

TAX FOUNDATION
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

(With Comparative Totals for December 31, 2017)

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Independent Auditor's Report

To the Board of Directors
Tax Foundation
Washington, DC

We have audited the accompanying financial statements of Tax Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, 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.

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Independent Auditor's Report
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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 Tax Foundation as of December 31, 2018, 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.

Prior Period Financial Statements

The financial statements as of December 31, 2017 were audited by other auditors whose report dated September 21, 2018 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent in all material respects with the audited financial statements from which it has been derived.

Jane Marston & M^aQuade PA

Washington, DC
September 13, 2019

TAX FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

(With summarized Comparative Information as of December 31, 2017)

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 621,579	\$ 615,331
Investments	2,553,988	2,767,422
Grants and contributions receivable	304,871	141,358
Prepaid expenses	79,449	91,289
Total Current Assets	3,559,887	3,615,400
PROPERTY AND EQUIPMENT		
Furniture and equipment	505,475	441,459
Leasehold improvements	645,581	645,581
Less accumulated depreciation	(535,336)	(412,913)
Total Property and Equipment, Net	615,720	674,127
OTHER ASSETS		
Beneficial interest in split interest agreement	39,257	36,267
Deposits	36,751	36,751
Total Other Asset	76,008	73,018
TOTAL ASSETS	\$ 4,251,615	\$ 4,362,545
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 76,162	\$ 85,869
Accrued expenses	80,207	92,076
Capital lease liability	13,695	-
Deferred rent and lease incentive, current portion	70,705	25,806
Total Current Liabilities	240,769	203,751
NON-CURRENT LIABILITIES		
Deferred rent and lease incentive, net of current portion	848,524	919,229
Total Non-Current Liabilities	1,089,293	1,122,980
NET ASSETS		
Without donor restrictions	2,963,313	2,930,147
With donor restrictions	199,009	309,418
Total Net Assets	3,162,322	3,239,565
TOTAL LIABILITIES AND NET ASSETS	\$ 4,251,615	\$ 4,362,545

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

**TAX FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

(With summarized Comparative Information for the Year Ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 3,574,695	\$ 1,106,000	\$ 4,680,695	\$ 4,468,272
Fundraising event				
Annual dinner	868,510	-	868,510	778,000
Less: direct costs	(336,090)	-	(336,090)	(248,615)
Net Revenue From Fundraising Event	532,420	-	532,420	529,385
Investment (loss) income, net	(228,169)	-	(228,169)	483,567
Honoraria and reimbursements	29,068	-	29,068	22,819
In-kind contributions	9,382	-	9,382	-
Net assets released				
from restrictions	1,216,409	(1,216,409)	-	-
Total Revenue and Support	5,133,805	(110,409)	5,023,396	5,504,043
EXPENSES				
Program Services:				
State tax policy	1,016,779	-	1,016,779	995,670
Federal tax policy	1,382,004	-	1,382,004	1,345,740
Global tax reform	369,058	-	369,058	311,511
Legal programs	185,502	-	185,502	-
Research and communication	446,465	-	446,465	429,212
Total Program Services	3,399,808	-	3,399,808	3,082,133
Support Services:				
General and administration	653,606	-	653,606	341,963
Fundraising	1,047,225	-	1,047,225	1,193,318
Total Support Services	1,700,831	-	1,700,831	1,535,281
Total Expenses	5,100,639	-	5,100,639	4,617,414
CHANGE IN NET ASSETS	33,166	(110,409)	(77,243)	886,629
NET ASSETS, beginning of year	2,930,147	309,418	3,239,565	2,352,936
NET ASSETS, end of year	\$ 2,963,313	\$ 199,009	\$ 3,162,322	\$ 3,239,565

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

TAX FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

(With summarized Comparative Information for the Year Ended December 31, 2017)

