

**The Heartland Institute**  
**Audited Financial Statements**  
**For the Years Ended December 31, 2023**  
(With Independent Auditor's Report Thereon)

**The Heartland Institute**

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## Independent Auditor's Report

To the Board of Directors of  
The Heartland Institute

### **Opinion**

We have audited the accompanying financial statements of The Heartland Institute (the “Organization”) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, 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 the Organization as of December 31, 2023 and 1899, and the changes in its net assets and its cash flows for the years then ended in accordance with the 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 the Organization 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 these 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 the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Independent Auditor's Report (continued)

### **Auditor's Responsibility 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 the Organization'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

## Emphasis of Matter

As discussed in Note 7 to the combined financial statements, the Organization has restated its previously issued financial statements for the year ended December 31, 2022, to reflect adjustments related to accrued property expenses. Our opinion is not modified with respect to this matter.

*Ligke Gross : Dir, PC*

Elgin, Illinois  
September 6, 2024

**The Heartland Institute**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

|  | <u>2023</u>         | <u>Restated<br/>2022</u> |
|--|---------------------|--------------------------|
| <b>Assets</b>                                      |                     |                          |
| Current Assets:                                    |                     |                          |
| Cash and cash equivalents                          | \$ 468,921          | \$ 491,218               |
| Accounts receivable                                | 2,500               | -                        |
| Due from others                                    | 27,669              | -                        |
| Prepaid expenses                                   | 35,356              | 2,280                    |
| Total Current Assets                               | <u>534,446</u>      | <u>493,498</u>           |
| Noncurrent Assets:                                 |                     |                          |
| Property and equipment, net                        | 824,760             | 854,405                  |
| Operating lease right-of-use asset                 | 24,652              | 41,716                   |
| Total Noncurrent Assets                            | <u>849,412</u>      | <u>896,121</u>           |
| Total Assets                                       | <u>\$ 1,383,858</u> | <u>\$ 1,389,619</u>      |
| <b>Liabilities and Net Assets</b>                  |                     |                          |
| Current Liabilities:                               |                     |                          |
| Accounts payable                                   | \$ 103,098          | \$ 105,355               |
| Credit card payable                                | 38,659              | 35,735                   |
| Property tax payable                               | 86,779              | 82,706                   |
| Payroll liabilities                                | 72,405              | 89,525                   |
| Current portion of operating lease liability       | 13,487              | 17,065                   |
| Total Current Liabilities                          | <u>314,428</u>      | <u>330,386</u>           |
| Operating Lease Liability - net of current portion | <u>11,165</u>       | <u>24,651</u>            |
| Total Liabilities                                  | <u>325,593</u>      | <u>355,037</u>           |
| Net Assets:  |                     |                          |
| Without donor restrictions                         | 1,058,265           | 1,034,582                |
| With donor restrictions                            | -                   | -                        |
| Total Net Assets                                   | <u>1,058,265</u>    | <u>1,034,582</u>         |
| Total Liabilities and Net Assets                   | <u>\$ 1,383,858</u> | <u>\$ 1,389,619</u>      |

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

**The Heartland Institute**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2023 and 2022**

|   | 2023                          |                            |              | 2022                                      |                            |                   |
|---|-------------------------------|----------------------------|--------------|---|----------------------------|-------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        | Restated<br>Without Donor<br>Restrictions | With Donor<br>Restrictions | Restated<br>Total |
| <b>Public Support and Revenue:</b>  |                               |                            |              |   |                            |                   |
| Contributions   | \$ 4,053,053                  | \$ -                       | \$ 4,053,053 | \$ 3,820,298                              | \$ -                       | \$ 3,820,298      |
| Publications/research   | 7,247                         | -                          | 7,247        | 18,874                                    | -                          | 18,874            |
| Fundraising events  | 50,587                        | -                          | 50,587       | 54,450                                    | -                          | 54,450            |
| Other events  | -                             | -                          | -            | 150                                       | -                          | 150               |
| Interest income   | 88                            | -                          | 88           | 24  | -                          | 24                |
| Miscellaneous income  | 10,764                        | -                          | 10,764       | -   | -                          | -                 |
| Total Public Support and Revenue  | 4,121,739                     | -                          | 4,121,739    | 3,893,796                                 | -                          | 3,893,796         |
| Net Assets Released from Restrictions -<br>Satisfaction of Program Restrictions | -                             | -                          | -            | -   | -                          | -                 |
| <b>Expenses:</b>  |                               |                            |              |   |                            |                   |
| Program services  | 2,726,019                     | -                          | 2,726,019    | 2,880,804                                 | -                          | 2,880,804         |
| Support services  | 761,047                       | -                          | 761,047      | 742,391                                   | -                          | 742,391           |
| Fundraising services  | 610,990                       | -                          | 610,990      | 727,293                                   | -                          | 727,293           |
| Total Expenses  | 4,098,056                     | -                          | 4,098,056    | 4,350,488                                 | -                          | 4,350,488         |
| Change in Net Assets  | 23,683                        | -                          | 23,683       | (456,692)                                 | -                          | (456,692)         |
| Net Assets, Beginning of Year   | 1,034,582                     | -                          | 1,034,582    | 1,575,091                                 | -                          | 1,575,091         |
| Prior Period Adjustment   | -                             | -                          | -            | (83,817)                                  | -                          | (83,817)          |
| Net Assets, Beginning of Year - Restated  | 1,034,582                     | -                          | 1,034,582    | 1,491,274                                 | -                          | 1,491,274         |
| Net Assets, End of Year   | \$ 1,058,265                  | \$ -                       | \$ 1,058,265 | \$ 1,034,582                              | \$ -                       | \$ 1,034,582      |

