

TAX FOUNDATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities, Year Ended December 31, 2024	4
Statement of Activities, Year Ended December 31, 2023	5
Statement of Functional Expenses, Year Ended December 31, 2024	6
Statement of Functional Expenses, Year Ended December 31, 2023	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 19



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors
Tax Foundation
Washington, DC

Opinion

We have audited the accompanying financial statements of Tax Foundation, (a non-profit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Tax Foundation as of December 31, 2024 and 2023, 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. 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 Tax Foundation, 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 Tax Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tax 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tax 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.



Washington, DC
May 16, 2025

TAX FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 874,081	\$ 2,678,037
Investments	3,832,537	3,670,257
Contributions receivable	940,750	168,333
Accounts receivable	152,992	23,000
Prepaid expenses	83,402	87,666
Total Current Assets	5,883,762	6,627,293
PROPERTY AND EQUIPMENT		
Furniture and equipment	529,384	529,384
Leasehold improvements	645,581	645,581
Website	388,838	280,598
Online model	54,099	45,000
Sub-total Property and Equipment	1,617,902	1,500,563
Less accumulated depreciation	(1,203,429)	(1,007,400)
Total Property and Equipment, Net	414,473	493,163
OTHER ASSETS		
Right-of-use asset, operating lease	693,869	1,030,849
Right-of-use assets, finance lease, net	5,428	21,714
Beneficial interest in split interest agreement	63,142	58,334
Deposits	36,751	36,751
Total Other Assets	799,190	1,147,648
TOTAL ASSETS	\$ 7,097,425	\$ 8,268,104
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 364,505	\$ 83,079
Accrued expenses	88,019	193,671
Lease liability - operating lease, current portion	447,774	469,488
Lease liability - finance lease, current portion	5,504	16,548
Deferred revenue	20,000	-
Total Current Liabilities	925,802	762,786
NON-CURRENT LIABILITIES		
Lease liability - operating lease, net of current portion	507,482	995,685
Lease liability - finance lease, net of current portion	-	5,354
Total Non-Current Liabilities	507,482	1,001,039
Total Liabilities	1,433,284	1,763,825
NET ASSETS		
Without donor restrictions	4,701,564	5,905,477
With donor restrictions	962,577	598,802
Total Net Assets	5,664,141	6,504,279
TOTAL LIABILITIES AND NET ASSETS	\$ 7,097,425	\$ 8,268,104

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

TAX FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 5,935,136	\$ 940,000	\$ 6,875,136
Fundraising Event:			
Annual dinner	1,149,629	-	1,149,629
Less: direct costs	<u>(411,626)</u>	<u>-</u>	<u>(411,626)</u>
Net Revenue From Fundraising Event	738,003	-	738,003
Investment income, net	408,979	-	408,979
Program income	30,000	-	30,000
In-kind contributions	26,549	-	26,549
Net assets released from restrictions	<u>576,225</u>	<u>(576,225)</u>	<u>-</u>
Total Revenue and Support	7,714,892	363,775	8,078,667
EXPENSES			
Program Services:			
Federal tax policy	2,059,629	-	2,059,629
Marketing and communication	1,639,894	-	1,639,894
State tax policy	1,095,457	-	1,095,457
Global tax reform	<u>1,080,205</u>	<u>-</u>	<u>1,080,205</u>
Total Program Services	5,875,185	-	5,875,185
Support Services:			
General and administration	1,666,611	-	1,666,611
Fundraising	<u>1,377,009</u>	<u>-</u>	<u>1,377,009</u>
Total Support Services	3,043,620	-	3,043,620
Total Expenses	<u>8,918,805</u>	<u>-</u>	<u>8,918,805</u>
CHANGE IN NET ASSETS	(1,203,913)	363,775	(840,138)
NET ASSETS, beginning of year	<u>5,905,477</u>	<u>598,802</u>	<u>6,504,279</u>
NET ASSETS, end of year	<u><u>\$ 4,701,564</u></u>	<u><u>\$ 962,577</u></u>	<u><u>\$ 5,664,141</u></u>

