

**Consolidated Financial Statements**

**Tax Foundation and Subsidiary**

**For the Year Ended December 31, 2025**  
**With Summarized Financial**  
**Information for 2024**

**Tax Foundation and Subsidiary**

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**With Summarized Financial Information for 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tax Foundation and Subsidiary  
Washington, D.C.

### Opinion

We have audited the consolidated financial statements of Tax Foundation and Subsidiary (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2025, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRFCPA.COM

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from Tax Foundation's 2024 financial statements, which were audited by other auditors and, in their report dated May 16, 2025, they expressed an unmodified opinion on those statements.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position and Consolidated Schedule of Activities and Change in Net Assets on pages 23-24 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 5, 2026

**Tax Foundation and Subsidiary**

**Consolidated Statement of Financial Position  
As of December 31, 2025  
With Summarized Financial Information for 2024**

**ASSETS**

	<b>2025</b>	<b>2024</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,250,737	\$ 874,081
Investments	3,376,164	3,832,537
Contributions receivable	490,193	1,093,742
Other receivables	160,746	-
Prepaid expenses	193,300	83,402
<b>Total current assets</b>	<b>5,471,140</b>	<b>5,883,762</b>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	312,625	529,384
Leasehold improvements	645,581	645,581
Website	450,338	388,838
Online model	9,099	54,099
<b>Sub-total property and equipment</b>	<b>1,417,643</b>	<b>1,617,902</b>
Less: accumulated depreciation	(1,173,537)	(1,203,429)
<b>Total property and equipment, net</b>	<b>244,106</b>	<b>414,473</b>
<b>OTHER ASSETS</b>		
Operating lease right-of-use asset, net	2,342,949	693,869
Financing lease right-of-use asset, net	-	5,428
Deposits	36,751	36,751
Beneficial interest in split interest agreement	73,107	63,142
<b>Total other assets</b>	<b>2,452,807</b>	<b>799,190</b>
<b>Total Assets</b>	<b>\$ 8,168,053</b>	<b>\$ 7,097,425</b>

See accompanying notes to consolidated financial statements.

**Tax Foundation and Subsidiary**

**Consolidated Statement of Financial Position  
As of December 31, 2025  
With Summarized Financial Information for 2024**

**LIABILITIES AND NET ASSETS**

	<u>2025</u>	<u>2024</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 300,803	\$ 374,994
Accrued salaries and related benefits	92,199	77,530
Operating lease liability	287,599	447,774
Financing lease liability	-	5,504
Refundable advances	35,000	20,000
<b>Total current liabilities</b>	<u>715,601</u>	<u>925,802</u>
<b>NONCURRENT LIABILITIES</b>		
Operating lease liability, net	2,378,810	507,482
<b>Total liabilities</b>	<u>3,094,411</u>	<u>1,433,284</u>
<b>NET ASSETS</b>		
Without donor restrictions	5,018,642	4,701,564
With donor restrictions	55,000	962,577
<b>Total net assets</b>	<u>5,073,642</u>	<u>5,664,141</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 8,168,053</u>	<u>\$ 7,097,425</u>

See accompanying notes to consolidated financial statements.

**Tax Foundation and Subsidiary**

**Consolidated Statement of Activities and Change in Net Assets  
For the Year Ended December 31, 2025  
With Summarized Financial Information for 2024**

