THE REASON FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

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FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Reason Foundation

Report on the Audit of the Financial Statements

We have audited the financial statements of The Reason Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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 the 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 the 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.

Green Hasson & Janks LLP

February 2, 2023
Los Angeles, California

THE REASON FOUNDATION

STATEMENT OF FINANCIAL POSITION
September 30, 2022

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Cash and Cash Equivalents	$ 2,041,464	$ -	$ 2,041,464
Investments	10,540,128	615,264	11,155,392
Accounts Receivable (Net)	133,375	-	133,375
Pledges Receivable	-	875,000	875,000
Deposits and Other Assets	288,575	-	288,575
Property and Equipment (Net)	2,682,754	-	2,682,754
Intangible Assets	49,354	-	49,354
TOTAL ASSETS	$ 15,735,650	$ 1,490,264	$ 17,225,914

LIABILITIES AND NET ASSETS

LIABILITIES:			
Accrued Compensation Expenses	$ 911,561	$ -	$ 911,561
Accounts Payable and Other Accrued Expenses	349,222	-	349,222
Unearned Subscriptions	309,432	-	309,432
Deferred Compensation	1,020,628	-	1,020,628
TOTAL LIABILITIES	2,590,843	-	2,590,843
NET ASSETS:			
Without Donor Restrictions	13,144,807	-	13,144,807
With Donor Restrictions	-	1,490,264	1,490,264
TOTAL NET ASSETS	13,144,807	1,490,264	14,635,071
TOTAL LIABILITIES AND NET ASSETS	$ 15,735,650	$ 1,490,264	$ 17,225,914

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Public Support			
Contributions	$ 12,689,277	$ 1,095,000	$ 13,784,277
Reason Magazine	1,006,931	-	1,006,931
Conferences	240,426	-	240,426
Proceeds from Fundraising Events (Net of Direct Benefit Costs of $2,750)	11,351	-	11,351
Loss on Sale of Intangible Assets	(12,305)	-	(12,305)
Other Income	6,933	-	6,933
Net Assets Released from Donor Restrictions	1,099,263	(1,099,263)	-
TOTAL REVENUE AND SUPPORT	15,041,876	(4,263)	15,037,613
EXPENSES:			
Program Services	12,989,803	-	12,989,803
Management and General	561,211	-	561,211
Fundraising	1,460,134	-	1,460,134
TOTAL EXPENSES	15,011,148	-	15,011,148
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (NET)	30,728	(4,263)	26,465
Investment Return (net)	(2,042,656)	-	(2,042,656)
CHANGE IN NET ASSETS AFTER INVESTMENT RETURN (NET)	(2,011,928)	(4,263)	(2,016,191)
Net Assets - Beginning of Year	15,156,735	1,494,527	16,651,262
NET ASSETS - END OF YEAR	$ 13,144,807	$ 1,490,264	$ 14,635,071