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

TAX FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 5,833,362	\$ 1,313,333	\$ 7,146,695
Fundraising Event:			
Annual dinner	978,593	-	978,593
Less: direct costs	(449,142)	-	(449,142)
Net Revenue From Fundraising Event	529,451	-	529,451
Investment income, net	554,004	-	554,004
In-kind contributions	25,533	-	25,533
Net assets released from restrictions	1,320,906	(1,320,906)	-
Total Revenue and Support	8,263,256	(7,573)	8,255,683
EXPENSES			
Program Services			
Federal tax policy	1,975,372	-	1,975,372
Marketing and communication	1,467,546	-	1,467,546
State tax policy	1,017,674	-	1,017,674
Global tax reform	654,990	-	654,990
Total Program Services	5,115,582	-	5,115,582
Support Services:			
General and administration	679,401	-	679,401
Fundraising	1,162,266	-	1,162,266
Total Support Services	1,841,667	-	1,841,667
Total Expenses	6,957,249	-	6,957,249
CHANGE IN NET ASSETS	1,306,007	(7,573)	1,298,434
NET ASSETS, beginning of year	4,599,470	606,375	5,205,845
NET ASSETS, end of year	<u>\$ 5,905,477</u>	<u>\$ 598,802</u>	<u>\$ 6,504,279</u>

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

TAX FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services					Support Services			
	Federal Tax Policy	Marketing and Communication	State Tax Policy	Global Tax Reform	Total Program Services	General and Administration	Fundraising	Total Support Services	TOTAL
Personnel Costs:									
Salaries	\$ 1,390,940	\$ 976,476	\$ 758,843	\$ 679,621	\$ 3,805,880	\$ 510,437	\$ 688,036	\$ 1,198,473	\$ 5,004,353
Payroll taxes	109,565	76,702	59,812	27,560	273,639	44,816	55,114	99,930	373,569
Employee benefits	30,984	25,727	19,187	14,212	90,110	159,183	20,918	180,101	270,211
Retirement benefits	58,200	43,719	33,716	23,029	158,664	51,226	18,575	69,801	228,465
Total Personnel Costs	1,589,689	1,122,624	871,558	744,422	4,328,293	765,662	782,643	1,548,305	5,876,598
Accounting	-	-	-	-	-	151,753	-	151,753	151,753
Advertising	50,975	42,110	28,812	24,380	146,277	46,543	28,812	75,355	221,632
Amortization	3,909	3,420	2,117	1,791	11,237	5,049	-	5,049	16,286
Bank and credit card fees	-	-	-	-	-	16,355	-	16,355	16,355
Bad debt expense	-	-	-	-	-	-	10,000	10,000	10,000
Charitable registration	5,747	4,748	3,249	2,749	16,493	5,247	3,249	8,496	24,989
Computer and technology	1,553	54,839	-	94	56,486	176,750	2,101	178,851	235,337
Conference and meetings	59,596	49,232	33,685	28,503	171,016	54,414	33,685	88,099	259,115
Depreciation	52,130	36,632	28,947	26,288	143,997	24,558	27,475	52,033	196,030
Direct mail expenses	-	158,813	-	-	158,813	154,448	83,720	238,168	396,981
Dues and subscription	14,962	25,526	23,921	15,185	79,594	19,480	21,986	41,466	121,060
Grant to others	-	-	-	31,437	31,437	-	-	-	31,437
Insurance	5,783	4,133	3,206	2,898	16,020	3,054	2,835	5,889	21,909
In-kind goods	-	-	-	-	-	-	26,549	26,549	26,549
Legal	6,328	5,228	3,577	3,725	18,858	5,079	3,577	8,656	27,514
Occupancy	94,607	67,617	52,444	52,253	266,921	49,980	46,384	96,364	363,285
Office supplies	15	136	-	244	395	45,926	951	46,877	47,272
Other expenses	474	392	268	227	1,361	432	268	700	2,061
Printing and postage	-	13,046	10,696	-	23,742	5,298	5,690	10,988	34,730
Professional fees	146,498	33,972	2,836	88,586	271,892	89,728	240,741	330,469	602,361
Staff development	1,991	4,169	2,385	194	8,739	8,159	5,588	13,747	22,486
Travel	25,372	13,257	27,756	57,229	123,614	38,696	50,755	89,451	213,065
Total Expenses	<u>\$ 2,059,629</u>	<u>\$ 1,639,894</u>	<u>1,095,457</u>	<u>\$ 1,080,205</u>	<u>\$ 5,875,185</u>	<u>\$ 1,666,611</u>	<u>\$ 1,377,009</u>	<u>\$ 3,043,620</u>	<u>\$ 8,918,805</u>