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

**The Heartland Institute**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2023 and 2022**  
**Part I**

| Expenses:                          | ----- Programs -----         |                            |                         |                     |                       | Total<br>Program<br>Services | Support<br>Services | Fundraising<br>Services | Total Expenses<br>December 31, 2023 | Restated<br>Total Expenses<br>December 31, 2022 |
|------------------------------------|------------------------------|----------------------------|-------------------------|---------------------|-----------------------|------------------------------|---------------------|-------------------------|-------------------------------------|---|
|                                    | Environmental<br>and Climate | Publications/<br>Editorial | Government<br>Relations | Public<br>Relations | Stopping<br>Socialism |                              |                     |                         |                                     |   |
| Salaries and wages                 | \$ 369,847                   | \$ 348,212                 | \$ 270,388              | \$ 295,755          | \$ 169,668            | \$ 1,453,870                 | \$ 243,798          | \$ 404,419              | \$ 2,102,087                        | \$ 2,065,329                                    |
| Benefits                           | 44,285                       | 48,480                     | 23,956                  | 20,776              | 9,217                 | 146,714                      | 29,292              | 41,117                  | 217,123                             | 227,261   |
| Payroll taxes                      | 23,195                       | 26,771                     | 20,676                  | 20,967              | 13,094                | 104,703                      | 13,228              | 27,778                  | 145,709                             | 142,731   |
| Contractors                        | 10,675                       | 137,837                    | 46,381                  | 43,223              | -                     | 238,116                      | 181,652             | 44,950                  | 464,718                             | 793,809   |
| Accounting/payroll fees/legal fees | 8,637                        | 6,804                      | 5,992                   | 6,911               | 4,339                 | 32,683                       | 6,230               | 7,908                   | 46,821                              | 42,102  |
| Supplies/furniture/equipment       | 110                          | 998                        | 147                     | 16,784              | 93                    | 18,132                       | 30,596              | 2,809                   | 51,537                              | 62,916  |
| Telephone/data                     | 600                          | -                          | -                       | 450                 | -                     | 1,050                        | 22,361              | 1,252                   | 24,663                              | 24,278  |
| Postage and shipping               | 55,935                       | 46,615                     | 3,975                   | 4,881               | -                     | 111,406                      | 1,199               | 12,561                  | 125,166                             | 145,741   |
| Occupancy                          | -                            | -                          | -                       | -                   | -                     | -                            | 154,159             | 594                     | 154,753                             | 170,286   |
| Printing and publications          | -                            | 93,092                     | -                       | -                   | -                     | 93,092                       | -                   | 694                     | 93,786                              | 165,726   |
| Travel                             | 78,448                       | 3,324                      | 8,619                   | 2,012               | 386                   | 92,789                       | 6,502               | 29,604                  | 128,895                             | 140,416   |
| Conferences/meetings               | 355,672                      | -                          | 455                     | 49                  | -                     | 356,176                      | -                   | 36,795                  | 392,971                             | 90,859  |
| Depreciation                       | -                            | -                          | -                       | -                   | -                     | -                            | 29,645              | -                       | 29,645                              | 29,688  |
| Education expenses                 | -                            | -                          | -                       | -                   | -                     | -                            | 5,099               | -                       | 5,099                               | -   |
| Dues and subscriptions             | -                            | 164                        | -                       | -                   | -                     | 164                          | -                   | -                       | 164                                 | -   |
| Other Expenses:                    |                              |                            |                         |                     |                       |                              |                     |                         |                                     |   |
| Association dues                   | -                            | -                          | -                       | -                   | -                     | -                            | 711                 | -                       | 711                                 | 711   |
| Advertising and public relations   | 2,322                        | 4,188                      | -                       | 34,907              | 34,707                | 76,124                       | 2,410               | 5                       | 78,539                              | 213,852   |
| Memberships                        | -                            | -                          | 1,000                   | -                   | -                     | 1,000                        | -                   | 504                     | 1,504                               | 18,500  |
| Government and bank fees           | -                            | -                          | -                       | -                   | -                     | -                            | 30,021              | -                       | 30,021                              | 16,283  |
| Miscellaneous expense              | -                            | -                          | -                       | -                   | -                     | -                            | 4,144               | -                       | 4,144                               | -   |
| <b>Total Expenses:</b>             | <b>\$ 949,726</b>            | <b>\$ 716,485</b>          | <b>\$ 381,589</b>       | <b>\$ 446,715</b>   | <b>\$ 231,504</b>     | <b>\$ 2,726,019</b>          | <b>\$ 761,047</b>   | <b>\$ 610,990</b>       | <b>\$ 4,098,056</b>                 | <b>\$ 4,353,088</b>                             |
| Percentage of total                | 23%                          | 18%                        | 9%                      | 11%                 | 6%                    | 67%                          | 19%                 | 15%                     | 100%                                |   |