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 6,355,621	\$ 855,200	\$ 7,210,821	\$ 6,875,136
<b>Fundraising Event:</b>				
Annual dinner	1,189,067	-	1,189,067	1,149,629
Less: direct costs	(662,336)	-	(662,336)	(411,626)
<b>Net revenue from fundraising event</b>	<b>526,731</b>	<b>-</b>	<b>526,731</b>	<b>738,003</b>
Net investment return	624,559	-	624,559	408,979
Program income	-	-	-	30,000
Contributed nonfinancial assets	22,032	-	22,032	26,549
Net assets released from donor restrictions	1,762,777	(1,762,777)	-	-
<b>Total support and revenue</b>	<b>9,291,720</b>	<b>(907,577)</b>	<b>8,384,143</b>	<b>8,078,667</b>
<b>EXPENSES</b>				
<b>Program Services:</b>				
Federal Tax Policy	1,760,447	-	1,760,447	2,059,629
Marketing and Communication	1,803,078	-	1,803,078	1,639,894
State Tax Policy	1,170,789	-	1,170,789	1,095,457
Global Tax Reform	1,459,663	-	1,459,663	1,080,205
Tax Education	194,871	-	194,871	-
<b>Total program services</b>	<b>6,388,848</b>	<b>-</b>	<b>6,388,848</b>	<b>5,875,185</b>
<b>Supporting Services:</b>				
General and Administration	1,261,122	-	1,261,122	1,666,611
Fundraising	1,374,036	-	1,374,036	1,377,009
<b>Total supporting services</b>	<b>2,635,158</b>	<b>-</b>	<b>2,635,158</b>	<b>3,043,620</b>
<b>Total expenses</b>	<b>9,024,006</b>	<b>-</b>	<b>9,024,006</b>	<b>8,918,805</b>
Change in net assets before other item	267,714	(907,577)	(639,863)	(840,138)
<b>OTHER ITEM</b>				
Currency exchange gain	49,364	-	49,364	-
Change in net assets	317,078	(907,577)	(590,499)	(840,138)
Net assets at beginning of year	4,701,564	962,577	5,664,141	6,504,279
<b>Net Assets at End of Year</b>	<b>\$ 5,018,642</b>	<b>\$ 55,000</b>	<b>\$ 5,073,642</b>	<b>\$ 5,664,141</b>

See accompanying notes to consolidated financial statements.

## Tax Foundation and Subsidiary

### Consolidated Statement of Functional Expenses For the Year Ended December 31, 2025 With Summarized Financial Information for 2024

	2025					
	Program Services					
	Federal Tax Policy	Marketing and Communication	State Tax Policy	Global Tax Reform	Tax Education	Total Program Services
Salaries and benefits	\$ 1,414,204	\$ 1,197,994	\$ 962,118	\$ 1,195,729	\$ 167,878	\$ 4,937,923
Consultants and other professional fees	63,817	19,754	-	7,003	-	90,574
Direct mail expenses	-	195,959	-	-	-	195,959
Occupancy	78,877	66,818	53,661	57,282	9,364	266,002
Advertising	-	66,870	-	-	-	66,870
Conferences, conventions, and meetings	30,017	11,546	4,875	2,361	2,721	51,520
Accounting and legal	-	-	-	26,862	-	26,862
Subscriptions and reference	19,579	11,194	25,927	15,792	-	72,492
Computer and technology	45,886	129,167	27,331	29,720	4,765	236,869
Printing and postage	-	27,131	-	-	407	27,538
Charitable registrations	3,152	2,670	2,145	1,826	374	10,167
Grants expense	-	-	-	16,154	-	16,154
Insurance	6,613	9,142	4,499	6,052	785	27,091
Membership dues	175	433	371	9,734	-	10,713
Travel	29,086	18,852	55,876	56,138	2,647	162,599
Office supplies and other expenses	19,085	3,229	-	6,065	-	28,379
Depreciation and amortization	49,956	42,319	33,986	28,945	5,930	161,136
<b>Total</b>	<b>\$ 1,760,447</b>	<b>\$ 1,803,078</b>	<b>\$ 1,170,789</b>	<b>\$ 1,459,663</b>	<b>\$ 194,871</b>	<b>\$ 6,388,848</b>

See accompanying notes to consolidated financial statements.

**Tax Foundation and Subsidiary**

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2025  
With Summarized Financial Information for 2024**

	2025 (Continued)			2024	
	Supporting Services				
	General and Administration	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and benefits	\$ 761,661	\$ 1,005,067	\$ 1,766,728	\$ 6,704,651	\$ 5,973,123
Consultants and other professional fees	28,885	76,050	104,935	195,509	528,322
Direct mail expenses	120,854	40,625	161,479	357,438	396,982
Occupancy	42,480	56,057	98,537	364,539	363,285
Advertising	1,203	-	1,203	68,073	221,632
Conferences, conventions, and meetings	29,414	334	29,748	81,268	255,036
Accounting and legal	171,666	-	171,666	198,528	180,975
Subscriptions and reference	21,081	20,223	41,304	113,796	118,013
Computer and technology	-	32,443	32,443	269,312	235,339
Printing and postage	4,669	9,719	14,388	41,926	37,601
Charitable registrations	1,698	2,241	3,939	14,106	24,989
Grants expense	-	-	-	16,154	31,437
Insurance	3,562	4,698	8,260	35,351	21,909
Membership dues	1,575	1,425	3,000	13,713	3,047
Travel	22,435	70,861	93,296	255,895	214,624
Office supplies and other expenses	23,034	18,789	41,823	70,202	100,175
Depreciation and amortization	26,905	35,504	62,409	223,545	212,316
<b>Total</b>	<u>\$ 1,261,122</u>	<u>\$ 1,374,036</u>	<u>\$ 2,635,158</u>	<u>\$ 9,024,006</u>	<u>\$ 8,918,805</u>

See accompanying notes to consolidated financial statements.