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

TAX FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services					Support Services			
	Federal Tax Policy	Marketing and Communication	State Tax Policy	Global Tax Reform	Total Program Services	General and Administration	Fundraising	Total Support Services	TOTAL
Personnel Costs:									
Salaries	\$ 1,242,831	\$ 830,707	\$ 622,779	\$ 414,291	\$ 3,110,608	\$ 201,510	\$ 654,583	\$ 856,093	\$ 3,966,701
Payroll taxes	90,874	60,974	45,782	23,179	220,809	12,535	48,063	60,598	281,407
Employee benefits	59,138	39,528	29,634	15,178	143,478	9,588	31,147	40,735	184,213
Retirement benefits	57,449	38,399	28,788	14,745	139,381	9,314	30,258	39,572	178,953
Total Personnel Costs	1,450,292	969,608	726,983	467,393	3,614,276	232,947	764,051	996,998	4,611,274
Accounting	-	-	-	-	-	131,265	-	131,265	131,265
Advertising	9,888	6,609	4,955	2,538	23,990	1,605	5,208	6,813	30,803
Amortization	6,784	5,045	2,609	1,566	16,004	1,392	-	1,392	17,396
Bank and credit card fees	-	-	-	-	-	17,548	-	17,548	17,548
Bad debt expense	-	-	2,250	1,350	3,600	11,400	-	11,400	15,000
Charitable registration	2,919	1,951	1,463	749	7,082	473	1,538	2,011	9,093
Computer and technology	57,489	38,426	28,807	14,755	139,477	9,321	30,578	39,899	179,376
Conference and meetings	45,990	33,303	23,788	14,273	117,354	14,272	26,959	41,231	158,585
Depreciation	28,489	18,531	15,066	7,487	69,573	4,328	18,578	22,906	92,479
Direct mail expenses	-	134,859	-	-	134,859	157,983	56,813	214,796	349,655
Dues and subscription	34,937	25,299	18,071	10,842	89,149	10,843	20,480	31,323	120,472
Grant to others	-	-	-	10,223	10,223	-	-	-	10,223
Insurance	10,510	7,611	5,436	3,262	26,819	5,958	3,465	9,423	36,242
In-kind goods	-	-	-	-	-	-	25,533	25,533	25,533
Legal	3,844	2,570	1,926	987	9,327	623	2,025	2,648	11,975
Occupancy	117,374	78,453	58,816	30,125	284,768	19,030	61,820	80,850	365,618
Office supplies	7,877	5,704	4,074	2,445	20,100	2,444	4,618	7,062	27,162
Other expenses	14,173	10,467	7,390	4,595	36,625	4,941	8,227	13,168	49,793
Printing and reproduction	11,769	7,866	5,897	3,021	28,553	1,908	6,199	8,107	36,660
Professional fees	147,007	98,259	73,665	37,730	356,661	23,835	77,427	101,262	457,923
Staff development	5,975	3,994	2,994	1,534	14,497	969	3,147	4,116	18,613
Travel	20,055	18,991	33,484	40,115	112,645	26,316	45,600	71,916	184,561
Total Expenses	\$ 1,975,372	\$ 1,467,546	\$ 1,017,674	\$ 654,990	\$ 5,115,582	\$ 679,401	\$ 1,162,266	\$ 1,841,667	\$ 6,957,249