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



**The Heartland Institute**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2023 and 2022**  
**Part 2**

| Expenses:                          | ----- Programs -----         |                            |                         |                     |                       | Total<br>Program<br>Services | Restated<br>Support<br>Services | Fundraising<br>Services | Restated<br>Total Expenses<br>December 31, 2022 |
|------------------------------------|------------------------------|----------------------------|-------------------------|---------------------|-----------------------|------------------------------|---------------------------------|-------------------------|---|
|                                    | Environmental<br>and Climate | Publications/<br>Editorial | Government<br>Relations | Public<br>Relations | Stopping<br>Socialism |                              |                                 |                         |   |
| Salaries and wages                 | \$ 295,580                   | \$ 379,185                 | \$ 252,865              | \$ 278,250          | \$ 150,968            | \$ 1,356,848                 | \$ 297,192                      | \$ 411,289              | \$ 2,065,329                                    |
| Benefits                           | 40,678                       | 40,913                     | 25,047                  | 34,822              | 13,890                | 155,350                      | 31,971                          | 39,940                  | 227,261   |
| Payroll taxes                      | 17,127                       | 28,601                     | 20,835                  | 18,873              | 11,714                | 97,150                       | 19,272                          | 26,309                  | 142,731   |
| Contractors                        | 166,849                      | 187,473                    | 63,885                  | 221,750             | -                     | 639,957                      | 120,221                         | 33,631                  | 793,809   |
| Accounting/payroll fees/legal fees | 7,308                        | 7,481                      | 5,298                   | 5,595               | 3,611                 | 29,293                       | 5,143                           | 7,666                   | 42,102  |
| Supplies/furniture/equipment       | 889                          | 2,883                      | 2,946                   | 25,538              | 719                   | 32,975                       | 26,266                          | 3,675                   | 62,916  |
| Telephone/data                     | 941                          | 472                        | -                       | 400                 | -                     | 1,813                        | 21,833                          | 632                     | 24,278  |
| Postage and shipping               | 34,809                       | 54,499                     | 13,085                  | 4,172               | -                     | 106,565                      | 2,172                           | 37,004                  | 145,741   |
| Occupancy                          | -                            | -                          | -                       | 161                 | -                     | 161                          | 170,011                         | 114                     | 170,286   |
| Printing and publications          | -                            | 125,080                    | -                       | -                   | -                     | 125,080                      | -                               | 40,646                  | 165,726   |
| Travel                             | 8,698                        | 6,128                      | 20,168                  | 23,305              | 602                   | 58,901                       | 1,177                           | 80,338                  | 140,416   |
| Conferences/meetings               | 25,000                       | 178                        | 21,391                  | -                   | -                     | 46,569                       | 26                              | 44,264                  | 90,859  |
| Depreciation                       | -                            | -                          | -                       | -                   | -                     | -                            | 29,688                          | -                       | 29,688  |
| Other Expenses:                    |                              |                            |                         |                     |                       |                              |                                 |                         |   |
| Association dues                   | -                            | -                          | -                       | -                   | -                     | -                            | 711                             | -                       | 711   |
| Advertising and public relations   | 3,317                        | 5,246                      | 1,230                   | 39,231              | 162,618               | 211,642                      | 425                             | 1,785                   | 213,852   |
| Memberships                        | -                            | -                          | 18,500                  | -                   | -                     | 18,500                       | -                               | -                       | 18,500  |
| Government and bank fees           | -                            | -                          | -                       | -                   | -                     | -                            | 16,283                          | -                       | 16,283  |
| <b>Total Expenses:</b>             | <b>\$ 601,196</b>            | <b>\$ 838,139</b>          | <b>\$ 445,250</b>       | <b>\$ 652,097</b>   | <b>\$ 344,122</b>     | <b>\$ 2,880,804</b>          | <b>\$ 742,391</b>               | <b>\$ 727,293</b>       | <b>\$ 4,350,488</b>                             |
| Percentage of total                | 14%                          | 19%                        | 10%                     | 15%                 | 8%                    | 66%                          | 17%                             | 17%                     | 100%  |