**Tax Foundation and Subsidiary**

**Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2025  
With Summarized Financial Information for 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (590,499)	\$ (840,138)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	223,545	212,316
Net realized and unrealized gains on investments	(518,307)	(267,547)
Amortization of operating lease right-of-use asset	264,564	336,980
Gain on lease modification	(21,982)	-
Receipt of donated securities	(78,335)	-
Proceeds from sales of donated securities	70,494	-
Gain from sale of donated securities	(7,841)	-
Loss on disposal of property and equipment	13,750	-
Beneficial interest in split interest agreement	(9,965)	(4,808)
Decrease (increase) in:		
Contributions receivable	603,549	(772,417)
Accounts receivable	-	(129,992)
Other receivables	(10,746)	-
Prepaid expenses	(109,898)	4,264
(Decrease) increase in:		
Accounts payable and accrued liabilities	(74,191)	281,426
Accrued salaries and related benefits	14,669	(105,652)
Operating lease liability	(330,509)	(509,917)
Refundable advances	15,000	20,000
<b>Net cash used by operating activities</b>	<b>(546,702)</b>	<b>(1,775,485)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(61,500)	(117,339)
Purchases of investments	(278,999)	(134,570)
Proceeds from sales of investments	1,269,361	239,836
<b>Net cash provided (used) by investing activities</b>	<b>928,862</b>	<b>(12,073)</b>
<b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		
Payments on financing leases	(5,504)	(16,398)
<b>Net cash used by financing activities</b>	<b>(5,504)</b>	<b>(16,398)</b>
Net increase (decrease) in cash and cash equivalents	376,656	(1,803,956)
Cash and cash equivalents at beginning of year	874,081	2,678,037
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,250,737</b>	<b>\$ 874,081</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Operating Lease Right-of-Use Asset	\$ 1,913,644	\$ -
Leasehold Improvement Allowance Receivable	\$ 150,000	\$ -
Operating Lease Liability for Right-of-Use Asset	\$ 2,041,662	\$ -

See accompanying notes to consolidated financial statements.

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025

#### 1. Summary of Significant Accounting Policies

##### Organization

Tax Foundation is a 501(c)(3) non-profit research and educational organization that was incorporated on September 14, 1990. The Foundation researches and analyzes various aspects of Federal, State local, and global tax policies to assess the impact that such policies have on the economy, businesses, individuals, and families. This compilation and analysis of tax policies is the first stage in the process of educating business executives, policymakers, and the public about the role tax policies play in their lives and to help them differentiate sound tax policies from inefficient and destructive tax policies. The Foundation's operations are funded primarily through contributions from private foundations, corporations, and individuals.

Tax Foundation Europe (TF Europe) is a distinct legal entity that is controlled by overlapping governance with Tax Foundation, specifically under the Global Tax Policy program. TF Europe was established in Belgium in 2024 and aims to provide European audiences with policy analysis and research that serve to promote sound tax policies. In 2025, TF Europe was invited to provide public testimony on issues related to EU tax policy initiatives, and researchers produced reports including our *European Tax Policy Scorecard*.

##### Program Services

**Federal Tax Policy** - This program promotes sound tax policy in Washington D.C. The Foundation provides objective data and analysis on tax policy using several tools, including modeling of economic and budgetary effects, research, writing, Capitol Hill briefings, and congressional testimony. The Foundation has established itself as the go-to resource on Federal tax issues for policymakers. In 2025, the staff conducted more than 96 Capitol Hill meetings, briefings, and presentations to various public audiences; were cited by members of Congress 53 times; and produced dozens of reports and blog posts on a variety of issues that received more than 55,700 citations in leading media outlets.

