

ILLINOIS CHARITABLE ORGANIZATION ANNUAL REPORT

Form AG990-IL
Revised 3/05

PMT # 23527

AMT \$115

INIT JCA

Attorney General LISA MADIGAN State of Illinois
Charitable Trust Bureau, 100 West Randolph
11th Floor, Chicago, Illinois 60601

CO # 01014576

Report for the Fiscal Period:

Beginning 01/01/2006

& Ending 12/31/2006

MO DAY YR

Make Checks
Payable to
the Illinois
Charity
Bureau Fund

Check all items attached:

- ☒ Copy of IRS Return
☐ Audited Financial Statements
☐ Copy of Form IFC
☒ \$15.00 Annual Report Filing Fee
☒ \$100.00 Late Report Filing Fee

Federal ID # 36-3309812

Are contributions to the organization tax deductible?

☒ Yes ☐ No

Date Organization was created:

MO DAY YR
04/24/1984

LEGAL	Year-end amounts	
NAME THE HEARTLAND INSTITUTE	A) ASSETS	A) \$ 567,701.
MAIL	B) LIABILITIES	B) \$ 32,588.
ADDRESS 19 SOUTH LA SALLE STREET, NO. 903	C) NET ASSETS	C) \$ 535,113.
CITY, STATE CHICAGO, IL		
ZIP CODE 60603		
I. SUMMARY OF ALL REVENUE ITEMS DURING THE YEAR:	PERCENTAGE	AMOUNT
D) PUBLIC SUPPORT, CONTRIBUTIONS & PROGRAM SERVICE REV. (GROSS AMTS.)	97.516%	D) \$ 2,679,076.
E) GOVERNMENT GRANTS & MEMBERSHIP DUES	0.920%	E) \$ 25,279.
F) OTHER REVENUES	1.564%	F) \$ 42,973.
	100 %	G) \$ 2,747,328.
G) TOTAL REVENUE, INCOME AND CONTRIBUTIONS RECEIVED (ADD D, E & F)	62.459%	H) \$ 2,746,949.
II. SUMMARY OF ALL EXPENDITURES DURING THE YEAR:	%	I) \$
H) OPERATING CHARITABLE PROGRAM EXPENSE	62.459%	J) \$ 2,746,949.
I) EDUCATION PROGRAM SERVICE EXPENSE		
J) TOTAL CHARITABLE PROGRAM SERVICE EXPENSE (ADD H & I)		
J1) JOINT COSTS ALLOCATED TO PROGRAM SERVICES (INCLUDED IN J):		
K) GRANTS TO OTHER CHARITABLE ORGANIZATIONS	26.717%	K) \$ 1,175,000.
L) TOTAL CHARITABLE PROGRAM SERVICE EXPENDITURE (ADD J & K)	89.176%	L) \$ 3,921,949.
M) MANAGEMENT AND GENERAL EXPENSE	4.003%	M) \$ 176,064.
N) FUNDRAISING EXPENSE	6.821%	N) \$ 299,987.
O) TOTAL EXPENDITURES THIS PERIOD (ADD L, M, & N)	100 %	O) \$ 4,398,000.
III. SUMMARY OF ALL PAID FUNDRAISER AND CONSULTANT ACTIVITIES:		
(Attach Attorney General Report of Individual Fundraising Campaign- Form IFC. One for each PFR.)		
PROFESSIONAL FUNDRAISERS:		
P) TOTAL AMOUNT RAISED BY PAID PROFESSIONAL FUNDRAISERS	100 %	P) \$
Q) TOTAL FUNDRAISERS FEES AND EXPENSES	%	Q) \$
R) NET RECEIVED BY THE CHARITY (P MINUS Q=R)	%	R) \$
PROFESSIONAL FUNDRAISING CONSULTANTS:		
S) TOTAL AMOUNT PAID TO PROFESSIONAL FUNDRAISING CONSULTANTS		S) \$
IV. COMPENSATION TO THE (3) HIGHEST PAID PERSONS DURING THE YEAR:		
T) NAME, TITLE: JOSEPH L. BAST, PRESIDENT		T) \$ 100,833.
U) NAME, TITLE: DIANE CAROL BAST, VICE PRESIDENT		U) \$ 80,833.
V) NAME, TITLE: SEAN D PARNELL, V.P.-EXTERNAL AFFAIRS		V) \$ 82,051.
V. CHARITABLE PROGRAM DESCRIPTION:	CHARITABLE PROGRAM (3 HIGHEST BY \$ EXPENDED) CODE CATEGORIES	List on back side of instructions CODE
W) DESCRIPTION: PUBLICATIONS-MAGAZINE, NEWSPAPERS, BOOK REPORT		W) # 010
X) DESCRIPTION: POLICY BOT/INTERNET-ELECTRONIC INFORMATION SERV		X) # 104
Y) DESCRIPTION: MEMBER SERVICES-EVENTS, SEMINARS, NEWSLETTER		Y) # 011

RECEIVED

AUG 29 2007

Attorney General
Charitable Trust

YES	NO
-----	----

- | | | |
|-----|--|---|
| 1. | | X |
| 2. | | X |
| 3. | | X |
| 4. | | X |
| 5. | | X |
| 6. | | X |
| 7. | | X |
| 8. | | X |
| 9. | | X |
| 10. | | X |

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E ATTACHED
TH THE
AUTHORIZE AND

Form **990**Department of the Treasury
Internal Revenue Service**Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2006Open to Public
Inspection**A** For the 2006 calendar year, or tax year beginning

and ending

B Check if applicable:

- ☐ Address change
☐ Name change
☐ Initial return
☐ Final return
☐ Amended return
☐ Application pending

Please use IRS label or print or type. See Specific instructions.

