

PUBLIC WELFARE FOUNDATION, INC.

FINANCIAL STATEMENTS

September 30, 2025 and 2024

PUBLIC WELFARE FOUNDATION, INC.
Washington D.C.

FINANCIAL STATEMENTS
September 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Welfare Foundation, Inc.
Washington, D.C.

Opinion

We have audited the financial statements of Public Welfare Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Public Welfare Foundation, Inc. as of September 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended, in accordance with 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Public Welfare Foundation, Inc. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Public Welfare Foundation, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Welfare Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Welfare Foundation Inc.'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.


Crowe LLP

Indianapolis, Indiana
March 16, 2026

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 432,984	\$ 435,780
Investments	596,935,641	585,112,823
Prepaid expenses, taxes, and other assets	3,906,204	1,183,430
Property and equipment, net	<u>13,415,433</u>	<u>14,354,829</u>
 Total assets	 <u>\$ 614,690,262</u>	 <u>\$ 601,086,862</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses, taxes, and other liabilities	\$ 870,017	\$ 530,945
Deferred federal excise and income tax liability	902,186	827,186
Grants payable	9,490,000	4,000,000
Bonds payable, net of unamortized cost of issuance	<u>11,975,223</u>	<u>11,948,486</u>
Total liabilities	23,237,426	17,306,617
 Net assets without donor restrictions	 <u>591,452,836</u>	 <u>583,780,245</u>
 Total liabilities and net assets	 <u>\$ 614,690,262</u>	 <u>\$ 601,086,862</u>

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
 STATEMENTS OF ACTIVITIES
 Years ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
INVESTMENT INCOME AND EXPENSE		
Interest and dividends	\$ 7,336,064	\$ 7,176,459
Other investment funds gain, net	<u>282,928</u>	<u>1,118,373</u>
Total net income	7,618,992	8,294,832
Realized gain on investments, net	36,681,859	21,352,137
Unrealized gain on investments, net	<u>4,903,420</u>	<u>39,191,403</u>
Total net investment gain	<u>41,585,279</u>	<u>60,543,540</u>
Total investment income	49,204,271	68,838,372
Investment management fees	<u>(1,546,777)</u>	<u>(1,492,090)</u>
Net investment return	47,657,494	67,346,282
EXPENSES		
Program expenses:		
Grants approved, net of return	32,168,570	23,777,163
Administrative expenses:		
Salaries and fringe benefits	3,385,170	3,345,581
Professional and consulting fees	896,457	1,016,278
Other administrative expenses	<u>3,071,550</u>	<u>2,517,168</u>
	39,521,747	30,656,190
Provision for federal excise and other taxes	<u>675,000</u>	<u>980,000</u>
Total expenses	<u>40,196,747</u>	<u>31,636,190</u>
Net operating income	<u>7,460,747</u>	<u>35,710,092</u>
OTHER INCOME		
Rental and other miscellaneous income	<u>211,844</u>	<u>225,819</u>
Total other income	<u>211,844</u>	<u>225,819</u>
Change in net assets without donor restrictions	7,672,591	35,935,911
Net assets without donor restrictions, beginning of year	<u>583,780,245</u>	<u>547,844,334</u>
Net assets without donor restrictions, end of year	<u>\$ 591,452,836</u>	<u>\$ 583,780,245</u>

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended September 30, 2025 and 2024