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

TAX FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (840,138)	\$ 1,298,434
Adjustments to reconcile changes in net assets to net cash provided for operating activities:		
Depreciation	196,030	92,479
Investment gains	(267,547)	(414,829)
Depreciation of operating lease right-of-use asset	336,980	330,684
Amortization of capital lease right-of-use asset	16,286	17,396
Beneficial interest in split interest agreement	(4,808)	(4,443)
(Increase) decrease in assets:		
Contributions receivable	(772,417)	(20,833)
Accounts receivable	(129,992)	131,200
Prepaid expenses	4,264	2,059
Increase (decrease) in liabilities:		
Accounts payable	281,426	(69,024)
Accrued expenses	(105,652)	35,659
Capital lease liability	(16,398)	(17,341)
Operating lease liability	(509,917)	(451,322)
Deferred revenue	20,000	(25,000)
Net Cash Provided by (Used for) Operating Activities	<u>(1,791,883)</u>	<u>905,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(117,339)	(267,323)
Purchases of investments	(134,570)	(122,611)
Proceeds from sales of investments	239,836	38,943
Net Cash Used for Investing Activities	<u>(12,073)</u>	<u>(350,991)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,803,956)	554,128
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,678,037</u>	<u>2,123,909</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 874,081</u></u>	<u><u>\$ 2,678,037</u></u>

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

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Tax Foundation (the “Foundation”) is a 501(c)(3) nonprofit research and educational organization that was incorporated on September 14, 1990. The Foundation researches and analyzes various aspects of federal, state and local tax 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, policies makers 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.

Program Descriptions

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 and writing, Capitol Hill briefings, and Congressional testimony. The Foundation has established itself as the go-to resource on federal tax issues for policymakers. In 2024, the staff conducted more than 76 Capitol Hill meetings, briefings, and presentations to various public audiences, testified seven times before congressional committees, and produced dozens of reports and blog posts on a variety of issues that received more than 25,800 citations in leading media outlets.

Marketing and Communication – The Foundation’s marketing 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 2024, the Foundation earned 37,410 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 61 radio and TV interviews and placed 47 op-eds; taxfoundation.org was visited 22 million times; its social media audience grew 11 percent to 121,371 total followers; its podcast listenership grew by 340 percent, resulting in 192,460 listens; and its email newsletter grew 24 percent to 76,400 subscribers

State Tax Policy – This program promotes state tax reform with comprehensive annual reports, research, policy analysis, and in-depth state-specific studies. In 2024, the Foundation testified or presented to officials—virtually and in-person—in 32 states, met with in state groups or audiences in all 50 states and the District of Columbia, and published seven forward looking blueprints for state tax reform.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Program Descriptions (continued)

State Tax Policy (continued) – The Foundation is often looked to by legislators, taxpayers, and the media (with 11,900 media citations in 2024) to recommend tax reform options or provide analysis of tax plans. The Foundation’s analysis, and studies such as the *State Business Tax Climate Index*, inform the tax reform debate across the country and have been crucial to major tax changes in many states, and Foundation experts have been a vital resource to policymakers and journalists as states navigate an increasingly mobile economy characterized by a greater focus on tax competitiveness.

Global Tax Reform – was launched to promote pro-growth tax policies throughout the world with a primary focus on Europe. The Global Program produces in-depth studies of economic data and uses a variety of measures, such as the *International Tax Competitiveness Index*, to compare tax systems. The Foundation’s experts have provided briefings in countries throughout Europe and are relied upon by media, policy makers, and other policy groups to provide analysis of tax proposals throughout the world. In 2024, the Tax Foundation’s work was cited in 114 countries and received nearly 10,000 international media citations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit-Entities*. In accordance with Topic 958, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

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

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

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

Cash and Cash Equivalents

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

Investments

Investments in mutual funds and stocks are reported at fair value, which is based on observable quoted market prices. Interest income is reported when earned. Dividends are recorded on the ex-dividend date. Investment income includes the gains and losses on investments bought and sold as well as held during the year.

Contributions and Accounts Receivable

Contributions and accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved. Management believes all accounts receivable are collectable within one year or less; therefore, no allowance for uncollectible accounts has been established. As of the beginning of the year ended December 31, 2023, accounts receivable totaled \$154,200.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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

Right-of-Use (“ROU”) Assets and Lease Liability

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, and the addition or subtraction of any prepaid lease payments (accrued lease payments, less the unamortized balance of lease incentives received). Operating lease payments are recognized on a straight-line basis over the lease term.