C Name of organization**THE HEARTLAND INSTITUTE**

Number and street (or P.O. box if mail is not delivered to street address)

19 SOUTH LA SALLE STREET

Room/suite

903

City or town, state or country, and ZIP + 4

CHICAGO, IL 60603**D** Employer identification number**36-3309812****E** Telephone number**(312) 377-4000****F** Accounting method:☐ Cash☒ Accrual

Other (specify) ▶

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

G Website: ▶ **WWW.HEARTLAND.ORG****J** Organization type (check only one) ▶ ☒ 501(c) (3) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527**K** Check here ☐ if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.**H** and **I** are not applicable to section 527 organizations.**H(a)** Is this a group return for affiliates? ☐ Yes ☒ No**H(b)** If "Yes," enter number of affiliates ▶ **N/A****H(c)** Are all affiliates included? **N/A** ☐ Yes ☐ No (If "No," attach a list.)**H(d)** Is this a separate return filed by an organization covered by a group ruling? ☐ Yes ☒ No**I** Group Exemption Number ▶ **N/A****L** Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶**2,747,328.****M** Check ☐ if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances**

Revenue	1 Contributions, gifts, grants, and similar amounts received:				
	a Contributions to donor advised funds	1a			
	b Direct public support (not included on line 1a)	1b	2,491,809.		
	c Indirect public support (not included on line 1a)	1c			
	d Government contributions (grants) (not included on line 1a)	1d			
	e Total (add lines 1a through 1d) (cash \$ 2,491,809. noncash \$)	1e	2,491,809.		
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2	187,267.		
	3 Membership dues and assessments	3	25,279.		
	4 Interest on savings and temporary cash investments	4	42,973.		
	5 Dividends and interest from securities	5			
Revenue	6 a Gross rents	6a			
	b Less: rental expenses	6b			
	c Net rental income or (loss). Subtract line 6b from line 6a	6c			
	7 Other investment income (describe ▶)	7			
	8 a Gross amount from sales of assets other than inventory	(A) Securities	(B) Other		
	b Less: cost or other basis and sales expenses	8a			
	c Gain or (loss) (attach schedule)	8b			
	d Net gain or (loss). Combine line 8c, columns (A) and (B)	8c			
	8d				
	9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>				
Revenue	a Gross revenue (not including \$ of contributions reported on line 1b)	9a			
	b Less: direct expenses other than fundraising expenses	9b			
	c Net income or (loss) from special events. Subtract line 9b from line 9a	9c			
	10 a Gross sales of inventory, less returns and allowances	10a			
	b Less: cost of goods sold	10b			
	c Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a	10c			
	11 Other revenue (from Part VII, line 103)	11			
	12 Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11	12	2,747,328.		
	Expenses	13 Program services (from line 44, column (B))	13	3,921,949.	
		14 Management and general (from line 44, column (C))	14	176,064.	
15 Fundraising (from line 44, column (D))		15	299,987.		
16 Payments to affiliates (attach schedule)		16			
17 Total expenses. Add lines 13 and 14, column (A)		17	4,398,000.		
Net Assets	18 Excess or (deficit) for the year. Subtract line 17 from line 12	18	<1,650,672.>		
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19	2,185,785.		
	20 Other changes in net assets or fund balances (attach explanation)	20	0.		
	21 Net assets or fund balances at end of year. Combine lines 18, 19, and 20	21	535,113.		

LHA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

Form 990 (2006)