	2025		
	Grantmaking And Program Activities	Supporting Activities	Total
EXPENSES:			
Wages and fringe benefits	\$ 2,455,558	\$ 929,612	\$ 3,385,170
Professional and consulting fees	484,293	412,164	896,457
Travel	68,625	86,772	155,397
Office operations	226,622	133,271	359,893
Meetings	21,505	11,834	33,339
Board expenses	30,375	50,625	81,000
Building expenses	891,998	169,091	1,061,089
Depreciation and amortization	1,160,788	220,044	1,380,832
Total before grants and provision for federal excise and other taxes	<u>5,339,764</u>	<u>2,013,413</u>	<u>7,353,177</u>
Grants	32,168,570	-	32,168,570
Provision for federal excise and other taxes	-	675,000	675,000
Total expenses	<u>\$ 37,508,334</u>	<u>\$ 2,688,413</u>	<u>\$ 40,196,747</u>
	2024		
	Grantmaking And Program Activities	Supporting Activities	Total
EXPENSES:			
Wages and fringe benefits	\$ 2,449,481	\$ 896,100	\$ 3,345,581
Professional and consulting fees	562,407	453,871	1,016,278
Travel	42,629	100,070	142,699
Office operations	237,702	125,809	363,511
Meetings	62,798	59,670	122,468
Board expenses	35,379	36,621	72,000
Building expenses	786,430	148,902	935,332
Depreciation and amortization	740,881	140,277	881,158
Total before grants and provision for federal excise and other taxes	<u>4,917,707</u>	<u>1,961,320</u>	<u>6,879,027</u>
Grants	23,777,163	-	23,777,163
Provision for federal excise and other taxes	-	980,000	980,000
Total expenses	<u>\$ 28,694,870</u>	<u>\$ 2,941,320</u>	<u>\$ 31,636,190</u>

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets without donor restrictions	\$ 7,672,591	\$ 35,935,911
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities		
Depreciation and amortization	1,380,832	881,158
Realized, unrealized and other gains on investments, net	(47,657,494)	(67,346,282)
(Increase) decrease in assets		
Prepaid expenses, taxes, and other assets	(2,722,774)	(486,840)
Increase (decrease) in liabilities		
Accrued expenses, taxes and other liabilities	339,072	111,760
Deferred federal excise and income tax asset/liability	75,000	560,000
Grants payable	5,490,000	(2,210,000)
Liability for capital project fund	-	(793,969)
Net cash used in operating activities	<u>(35,422,773)</u>	<u>(33,348,262)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(414,699)	(5,097,460)
Proceeds from sale and distributions of investments	<u>35,834,676</u>	<u>37,391,798</u>
Net cash provided by investing activities	<u>35,419,977</u>	<u>32,294,338</u>
Net decrease in cash and cash equivalents	(2,796)	(1,053,924)
Cash and cash equivalents, beginning of year	<u>435,780</u>	<u>1,489,704</u>
Cash and cash equivalents, end of year	<u>\$ 432,984</u>	<u>\$ 435,780</u>
Supplemental cash-flow disclosures		
Cash paid for interest	\$ 190,970	\$ 190,970
Cash paid for excise and other taxes	315,646	91,345

See accompanying notes to financial statements.

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 1 - ORGANIZATION

Public Welfare Foundation, Inc. (the Foundation) was established in 1947, incorporated in Texas and reincorporated in Delaware in 1951, for the purpose of supporting benevolent, charitable, educational or missionary organizations that advance justice and opportunity for people in need. These efforts honor the Foundation's core values of racial equality, economic well-being, and fundamental fairness for all. The Foundation's grantmaking is organized around Criminal Justice and Youth Justice. Funds for the Foundation's operations and grant making are provided from the Foundation's investment portfolio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates reflected in the Foundation's financial statements include the determination of fair value of investments. Actual values could differ from those estimates.

Basis of Accounting: The financial statements of the Foundation are presented in conformity with U.S. GAAP and have been prepared using the accrual basis of accounting, which includes recognition of revenue as earned and expenses as incurred.

Cash and Cash Equivalents: The Foundation considers all highly liquid instruments, which have an original maturity of three months or less, to be cash and cash equivalents except for the cash reserve portions of the long-term investment accounts which are recorded with short-term investments in the statements of financial position.

Financial Instruments and Credit Risk: Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments held at creditworthy financial institutions. Throughout the year, the balances of the Foundation's cash accounts at times have exceeded the federally insured limit. The Foundation has not experienced losses in these accounts. The Foundation believes it is not exposed to any significant credit risk on its cash and cash equivalents. By policy, investments are kept within limits designed to reduce risks caused by concentration.

