time over the term of the agreement as the advertisements are run and the performance obligations are satisfied.

Payments received for magazine advertising in advance of the Foundation satisfying its performance obligations are deferred and recorded within accounts payable and other accrued expenses in the accompanying statement of financial position.

(m) ADVERTISING AND PROMOTION

Costs of advertising and promotion are expensed as incurred. Total advertising and promotion expense was $387,355 for the year ended September 30, 2021.

(n) FUNCTIONAL EXPENSES

The costs of providing the Foundation’s programs and other activities have been presented in the statement of activities. During the year, such costs are allocated among program and support services by a method that best measures the relative degree of benefit. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated accordingly based on the specific department.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) INCOME TAXES

The Foundation is a nonprofit public benefit corporation organized under the laws of California and, as such, is generally exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions. The Foundation incurs unrelated business income taxes (UBIT) from its activities involving Reason Magazine advertising income and from rental of its mailing list. UBIT is calculated using federal and California corporate tax rates applied to any surplus from its unrelated business activities.

In accordance with the FASB's Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes,* the Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended September 30, 2021, the Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(p) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(q) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of US GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASU's between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on principal versus agent considerations, licensing implementation guidance, scope exceptions, and various other narrow aspects, as identified and addressed in such updates. The Foundation implemented this ASU during the year ended September 30, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. The new standard will require Organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For the Foundation, the ASU will be effective for the year ending September 30, 2023.

(r) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of September 30, 2021, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 1, 2022, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

At September 30, 2021, investments consist of the following:

Stock Funds	$ 8,403,586
REIT Index Funds	120,956
Bond Funds	2,263,845
U.S. Treasury Funds	2,297,262
Gold Exchange-Traded Funds	370,152
TOTAL INVESTMENTS	$ 13,455,801

The Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This Standard applies to fair value measurements already required or permitted by existing standards.

NOTE 3 - INVESTMENTS (continued)

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset. At September 30, 2021 the Foundation does not have any investments in Level 2 or Level 3 of the fair value hierarchy.

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at September 30, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended September 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stock Funds	$ 8,403,586	$ 8,403,586	$ -	$ -
REIT Index Funds	120,956	120,956	-	-
Bond Funds	2,263,845	2,263,845	-	-
U.S. Treasury Funds	2,297,262	2,297,262	-	-
Gold Exchange - Traded Fund	370,152	370,152	-	-
TOTAL INVESTMENTS	$ 13,455,801	$ 13,455,801	$ -	$ -

The fair values of the investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2021 consist of the following:

Land	$ 1,908,473
Buildings and Improvements	1,018,670
Furniture and Equipment	439,552
Leasehold Improvements	16,850
TOTAL	3,383,545
Less: Accumulated Depreciation	(673,763)
PROPERTY AND EQUIPMENT (NET)	$ 2,709,782

Depreciation and amortization expense for the year ended September 30, 2021 was $37,047.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist entirely of investments in cryptocurrency.

The table below sets forth a summary of changes in the net carrying amount of intangible assets:

Balance as of October 1, 2020	$	42,352
Donations of Intangible Assets		234,338
Sales of Intangible Assets		(305,332)
Market Gain		102,333
NET INTANGIBLE ASSETS	$	73,691

NOTE 6 - LINE OF CREDIT

The Foundation has a $200,000 line of credit with a bank, secured by all personal property of the Foundation, with interest at the bank's index rate (3.25% as of September 30, 2021) plus 0.5% renewable annually. The line of credit has no stated maturity, and there was no outstanding balance on the line of credit at September 30, 2021.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2021:

School Funding Portability	$	525,000
Pension Program		375,000
Magazine		169,820
Soho Forum		155,833
Advertising		150,000
Permanent Endowment		51,279
Savas Privatization Award		36,533
Unappropriated Earnings on Perpetual Endowment		30,424
Internships		638
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	$	1,494,527

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2021:

Pension Program	$ 1,825,000
Time Restricted	595,000
Marketing	350,000
School Funding Portability	300,000
Transportation Research	125,000
Soho Forum	92,917
Vital Projects	52,500
LBGTQ for Liberty	30,000
Magazine	24,982
Appropriated Earnings on Perpetual Endowment	14,026
Savas Privatization Award	10,000
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	$ 3,419,425

NOTE 8 - RETIREMENT PLANS

(a) 403(b) PLAN

The Foundation offers an IRC Section 403(b) individual defined contribution plan (the 403(b) Plan) for all eligible employees. Participants may make salary deferrals to their individual accounts up to the maximum allowable deferral amounts for defined contribution plans. The Foundation does not make contributions to the 403(b) Plan.