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash \$ 0 - noncash \$ 0) If this amount includes foreign grants, check here <input type="checkbox"/>			STATEMENT 2	
22b Other grants and allocations (attach schedule) (cash \$ 1,175,000 - noncash \$ 0) If this amount includes foreign grants, check here <input type="checkbox"/>	1,175,000.	1,175,000.		
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25a Compensation of current officers, directors, key employees, etc. listed in Part V-A STMT 1	100,833.	75,625.	15,125.	10,083.
b Compensation of former officers, directors, key employees, etc. listed in Part V-B	0.	0.	0.	0.
c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
26 Salaries and wages of employees not included on lines 25a, b, and c	779,235.	596,282.	82,835.	100,118.
27 Pension plan contributions not included on lines 25a, b, and c				
28 Employee benefits not included on lines 25a - 27				
29 Payroll taxes				
30 Professional fundraising fees				
31 Accounting fees				
32 Legal fees				
33 Supplies	38,451.	12,847.	23,386.	2,218.
34 Telephone	7,328.	6,159.	508.	661.
35 Postage and shipping	439,365.	422,792.	1,305.	15,268.
36 Occupancy	99,678.	76,752.	9,968.	12,958.
37 Equipment rental and maintenance				
38 Printing and publications	759,128.	738,330.	794.	20,004.
39 Travel	370,537.	276,827.	4,129.	89,581.
40 Conferences, conventions, and meetings				
41 Interest	2,133.		2,133.	
42 Depreciation, depletion, etc. (attach schedule)	8,277.		8,277.	
43 Other expenses not covered above (itemize):				
a OTHER EXPENSES	14,642.	14,084.		558.
b SUBCONTRACTOR,				
c WRITERS, EDITORS	603,393.	527,251.	27,604.	48,538.
d				
e				
f				
g				
44 Total functional expenses. Add lines 22a through 43g. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	4,398,000.	3,921,949.	176,064.	299,987.

Joint Costs. Check ☐ if you are following SOP 98-2.Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ☐ Yes ☒ NoIf "Yes," enter (i) the aggregate amount of these joint costs \$ N/A ; (ii) the amount allocated to Program services \$ N/A ;
(iii) the amount allocated to Management and general \$ N/A ; and (iv) the amount allocated to Fundraising \$ N/A

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ►

RESEARCH & WRITING ON PUBLIC POLICY ISSUES

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

Program Service Expenses
(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)

a PUBLICATIONS - RESEARCH & WRITING ON PUBLIC POLICY ISSUES.
HEARTLAND PRODUCED FOUR NEWSLETTERS, FOUR MONTHLY NEWSPAPERS
TWO BOOKS AND ONE BOOKLET IN 2006.

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

2,070,797.

b INTERNET PROJECTS - HEARTLAND OPERATED A FREE WEB-BASED
RESEARCH SERVICE IN 2006 AND HAD AN EXTENSIVE INTERNET
PRESENCE.

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

284,288.

c MEMBER SERVICES - SEMINARS AND EVENTS FOR HEARTLAND MEMBERS
AND THE PUBLIC, A MONTHLY MEMBERSHIP NEWSLETTER AND SIMILAR
ACTIVITIES.

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

295,872.

d SPEAKERS BUREAU - HEARTLAND OFFERS ITS SENIOR FELLOWS AND
STAFF MEMBERS AS SPEAKERS FOR EVENTS HOSTED BY OTHER
ORGANIZATIONS. THE SPEAKERS BUREAU PRODUCED 80 SPEAKING
ENGAGEMENTS IN 2006.

(Grants and allocations \$) If this amount includes foreign grants, check here ► ☐

95,992.

e Other program services (attach schedule) SEE STATEMENT 3

(Grants and allocations \$ 1,150,000.) If this amount includes foreign grants, check here ► ☐

25,000.

f Total of Program Service Expenses (should equal line 44, column (B), Program services) ► 2,771,949.

Form 990 (2006)

Part IV Balance Sheets (See the instructions.)**Note:** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
Assets	45 Cash - non-interest-bearing	1,050,147.	45	500,352.
	46 Savings and temporary cash investments		46	
	47 a Accounts receivable 47a 8,468.			
	b Less: allowance for doubtful accounts 47b	121,791.	47c	8,468.
	48 a Pledges receivable 48a			
	b Less: allowance for doubtful accounts 48b		48c	
	49 Grants receivable		49	
	50 a Receivables from current and former officers, directors, trustees, and key employees		50a	
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)		50b	
	51 a Other notes and loans receivable 51a			
	b Less: allowance for doubtful accounts 51b		51c	
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges	27,103.	53	18,222.
	54 a Investments - publicly-traded securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV	980,390.	54a	
	b Investments - other securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54b	
55 a Investments - land, buildings, and equipment: basis 55a				
b Less: accumulated depreciation 55b		55c		
56 Investments - other		56		
57 a Land, buildings, and equipment: basis 57a 159,730.				
b Less: accumulated depreciation 57b 125,071.	41,243.	57c	34,659.	
58 Other assets, including program-related investments (describe ► SECURITY DEPOSIT)	6,000.	58	6,000.	
59 Total assets (must equal line 74). Add lines 45 through 58	2,226,674.	59	567,701.	
Liabilities	60 Accounts payable and accrued expenses	40,889.	60	32,588.
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees		63	
	64 a Tax-exempt bond liabilities		64a	
	b Mortgages and other notes payable		64b	
	65 Other liabilities (describe ►)		65	
66 Total liabilities. Add lines 60 through 65	40,889.	66	32,588.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	185,785.	67	535,113.
	68 Temporarily restricted	2,000,000.	68	0.
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72. (Column (A) must equal line 19 and column (B) must equal line 21)	2,185,785.	73	535,113.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	2,226,674.	74	567,701.

instructions.)

