THE WALLACE FOUNDATION

Financial Statements

December 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Manhattan West
375 9th Avenue, 17th Floor
New York, NY 10001

Independent Auditors' Report

The Board of Directors
The Wallace Foundation:

Opinion

We have audited the financial statements of The Wallace Foundation (the Foundation), which comprise the balance sheets as of December 31, 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 the Foundation as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 Auditors' Responsibilities for the Audit of the 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 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 U.S. generally accepted accounting principles, 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 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.

KPMG LLP

New York, New York
June 26, 2026

THE WALLACE FOUNDATION

Balance Sheets

December 31, 2025 and 2024

Assets		**2025**	**2024**
Cash and cash equivalents	$	125,112,160	28,368,138
Investments (note 4)		1,685,220,216	1,705,652,571
Other assets and receivables		731,026	1,799,842
Right of use asset, net (note 7)		13,228,390	14,574,518
Fixed assets, net (note 5)		5,614,755	6,187,130
Total assets	$	1,829,906,547	1,756,582,199
Liabilities and Net Assets			
Liabilities:			
Accrued expenses and other payables	$	2,829,823	2,268,541
Grants payable (note 6)		11,967,157	5,891,248
Lease liability (note 7)		14,293,596	15,793,035
Deferred liabilities (note 8)		6,315,983	6,382,681
Total liabilities		35,406,559	30,335,505
Net assets – without donor restrictions		1,794,499,988	1,726,246,694
Total liabilities and net assets	$	1,829,906,547	1,756,582,199

See accompanying notes to financial statements.

THE WALLACE FOUNDATION

Statements of Activities

Years ended December 31, 2025 and 2024

	2025	2024
Investment return:		
Investment income	$ 172,009,163	137,527,760
Less investment expenses	(11,036,545)	(6,118,648)
Total investment return, net	160,972,618	131,409,112
Expenses:		
Grants and related activities	72,278,511	62,428,727
Operating expenses	20,440,813	17,402,444
Total expenses	92,719,324	79,831,171
Change in net assets	68,253,294	51,577,941
Net assets – without donor restrictions:		
Beginning of year	1,726,246,694	1,674,668,753
End of year	$ 1,794,499,988	1,726,246,694

See accompanying notes to financial statements.

THE WALLACE FOUNDATION

Statements of Functional Expenses

Years ended December 31, 2025 and 2024

	2025			2024		
	Program	**Supporting services**	**Total**	**Program**	**Supporting services**	**Total**
Grants and related activities:						
Grants	$ 62,475,518	—	62,475,518	54,321,994	—	54,321,994
Direct charitable activities	9,802,993	—	9,802,993	8,106,733	—	8,106,733
Total grants and related activities	72,278,511	—	72,278,511	62,428,727	—	62,428,727
Operating expenses:						
Salaries	5,909,472	4,419,212	10,328,684	5,414,799	3,619,677	9,034,476
Benefits	2,048,367	1,728,559	3,776,926	1,855,632	1,299,110	3,154,742
Consultants	1,099,052	783,980	1,883,032	444,304	890,235	1,334,539
Rent, net of amortization	1,168,457	538,131	1,706,588	1,066,227	605,438	1,671,665
Other occupancy costs	232,697	69,801	302,498	155,882	75,772	231,654
Information technology	588,870	230,733	819,603	493,427	146,866	640,293
Insurance	99,800	62,474	162,274	99,240	48,059	147,299
Travel and meetings	688,888	153,023	841,911	446,458	118,713	565,171
Subscription, dues and fees	16,358	20,067	36,425	9,831	18,468	28,299
Depreciation	315,951	266,921	582,872	336,377	257,929	594,306
Total operating expenses	12,167,912	8,272,901	20,440,813	10,322,177	7,080,267	17,402,444
Total expenses	$ 84,446,423	8,272,901	92,719,324	72,750,904	7,080,267	79,831,171

See accompanying notes to financial statements.