(b) 457(f) PLAN

The Foundation has established a nonqualified IRC Section 457(f) employee retirement plan (the 457(f) Plan) on behalf of an officer. The participant's right to receive deferred compensation is vested based over a 14-year period, and will be paid out over a five year period, commencing in April 2027. The 457(f) Plan provides for an earlier payout of the vested portion in the event of a death, disability or termination of employment.

During the year ended September 30, 2021, the Foundation transferred $100,000 into the 457(f) Plan and accrued $115,000 of contributions at September30, 2021. Investments of the 457(f) Plan generated a net return of $174,808 during the year. The Foundation has recorded a deferred compensation liability of $1,033,123 at September 30, 2021, which represents the fair value of future payouts of the 457(f) Plan. The Board of Trustees may make discretionary contributions to the 457(f) Plan in the future.

NOTE 8 - RETIREMENT PLANS (continued)

(b) 457(f) PLAN (continued)

The plan provides that the accounts' funds shall be deemed to be invested in investment funds in which the Foundation has invested its general assets. The income, gains, losses and investment results of such deemed investment shall be credited to, or debited from, the accounts as of the end of each calendar year.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Foundation leases office space in Washington, D.C. through April 2023. The Foundation did not renew its lease for the New York office space, which expired in May 2020.

Minimum future rental payments associated with this lease at September 30, 2021 is as follows:

Years Ending September 30		
2022	$	218,042
2023		129,023
TOTAL	$	347,065

Rent expense under operating leases for the year ended September 30, 2021 was $212,716 and is included in occupancy expense.

(b) LITIGATION

In the ordinary course of conducting its business, the Foundation may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Foundation, which, from time to time, may have an impact on changes in net assets or its financial position. The Foundation does not believe that these proceedings individually, or in the aggregate, would have a material effect on the accompanying financial statements.

NOTE 10 - ENDOWMENT

The Foundation's endowment consists of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to either provide a perpetual endowment, which is to provide a permanent source of income to the Foundation, or a term endowment, which is to provide income for a specified period to the Foundation.

The Foundation's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for the Foundation's endowments is to preserve the real (inflation-adjusted) purchasing power of the endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. The Foundation's Board of Directors has approved a spending policy that will distribute a specific payout rate (5%) of the endowment base (calculated as the three-year average market value of endowment funds) to support the Foundation's programs. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term.

	With Donor Restrictions
Endowment Net Asset Composition At September 30, 2021	
Donor-Restricted:	
Original Donor-Restricted Perpetual Gifts	$ 51,279
Accumulated Investment Return (Net)	30,424
ENDOWMENT NET ASSETS - SEPTEMBER 30, 2021	$ 81,703

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At September 30, 2021, the Foundation had no underwater endowments.

NOTE 10 – ENDOWMENT (continued)

For the year ended September 30, 2021, the Foundation's endowment net assets changed as follows:

	With Donor Restrictions
Endowment Net Assets - Beginning of Year	$ 65,305
Investment Return (Net)	30,424
Appropriations for Expenditure	(14,026)
ENDOWMENT NET ASSETS - END OF YEAR	$ 81,703

Investment return (net) related to the Foundation's donor-restricted endowment is recorded as revenue with donor restrictions unless otherwise directed by the donor's gift instrument.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Foundation at September 30, 2021 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at September 30, 2021	
Cash and Cash Equivalents	$ 2,380,346
Investments	13,455,801
Accounts Receivable (Net)	114,971
Pledges Receivable	350,000
Intangible Assets	70,014
TOTAL FINANCIAL ASSETS AT SEPTEMBER 30, 2021	16,371,132
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held with Purpose Restrictions	(1,144,527)
Pledges Receivable Restricted by Purpose or Time	(350,000)
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$ 14,876,605

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and liquid investments. Additionally, the Foundation has a $200,000 line of credit facility at September 30, 2021 which can be utilized to fund operations.