Part IV-B	Reconciliation of Expenses per Audited Financial Statements With Expenses per Return
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Part V A **Current Officers, Directors, Trustees, and Key Employees** (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

Form 990 (2006)

Part VI Other Information (continued)

		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
	82b N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
	N/A		
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		
	N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
	N/A		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.		
c	Dues, assessments, and similar amounts from members		
	85c N/A		
d	Section 162(e) lobbying and political expenditures		
	85d N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
	85e N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)		
	85f N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
	N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
	N/A		
86	501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12		
	86a N/A		
b	Gross receipts, included on line 12, for public use of club facilities		
	86b N/A		
87	501(c)(12) organizations. Enter: a Gross income from members or shareholders		
	87a N/A		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)		
	87b N/A		
88 a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI		X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 0.; section 4912 0.; section 4955 0.		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		
	0.		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		
	0.		
e	All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		X
f	All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract?		X
g	For supporting organizations and sponsoring organizations maintaining donor advised funds. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		X
89g			
90 a	List the states with which a copy of this return is filed IL		
b	Number of employees employed in the pay period that includes March 12, 2006	90b	14
91 a	The books are in care of THE HEARTLAND INSTITUTE Telephone no. (312) 377-4000		
	Located at 19 SOUTH LA SALLE STREET, #903, CHICAGO, IL ZIP + 4 60603		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country N/A	91b	X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		

Part VI Other Information (continued)

Yes No

c At any time during the calendar year, did the organization maintain an office outside of the United States?

91c

X

If "Yes," enter the name of the foreign country **N/A**

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here

☐

and enter the amount of tax-exempt interest received or accrued during the tax year

92

N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
a PUBLICATIONS/RESEARCH	511110	61,260.			126,007.
b POLICY BOT/INTERNET					
c PUBLICATIONS/RESEARCH					
d SPEAKERS BUREAU					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					25,279.
95 Interest on savings and temporary cash investments					42,973.
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		61,260.		0.	194,259.
105 Total (add line 104, columns (B), (D), and (E))					255,519.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93A	ANNUAL FUNDRAISER & OTHER PUBLIC EVENTS EDUCATES ATTENDEES AS WELL AS
93B	HEARTLAND DISSEMINATES ITS RESEARCH THRU PUBLICATIONS & PUBLIC EVENTS.
94	MEMBER DUES QUALIFY MEMBERS FOR FREE PUBLICATIONS & EVENT DISCOUNTS.
95	INTEREST IS EARNED INCIDENTAL TO FUNDRAISING & PROGRAM ACTIVITIES.

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
N/A	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No
- (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ Yes ☒ No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Part XI	Information Regarding Transfers To and From Controlled Entities. <i>Complete only if the organization is a controlling organization as defined in section 512(b)(13).</i>	N/A
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controlling organization as defined in section 512(b)(13).		Yes	No
106	Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.		

complete the schedule below for each controlled entity.				
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- ----- -----			
b	----- ----- -----			
c	----- ----- -----			
Totals				

Totals		Yes	No
107	Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.		

complete the schedule below for each controlled entity.				
	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer
a	----- ----- -----			
b	----- ----- -----			
c	----- ----- -----			
Totals				

Totals		Yes	No
108	Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?		

**Please
Sign
Here**

**Paid
Preparer's
Use Only**

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

Supplementary Information-(See separate instructions.)

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No. 1545-0047

2006

Name of the organization

THE HEARTLAND INSTITUTE

Employer identification number

36: 3309812

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See page 2 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
JOSEPH L. BAST 900 EAST WILMETTE RD #124 PALATINE IL	PRESIDENT 40.00	100,833.		
DIANE C. BAST 900 EAST WILMETTE RD #124 PALATINE IL	VICE PRESIDENT 40.00	80,833.		
LATREECE VANKINSCOTT 5127 W GLADYS FLOOR 2 CHICAGO, IL	PUBLISHER 40.00	66,579.		
SEAN D. PARNELL 1621 WHITEHALL CT. WHEELING IL	VP-EXTERNAL AFFAIRS 40.00	82,051.		
RALPH W. CONNER 313 N 5TH MAYWOOD IL 60153	PUBLISHER 40.00	65,000.		
Total number of other employees paid over \$50,000 ▶	0			

Part II-A Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services ▶	0	

Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services

(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None." See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of other contractors receiving over \$50,000 for other services ▶	0	

Part III Statements About Activities (See page 2 of the instructions.)

Yes No

1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.	1		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)			
a Sale, exchange, or leasing of property?	2a		X
b Lending of money or other extension of credit?	2b		X
c Furnishing of goods, services, or facilities?	2c		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d		X
e Transfer of any part of its income or assets?	2e		X
3 a Did the organization make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how the organization determines that recipients qualify to receive payments.)	3a		X
b Did the organization have a section 403(b) annuity plan for its employees?	3b		X
c Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," attach a detailed statement	3c		X
d Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?	3d		X
4 a Did the organization maintain any donor advised funds? If "Yes," complete lines 4b through 4g. If "No," complete lines 4f and 4g	4a		X
b Did the organization make any taxable distributions under section 4966?	4b		X
c Did the organization make a distribution to a donor, donor advisor, or related person?	4c		X
d Enter the total number of donor advised funds owned at the end of the tax year			0
e Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year			0.
f Enter the total number of separate funds or accounts owned at the end of the year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts			0.
g Enter the aggregate value of assets in all funds or accounts included on line 4f at the end of the tax year			0.