The Foundation is a lessee in several noncancellable leases for building space and equipment. Leases for equipment were evaluated using the criteria outlined in ASC Topic 842 to determine whether the equipment leases were operating or capital leases.

As of December 31, 2024, the equipment lease was determined to be a finance lease and is recorded separately from the building lease on the statements of financial position as both a right-to-use (“ROU”) asset and lease liability, calculated by discounting fixed lease payments over the lease term at the risk-free rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term.

For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recognized when incurred.

The Tax Foundation excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy and recognizes rent expense on a straight-line basis over the lease term. Beginning January 1, 2022, operating and capital lease ROU assets and related current and long-term portions of operating and capital lease liabilities have been presented in the statements of financial position.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Deferred revenue consists of tax prom event (held at the annual conference) sponsorships and received in advance of the events or before the obligations have been met and is recognized as revenue when the event occurs or obligations are met. Deferred revenue as of the beginning of the year ended December 31, 2023 totaled \$25,000.

Revenue Recognition

Grants and Contributions - The Foundation recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions. Contributions with donor restrictions that are met in the same reporting period as when the contribution are received, are reported as contributions with donor restrictions.

Fundraising Events Income - Revenue from the annual dinner is recognized when the event occurs, and is reported in the accompanying statements of activities net of direct expenses.

Program income - Revenue for bipartisan work done is recognized at a point in time in the period when the revenue is earned.

In-kind contributions - are recorded at fair value of the services or items received, if the items received, enhance nonfinancial assets and would otherwise need to be purchased by the Foundation. Contributed items that do not meet the above criteria are not recognized.

Advertising expense

The Foundation recognizes advertising expenses at the point of time when the services are provided.

Method Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or a support function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, office and occupancy expenses, which are allocated on the basis of salaries and related costs, determined by estimated of time and effort expended.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

NOTE C – INCOME TAXES

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

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

The Foundation's information returns are subject to examination by the Internal Revenue Service ("IRS") for a period of three years from the date they were filed, except under certain circumstances. The Foundation's Form 990 returns for the years 2021 through 2023 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

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

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

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY (continued)

The following table reflects the Foundation’s financial assets as of December 31, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of donor restrictions:

	2024	2023
Cash and cash equivalents	\$ 874,081	\$ 2,678,037
Investments	3,832,537	3,670,257
Contributions receivable	940,750	168,333
Accounts receivable	152,992	23,000
Total Financial Assets	5,800,360	6,539,627
Less: Net Assets with Donor Restrictions	(962,577)	(598,802)
Total Financial Assets Available to Meet Cash		
Needs for General Expenditures Within One Year	<u>\$ 4,837,783</u>	<u>\$ 5,940,825</u>

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Inputs are based on unadjusted quoted prices for identical assets traded in an active market that the Foundation has the ability to access.

Level 2 – Inputs are based on quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

Level 3 - Inputs are unobservable and significant to the overall fair value measurement.

The following valuation methods may produce a fair value calculation that may not be indicative of net realizable value reflective of future fair values. Furthermore, although management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The Foundation's investments in mutual funds and stocks are based on observable market quotations.

The following table sets forth by level, within the fair value hierarchy, the assets of the Foundation reported at fair value on a recurring basis in the accompanying statements of financial position as follows:

Assets at Fair Value as of December 31, 2024

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 1,283,855	\$ -	\$ -	\$ 1,283,855
Stocks	2,548,682	-	-	2,548,682
Total	<u>\$ 3,832,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,832,537</u>

Assets at Fair Value as of December 31, 2023

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 1,088,979	\$ -	\$ -	\$ 1,088,979
Stocks	2,581,278	-	-	2,581,278
Total	<u>\$ 3,670,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,670,257</u>

NOTE F – 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 5.1 years and a discount rate of 8%. For the years ended December 31, 2024 and 2023, the Foundation recorded an asset of \$63,142 and \$58,334, respectively, related to this split interest agreement, which is included in the accompanying statements of financial position.