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

**The Heartland Institute**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

|  | <u>2023</u>       | <u>Restated<br/>2022</u> |
|--|-------------------|--------------------------|
| Cash Flow from Operating Activities  |                   |                          |
| Change in net assets   | \$ 23,683         | \$ (456,692)             |
| Adjustments to reconcile change in net assets to<br>cash provided by (used in) operating activities: |                   |                          |
| Depreciation   | 29,645            | 29,688                   |
| Cash provided by (used in) assets and liabilities:   |                   |                          |
| Accounts receivable  | (2,500)           | -                        |
| Due from others  | (27,669)          | -                        |
| Prepaid expenses   | (33,076)          | 4,572                    |
| Accounts payable   | (2,257)           | (10,580)                 |
| Credit card payable  | 2,924             | 603                      |
| Property tax payable   | 4,073             | (6,631)                  |
| Payroll liabilities  | (17,120)          | 42,796                   |
| Net Cash Used in Operating Activities  | <u>(22,297)</u>   | <u>(396,244)</u>         |
| <br>Cash Flow from Investing Activities  |                   |                          |
| Purchase of property and equipment   | <u>-</u>          | <u>(25,401)</u>          |
| Net Cash Used in Investing Activities  | <u>-</u>          | <u>(25,401)</u>          |
| <br>Cash Flow from Financing Activities  |                   |                          |
| Net Cash Provided by (Used in) Financing Activities  | <u>-</u>          | <u>-</u>                 |
| <br>Net Decrease in Cash   | (22,297)          | (421,645)                |
| <br>Cash and Cash Equivalents balance, Beginning of Year   | 491,218           | 912,863                  |
| <br>Cash and Cash Equivalents balance, End of Year   | <u>\$ 468,921</u> | <u>\$ 491,218</u>        |

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

**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies**

Nature of Activities: The Heartland Institute (the “Organization”) is an Illinois not-for-profit corporation organized exclusively for charitable and educational purposes. Its main purpose is to inform and educate the public on research of past and existing public policies and the effects and results of those policies and free market or private sector alternatives. The Organization’s programs are supported primarily by contributions from individuals, businesses, and foundations.

Method of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with United States Generally Accepted Accounting Principles applicable to non-profit organizations. Revenues are recognized as they are earned and expenses as they are incurred.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Update (“ASU”) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions include undesignated and board-designated sources with no legal donor-imposed restrictions.

Net assets with donor restrictions represent net assets subject to donor-imposed or legal restrictions, which will either be met by the Organization’s actions, the passage of time, or are perpetual in nature. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restrictions are met or have expired. These reclassifications are reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this update, along with all subsequent amendments (collectively, “ASC 606”) in 2019 under the modified retrospective method. Additionally, the Organization applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of the Organization’s adoption of ASC 606 is outlined below.

**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies (continued)**

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this update on a prospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on the Organization’s financial statements were examined in conjunction with one another. Certain of the Organization’s revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. Revenue streams, including pledges and contributions were determined to fall under the scope of ASU 2018-08 for the years ended December 31, 2023 and 2022. Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. The Organization reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08.