THE WALLACE FOUNDATION

Statements of Cash Flows

Years ended December 31, 2025 and 2024

		2025	2024
Cash flows from operating activities:			
Change in net assets	$	68,253,294	51,577,941
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Unrealized (losses) gains on investments		9,992,366	(13,672,105)
Realized gains on investments		(173,538,421)	(115,350,788)
Depreciation		582,872	594,306
Reduction in carrying amount of right-of-use operating lease asset		1,346,128	1,346,127
Changes in operating assets and liabilities:			
Other assets and receivables		1,068,816	283,306
Accrued expenses and other payables		561,282	213,616
Grants payable		6,075,909	(63,907)
Lease liability		(1,499,439)	(1,423,005)
Deferred liabilities		(66,698)	222,461
Net cash used in operating activities		(87,223,891)	(76,272,048)
Cash flows from investing activities:			
Sales of investments		508,602,857	351,082,835
Purchases of investments		(324,624,447)	(282,188,468)
Purchases of fixed assets		(10,497)	(56,083)
Net cash provided by investing activities		183,967,913	68,838,284
Net increase (decrease) in cash equivalents and cash		96,744,022	(7,433,764)
Cash equivalents and cash at beginning of year		28,368,138	35,801,902
Cash equivalents and cash at end of year	$	125,112,160	28,368,138
Supplemental disclosure of cash flow information:			
Cash paid for excise taxes	$	1,604,849	120

See accompanying notes to financial statements.

(1) Nature of Operations

The Wallace Foundation (the Foundation) is the philanthropic legacy of DeWitt and Lila Acheson Wallace, the co-founders of *Reader's Digest*. Our mission is to help all communities build a more vibrant and just future by fostering advances in the arts, education leadership, and youth development. As stewards of limited resources, we seek to maximize the benefits derived from our grant dollars, so that they have an impact beyond the services we can fund directly. Our approach is to look for opportunities to develop important new insights and evidence in our areas of interest; fund real world tests of innovative concepts; and then disseminate what we have learned nationally to policymakers and those who work on the ground providing services. As a result, in addition to funding the direct delivery of services to the intended beneficiaries and capacity building for grantees, we gather and publish insights useful to policymakers and those who work in fields where we focus our philanthropy: arts education, non-profit arts organizations, after school, school leadership, social and emotional learning, and summer learning.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts of the Foundation are maintained on the accrual basis of accounting and in conformity with U.S. generally accepted accounting principles (GAAP).

The classification of the Foundation's revenue and gains (losses) is based on the existence or absence of donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. U.S. GAAP requires that the amounts of each class of net assets, without donor restriction and with donor restriction, to be displayed in the balance sheets and that the amounts of change in each of those classes of net assets be displayed in the statements of activities.

These classes are defined as follows:

Net assets without donor restrictions – Net assets which are not subject to donor-imposed stipulations or the restrictions have expired and/or have been satisfied.

Net assets with donor restrictions – Net assets which are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation or that expire by the passage of time.

The Foundation does not have any donor restricted net assets as of December 31, 2025 or 2024.

(b) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code. As required by the Code, the Foundation distributes annually at least 5% of the monthly average of the fair market value of its assets no later than the 12-month period following the end of its fiscal year.

The Foundation recognizes the effects of income tax positions only if those positions are more likely than not to be sustained in the future. The Foundation has concluded that there were no uncertainties to disclose.

(Continued)

(c) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Foundation uses three levels of inputs to measure fair value:

Level 1: Quoted or published prices in active markets for identical assets. Level 1 assets include debt and equity securities that are traded or published in an active exchange market.

Level 2: Observable inputs other than Level 1 prices such as quoted or published prices for similar assets; prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment’s underlying assets and liabilities.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset.

Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

(d) Investments

Investments in equity securities with readily determinable fair values are reported at fair value based on quoted market prices or published net asset value (NAV). Investments in debt securities are measured using quoted market prices where available. If quoted market prices for debt securities are not available, the fair value is determined using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded markets for debt of similar terms to companies with comparable credit risk, the issuer’s credit spread, and illiquidity by sector and maturity.

The Foundation follows the accounting standards of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 820-10-35-59, *Fair Value Measurement and Disclosures – Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using NAV per share or its equivalent as a practical expedient. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

(e) Fixed Assets

Fixed assets consist of furniture, fixtures, equipment, and leasehold improvements. All assets are depreciated on a straight-line basis over the estimated useful lives of the assets. Computers are depreciated over 3 years, office equipment is depreciated over 5 years, and furniture and fixtures are depreciated over 15 years. Leasehold improvements are depreciated over the life of the lease or the estimated life of the leasehold improvement, whichever is shorter.