	Program Services					Support Services			TOTAL	2017 TOTAL	
	State Tax Policy	Federal Tax Policy	Global Tax Reform	Legal Programs	Research and Communication	Total Programs	General and Administration	Fundraising			Total Support Services
Salaries	507,428	817,855	197,305	103,828	253,744	1,880,160	404,426	434,963	839,389	2,719,549	\$ 2,442,719
Payroll taxes	34,533	53,718	13,430	7,674	19,185	128,540	32,615	30,696	63,311	191,851	170,536
Employee benefits	31,376	48,807	12,202	6,972	17,431	116,788	29,634	27,890	57,524	174,312	104,985
Retirement benefits	12,298	19,130	4,782	2,733	6,832	45,775	11,614	10,931	22,545	68,320	71,903
Sub-Totals	585,635	939,510	227,719	121,207	297,192	2,171,263	478,289	504,480	982,769	3,154,032	2,790,143
Accounting	-	-	-	-	-	-	15,537	-	15,537	15,537	20,300
Advertising	500	624	-	-	26,134	27,258	98	4,793	4,891	32,149	21,202
Bad Debt	-	-	-	-	-	-	14,776	-	14,776	14,776	-
Bank and credit card fees	-	-	-	-	-	-	6,845	-	6,845	6,845	11,948
Conference and meetings	17,134	23,825	26,685	206	8,732	76,582	5,649	-	5,649	82,231	144,011
Contributions	-	-	35,439	-	-	35,439	-	-	-	35,439	-
Depreciation and amortization	22,036	34,278	8,570	4,897	12,242	82,023	20,812	19,588	40,400	122,423	134,938
Dues and Subscription	20,028	36,264	8,769	18,303	23,040	106,404	-	17,215	17,215	123,619	119,825
Insurance	4,639	7,216	1,804	1,031	2,577	17,267	4,381	4,123	8,504	25,771	20,644
IT Support	3,515	5,681	1,902	781	10,886	22,765	3,319	4,490	7,809	30,574	18,889
Occupancy	65,154	101,350	25,337	14,479	36,196	242,516	61,534	57,914	119,448	361,964	376,400
Office supplies	4,991	6,538	1,635	934	2,494	16,592	3,970	11,752	15,722	32,314	28,947
Other	4,949	7,699	1,925	1,100	2,750	18,423	4,674	6,244	10,918	29,341	28,698
Printing and reproduction	25,779	-	-	1,780	3,954	31,513	15,080	63,073	78,153	109,666	162,807
Professional fees	146,995	174,691	6,750	150	36	328,622	-	117,726	117,726	446,348	258,500
Postage	1,460	-	2,776	72	399	4,707	6,284	192,129	198,413	203,120	201,104
Repairs and maintenance	2,171	3,749	844	482	1,556	8,802	2,050	1,929	3,979	12,781	11,352
Staff development	5,985	9,082	2,030	1,160	6,185	24,442	4,931	5,863	10,794	35,236	9,779
Telephone and fax	4,195	6,526	1,631	932	2,978	16,262	3,963	3,729	7,692	23,954	27,567
Travel	101,613	24,971	15,242	17,988	9,114	168,928	1,414	32,177	33,591	202,519	230,360
Total Expenses	1,016,779	1,382,004	369,058	185,502	446,465	3,399,808	653,606	1,047,225	1,700,831	5,100,639	4,617,414

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

**TAX FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

(With summarized Comparative Information for the Year Ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (77,243)	\$ 886,629
Adjustments to reconcile changes in net assets to net cash provided for operating activities:		
Depreciation	122,423	134,938
Net realized and unrealized gains	291,425	(428,438)
Beneficial interest in split interest agreement	(2,990)	(36,267)
Other changes	-	(9,302)
(Increase) decrease in assets:		
Grants and contributions receivable	(163,513)	(69,857)
Accounts receivable	-	15,761
Prepaid expenses	11,840	4,069
Increase (decrease) in liabilities:		
Accounts payable	(9,707)	80,749
Accrued expenses	(11,869)	-
Capital lease liability	13,695	-
Deferred rent and lease incentive	(25,806)	(50,235)
Net Cash Provided By Operating Activities	148,255	528,047
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(64,016)	(32,794)
Purchase of investments	(77,991)	(401,996)
Net Cash Used For Investing Activities	(142,007)	(434,790)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,248	93,257
CASH AND CASH EQUIVALENTS, beginning of year	615,331	522,074
CASH AND CASH EQUIVALENTS, end of year	\$ 621,579	\$ 615,331