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE G – OPERATING LEASE

The Foundation leases its office space under a long term operating lease agreement. The lease commenced in January 2015 and expires in December 2026, and requires monthly rental payments of \$32,072, with annual escalations of approximately 2.5% and pass through of increases in operating costs and taxes. In addition, the lease provided for 13 months of rent abatement and a tenant improvement allowance of \$85 per square foot or \$681,530. The balance of the ROU operating asset is as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Operating lease ROU assets - office	\$ 1,686,165	\$ 1,686,165
Finance lease ROU assets - equipment	48,857	48,857
Amortization of ROU operating assets - office	(992,296)	(655,316)
Amortization of ROU finance assets - equipment	<u>(43,429)</u>	<u>(27,143)</u>
Operating and Finance Lease ROU Assets, Net	<u><u>\$ 699,297</u></u>	<u><u>\$ 1,052,563</u></u>

Future minimum lease payments are as follows for the years ending December 31,

2025	\$ 504,290
2026	<u>511,255</u>
Total lease liability payments	1,015,545
Less: discount	<u>(54,785)</u>
Present Value of Lease Liability	<u><u>\$ 960,760</u></u>

Total occupancy expense recorded by the Foundation for the years ended December 31, 2024 and 2023, totaled \$363,285 and \$365,618, respectively.

Average operating lease term and discount rate as of December 31, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (years)	2	3
Weighted average discount rate	1.33%	1.33%

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE H – FINANCE LEASE

Additionally, the Foundation has an equipment finance lease with an expiration of April 2025 with a monthly payment of \$1,379.

Average finance lease term and discount rate as of December 31, 2024 and 2023 was as follows:

Weighted average remaining lease term (years)	0.4	1.33
Weighted average discount rate	1.01%	1.01%

NOTE I – 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 hours of service are eligible to participate. Eligible employees may contribute to the Plan up to the maximum limits set by the Internal Revenue Service. The employer matches 100 percent of the salary deferrals up to 5% of the compensation. Retirement expense for the years ended December 31, 2024 and 2023, totaled \$228,465 and \$178,953, respectively.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

The Foundation had net assets with donor restrictions as of December 31, 2024 and 2023, as follows:

	2024	2023
Purpose Restricted:		
Tax and economic literacy project	\$ -	\$ 231,640
Reform advertising	-	30,000
Carbon tax	117,577	190,309
State tax business climate index	-	123,520
International tax issues	-	23,333
Total Purpose Restricted	117,577	598,802
Time Restricted:	845,000	-
Total	<u>\$ 962,577</u>	<u>\$ 598,802</u>

TAX FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(continued)

NOTE K – CONCENTRATION OF FUNDING

As of December 31, 2024 and 2023, the amount held in the Foundation's operating account exceeded the amount guaranteed by the Federal Deposit Insurance Corporation by \$624,081 and \$2,428,037, respectively. In addition, as of December 31, 2024 and 2023, accounts, grants and contributions receivable of \$1,093,742 and \$191,333 included amounts due from five and thirteen donors respectively, totaling \$809,492 and \$140,000, or 96% and 88% of the balance respectively. The Foundation has not experienced, nor does it anticipate, any loss of funds as a result of this concentration.

NOTE L – LINE OF CREDIT

On March 3rd 2024, the Foundation secured a line of credit in the amount of \$250,000. The line of credit is secured by City National Bank. As of December 31, 2024, there were no amounts outstanding on the line of credit.

NOTE M – IN-KIND DONATIONS

The Foundation receives in-kind donations for their annual conference. The in-kind donated items include beer, spirits, wine and PepsiCo products. The estimated fair value of the in-kind goods is based on estimated fair market value rate. The in-kind items are without donor restrictions but are used for the annual event. The in-kind donations are allocated in the statement of functional expenses to the conference program. For the years ended December 31, 2024 and 2023, donated goods totaled \$26,549 and \$25,533, respectively

NOTE N – SUBSEQUENT EVENTS

The Foundation's management has evaluated subsequent events for potential required disclosures through May 16, 2025, which is the date the financial statements are available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.