Investments: As described in Note 4, effective October 1, 2020, the Foundation transferred substantially all its investment assets to a newly formed limited partnership, PWF Fund, LP, of which the Foundation is the sole limited partner and the Foundation's investment advisor is the general partner. Accordingly, the Foundation's investments as of September 30, 2025 and 2024, are comprised almost exclusively of the Foundation's limited partnership interest in PWF Fund, LP.

Amounts shown as investment income and expense on the Statements of Activities are derived almost exclusively through PWF Fund, L.P. The financial statements of PWF Fund, L.P. are audited by another public accounting firm.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment is stated at cost. Depreciation and amortization are provided by the straight-line method over 3 to 40 years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Expenditures for additions, improvements, and replacements are capitalized and property replaced is accounted for as retirements. The Foundation capitalizes purchases of property and equipment costing more than \$1,000 with a useful life greater than one year or that result in the betterment of an existing capital asset.

Impairment of Long-Lived Assets: The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No assets of the Foundation were identified as impaired as of the dates of these financial statements. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred Federal Excise and Income Tax: Deferred taxes arise due to differences between the reported value of investments and their tax basis. Deferred taxes also arise for the difference between the cash basis used for tax purposes and the accrual basis used for financial statement purposes for investment activities.

Grants Payable: The fair value of grants payable more than one year after the financial statement date is based on present value calculations using rates established for United States Treasury Bills with similar terms as the grants.

Grants Expense: Grants are expensed when they are approved by the Board of Directors or the President and Chief Executive Officer the Foundation. Grants paid over more than one year are recorded at the net present value of the future payments. Grant refunds and cancellations are recorded as reductions of grant expense upon receipt of notification from the grantee.

Functional Expenses: Certain categories of expenses are attributable to both program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Most administrative expenses incurred by the Foundation include shared costs. Wages and fringe benefits are allocated based on estimates of employee time and effort. Office operations expenses are allocated based on the nature of the expense; some are based on employee time and effort and others are based on square footage. Building expenses and depreciation are allocated based on square footage and board expenses are allocated based on estimates of time and effort.

Tax-Exempt Status: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is a private foundation under Section 509(a) of the Code. The Foundation is subject to federal excise tax as well as federal and state unrelated business income tax related to certain investments. See Note 6.

Subsequent Events: The Foundation evaluated its September 30, 2025 financial statements for subsequent events through March 16, 2026, the date these statements were available to be issued.

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PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation strives to maintain, either directly or through its interest in PWF Fund, LP, cash and cash equivalents sufficient to cover at least six months of general expenditures. The Foundation regularly monitors the availability of resources required to meet its operating needs, while also seeking to maximize the investment of unused funds. The Foundation has various sources of liquidity available, including cash and cash equivalents and marketable debt securities and marketable equity securities held by PWF Fund, LP. Financial assets in excess of monthly cash requirements are invested among these sources in compliance with the Foundation's investment policy.

The following table reflects the Foundation's financial assets as of September 30, 2025 and 2024, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of liquidity restrictions.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 432,984	\$ 435,780
Investments	<u>596,935,641</u>	<u>585,112,823</u>
Total financial assets	597,368,625	585,548,603
Less: Amounts unavailable for general expenditures within one year due to investments with liquidity horizons greater than one year	<u>(303,700,000)</u>	<u>(289,900,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 293,668,625</u>	<u>\$ 295,648,603</u>

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

U.S. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Certain investments are valued using the net asset value (NAV) (or its equivalent) provided by the fund as a practical expedient. Those investments are excluded from the valuation hierarchy.