Part IV Reason for Non-Private Foundation Status (See pages 4 through 7 of the instructions.)I certify that the organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5 ☐ A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 ☐ A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7 ☐ A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 ☐ A federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 ☐ A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state **▶** _____
- 10 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b ☐ A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 ☒ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 ☐ An organization that is not controlled by any disqualified persons (other than foundation managers) and otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization:
☐ Type I ☐ Type II ☐ Type III-Functionally Integrated ☐ Type III-Other

Provide the following information about the supported organizations. (See page 7 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total ▶					

- 14 ☐ An organization organized and operated to test for public safety. Section 509(a)(4). (See page 7 of the instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) Use cash method of accounting.
Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	2,242,948.	1,753,416.	1,546,170.	1,254,137.	6,796,671.
16 Membership fees received	29,943.	33,196.	28,945.	28,516.	120,600.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	246,591.	211,980.	316,026.	329,152.	1,103,749.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	1,401.	2,819.	1,700.	177.	6,097.
19 Net income from unrelated business activities not included in line 18	<113,680.>	<93,628.>	<92,239.>	<59,213.>	<358,760.>
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets		15,000.	SEE STATEMENT 5		15,000.
23 Total of lines 15 through 22	2,407,203.	1,922,783.	1,800,602.	1,552,769.	7,683,357.
24 Line 23 minus line 17	2,160,612.	1,710,803.	1,484,576.	1,223,617.	6,579,608.
25 Enter 1% of line 23	24,072.	19,228.	18,006.	15,528.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a N/A
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b N/A
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c N/A
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____					26d N/A
e Public support (line 26c minus line 26d total)					26e N/A
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f N/A %
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year: (2005) 2,869,522. (2004) 349,633. (2003) 309,392. (2002) 239,381.					
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2005) 0. (2004) 0. (2003) 0. (2002) 0.					
c Add: Amounts from column (e) for lines: 15 6,796,671. 16 120,600. 17 1,103,749. 20 _____ 21 _____					27c 8,021,020.
d Add: Line 27a total 3,767,928. and line 27b total 0.					27d 3,767,928.
e Public support (line 27c total minus line 27d total)					27e 4,253,092.
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)					27f 7,683,357.
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g 55.3546%
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h .0794%

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

NONE

Part V Private School Questionnaire (See page 9 of the instructions.)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	29	
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30	
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)	31	
<hr/>		
<hr/>		
32 Does the organization maintain the following:		
a Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d Copies of all material used by the organization or on its behalf to solicit contributions?	32d	
If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)		
<hr/>		
33 Does the organization discriminate by race in any way with respect to:		
a Students' rights or privileges?	33a	
b Admissions policies?	33b	
c Employment of faculty or administrative staff?	33c	
d Scholarships or other financial assistance?	33d	
e Educational policies?	33e	
f Use of facilities?	33f	
g Athletic programs?	33g	
h Other extracurricular activities?	33h	
If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)		
<hr/>		
<hr/>		
34 a Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b Has the organization's right to such aid ever been revoked or suspended?	34b	
If you answered "Yes" to either 34a or b, please explain using an attached statement.		
35 Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 10 of the instructions.)

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check ☐ a ☐ if the organization belongs to an affiliated group.Check ☐ b ☐ if you checked "a" and "limited control" provisions apply.**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred.)

	(a) Affiliated group totals	(b) To be completed for all electing organizations
	N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40	
41 Lobbying nontaxable amount. Enter the amount from the following table -		
If the amount on line 40 is - The lobbying nontaxable amount is -		
Not over \$500,000	20% of the amount on line 40	
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	
Over \$17,000,000	\$1,000,000	
42 Grassroots nontaxable amount (enter 25% of line 41)	42	
43 Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44 Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50 on page 13 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2006	(b) 2005	(c) 2004	(d) 2003	
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 13 of the instructions.)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

	Yes	No	Amount
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h.)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (Add lines c through h.)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

Yes	No
-----	----

51a(i)	X
--------	---

a(ii)		X
-------	--	---

--	--	--

b(1)	X
------	---

b(ii)		X
-------	--	---

b(iii)		X
--------	--	---

b(iv)		X
-------	--	---

$b(v)$		X
--------	--	-----

b(vi)		X
-------	--	---

C		X
----------	--	----------

N/A

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☒ No

N/A

Schedule A (Form 990 or 990-EZ) 2006

FORM 990

OFFICER COMPENSATION ALLOCATION
PART II, LINE 25A

STATEMENT 1

NAME OF OFFICER, ETC.	COMPENSATION	EMPLOYEE BEN. PLANS	EXPENSE ACCOUNTS	TOTALS
JOSEPH BAST	100,803.			100,803.
A. PROGRAM SERVICES	75,603.			75,603.
B. MANAGEMENT AND GENERAL	15,120.			15,120.
C. FUNDRAISING	10,080.			10,080.
TOTAL PROGRAM SERVICES				75,603.
TOTAL MANAGEMENT AND GENERAL				15,120.
TOTAL FUNDRAISING				10,080.
TOTAL OFFICER, ETC., COMPENSATION INCLUDED ON PART II, LINE 25A				100,803.