In the following table, revenue from contracts with customers is disaggregated by major service lines and timing of revenue recognition:

|   | 2023             | 2022             |
|---|------------------|------------------|
| <b>Major service lines</b>                          |                  |                  |
| Fundraising events                                  | \$ 50,587        | \$ 54,450        |
| Publications/research                               | 7,247            | 18,874           |
| Other   | -                | 150              |
|   | \$ <u>57,834</u> | \$ <u>73,474</u> |
| <b>Timing of revenue recognition</b>                |                  |                  |
| Services or products transferred at a point in time | \$ 57,834        | \$ 73,474        |
| Services or products transferred over time          | -                | -                |
|   | \$ <u>57,834</u> | \$ <u>73,474</u> |

The majority of the Organization’s revenue, which are generated from contributions and interest income, are not from contracts with customers. Total revenue from these sources were \$4,063,905 and \$3,820,322 for the years ended December 31, 2023, respectively.

**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Use of Estimates: The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reports amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization defines cash, for the purposes of reporting cash flows, as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

Contributions: The Organization accounts for contributions in accordance with the recommendations in FASB ASC 958-225. In accordance with FASB ASC 958-225, contributions, grants, and contracts received are recorded as support and revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Unrestricted contributions are recognized when received.

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support and revenues are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, such as when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets released from restrictions.

In-kind Contributions: In-kind donations are recognized as contributions in accordance with FASB ASC 958-225, if the services either a) create or enhance nonfinancial assets or b) require special skills, and are performed by people with those skills, and would otherwise be purchased by the Organization. Donations received in property and services other than cash are recorded at their fair market value on the date of the gift. Donations in property and services whose fair market values are not objectively determinable are omitted from the financial statement in accordance with generally accepted accounting principles. No such services were received during the years ended December 31, 2023 and 1899. Donated items are reflected in the financial statements based on the value supplied by the donor or at their estimated fair market values at the date of receipt.

**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies (continued)**

On January 1, 2022, the Organization elected to adopt Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities and Changes in Net Assets, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact of the financial statements, with the exception of increased disclosure.

Property and Equipment: Property and equipment are stated at cost, less accumulated depreciation. The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$2,500. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

|                         |          |
|-------------------------|----------|
| Buildings               | 39 Years |
| Land improvements       | 20 Years |
| Building improvements   | 15 Years |
| Furniture and equipment | 7 Years  |
| Automobiles             | 5 Years  |
| Software                | 3 Years  |

Concentrations of Credit Risk: The Organization maintains its cash balances in several bank accounts. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at December 31, 2023 exceeded federally insured limits by \$77,464 and \$118,687, respectively. Management believes the Organization is not exposed to any significant credit risk on its cash balances, as the Organization has not experienced any loss in such accounts.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounts and Pledges Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances and pledges. Management provides for probable uncollectible amounts and are charged to the allowance for credit losses. The Organization periodically assesses its credit exposure based on the Organization's credit risk management practices and historical loss experience. There was no allowance for credit losses necessary at December 31, 2023.

**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Income Tax Status: The Organization is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2023 and 1899, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Liquidity: The Organization has \$499,090 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures consisting of cash of \$468,921, \$2,500 of accounts receivable, and \$30,169 of due from others. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 120 days of normal operating expenses, which are, on average, approximately \$1,350,000.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Leases: The Organization recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Organization is a lessee in two noncancellable operating leases for a photocopier and a postage meter. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate. The implicit rates of the leases are not readily determinable and accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date for all leases. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 1 – Summary of Significant Accounting Policies (continued)**

The Organization has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that is reasonably certain to be exercised, are not recorded on the Statements of Financial Position. The Organization has elected to include both the lease and nonlease components as a single component and account for it as a lease for a majority of all classes of underlying assets.

New Accounting Standard: On January 1, 2023, the Organization adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326)*: Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using and allowance for credit losses. The adoption of the standard did not have a material effect on the Organization’s financial statements.

**Note 2 – Fixed Assets**

Property and equipment at December 31, 2023 consists of the following:

|                         | <u>Cost</u><br><u>12/31/2022</u> | <u>Acquisitions/</u><br><u>(Disposals)</u> | <u>Cost</u><br><u>12/31/2023</u> | <u>Accumulated</u><br><u>Depreciation</u><br><u>12/31/2023</u> |
|-------------------------|----------------------------------|--|----------------------------------|--|
| Depreciable assets:     |                                  |  |                                  |  |
| Building                | \$ 952,543                       | \$ -                                       | \$ 952,543                       | \$ (211,537)   |
| Office furniture        | 46,005                           | -  | 46,005                           | (44,013)   |
| Office equipment        | 235,378                          | -  | 235,378                          | (231,230)  |
| Non-depreciable assets: |                                  |  |                                  |  |
| Land                    | 65,364                           | -  | 65,364                           | -  |
| Artwork                 | 12,250                           | -  | 12,250                           | -  |
| Total Fixed Assets      | <u>\$ 1,311,540</u>              | <u>\$ -</u>                                | <u>\$ 1,311,540</u>              | <u>\$ (486,780)</u>  |

Depreciation expense for the years ended December 31, 2023 was \$29,645 and \$29,688, respectively.