(f) Grants

Grants expense are reported as an expense and liability of the Foundation when approved by the Foundation’s board of directors or the president, under authority delegated by the board of directors, and upon receipt of an acknowledgement of terms, provided the grant is not subject to future conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. A grant is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor’s obligation to transfer assets. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the condition.

(g) Cash Equivalents

Cash equivalents represent short-term investments with original maturities of three months or less at the time of purchase, except for those short-term investments managed by the Foundation’s investment managers as part of their long-term investment strategies.

(h) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. The significant estimates made in the preparation of these financial statements include the fair value of investments. Actual results could differ from those estimates.

(i) Natural and Functional Classifications of Expenses

Program expenses includes grants expenses and also pertain to grant making activities such as program design, proposal review, awarding and monitoring, evaluation, and knowledge dissemination. Direct charitable expenses pertain to charitable activities for the benefit of others initiated and conducted, in whole or in part, by the Foundation. Supporting service expenses include costs related to managing the Foundation. Investment expenses reported on the statements of activities exclude certain investment manager fees which are recorded net of investment income on the statements of activities. Investment expenses that are not directly attributable to investment strategy, including staff costs for investment recordkeeping and office costs, are included within supporting services. Certain operating costs have been allocated, based on headcount, among the program and supporting services benefited.

(3) Liquidity and Availability of Resources

The Foundation monitors the liquidity required to meet its grants, committed contracts and operating expenses on a regular basis while also seeking to generate favorable risk-adjusted returns from its investments. The Foundation’s liquidity monitoring focuses on ensuring that sufficient liquidity, including cash and cash equivalents and investments convertible to cash in the next 12 months, is available to meet projected spending based on the Foundation’s projected payouts for grants and operating expenses. Despite the large amount of available liquid assets, the Foundation anticipates expenditures to remain consistent and not exceed what is required to support and meet its mandated distribution requirements.

The following table represents the Foundation’s financial assets available for general expenditure, without restrictions limiting their use, within one year of the balance sheet dates of December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents	$ 125,112,160	28,368,138
Investments convertible to cash in the next 12 months	933,921,416	852,285,130
Receivables for investments sold, net	1,867,349	27,087,288
Total financial assets available within one year for general expenditure	$ 1,060,900,925	907,740,556

(Continued)

(4) Investments

(a) Fair Value Hierarchy

The following tables present the Foundation's fair value hierarchy for investments, the only financial instruments measured at fair value on an annual basis, as of December 31, 2025 and 2024. Investments measured using the NAV per share practical expedient are included in the total fair value column only and are not disclosed within the fair value hierarchy levels:

	2025			
	Total fair value	Level 1	Level 2	Level 3
Public equities:				
United States	$ 205,793,964	205,793,964	—	—
Global	73,565	73,565	—	—
Public equities total	205,867,529	205,867,529	—	—
Fixed income:				
United States government/agency	54,773,370	—	54,773,370	—
Fixed income total	54,773,370	—	54,773,370	—
Other:				
Short-term investments	628,465	628,465	—	—
Receivables for investments sold, net	1,867,349	1,867,349	—	—
Total	263,136,713	$ 208,363,343	54,773,370	—
Investments measured using net asset value (or its equivalent):				
Public equities:				
United States	27,857,614			
Global	352,440,800			
Emerging market	120,121,117			
Private capital	533,026,087			
Hedged equities	123,236,357			
Absolute return	164,777,109			
Real assets	100,624,419			
Total investments using net asset value	1,422,083,503			
Total investments	$ 1,685,220,216			