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

**TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

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

Program Descriptions

State Tax Policy Programs promotes state tax reform with comprehensive annual reports, research, policy analysis, and in-depth state-specific studies. In 2018, the Foundation testified or presented to officials in 28 states and the District of Columbia. The Foundation is often looked to by legislators, taxpayers, and the media to recommend tax reform options or provide analysis of tax plans. The Foundation’s analysis, and studies such as the State Business Tax Climate Index, inform the tax reform debate across the country and have been crucial to major tax changes in many states. In 2018, their state rankings, research, and experts were cited in the media 9,213 times.

Federal Tax Policy Programs promotes sound tax policy in Washington D.C. The Foundation provides objective data and analysis on tax policy, using several tools, including dynamic scoring model, research and writing, Capitol Hill Briefings, and Congressional Testimony. The Foundation established itself as the go-to resource on federal tax issues for policymakers. In 2018, it’s federal policy work was cited 11,632 times, and had more than 30 Capitol Hill Meetings, and produced dozens on reports and blog posts on a variety of issues.

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

Research and Communication-The Foundation’s marketing team makes tax policy engaging and accessible to taxpayers, legislators, and the media through innovative, multi-channel campaigns.

**TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES(continued)

Program Descriptions (continued)

The Foundation’s team delivers high-quality content to the right people, at the right time, in a format that promotes deeper understanding using tools like social media, digital advertising, interactive web experiences, and email. In 2018, the Foundation earned 20,845 media citations in the world's top news outlets, including The Wall Street Journal, the Washington Post, the New York Times, NBC, Fox News, and NPR; it’s experts conducted 114 radio and TV interviews; taxfoundation.org was visited 18.2 million times; it’s social media accounts earned 10 million impressions; it’s digital advertising resulted in 5.8 million impressions; and it’s reports were downloaded 433,794 times.

Legal Program cultivates, explains, and advocates for tax legal reform. We develop innovative pro-growth ideas in tax law with leading experts, educate the legal community and the public about economics and taxpayer protections, and advocate that judicial and policy decisions on tax law promote simple, neutral, transparent, and stable tax policies.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, The Foundation adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit-Entities*. In accordance with the topic, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

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

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

Cash and Cash Equivalents

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

Investments

Investments in mutual funds are reported at fair value, which is based on observable quoted market prices. Money market funds are reported at cost, which approximates fair value. Interest income is reported when earned. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes the gains and losses on investments bought and sold as well as held during the year.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Contributions

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

Property and Equipment

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

Revenue Recognition

Unconditional contributions received are recorded as assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue from the Annual Dinner is recognized when earned and is reported in the accompanying statements of activities net of direct benefits.

Deferred Rent

Deferred rent represents discounted rent granted by the landlord. This is being recognized as rent expense over the remaining period of the lease on a straight-line basis.

Method Used for Allocation of Expenses for Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy expenses, and related personal expenses that are allocated on the basis of time worked.

**TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

NOTE C – INCOME TAXES

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

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

The Foundation's information returns are subject to examination by the Internal Revenue Service ("IRS") for a period of three years from the date they were filed, except under certain circumstances. The Foundation's Form 990 returns for the years 2015 through 2017 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

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

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

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY (continued)

The following table reflects the Foundation’s financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions and board designations:

Cash	\$ 621,579
Grants and contributions receivable	304,871
Investments	<u>2,553,988</u>
Total Financial Assets	\$ 3,480,438
Less Net assets with Donor Restrictions	<u>(199,009)</u>
Total Financial Assets Available to Meet Cash	
Needs for General Expenditures within one Year	<u><u>\$ 3,281,429</u></u>