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Investments Measured at <u>NAV</u>	<u>Totals</u>
Short-term investments	\$ 482,325	\$ -	\$ -	\$ -	\$ 482,325
PWF Fund, LP	<u>-</u>	<u>-</u>	<u>-</u>	<u>596,453,316</u>	<u>596,453,316</u>
Total	<u>\$ 482,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 596,453,316</u>	<u>\$ 596,935,641</u>

The following table presents the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	Investments Measured at <u>NAV</u>	<u>Totals</u>
Short-term investments	\$ 477,293	\$ -	\$ -	\$ -	\$ 477,293
PWF Fund, LP	<u>-</u>	<u>-</u>	<u>-</u>	<u>584,635,530</u>	<u>584,635,530</u>
Total	<u>\$ 477,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,635,530</u>	<u>\$ 585,112,823</u>

Inputs and Valuation Techniques:

Short-term Investments: The carrying value approximates fair value because of the short maturity of those instruments.

Investments Measured at NAV: As a practical expedient, Accounting Standards Codification (ASC) 820-10 permits the Foundation to estimate fair value of investments based on the NAV, or its equivalent, if the NAV of such investments is calculated in a manner consistent with the measurement principles of ASC 946, *Financial Services – Investment Companies*. Given the absence of market quotations, their fair value is estimated by management using information provided to the Foundation by the investment managers. The values are based on estimates that require varying degrees of judgment. Individual holdings within the limited partnerships and corporate interests may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, and other investment vehicles. The investments may indirectly expose the Foundation to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, the Foundation's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The Foundation does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships and corporate interests, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Effective October 1, 2020, the Foundation transferred nearly all investment assets into a newly formed limited partnership, PWF Fund LP, of which the Foundation is the sole limited partner and the Foundation's investment advisor is the general partner.

The following table sets forth a summary of the Foundation's redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable as of September 30, 2025 and 2024:

2025				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period (Days)</u>
PWF Fund, LP	\$ 596,453,316	\$ -	Limited liquidity **	N/A
	\$ 596,453,316	\$ -		
2024				
<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period (Days)</u>
PWF Fund, LP	\$ 584,635,530	\$ -	Limited liquidity **	N/A
	\$ 584,635,530	\$ -		

** The Foundation has the right under the PWF Fund, LP, limited partnership agreement to request withdrawals from the fund upon 30 days' notice or such shorter notice period as permitted by the General Partner. The Foundation routinely withdraws cash as needed for its operations on notice of one week or less. The assets of PWF Fund, LP, are invested according to an Investment Policy Statement that specifies the policy asset allocation guidelines for the fund. The asset allocation guidelines are designed to cause PWF Fund, LP, to be invested in a diversified portfolio of assets with sufficient liquidity so that, at any time, 20% of the fund's total assets are liquid within one month, 35% of total assets are liquid within six months, and 45% of total assets are liquid within one year of notice to the fund. As illustrated in Note 3, the fund regularly exceeds these requirements.

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PUBLIC WELFARE FOUNDATION, INC.
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NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

	<u>2025</u>	<u>2024</u>
Building and building improvements	\$ 18,435,559	\$ 18,389,747
Land and land improvements	1,690,863	1,690,863
Artwork	157,046	144,059
Furniture, fixtures, and equipment	<u>2,740,035</u>	<u>2,741,454</u>
	23,023,503	22,966,123
Less: accumulated depreciation and amortization	<u>(9,608,070)</u>	<u>(8,611,294)</u>
 Total	 <u>\$ 13,415,433</u>	 <u>\$ 14,354,829</u>

Depreciation expense was \$1,354,095 and \$854,421 for the years ended September 30, 2025 and 2024, respectively. Amortization expense was \$26,737 for the years ended September 30, 2025 and 2024, respectively.

NOTE 6 - FEDERAL EXCISE AND OTHER TAXES

In accordance with applicable provisions of the Code, the Foundation is subject to federal excise tax imposed on private foundations at 1.39% of its net investment income. The excise tax is imposed on net investment income, excluding unrealized gains, as defined under federal law. The Foundation is also subject to corporate income tax on its unrelated business income. The components of tax expense were as follows for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Current tax expense	\$ 600,000	\$ 420,000
Deferred tax expense	<u>75,000</u>	<u>560,000</u>
 Total provision for federal excise and other tax expense	 <u>\$ 675,000</u>	 <u>\$ 980,000</u>

Current taxes are related primarily to federal excise tax and unrelated business income generated as a result of the Foundation's investment income in various states.