FORM 990

CASH GRANTS AND ALLOCATIONS
TO OTHERS

STATEMENT 2

CLASS OF ACTIVITY/DONEE'S NAME AND ADDRESS	AMOUNT
SCHOOL REFORM FREE ENTERPRISE EDUCATION INSTITUTE 12309 BRIARBUSH LANE POTOMAC, MD 20854	25,000.
ENVIRONMENT & CLIMATE MOVING PICTURE INSTITUTE 260 WEST 54TH STREET, #15G NEW YORK, NY 10019	250,000.
HEALTH CARE AFRICA FIGHTING MALARIA 2600 PENNSYLVANIA AVE., NW #7A WASHINGTON D.C. 20037	25,000.
SCHOOL REFORM SHIMER COLLEGE 414 NORTH SHERIDAN ROAD WAUKEGAN, IL 60085	500,000.
SCHOOL REFORM TEXAS PUBLIC POLICY FOUNDATION 900 CONGRESS AVE., SUITE 400 AUSTIN, TX 78701	100,000.
BUDGET & TAX REFORM EVERGREEN FREEDOM FOUNDATION P.O. BOX 552 OLYMPIA, WASHINGTON 98507	50,000.
BUDGET & TAX REFORM AMERICANS FOR PROSPERITY FOUNDATION	50,000.
BUDGET & TAX REFORM JAMES MADISON INSTITUTE P.O. BOX 13894 TALLAHASSEE, FL 32317	50,000.
BUDGET & TAX REFORM MAINE HERITAGE POLICY CENTER P.O. BOX 7829 PORTLAND, ME 04112	50,000.

BUDGET & TAX REFORM
 ALABAMA POLICY INSTITUTE
 402 OFFICE PARK DRIVE, SUITE 300
 BIRMINGHAM, AL 35223

40,000.

BUDGET & TAX REFORM
 SOUTH CAROLINA POLICY COUNCIL
 1323 PENDLETON STREET
 COLUMBIA, SC 29201

10,000.

BUDGET & TAX REFORM
 KANSAS TAXPAYERS NETWORK

25,000.

TOTAL INCLUDED ON FORM 990, PART II, LINE 22B

1,175,000.

FORM 990	OTHER PROGRAM SERVICES	STATEMENT	3
----------	------------------------	-----------	---

DESCRIPTION OF OTHER PROGRAM SERVICES	GRANTS AND ALLOCATIONS	EXPENSES
UNRESTRICTED GRANTS TO OTHER 501C(3) WITH MISSIONS IN LINE WITH HEARTLAND INSTITUTE.	1,150,000.	25,000.
TOTAL TO FORM 990, PART III, LINE E	1,150,000.	25,000.

FORM 990 PART V-A - LIST OF CURRENT OFFICERS, DIRECTORS, STATEMENT 4
 TRUSTEES AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
JOSEPH BAST 600 EAST WILMETTE ROAD #124 PALATINE, IL 60074	PRESIDENT 40.00	100,803.	0.	0.
ROBERT BUFORD 1333 N. KINGSBURY AVENUE #301 CHICAGO, IL 60622	DIRECTOR 0.00	0.	0.	0.
PAUL FISHER 77 WEST WACKER DRIVE, SUITE 4400 CHICAGO, IL 60601	HEAD OF REAL ESTATE 0.00	0.	0.	0.
JAMES FITZGERALD 1629 COLONIAL PARKWAY INVERNESS, IL 60067	MANAGING DIRECTOR 0.00	0.	0.	0.
DAN HALES 711 OAK STREET, SUITE 102 WINNETKA, IL 60093	ATTORNEY 0.00	0.	0.	0.
WILLIAM HIGGINSON 990 NORTH LAKE SHORE DRIVE #11B CHICAGO, IL 60611	DIRECTOR 0.00	0.	0.	0.
JAMES JOHNSTON 2143 CHESTNUT AVENUE WILMETTE, IL 60091	DIRECTOR 0.00	0.	0.	0.
ROY MARDEN 330 EAST 46TH STREET, SUITE 4J NEW YORK, NY 10017	DIRECTOR 0.00	0.	0.	0.
DAVID PADDEN 100 WEST MONROE, SUITE 706 CHICAGO, IL 60603	DIRECTOR 0.00	0.	0.	0.
FRANK RESNIK 175 EAST DELAWARE PLACE CHICAGO, IL 60611	DIRECTOR 0.00	0.	0.	0.
ELIZABETH ROSE 2110 GUY STREET SAN DIEGO, CA 92103-1539	DIRECTOR 0.00	0.	0.	0.