**Marketing and Communication** - The Foundation's marketing and communications team makes tax policy engaging and accessible to taxpayers, legislators, and the media through innovative, multi-channel campaigns. The Foundation's team delivers high-quality content to the right people, at the right time, in a format that promotes deeper understanding using tools like social media, digital advertising, interactive web experiences, and email. In 2025, the Foundation earned 68,624 media citations in the world's top news outlets, including *The Wall Street Journal*, *The Washington Post*, *The New York Times*, NBC News, Fox News, and NPR; its experts conducted 94 radio and TV interviews and placed 47 op-eds; taxfoundation.org was visited 24 million times; its social media audience grew 127 percent to over 145,000 total followers; its podcast listenership grew by 140 percent, resulting in over 462,000 listens; and its email newsletter grew 9 percent to over 83,200 subscribers.

**State Tax Policy** - This program promotes state tax reform with comprehensive annual reports, research, policy analysis, and in-depth State-specific studies. In 2025, the Foundation testified or presented to officials—virtually and in-person—in 35 states, met with in state groups or audiences in all 50 states and the District of Columbia, and its flagship *State Tax Competitiveness Index* (STCI) was viewed nearly 471,000 times (a 172 percent increase over 2024).

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### Program Services (Continued)

**State Tax Policy (continued)** - The Foundation is often looked to by legislators, taxpayers, and the media (with 18,890 media citations in 2025), to recommend tax reform options or provide analysis of tax plans. The Foundation's analysis, and studies such as the STCI, inform the tax reform debate across the country and have been crucial to major tax changes in many States, and the Foundation experts have been a vital resource to policy makers and journalists as States navigate an increasingly mobile economy characterized by a greater focus on tax competitiveness.

**Global Tax Reform** - This program was launched to promote pro-growth tax policies throughout the world with a primary focus on the U.S. cross border policies and those in Europe. The Global Program produces in-depth studies of economic data and uses a variety of measures, such as the *International Tax Competitiveness Index*, to compare tax systems. The Foundation's experts have provided briefings in countries throughout Europe and are relied upon by media, policy makers, and other policy groups to provide analysis of tax proposals throughout the world. In 2025, the Foundation's experts were cited in 84 countries, testified before congresses and parliaments alike, and received nearly 18,000 media citations.

**Tax Education** - TaxEDU is designed as a simplified resource to advance tax policy education, discussion, and understanding in classrooms, living rooms, and government chambers.

TaxEDU gives teachers the tools to make students better citizens, taxpayers a vocabulary to see through the rhetoric, lawmakers crash courses to write smarter laws, and videos for anyone who wants to boost their tax knowledge on the go.

In 2025, TaxEDU resources reached more than 18,000 users, our program leaders had seven speaking opportunities, and our explainer videos exceeded 1.5 million views.

Education is the heartbeat of the Foundation's mission, and TaxEDU is filling a gap that has long existed in classrooms, living rooms, and even online discourse. Tax illiteracy is a serious problem. TaxEDU is proving it's one we can solve.

##### Principles of Consolidation

The accounts of Tax Foundation have been consolidated with Tax Foundation Europe (collectively, the Foundation) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

##### Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with U.S. GAAP related to non-profit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### Basis of Presentation (Continued)

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

##### Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less, which are not part of the investment portfolio, to be cash and cash equivalents. Money market funds held by investment managers totaled \$7,870 as of December 31, 2025. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Included in cash and cash equivalents as of December 31, 2025 are approximately \$148,410 of funds held at a financial institution in Belgium. Bank deposit accounts in Belgium are insured up to 100,000 Euros (approximately \$1117,600 as of December 31, 2025).

##### Investments

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statement of Activities and Change in Net Assets. Investment expenses were immaterial for the year ended December 31, 2025.

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### Investments (Continued)

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as soon as possible after the gift.

##### Contributions Receivable

Contributions receivable include unconditional promises to give that are expected to be collected in future years. Contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term contributions receivable, when applicable, is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions. Contributions receivable are considered to be current and fully collectable as of December 31, 2025; accordingly, no discount or allowance for doubtful accounts has been recorded.

##### Other Receivables

Other receivables consists primarily of a tenant allowance due from the landlord under the terms of the lease agreement.

##### Property and Equipment

Property and equipment in excess of \$2,500 are capitalized and stated at cost. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to nine years.

Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense totaled \$223,545 for the year ended December 31, 2025.

##### Income Taxes

The Foundation is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Foundation is not a private foundation.