As of September 30, 2025 and 2024, the Foundation recorded a net deferred federal excise tax liability at a rate of 1.39% of net unrealized gain on investments as of the end of each such year. The components of the deferred federal excise tax liability were as follows for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Deferred federal excise tax liability	<u>\$ 902,186</u>	<u>\$ 827,186</u>

In addition, the Code requires private foundations to make certain minimum distributions. The Foundation has made the required minimum distributions as of September 30, 2025 and 2024.

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PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 6 - FEDERAL EXCISE AND OTHER TAXES (Continued)

At September 30, 2025, the Foundation had excess distributions that can be carried over to fiscal year 2026 of approximately \$10,288,000. These carryover distributions can be applied towards the fiscal year 2026 minimum distribution requirement.

Under Financial Accounting Standards Board (FASB) ASC 740-10, *Accounting for Uncertainty in Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The Foundation believes that it has appropriate support for the excise and unrelated business income tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Foundation's financial position or statements of activities.

The Foundation is still open to examination by U.S. tax authorities from fiscal year 2022 forward. The Foundation is also open to examination by state tax authorities for various tax years. For the years ended September 30, 2025 and 2024, no interest or penalties were recorded in the statements of activities that related to amended tax returns.

NOTE 7 - BONDS PAYABLE

On May 27, 2020, the Foundation issued tax-exempt bonds in the principal amount of \$12,100,000 to an affiliate of JPMorgan Chase. The bonds bear a fixed rate of interest of 1.57% annually and are due 10 years following their issuance. The Foundation used the proceeds of the bonds to retire earlier bonds with principal owing of \$10,800,000, to pay the costs of issuing the 2020 bonds, and to provide \$1,058,000 to be used for the cost of replacing windows at the Foundation's headquarters building.

The annual interest rate as of September 30, 2025 and 2024, was 1.57%. Bond interest expense included in other administrative expenses for the years ended September 30, 2025 and 2024 was \$190,970.

The agreements contain certain financial and nonfinancial covenants with which the Foundation complied in 2025 and 2024.

The financial statements reflect the liability for bonds payable as of September 30, offset by related debt issuance costs. Amortization of capitalized interest and refinancing costs of \$26,737, was recognized in 2025 and 2024.

Net bonds payable as of September 30:

	<u>2025</u>	<u>2024</u>
Bonds payable	\$ 12,100,000	\$ 12,100,000
Less: unamortized bond issuance costs	<u>(124,777)</u>	<u>(151,514)</u>
Net bonds payable	<u>\$ 11,975,223</u>	<u>\$ 11,948,486</u>

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 8 - RETIREMENT PLANS

401(k) Plan

Included in salaries and fringe benefits are contributions to a qualified defined contribution 401(k) plan. The Foundation maintains this plan, established under Section 401(k) of the Code, for all of its employees. Upon the start of employment, employees may defer a portion of their salary up to the maximum amount allowable under section 415 of the Code. Employees become eligible for employer contributions after the completion of one year of service, at which time the Foundation contributes 12% of eligible employees' total compensation to the plan. During 2025 and 2024, the Foundation's contributions to the 401(k) plan and related expenses totaled \$329,205 and \$281,490, respectively. Participants are fully vested in all contributions.

