THE REASON FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

THE REASON FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Reason Foundation

Report on the Audit of the Financial Statements
We have audited the financial statements of The Reason Foundation (the Foundation), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, functional expenses and cash flows for the year 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 September 30, 2025, and the changes in its net assets and its 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 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 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 the 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.

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

In performing an audit in accordance with GAAS, we:

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

Green Hasson & Janks LLP

January 30, 2026
Los Angeles, California

THE REASON FOUNDATION

STATEMENT OF FINANCIAL POSITION
September 30, 2025

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Cash and Cash Equivalents	$ 891,682	$ 1,233,531	$ 2,125,213
Investments	20,211,750	51,279	20,263,029
Accounts Receivable (Net)	126,837	-	126,837
Pledges Receivable	5,000	890,973	895,973
Deposits and Other Assets	315,637	-	315,637
Property and Equipment (Net)	2,843,925	-	2,843,925
Cryptocurrency Assets	70,810	-	70,810
Right-of-Use Asset - Operating Lease	2,456,330	-	2,456,330
TOTAL ASSETS	$ 26,921,971	$ 2,175,783	$ 29,097,754

LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accrued Compensation Expenses	$ 1,442,132	$ -	$ 1,442,132
Accounts Payable and Other Accrued Expenses	743,519	-	743,519
Current Portion of Unearned Subscriptions	212,256	-	212,256
Deferred Compensation	1,870,056	-	1,870,056
Current Portion of Operating Lease Liability	67,635	-	67,635
TOTAL CURRENT LIABILITIES	4,335,598	-	4,335,598
LONG TERM LIABILITIES:			
Unearned Subscriptions	34,373	-	34,373
Operating Lease Liability	2,761,246	-	2,761,246
TOTAL LONG TERM LIABILITIES	2,795,619	-	2,795,619
TOTAL LIABILITIES	7,131,217	-	7,131,217
NET ASSETS:			
Without Donor Restrictions	19,790,754	-	19,790,754
With Donor Restrictions	-	2,175,783	2,175,783
TOTAL NET ASSETS	19,790,754	2,175,783	21,966,537
TOTAL LIABILITIES AND NET ASSETS	$ 26,921,971	$ 2,175,783	$ 29,097,754

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Public Support			
Contributions	$ 19,817,516	$ 823,951	$ 20,641,467
Reason Magazine	825,129	-	825,129
Conferences	293,344	-	293,344
Other Income	31,916	-	31,916
Net Assets Released from Donor Restrictions	927,456	(927,456)	-
TOTAL REVENUE AND SUPPORT	21,895,361	(103,505)	21,791,856
EXPENSES:			
Program Services	19,450,132	-	19,450,132
Management and General	759,183	-	759,183
Fundraising	1,868,752	-	1,868,752
TOTAL EXPENSES	22,078,067	-	22,078,067
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (NET)	(182,706)	(103,505)	(286,211)
Investment Return (net)	2,885,970	-	2,885,970
CHANGE IN NET ASSETS AFTER INVESTMENT RETURN (NET)	2,703,264	(103,505)	2,599,759
Net Assets - Beginning of Year	17,087,490	2,279,288	19,366,778
NET ASSETS - END OF YEAR	$ 19,790,754	$ 2,175,783	$ 21,966,537

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2025

	Program Services					Support Services		
	Public Affairs	Reason-TV	Magazine	Research	Total Program Services	Management and General	Fundraising	Total
Personnel Expenses								
Salaries	$ 495,021	$ 1,912,926	$ 4,051,358	$ 3,739,004	$ 10,198,309	$ 423,106	$ 1,052,989	$ 11,674,404
Employee Benefits	88,251	269,372	588,896	453,950	1,400,469	70,266	221,395	1,692,130
Payroll Taxes	43,852	127,734	249,939	248,156	669,681	32,789	90,182	792,652
TOTAL PERSONNEL EXPENSES	627,124	2,310,032	4,890,193	4,441,110	12,268,459	526,161	1,364,566	14,159,186
Contract Services	28	826,808	378,094	1,108,634	2,313,564	40,570	25,891	2,380,025
Travel	10,277	109,502	76,352	334,143	530,274	3,302	153,446	687,022
Magazine Printing and Distribution	2,030	3,798	648,951	112	654,891	2	536	655,429
Foundation-Hosted Events and Conferences	2,114	299,831	121,414	119,645	543,004	4	6,396	549,404
Marketing Contractors	-	-	518,701	-	518,701	-	-	518,701
Occupancy	18,593	97,867	153,408	141,257	411,125	19,920	42,717	473,762
Advertising and Promotion	14,483	401	317,720	56,361	388,965	5,981	62,664	457,610
Conference Attendance and Sponsorships	2,472	405	37,120	352,861	392,858	1,000	27,923	421,781
On-line Services	1,325	19,929	318,816	29,181	369,251	2,325	4,805	376,381
Supplies	2,976	65,264	44,199	99,347	211,786	8,654	25,359	245,799
Email Marketing	-	2,196	196,066	-	198,262	-	-	198,262
Insurance	7,150	27,698	58,657	54,084	147,589	6,105	15,453	169,147
Professional Fees	-	-	-	21,740	21,740	136,255	-	157,995
Fiscal Sponsorship	-	17,225	-	135,356	152,581	-	-	152,581
Postage and Shipping	363	1,795	9,580	7,140	18,878	557	59,864	79,299
Dues and Subscriptions	1,700	3,942	3,265	61,582	70,489	7	117	70,613
Depreciation	2,811	10,891	23,065	21,245	58,012	2,401	5,974	66,387
Grants Made to Outside Organizations	-	-	-	60,000	60,000	-	-	60,000
Printed Material	1	241	309	12,269	12,820	26	44,955	57,801
Commissions	-	-	52,043	-	52,043	-	-	52,043
Miscellaneous	800	3,234	8,508	7,062	19,604	5,081	23,244	47,929
Telephone	997	4,315	8,532	7,941	21,785	715	4,166	26,666
Books and Periodicals	807	2,679	5,223	4,742	13,451	117	676	14,244
TOTAL FUNCTIONAL EXPENSES	$ 696,051	$ 3,808,053	$ 7,870,216	$ 7,075,812	$ 19,450,132	$ 759,183	$ 1,868,752	$ 22,078,067