TF Europe is organized as a Belgian *association internationale sans but lucratif* (AISBL), or an international non-profit association. Tax Foundation has obtained an Equivalency Determination Certificate for TF Europe. This Equivalency Determination says that TF Europe's tax status is described in IRC section 501(c)(3) and section(s) 509(a)(1), 170(b)(1)(a)(vi).

## **Tax Foundation and Subsidiary**

### **Notes to Consolidated Financial Statements**

**December 31, 2025**

#### **1. Summary of Significant Accounting Policies (Continued)**

##### **Support from Grants and Contributions**

Grants and contributions are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Contributions include support for special events, which is equal to the net amount of special events presented in the Consolidated Statement of Activities and Change in Net Assets.

Support from grants and contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Grants and contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. The Foundation's refundable advances totaled \$35,000 as of December 31, 2025.

In addition, the Foundation may obtain funding source agreements related to conditional contributions, which will be received in future years. The Foundation had approximately \$785,000 of conditional contributions to be received in future years as of December 31, 2025.

##### **Contributed Nonfinancial Assets**

Contributed nonfinancial assets are recorded at their fair value as of the date of the gift and consisted of contributed food and beverage, services, materials and equipment, and goods for the Foundation's annual conference. The estimated fair value of the contributed nonfinancial assets is based on estimated fair market value rate. None of the contributed nonfinancial assets were restricted by donors, and none of the donated goods were monetized through sale.

##### **Foreign Currency Translation**

The U.S. Dollar is the functional currency for the Foundation's worldwide operations. Transactions in currencies other than U.S. Dollars are converted into U.S. Dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into U.S. Dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position.

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### Use of Estimates

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

##### Advertising

The Foundation expenses advertising costs as incurred. Advertising expense was \$68,073 for the year ended December 31, 2025.

##### Functional Allocation of Expenses

The costs of providing the Foundation's programs and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort.

##### Joint Costs

For the year ended December 31, 2025, the Foundation incurred joint costs of \$356,692, for a direct mailing campaign that included both programmatic and fundraising components. These costs were allocated as follows:

Marketing and Communication	\$ 195,959
General and Administrative	120,449
Fundraising	40,284
<b>Total Joint Costs Incurred</b>	<b><u><u>\$ 356,692</u></u></b>

##### Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, and market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements

December 31, 2025

#### 1. Summary of Significant Accounting Policies (Continued)

##### Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. The reclassifications included are related to the presentation of expenses in the accompanying Consolidated Statement of Functional Expenses, the classification of certain receivables and liabilities, and the impact on the Statement of Cash Flows. The reclassifications had no effect on the previously reported change in net assets.

#### 2. Investments

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2025. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Common Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2025

#### 2. Investments (Continued)

- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Foundation are deemed to be actively traded.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 7,870	\$ -	\$ -	\$ 7,870
Common Stocks	2,264,257	-	-	2,264,257
Mutual Funds	1,104,037	-	-	1,104,037
<b>Total Investments</b>	<u>\$ 3,376,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,376,164</u>

Net investment return consisted of the following for the year ended December 31, 2025:

Realized and unrealized gain	\$ 526,148
Interest and dividends	98,411
<b>Net Investment Return</b>	<u>\$ 624,559</u>

#### 3. Beneficial Interest in Split Interest Agreement

The Foundation has a beneficial remainder interest in an irrevocable gift annuity held by a third party. The terms of the agreement provide for quarterly payments of \$1,550 to the primary beneficiary during their lifetime, with the amount remaining to be paid to the Foundation upon the beneficiary's death.

The Foundation has recorded the beneficial interest in this contribution at its estimated fair value using present value techniques assuming a remaining life expectancy of 3.25 years and a discount rate of 8%. For the year ended December 31, 2025, the Foundation recorded an asset of \$73,107 related to this split interest agreement, which is included in the accompanying Consolidated Statement of Financial Position.

#### 4. Line of Credit

The Foundation has a revolving line of credit with a financial institution with a ceiling amount of \$250,000. As of December 31, 2025, there were no amounts outstanding on the line of credit.