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

	Program Services					Support Services		
	Public Affairs	Reason-TV	Magazine	Research	Total Program Services	Management and General	Fundraising	Total
Personnel Expenses								
Salaries	$ 385,038	$ 1,135,210	$ 2,848,151	$ 2,583,875	$ 6,952,274	$ 329,470	$ 754,323	$ 8,036,067
Payroll Taxes	35,118	78,278	167,787	170,511	451,694	20,513	70,267	542,474
Employee Benefits	17,075	87,629	203,153	184,385	492,242	15,503	63,027	570,772
TOTAL PERSONNEL EXPENSES	437,231	1,301,117	3,219,091	2,938,771	7,896,210	365,486	887,617	9,149,313
Contract Services	117	563,581	278,581	684,922	1,527,201	31,407	14,726	1,573,334
Magazine Printing and Distribution	1	5,654	602,796	675	609,126	-	2,265	611,391
Travel	9,310	81,285	51,943	208,031	350,569	2,281	164,626	517,476
Foundation-Hosted Events and Conferences	273	229,251	122,390	118,604	470,518	-	31,914	502,432
Advertising and Promotion	10,008	262	216,715	83,418	310,403	2,185	31,912	344,500
Occupancy	15,695	46,304	116,946	114,585	293,530	18,067	32,785	344,382
Conference Attendance and Sponsorships	2,683	2,746	13,155	143,785	162,369	-	48,754	211,123
Marketing Contractors	-	-	476,580	-	476,580	-	-	476,580
On-line Services	568	11,255	158,166	24,911	194,900	2,322	2,667	199,889
Supplies	4,716	50,389	37,912	53,147	146,164	5,821	21,558	173,543
Postage and Shipping	1,242	2,447	51,478	19,216	74,383	1,299	73,374	149,056
Dues and Subscriptions	22	815	3,015	108,662	112,514	91	21,986	134,591
Printed Material	27	90	19,545	6,731	26,393	978	106,074	133,445
Insurance	5,819	17,155	43,040	39,046	105,060	4,979	11,399	121,438
Professional Fees	-	-	-	-	-	90,414	-	90,414
Grants Made to Outside Organizations	-	-	-	80,000	80,000	-	-	80,000
Commissions	-	-	63,697	-	63,697	-	-	63,697
Impairment Expense	-	-	-	-	-	30,218	-	30,218
Depreciation and Amortization	1,837	5,412	13,579	12,319	33,147	1,571	3,596	38,314
Telephone	1,147	4,295	8,275	8,847	22,564	666	2,462	25,692
Books and Periodicals	1,049	2,350	9,569	8,625	21,593	105	642	22,340
Miscellaneous	283	752	7,831	4,016	12,882	3,321	1,777	17,980
TOTAL FUNCTIONAL EXPENSES	$ 492,028	$ 2,325,160	$ 5,514,304	$ 4,658,311	$ 12,989,803	$ 561,211	$ 1,460,134	$ 15,011,148

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF CASH FLOWS
Year Ended September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	$ (2,016,191)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used In Operating Activities:	
Depreciation and Amortization	38,314
Net Realized and Unrealized Loss on Investments	2,223,950
Impairment Expense	30,218
Increase in:	
Accounts Receivable (Net)	(18,404)
Pledges Receivable	(525,000)
Deposits and Other Assets	(87,118)
Increase (Decrease) in:	
Accrued Compensation Expenses	54,418
Accounts Payable and Other Accrued Expenses	(68,058)
Unearned Subscriptions	(14,131)
Deferred Compensation	(12,495)
NET CASH USED IN OPERATING ACTIVITIES	(394,497)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Property and Equipment	(11,286)
Reinvested Interest and Dividends	(181,294)
Proceeds on Sale of Investments	3,030,112
Purchases of Investments	(2,772,359)
Purchases of Intangible Assets	(105,299)
Sales of Intangible Assets	99,418
NET CASH PROVIDED BY INVESTING ACTIVITIES	59,292
NET DECREASE IN CASH AND CASH EQUIVALENTS	(335,205)
Cash and Cash Equivalents - Beginning of Year	2,376,669
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,041,464

The Accompanying Notes are an Integral Part of These Financial Statements

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, 2022 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, 2022, 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

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Pledges are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and pledges receivable and are adjusted annually. 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, 2022.

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 met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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. Impairment of intangible assets totaled $30,218 for the year ended September 30, 2022.

(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, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) CONFERENCE INCOME

The Foundation has contracts with customers for conference income where the Foundation has performance obligations under the contracts to provide various accommodations and participant engagement, and the attendees receive 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 in the period in which the specific conference is held.

Payments received for conference income in advance of the Foundation satisfying its performance obligations are deferred and recorded within deferred revenues in the accompanying statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) ADVERTISING AND PROMOTION

Costs of advertising and promotion are expensed as incurred. Total advertising and promotion expense was $344,500 for the year ended September 30, 2022.

(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.

(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, 2022, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves transparency in the reporting of contributed nonfinancial assets (as known as gifts in-kind) received by not-for profit organizations. The Foundation implemented this ASU during the year ended September 30, 2022. There was no significant impact to the Foundation's financial statements as a result of the implementation of this ASU, and the Foundation did not receive any gifts in-kind during the year ended September 30, 2022.