	2024			
	Total fair value	Level 1	Level 2	Level 3
Public equities:				
United States	$ 85,148,144	85,148,144	—	—
Global	51,244,456	51,244,456	—	—
Public equities total	136,392,600	136,392,600	—	—
Fixed income:				
United States government/agency	79,079,039	—	79,079,039	—
Mutual fund	248,266	248,266	—	—
Fixed income total	79,327,305	248,266	79,079,039	—
Other:				
Short-term investments	9,798,534	9,798,534	—	—
Receivables for investments sold, net	27,087,288	27,087,288	—	—
Total	252,605,727	$ 173,526,688	79,079,039	—
Investments measured using net asset value (or its equivalent):				
Public equities:				
United States	135,662,344			
Global	260,257,081			
Emerging market	89,229,775			
Private capital	553,830,362			
Hedged equities	99,242,660			
Absolute return	202,738,105			
Real assets	112,086,517			
Total investments using net asset value	1,453,046,844			
Total investments	$ 1,705,652,571			

Short-term investments include money market funds and U.S. government securities managed by the Foundation's investment managers as part of their long-term investment strategies.

The Foundation did not have any Level 3 investments in 2025 or 2024.

The Foundation recognizes transfers between levels of the fair value hierarchy on the date of the event or change in circumstance that caused the transfer. There were no transfers among Levels 1, 2 or 3 during the years ended December 31, 2025 or 2024.

(b) Strategies of Commingled Stock, Hedge Fund, and Private Asset Funds

The following tables list the investment strategies, redemption terms, and assets for public equities, private capital, hedged equities, absolute return funds, and real assets measured at fair value using NAV (or its equivalents) as of December 31, 2025 and 2024:

	2025			
	Total fair value	**Unfunded commitments**	**Redemption dates per year**	**Redemption notice period**
Public equities (i):				
United States	$ 27,857,614	—	Bi-Annually/Quarterly	60/65/90 days
Global	352,440,800	—	Triennial Daily/Monthly Quarterly/Annually	120 days 30/60 days 30/90 days
Emerging market	120,121,117	—	Daily/Annually	30/60 days
Private capital (ii)	533,026,087	152,405,264	Not redeemable	Not redeemable
Hedged equities (iii)	123,236,357	—	Quarterly/Annually	45/60 days
Absolute return (iv)	164,777,109	30,531,182	Monthly/Quarterly Semi-Annually	5/65 days 60/90 days
Real assets (v)	100,624,419	80,245,625	Not redeemable	Not redeemable
Total	$ 1,422,083,503	263,182,071		

		2024			
		Total fair value	**Unfunded commitments**	**Redemption dates per year**	**Redemption notice period**
Public equities:					
United States	$	135,662,344	—	Bi-Annually/Quarterly	60/65/90 days
Global		260,257,081	—	Triennial (with lock up until August 2025) Monthly Quarterly/Annually	120 days 60 days 30/90 days
Emerging market		89,229,775	—	Annually Daily/Quarterly	60 days 30/45 days
Private capital		553,830,362	179,387,763	Not redeemable	Not redeemable
Hedged equities		99,242,660	—	Quarterly/Annually	45/60 days
Absolute return		202,738,105	43,609,418	Monthly/Quarterly Semi-Annually	5/65 days 60/90 days
Real assets		112,086,517	71,774,117	Not redeemable	Not redeemable
Total	$	1,453,046,844	294,771,298		

The following provides details for the investment strategies as of December 31, 2025 listed above:

(i) *Public Equities*

United States

This includes two funds that invest in US equities.

Global

This includes six funds that invest in Global equities.

Emerging Market

This includes two funds that invest in Emerging Market equities.

(ii) *Private Capital*

This includes eighty-seven funds that make distributions to investors at the managers' discretion and are expected to fully distribute their assets over the next 10 years. These funds invest directly in diversified portfolios of buyout, growth and venture capital investments.

(iii) *Hedged Equities*

This includes four hedge funds that invest in public equities using a combination of long and short positions.

(iv) Absolute Return

This includes seven managers that allocate capital across multiple asset classes and geographies and provide returns largely independent of overall equity market moves.

(v) Real Assets

This includes twenty-three funds that invest in diversified portfolios of real estate and natural resources, both of which provide material protection against inflation, generate current income and are less correlated with equities.

(c) Derivative instruments

The Foundation utilizes exchange-traded futures contracts as part of an overlay strategy to obtain exposure to global equity markets while maintaining a majority of its assets in cash and cash equivalents.