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2025

#### 5. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2025:

Digital Advertising Campaign	\$ 55,000
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The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended December 31, 2025:

#### Purpose Restrictions Accomplished:

TAG Updates	\$ 400,000
Growth and Opportunity Agenda	200,000
Carbon Tax	117,577
Rapid Response	60,000
Tax and Tariff Analysis	60,000
Federal Tax Fellowship	50,000
Tax Reform Options	24,000
Fiscal Internship	6,200
Expiration of time restrictions	845,000
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 1,762,777</b>

#### 6. Liquidity

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

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following as of December 31, 2025:

Cash and cash equivalents	\$ 1,250,737
Investments	3,376,164
Contributions receivable	490,193
Other receivables	160,746
<b>Total financial assets</b>	<b>5,277,840</b>
Less: Net assets with donor restrictions	(55,000)
<b>Financial Assets Available for Use Within One Year</b>	<b>\$ 5,222,840</b>

## Tax Foundation and Subsidiary

### Notes to Consolidated Financial Statements December 31, 2025

#### 7. Contributed Nonfinancial Assets

The Foundation receives contributed nonfinancial assets for their annual conference. The contributed nonfinancial assets include beer, spirits, wine, and PepsiCo products. The estimated fair value of the contributed nonfinancial assets is based on estimated fair market value rate. The donated nonfinancial assets are without donor restrictions, but are used for the annual event. The contributed nonfinancial assets are allocated in the Consolidated Statement of Functional Expenses to the conference program. For the year ended December 31, 2025, donated goods totaled \$22,032.

#### 8. Lease Commitments

The Foundation follows FASB ASC 842 for leases. The Foundation has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Foundation has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

##### Operating Leases

The Foundation has an operating lease for office space in Washington, D.C. that was set to expire in December 2026. During the year ended December 31, 2025, the lease was amended effective September 1, 2025, extending the leases expiration date to December 2034. The office lease includes an escalation of base rentals, and a period of rent abatement, which is being amortized on a basis to achieve straight-line rent expense over the life of the lease. The Foundation used a risk-free rate of 4.28% to calculate the initial lease liability at the lease amendment date.

For the year ended December 31, 2025, total lease cost was \$364,539 and total cash paid was \$463,485 for the operating lease.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2025:

<b>Year Ending December 31,</b>	
2026	\$ 396,169
2027	71,262
2028	142,524
2029	332,368
2030	452,983
Thereafter	1,928,106
Less: Imputed interest	(657,003)
Less: Current portion	(287,599)
<b>Long-Term Portion</b>	<b>\$ 2,378,810</b>

## **Tax Foundation and Subsidiary**

### **Notes to Consolidated Financial Statements**

**December 31, 2025**

#### **9. Retirement Plan**

The Tax Foundation 401(k) Profit Sharing Plan (the Plan), was adopted to provide employees with retirement saving opportunities. All employees who are at least 21 years of age and have completed six months of employment with a minimum of 1,000 of hours of service are eligible to participate. Eligible employees may contributed to the Plan up to the maximum limits set by the Internal Revenue Service. The employer matches 100% of the salary deferrals up to 5% of the compensation. Employer contributions to the Plan totaled \$270,424 for the year ended December 31, 2025 and are included with Salaries and benefits in the accompanying Consolidated Statement of Functional Expenses.

#### **10. Subsequent Events**

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 5, 2026, the date the consolidated financial statements were issued.

## **Supplemental Information**

## Tax Foundation and Subsidiary

### Consolidating Schedule of Financial Position As of December 31, 2025

#### ASSETS

	Tax Foundation	Tax Foundation Europe	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,102,327	\$ 148,410	\$ 1,250,737
Investments	3,376,164	-	3,376,164
Contributions receivable	445,596	44,597	490,193
Other receivables	150,000	10,746	160,746
Prepaid expenses	136,311	56,989	193,300
<b>Total current assets</b>	<b>5,210,398</b>	<b>260,742</b>	<b>5,471,140</b>
<b>PROPERTY AND EQUIPMENT</b>			
Furniture and equipment	312,625	-	312,625
Leasehold improvements	645,581	-	645,581
Website	450,338	-	450,338
Online model	9,099	-	9,099
<b>Sub-total property and equipment</b>	<b>1,417,643</b>	<b>-</b>	<b>1,417,643</b>
Less: Accumulated depreciation	(1,173,537)	-	(1,173,537)
<b>Total property and equipment, net</b>	<b>244,106</b>	<b>-</b>	<b>244,106</b>
<b>OTHER ASSETS</b>			
Operating lease right-of-use asset, net	2,342,949	-	2,342,949
Deposits	36,751	-	36,751
Beneficial interest in split interest agreement	73,107	-	73,107
<b>Total other assets</b>	<b>2,452,807</b>	<b>-</b>	<b>2,452,807</b>
<b>Total Assets</b>	<b>\$ 7,907,311</b>	<b>\$ 260,742</b>	<b>\$ 8,168,053</b>

#### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 271,078	\$ 29,725	\$ 300,803
Accrued salaries and related benefits	92,199	-	92,199
Operating lease liability	287,599	-	287,599
Refundable advance	35,000	-	35,000
<b>Total current liabilities</b>	<b>685,876</b>	<b>29,725</b>	<b>715,601</b>
<b>NONCURRENT LIABILITIES</b>			
Operating lease liability, net	2,378,810	-	2,378,810
<b>Total liabilities</b>	<b>3,064,686</b>	<b>29,725</b>	<b>3,094,411</b>
<b>NET ASSETS</b>			
Without donor restrictions	4,787,625	231,017	5,018,642
With donor restrictions	55,000	-	55,000
<b>Total net assets</b>	<b>4,842,625</b>	<b>231,017</b>	<b>5,073,642</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,907,311</b>	<b>\$ 260,742</b>	<b>\$ 8,168,053</b>

## Tax Foundation and Subsidiary

### Consolidating Schedule of Activities and Change in Net Assets For the Year Ended December 31, 2025

	Tax Foundation	Tax Foundation Europe	Eliminations	Total
<b>Support and Revenue Without Donor Restrictions</b>				
Grants and contributions	\$ 6,244,302	\$ 627,850	\$ (516,531)	\$ 6,355,621
<b>Fundraising Event:</b>				
Annual dinner	1,189,067	-	-	1,189,067
Less: direct costs	(662,336)	-	-	(662,336)
<b>Net revenue from fundraising event</b>	<b>526,731</b>	<b>-</b>	<b>-</b>	<b>526,731</b>
Net investment return	624,559	-	-	624,559
Contributed nonfinancial assets	22,032	-	-	22,032
Net assets released from restrictions	1,762,777	-	-	1,762,777
<b>Total support and revenue without donor restrictions</b>	<b>9,180,401</b>	<b>627,850</b>	<b>(516,531)</b>	<b>9,291,720</b>
<b>EXPENSES</b>				
<b>Program Services:</b>				
Federal Tax Policy	2,276,978	-	(516,531)	1,760,447
Marketing and Communication	1,803,078	-	-	1,803,078
State Tax Policy	1,170,789	-	-	1,170,789
Global Tax Reform	1,013,466	446,197	-	1,459,663
Tax Education	194,871	-	-	194,871
<b>Total program services</b>	<b>6,459,182</b>	<b>446,197</b>	<b>(516,531)</b>	<b>6,388,848</b>
<b>Supporting Services:</b>				
General and Administration	1,261,122	-	-	1,261,122
Fundraising	1,374,036	-	-	1,374,036
<b>Total supporting services</b>	<b>2,635,158</b>	<b>-</b>	<b>-</b>	<b>2,635,158</b>
<b>Total expenses</b>	<b>9,094,340</b>	<b>446,197</b>	<b>(516,531)</b>	<b>9,024,006</b>
Change in net assets without donor restrictions before <b>other item</b>	86,061	181,653	-	267,714
<b>OTHER ITEM</b>				
Currency exchange gain	-	49,364	-	49,364
<b>Change in net assets without donor restrictions</b>	<b>86,061</b>	<b>231,017</b>	<b>-</b>	<b>317,078</b>
Net assets without donor restrictions at beginning of year	4,701,564	-	-	4,701,564
<b>Net assets without donor restrictions at end of year</b>	<b>4,787,625</b>	<b>231,017</b>	<b>-</b>	<b>5,018,642</b>
<b>Support and Revenue With Donor Restrictions</b>				
Grants and contributions	855,200	-	-	855,200
Net assets released from donor restrictions	(1,762,777)	-	-	(1,762,777)
<b>Change in net assets with donor restrictions</b>	<b>(907,577)</b>	<b>-</b>	<b>-</b>	<b>(907,577)</b>
Net assets with donor restrictions at beginning of year	962,577	-	-	962,577
<b>Net assets with donor restrictions at end of year</b>	<b>55,000</b>	<b>-</b>	<b>-</b>	<b>55,000</b>
<b>Total Net Assets At End of Year</b>	<b>\$ 4,842,625</b>	<b>\$ 231,017</b>	<b>\$ -</b>	<b>\$ 5,073,642</b>