HERBERT WALBERG
180 EAST PEARSON STREET, SUITE
3607
CHICAGO, IL 60611

CHAIRMAN

0.00

0.

0.

0.

RAJEEV BAL
501 WEST MICHIGAN
MILWAUKEE, WI 53201-3050

DIRECTOR

0.00

0.

0.

0.

THOMAS WALTON
300 RENAISSANCE CENTER, MC
[REDACTED]
DETROIT, MI 48265-3000

DIRECTOR

0.00

0.

0.

0.

BIJU GEORGE KULATHAKAL
211 EAST OHIO, # 603
CHICAGO, IL 60611

DIRECTOR

0.00

0.

0.

0.

TOTALS INCLUDED ON FORM 990, PART V-A

100,803.

0.

0.

SCHEDULE A

OTHER INCOME

STATEMENT

5

DESCRIPTION	2005 AMOUNT	2004 AMOUNT	2003 AMOUNT	2002 AMOUNT
LAPSED TIME RESTRICTIONS	0.	15,000.	0.	0.
TOTAL TO SCHEDULE A, LINE 22	0.	15,000.	0.	0.

THE HEARTLAND INSTITUTE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

THE HEARTLAND INSTITUTE

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JAMES F. SEXTON AND ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

Woodfield Lake Office Court
941 Plum Grove Road, Suite A
Schaumburg, Illinois 60173
www.mycpacfo.com

(847) 605-0700
Fax (847) 605-0705

June 14, 2007

To The Board of Directors

The Heartland Institute

We have audited the accompanying statement of financial position of The Heartland Institute (a nonprofit organization) as of December 31, 2006 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Heartland Institute as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



JAMES F. SEXTON & ASSOC., LTD.
CERTIFIED PUBLIC ACCOUNTANTS

The Heartland Institute
Statement of Financial Position
December 31, 2006

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	500,351	
Accounts & Pledges Receivable	8,468	
Prepaid Expense	18,222	
Total Current Assets		527,042

FIXED ASSETS

Office Furniture	16,764	
Office Equipment	127,517	
Leasehold Improvements	15,449	
Less: Accumulated Depreciation	(125,071)	
Net Equipment		34,659

OTHER ASSETS

Deposits	6,000	
Total Other Assets		6,000

TOTAL ASSETS

567,701

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	32,588	
Total Current Liabilities		32,588

NET ASSETS

Unrestricted	535,113	
Temporarily Restricted	0	
Total Net Assets		535,113

TOTAL LIABILITIES AND NET ASSETS

567,701

See Notes to Financial Statements

The Heartland Institute
Statement of Activities
Year Ended December 31, 2006

CHANGES IN UNRESTRICTED NET ASSETS:

Contributions	2,491,809	
Publications/Research	17,510	
Advertising	43,750	
Memberships	25,279	
Fund Raising	126,007	
Interest Income	42,973	
TOTAL		2,747,328

NET ASSETS RELEASED FROM RESTRICTIONS:

Satisfaction of Purpose Restrictions	2,000,000
--------------------------------------	-----------

**TOTAL UNRESTRICTED REVENUE, GAINS AND
OTHER SUPPORT**

4,747,328

EXPENSES

Program	3,921,950	
Management and General	176,064	
Fund Raising	299,986	
TOTAL EXPENSES		4,398,000

**INCREASE (DECREASE) IN UNRESTRICTED
NET ASSETS**

349,328

CHANGES IN TEMPORARILY RESRICTED ASSETS:

Satisfaction of Purpose Restrictions	<u>(2,000,000)</u>	
Decrease of Temporarily Restricted Assets		(2,000,000)

CHANGE IN NET ASSETS (RESTRICTED)

(2,000,000)

NET ASSETS, BEGINNING OF YEAR (UNRESTRICTED)

185,785

NET ASSETS, END OF YEAR (UNRESTRICTED)

535,113

See Notes to Financial Statements

The Heartland Institute
Statement of Functional Expenses
Year Ended December 31, 2006

Description	Grants - Program					Mgmt. & Gen'l	Fund- raising	TOTAL
	Other Agencies	Publications	Member Services	Internet Projects	Speaker Bureau			
Salaries, Wages, and Benefits		\$355,610	\$95,986	\$202,858	\$17,453	\$97,960	\$110,201	\$880,068
Printing and Publications		733,944	873	1,825	1,688	794	20,004	759,128
Mailing		412,329	1,215	2,540	6,708	1,305	15,268	439,365
Office and Occupancy		40,868	10,964	22,926	1,994	9,968	12,958	99,678
Supplies and Equipment Lease		6,998	1,654	3,894	301	23,386	2,218	38,451
Travel, Exhibiting, Events		67,735	184,620		24,472	4,129	89,581	370,537
Services and Professional Fees	\$25,000	437,442		46,834	42,975	27,604	48,538	628,393
Other Expenses		13,784			300		558	14,642
Depreciation						8,277		8,277
Interest						2,133		2,133
Telephone		2,087	560	3,411	101	508	661	7,328
Grants	1,150,000							1,150,000
TOTAL	\$1,175,000	\$2,070,797	\$295,872	\$284,288	\$95,992	\$176,064	\$299,987	\$4,398,000
Percentage of Total	26.72%	47.08%	6.73%	6.46%	2.18%	4.00%	6.82%	100.00%