At December 31, 2025, the Foundation held long S&P 500 futures with a notional amount of approximately $74.4 million and short MSCI Emerging Markets and MSCI EAFE futures with notional amounts of approximately $30.1 million and $44.8 million, respectively. Total gross notional exposure was approximately $149.3 million. Notional amounts are presented to provide information about the extent of the Foundation’s derivative activity and do not represent amounts exchanged or the Foundation’s exposure to credit loss.

For the year ended December 31, 2025, the Fund recognized a net unrealized loss on futures of approximately $0.2 million, which is included in net change in unrealized appreciation (depreciation) on investments.

(5) Fixed Assets, Net

At December 31, 2025 and 2024, fixed assets are comprised of the following:

		2025	2024
Furniture and fixtures	$	1,000,993	1,000,993
Computer hardware		23,259	23,259
Equipment		57,084	57,084
Leasehold improvements		7,952,858	7,952,858
Artwork		104,613	104,613
Construction in progress		72,207	61,710
		9,211,014	9,200,517
Less accumulated depreciation		(3,596,259)	(3,013,387)
	$	5,614,755	6,187,130

Depreciation expense for fixed assets for the years ended December 31, 2025 and 2024 was $582,872 and $594,306, respectively.

(6) Grants Payable

At December 31, 2025 and 2024, non-conditional grants scheduled to be paid in future years are as follows:

		2025	2024
Year:			
2025	$	—	4,525,621
2026		10,646,743	1,167,404
2027		1,262,006	231,281
2028		221,783	146,783
		12,130,532	6,071,089
Discount to present value (based on interest rates from 3.48% to 4.27% and 3.99% to 4.34% for 2025 and 2024, respectively)		(163,375)	(179,841)
	$	11,967,157	5,891,248

The value of conditional grants totaled $9,132,318 and $15,602,169, which have not been recorded in the financial statements as they have not met the criteria for expense recognition at December 31, 2025 and 2024, respectively. The Foundation expects such amounts to be recognized as grant expense when the expense recognition criteria is met.

(7) Leases

The Foundation has a lease for office space expiring in 2035. The Foundation has a remaining lease term and discount rate associated with this operating lease of 10 years and 2.03%, respectively.

A summary of changes in the operating lease liability follows:

	January 1, 2025	Additions	Payments/ Amortization	December 31, 2025
$	15,793,035	—	(1,499,439)	14,293,596

A summary of changes in ROU assets follows:

	January 1, 2025	Additions	Amortization	December 31, 2025
$	14,574,518	—	(1,346,128)	13,228,390

The future payments due under operating leases as of December 31, 2025 are as follows:

		Total undiscounted
Year ending December 31:		
2026	$	1,718,852
2027		1,718,852
2028		1,718,852
2029		1,773,446
2030-2036		9,557,721
		16,487,723
Less effects of discounting		(2,194,127)
Operating lease liabilities as at December 31, 2025	$	14,293,596

Lease expense recognized in the statements of activities amounted to $1,706,588 and $1,671,666 in 2025 and 2024, respectively.

(8) Deferred Liabilities

At December 31, 2025 and 2024, deferred liabilities consisted of federal excise tax (note 9).

(9) Federal Excise Tax

Under Section 4940(a) of the Code, as a private foundation, the Foundation is subject to a federal excise tax equal to 1.39% of its net investment income for tax purposes. The Foundation's current federal excise taxes for the years ended December 31, 2025 and 2024 were $2,616,111 and $388,990, respectively.

The Foundation records a liability for deferred federal excise tax at the 1.39% rate on the total unrealized appreciation in the fair value of investments. The federal excise tax will be paid as realized gains are reported for tax purposes. The unrealized gains (losses) on investments are reported net of the deferred federal excise tax (credit) expense of $(66,698) and $222,461 for the years ended December 31, 2025 and 2024, respectively, on the statements of activities.

(10) Pension Plans

The Foundation provides a defined-contribution retirement plan for all eligible employees, whereby the Foundation contributes 15% of a participant's eligible earnings on an annual basis. In addition, the Foundation provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2025 and 2024 was $1,581,555 and $1,477,811, respectively.

(11) Subsequent Events

The Foundation evaluated events subsequent to the balance sheet date of December 31, 2025 through June 26, 2026, which was the date the financial statements were available to be issued. There were no subsequent events of which management is aware that would require recognition or additional disclosure in the Foundation's financial statements.