NOTE E – BENEFICIAL INTEREST IN SPLIT INTEREST AGREEMENT

During the year ended December 31, 2017, the Foundation was notified that it has a beneficial remainder interest in an irrevocable gift annuity held by a third party. The terms of the agreement provide for quarterly payments of \$1,550 to the primary beneficiary during their lifetime with the amount remaining to be paid to the Foundation upon the beneficiary’s death. The Foundation has recorded the beneficial interest in this contribution at its estimated fair value using present value techniques assuming a remaining life expectancy of 11.1 years and a discount rate of 7.51%. For the year ended December 31, 2018, the Foundation recorded a contribution of \$39,257, related to this split interest agreement, which is included in grants and contributions in the accompanying statement of activities.

NOTE F – LEASE COMMITMENT

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

**TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE F – LEASE COMMITMENT (continued)

Years Ending December 31,

	2019	\$	424,818
	2020		440,854
	2021		451,875
	2022		463,172
	2023		474,752
2024 and thereafter			1,496,661
			\$ 3,752,132

Total occupancy expense recorded by the Foundation for the year ended December 31, 2018 was \$361,964.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

The Foundation had net assets with donor restrictions for the year ended December 31, 2018, as follows:

Center for State Tax Policy	25,315
State Tax Business Climate Index	10,841
Macroeconomic tax modeling	138,711
Upgrade to taxes and growth model	23,836
Other	306
	\$ 199,009

NOTE H – RETIREMENT PLAN

The Tax Foundation 401(k) profit sharing plan (the “Plan”) was adopted to provide employees with retirement saving opportunities. All employees who are 21 years of age and have completed six months of employment with at least 1,000 hours of service are eligible to participate. Eligible employees may contribute to the Plan up to the maximum limits set by the Internal Revenue Service. The employer matches 100 percent of salary deferrals up to 3% of the compensation and 50% of deferrals between 3% and 5% of compensation. Retirement expense for the year ended December 31, 2018 was \$68,320.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

NOTE I – CONCENTRATION OF FUNDING

At December 31, 2018, the amount held in the Foundation's operating account exceeded the amount guaranteed by the Federal Deposit Insurance Corporation by \$371,579. In addition, at December 31, 2018, grants and contributions receivable of \$304,871 included amounts due from six donors totaling \$212,500 or 69% of the balance. The Foundation has not experienced, nor does it anticipate, any loss of funds as a result of this concentration.

NOTE J – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board FASB ASC 820, Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels within the hierarchy in order of priority are:

- Level 1 - unadjusted quoted prices for identical assets or liabilities in an active market
- Level 2 - quoted prices for similar assets or liabilities in a in active markets, quoted prices for identical assets and liabilities in inactive markets, observable input other than quoted prices, or inputs derived from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs which are unobservable and significant to the fair value measurement.

An asset's or liabilities' fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following table sets forth by level, within the fair value hierarchy, the assets of the Foundation reported at fair value on a recurring basis in the accompanying statement of financial position December 31, 2018:

	Level 1	Level 2	Total
Mutual Funds	\$ 2,534,876	-	\$ 2,534,876
Stocks	19,112	-	19,112
Beneficial interest in split interest	-	39,257	39,257
Total	<u>\$ 2,553,988</u>	<u>\$ 39,257</u>	<u>\$ 2,593,245</u>

The fair value of the beneficial interest in the split interest agreement was estimated using present value techniques based on a life expectancy of 11.1 years for the primary beneficiary and a discount rate of 7.51% per annum and for the year ended December 31, 2018, the Foundation had no liabilities valued at fair value on a recurring basis or assets or liabilities valued at fair value on a non-recurring basis which required disclosure.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

NOTE K – SUBSEQUENT EVENTS

Effective January 1, 2019 the Plan has been amended. The employer matches 100 percent of salary deferrals up to 5% of the compensation.

The Foundation's management has evaluated subsequent events for potential required disclosures through September 13, 2019, which is the date the financial statements are available to be issued. There were no additional events or transactions except as noted above that were discovered during the evaluation that required further recognition or disclosure.