457(b) Plan

The Foundation also maintains two separate defined contribution retirement plans under Section 457(b) of the Code (the 457(b) Plans) for certain eligible employees. Eligibility to participate in the 457(b) Plans is reviewed by an internal sub-committee that reports to the Finance Committee of the Board of Directors. The Plans are unfunded plans maintained primarily for the purpose of providing deferred compensation benefits for a select group of management employees. Under the 457(b) Plans, all employer contributions and any investment earnings are solely the property and rights of the Foundation and are subject to claims of the Foundation's general creditors until such amounts are paid or made available to the participant or beneficiary. Accordingly, participants' rights under these 457(b) Plans are equal to those of a general creditor of the Foundation until such amounts are paid or made available to the participant or beneficiary. As of September 30, 2025 and 2024, 457(b) Plan assets totaled \$238,183 and \$203,019, respectively, and were included in prepaid expenses, taxes and other assets with an equivalent offset in accrued expenses, taxes, and other liabilities in the accompanying statements of financial position.

Included in salaries and fringe benefits are contributions to the 457(b) Plan and related expenses of \$24,012 and \$22,508 for the years ended September 30, 2025 and 2024, respectively.

NOTE 9 - GRANTS

Grants consisted of the following as of September 30:

	<u>2025</u>	<u>2024</u>
Current year:		
Grants approved	\$ 32,130,063	\$ 23,670,806
Contributed rental space	<u>211,844</u>	<u>225,819</u>
	32,341,907	23,896,623
Prior years:		
Returned grants	<u>(173,337)</u>	<u>(119,460)</u>
Net grants	<u>\$ 32,168,570</u>	<u>\$ 23,777,163</u>

Grants payable within one year as of September 30, 2025 and 2024, were \$8,615,000 and \$4,000,000, respectively. Grants payable due in more than one year as of September 30, 2025 were \$875,000.

(Continued)

PUBLIC WELFARE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 10 - LEASING ARRANGEMENTS

The Foundation leases office space to the Washington Legal Clinic for the Homeless (WLCH), a non-profit corporation, pursuant to a lease agreement effective through September 30, 2026. The lease is renewable for additional consecutive one-year periods at WLCH's election. WLCH is required to pay the Foundation an annual Fixed Use Fee of One Dollar per year and has exercised its option to renew on a year-to-year basis.

The Foundation leases office space to if, a non-profit corporation, pursuant to a lease agreement dated February 1, 2024. Unless terminated sooner, the lease terminates on January 31, 2028. The Foundation agreed that if could occupy the space rent-free.

The Foundation leases office space to DC Justice Lab (DCJL), a non-profit corporation, pursuant to a lease agreement effective January 18, 2022, with an extension agreement dated October 1, 2024. Unless terminated sooner, the lease terminates on January 31, 2028. It may be extended by agreement of the Foundation and DCJL. The Foundation agreed that DCJL could occupy the space rent-free.

The Foundation leases office space to the National Reentry Network for Returning Citizens (NRN), a non-profit corporation, pursuant to a lease agreement effective February 1, 2024. Unless terminated sooner, the lease terminates on January 31, 2028. It may be extended by agreement of the Foundation and NRN. The Foundation agreed that NRN could occupy the space rent-free.

The Foundation leases office space to the Center for Strong Public Schools (CSPS), a non-profit organization, pursuant to a lease agreement dated September 9, 2025. Unless terminated sooner, the lease will terminate on January 31, 2028. The Foundation agreed that CSPS could occupy the space rent-free.

During the year ended September 30, 2024, the Foundation leased office space to Black Swan Academy (BSA), a non-profit corporation. That lease ended January 31, 2024. During the lease term, the Foundation agreed that BSA could occupy the space rent-free

During the year ended September 30, 2024, the Foundation leased office space to Education Reform Now, Inc. (ERNI), a non-profit corporation, pursuant to a lease agreement effective May 30, 2024. That lease was terminated as of September 30, 2024. During the lease term, the Foundation agreed that ERNI could occupy the space rent-free.

The fair market value of the rental income and grant expense related to these agreements included in the statement of activities was as follows for the years ended September 30:

	<u>2025</u>	<u>2024</u>
WLCH	\$ 140,186	\$ 142,924
if	8,110	9,861
DCJL	33,945	30,154
NRN	29,031	29,599
CSPS	572	-
BSA	-	8,342
ERNI	-	4,939
	<u>\$ 211,844</u>	<u>\$ 225,819</u>