(r) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of September 30, 2022, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 2, 2023, 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, 2022, investments consist of the following:

Stock Funds	$ 4,996,688
REIT Index Funds	94,030
Bond Funds	2,124,249
U.S. Treasury Funds	2,673,189
Exchange-Traded Funds	1,267,236
TOTAL INVESTMENTS	$ 11,155,392

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.

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, 2022 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, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stock Funds	$ 4,996,688	$ 4,996,688	$ -	$ -
REIT Index Funds	94,030	94,030	-	-
Bond Funds	2,124,249	2,124,249	-	-
U.S. Treasury Funds	2,673,189	2,673,189	-	-
Exchange -Traded Funds	1,267,236	1,267,236	-	-
TOTAL INVESTMENTS	$ 11,155,392	$ 11,155,392	$ -	$ -

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, 2022 consist of the following:

Land	$ 1,908,473
Buildings and Improvements	1,018,670
Furniture and Equipment	417,189
Leasehold Improvements	16,850
TOTAL	3,361,182
Less: Accumulated Depreciation	(678,428)
PROPERTY AND EQUIPMENT (NET)	$ 2,682,754

Depreciation and amortization expense for the year ended September 30, 2022 was $38,314.

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, 2021	$ 73,691
Donations of Intangible Assets	105,299
Sales of Intangible Assets	(99,418)
Impairment	(30,218)
NET INTANGIBLE ASSETS	$ 49,354

Intangible assets are not subject to amortization, and there was no amortization of intangible assets during the year ended September 30, 2022.

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 (8.00% as of September 30, 2022) plus 0.5% renewable annually. The line of credit matures on May 6, 2023, and there was no outstanding balance on the line of credit at September 30, 2022.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2022:

Pension Program	$ 875,000
School Funding Portability	175,000
Magazine	171,619
Soho Forum	155,833
Permanent Endowment	51,279
Savas Privatization Award	36,533
Reason TV	25,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	$ 1,490,264

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, 2022:

Pension Program	$ 375,000
School Funding Portability	350,000
SoHo Forum	170,000
Advertising	150,000
Magazine	23,201
Internship Fund	638
Appropriated Earnings on Perpetual Endowment	30,424
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	$ 1,099,263

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.

NOTE 8 - RETIREMENT PLANS (continued)

(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, 2022, the Foundation transferred $115,000 into the 457(f) Plan and accrued $105,000 of contributions at September 30, 2022. Investments of the 457(f) Plan generated a net loss of $117,495 during the year. The Foundation has recorded a deferred compensation liability of $1,020,628 at September 30, 2022, 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.

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. expiring in April 2023. In addition the Foundation entered into a new agreement for office space in Washington, D.C., commencing on May 1, 2023 and expiring on April 30, 2035.

Minimum future rental payments associated with these leases at September 30, 2022 is as follows:

Years Ending September 30	
2022	$ 194,633
2023	159,104
2024	163,082
2025	167,159
Thereafter	3,220,565
TOTAL	$ 3,904,543

Rent expense under operating leases for the year ended September 30, 2022 was $218,038 and is included in occupancy expense.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

(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 endowments restricted in perpetuity, 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, 2022	
Donor-Restricted:	
Original Donor-Restricted Perpetual Gifts	$ 51,279
ENDOWMENT NET ASSETS - SEPTEMBER 30, 2022	$ 51,279

NOTE 10 - ENDOWMENT (continued)

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, 2022, the Foundation had no underwater endowments.

For the year ended September 30, 2022, the Foundation's endowment net assets changed as follows:

	With Donor Restrictions
Endowment Net Assets - Beginning of Year	$ 81,703
Appropriations for Expenditure	(30,424)
ENDOWMENT NET ASSETS - END OF YEAR	$ 51,279

Investment return (net) related to the Foundation's donor-restricted endowment is recorded as revenue without 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, 2022 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, 2022	
Cash and Cash Equivalents	$ 2,041,464
Investments	10,540,128
Accounts Receivable (Net)	133,375
TOTAL FINANCIAL ASSETS AT SEPTEMBER 30, 2022	$ 12,714,967

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, 2022 which can be utilized to fund operations.