**The Heartland Institute
Statement of Cash Flows
Year Ended December 31, 2006**

Cash Flows From (Used By) Operating Activities:

Change In Net Assets	349,328	
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	8,277	
(Increase) decrease in accounts receivable	113,683	
(Increase) decrease in prepaid publications	8,881	
Increase (decrease) in accounts payable	(8,302)	
(Increase) decrease in investments	980,390	
Release of temporary restricted assets	<u>(2,000,000)</u>	
Net cash provided (used) by Operating Activities		(547,743)
 Cash Flows From (used by) Investing Activities		
Purchase of property and equipment	<u>(2,054)</u>	
Net cash provided (used) by investing activities		(2,054)
 Net increase (decrease) in cash		<u>(549,797)</u>
 Cash - Beginning Balance		1,050,148
 Cash - Ending Balance		<u><u>500,351</u></u>
 Amounts included in operating activities above:		
Amounts of interest paid		2,134

See Notes to Financial Statements

**The Heartland Institute
Statement of Functional Expenses
Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Heartland Institute is a nonprofit 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.

METHOD OF ACCOUNTING

The Organization maintains its records on the accrual basis in accordance with U.S. generally accepted accounting principles.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Non-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND EQUIVALENTS

The Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

FUNCTIONAL EXPENSE REPORTING

The cost of providing program and supporting services has been summarized by function, based on estimates developed by management.

ACCOUNTS & PLEDGES RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances and pledges. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off to bad debt expense. There were approximately \$2,300 in bad debts for 2006.

DONATIONS

Donations received in property other than cash are recorded at their fair market value on the date of the gift. Donations in property whose fair market values are not objectively determinable are omitted from the financial statement in accordance with generally accepted accounting standards.

**The Heartland Institute
Statement of Functional Expenses
Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION

Fixed assets are recorded at cost (or fair market value on the date of donation). Management follows the practice of capitalizing all expenditures for property, furniture, fixtures and office equipment in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation amounted to \$8,277 in 2006.

NOTE 2 - TAX STATUS

Heartland Institute is a non-profit organization. It qualifies under the Internal Revenue Code Section 501(c)(3) as an organization exempt from federal income taxation.

NOTE 3 - FUND BALANCE - TEMPORARILY RESTRICTED

Prior to 1997, the estate of Franklin Butcha executed a note under the charitable remainder trust provisions of the Internal Revenue Code. Interest of 5.5% per annum is paid monthly to the beneficiary of Franklin Butcha estate (his spouse) until her death. The principal loan of \$25,000 plus previously accrued interest of \$5,576 prior to Franklin's death for a grand total of \$30,576 was recognized as other income in 1996. Since then income and interest expense has been recorded through the unrestricted fund balance. Any present value adjustment to the bequest as with discounted cash flow adjustments were deemed insignificant.

During 2006, the Organization released \$2,000,000 temporarily restricted for future use from 2005.

NOTE 4 - LEASE COMMITMENTS

Management entered into a lease extension for its headquarters effective June 1, 2008 through January 31, 2012. Monthly base rent payments are currently \$7,279 per month. Management entered into a new lease to rent additional space at the same location effective March 1, 2007 through January 31, 2012. Monthly base rent payments are currently \$4,911 per month. Rent expense amounted to \$83,755 in 2006.

The Organization also entered into two equipment-operating leases:

1. A photocopier lease was entered commencing September 2003 for \$1,397 per month through March 2011.
2. A postage machine lease was entered commencing December 2004 for \$850 per quarter through February 2008.

**The Heartland Institute
Statement of Functional Expenses
Year Ended December 31, 2006**

NOTE 5 – LEASE COMMITMENTS (CONTINUED)

Following are the minimum future rental commitments:

<u>Period Ended</u>	<u>Amount</u>
December 31, 2007	\$157,997
December 31, 2008	\$170,645
December 31, 2009	\$174,667
December 31, 2010	\$179,383
December 31, 2011 and thereafter	<u>\$185,818</u>
Total	\$868,510

NOTE 6 – RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan covering substantially all employees. No contributions were paid during 2006.

NOTE 7 – CONCENTRATION OF CREDIT RISK

The Organization maintains several bank accounts at two banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at one of these institutions exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$399,929 as of December 31, 2006.

During 2006, the Organization received 25% of its contribution revenue from a single donor.

NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.