**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 3 – Lease Commitments**

The Organization has two equipment – operating leases:

1. A photocopier lease was entered effective September 2019 through August 2024 for \$1,143 per month.
2. A postage meter lease was entered effective February 2022 through February 2027 for \$1,316 per quarter.

The Organization has an operating lease right-of-use asset and liability on the Statement of Financial Position in the amount of \$24,652 and \$41,716 at December 31, 2023 and 1899, respectively, for these leases.

The components of lease expense were as follows:

|                      |                  |                  |
|----------------------|------------------|------------------|
| Lease cost:          | <u>2023</u>      | <u>2022</u>      |
| Operating lease cost | \$ 18,579        | \$ 22,475        |
| Total lease cost     | <u>\$ 18,579</u> | <u>\$ 22,475</u> |

Other information:

Cash paid for amounts included in the measurement of lease liabilities:

|  |            |            |
|--|------------|------------|
| Operating cash flows from operating leases               | \$ 18,977  | \$ 18,977  |
| Weighted-average remaining lease term - operating leases | 2.26 years | 2.86 years |
| Weighted-average discount rate - operating leases        | 6%         | 6%         |

At December 31, 2023, the future minimum lease payments under operating leases are presented as follows:

|                                     |                  |
|-------------------------------------|------------------|
| <u>Year ending December 31,</u>     |                  |
| 2024                                | \$ 14,406        |
| 2025                                | 5,263            |
| 2026                                | 5,263            |
| 2027                                | <u>1,315</u>     |
| Total future minimum lease payments | 26,247           |
| Less: Imputed interest              | <u>(1,595)</u>   |
| Net operating lease liabilities     | <u>\$ 24,652</u> |

**Note 4 – Concentrations**

Approximately 33% and 31% of the Organization’s total support and revenues for the years ended December 31, 2023 respectively, came from contributions from two donors and a single donor, respectively. Any substantial loss of donations from these particular donors could significantly affect the Organization’s range of services provided.

**The Heartland Institute**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023**

**Note 5 – Property Taxes**

The Organization recognizes property tax expense based on the property values assessed by the Cook County Treasurer’s Office. Tax bills are prepared by the Cook County Treasurer’s Office and issued and are payable in two installments. As of December 31, 2023 and 1899, the property tax payable was \$86,779 and \$82,706, respectively. The balances represent the estimated property tax due for the current year but not yet paid.

**Note 6 – Reclassification**

Certain reclassifications have been made to the financial statement presentation to correspond to the current year’s format. The total net assets at is unchanged due to these classifications.

**Note 7 – Restatement**

The Organization has restated the 2022 financial statements to record a prior period adjustment for 2021 accrued property expenses that were recorded and paid in 2022, and to record the 2022 accrued property expenses that were recorded and paid in 2023. The restatement has no effect on the current year’s operations. However, the cumulative effect decreases beginning net assets for the fiscal year ending December 31, 2022, by \$83,817. The effect of the restatement on the 2022 financial statements is as follows:

|   | As previously<br>reported | Restated     |
|---|---------------------------|--------------|
| <b>Statements of Financial Position</b>                   |                           |              |
| Accrued expenses  | \$ -                      | \$ 82,706    |
| Total Current Liabilities                                 | \$ 247,680                | \$ 330,386   |
| Total Liabilities   | \$ 272,331                | \$ 355,037   |
| Without donor restrictions                                | \$ 1,117,288              | \$ 1,034,582 |
| Total Net Assets  | \$ 1,117,288              | \$ 1,034,582 |
| <b>Statements of Activities and Changes in Net Assets</b> |                           |              |
| Support services  | \$ 743,502                | \$ 742,391   |
| Change in Net Assets                                      | \$ (457,803)              | \$ (456,692) |
| Prior Period Adjustment                                   | \$ -                      | \$ (83,817)  |
| Net Assets, End of Year                                   | \$ 1,117,288              | \$ 1,034,582 |

**Note 8 – Date of Management’s Review**

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued. It was concluded that there are no subsequent events required to be disclosed.