The Accompanying Notes are an Integral Part of These Financial Statements

THE REASON FOUNDATION

STATEMENT OF CASH FLOWS
Year Ended September 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	$ 2,599,759
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided By Operating Activities:	
Depreciation	66,387
Net Realized and Unrealized Gain on Investments	(1,612,322)
Net Unrealized Gain on Cryptocurrency Assets	(59,961)
Net Gain on Sale of Cryptocurrency Assets	(35,083)
(Increase) Decrease in:	
Accounts Receivable (Net)	109,383
Pledges Receivable	1,210,460
Deposits and Other Assets	(63,040)
Right-of-Use Asset - Operating Lease	212,798
Increase (Decrease) in:	
Accrued Compensation Expenses	135,047
Accounts Payable and Other Accrued Expenses	401,173
Unearned Subscriptions	2,548
Deferred Compensation	377,544
Operating Lease Liability	(61,255)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,283,438
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of Property and Equipment	(36,500)
Reinvested Interest and Dividends	(1,023,758)
Proceeds on Sale of Investments	3,792,456
Purchases of Investments	(5,553,714)
Net Proceeds from Sale of Cryptocurrency Assets	50,248
NET CASH USED IN INVESTING ACTIVITIES	(2,771,268)
NET INCREASE IN CASH AND CASH EQUIVALENTS	512,170
Cash and Cash Equivalents - Beginning of Year	1,613,043
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,125,213

NOTE 1 - ORGANIZATION

The Reason Foundation (the Foundation) is a California tax-exempt nonprofit corporation formed for the purpose of educating Americans in the basic principles of the classical liberal/libertarian political philosophy. Toward this end, the Foundation (Reason.org) provides research and publications which apply free-market principles to public policy issues. The Foundation's products include Reason Magazine (Reason.com), online videos, podcasts, events, studies and commentaries as well as newsletters on public policy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions**. Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions**.
  Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at September 30, 2025 approximates its fair value.

The Foundation maintains its cash and cash equivalents in bank deposit and other investment accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

(e) ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for credit losses represents their estimated net realizable value. The allowance for credit losses is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. The Foundation has elected the practical expedient permitted by Accounting Standards Update (ASU) 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, when estimating expected credit losses for current accounts receivable and current contract assets arising from revenue transactions under ASC 606. Under this expedient, the Foundation assumes that current conditions as of the balance sheet date remain unchanged over the remaining life of the asset. At September 30, 2025, management evaluated the collectability of accounts receivable and decided to maintain the existing allowance for credit losses of $41,100, which is included in accounts receivable. There were no charges against the reserve during the year ended September 30, 2025.

(f) PLEDGES RECEIVABLE

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Pledges are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and pledges receivable and are adjusted annually. Management anticipates it will collect 100% of the pledges receivable balance, therefore no allowance for potentially uncollectible pledges has been established as of September 30, 2025.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) PLEDGES RECEIVABLE (continued)

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 met.

Assets held in beneficial interest trusts totaled $815,973 at September 30, 2025, representing the portion of the net present value of the beneficial interest trust for which the Foundation is a designated beneficiary, and are included within pledges receivable on the statement of financial position.

(g) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, accounts receivable, pledges receivable, deposits and other assets, accrued compensation expenses, accounts payable and other accrued expenses, and unearned subscriptions. Due to the short-term nature of these balances, the carrying amounts approximate their fair value.

(h) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Building and improvements	7-39 Years
Furniture and equipment	3 Years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

(i) CRYPTOCURRENCY ASSETS

The Foundation holds an investment in cryptocurrency, which qualifies as a crypto asset under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2023-08, *Intangibles - Goodwill and Other - Crypto Assets (Subtopic 350-60).* Cryptocurrency is measured at fair value, with changes in fair value recognized within investment return on the Foundation's statement of activities. The Foundation does not consider its cryptocurrency holdings to be material to its financial position, results of operations, or cash flows. Total Crypto Assets as of September 30, 2025 amounted to $70,810 and are included in Cryptocurrency Assets on the statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) LONG-LIVED ASSETS

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No impairment losses were recognized during the year ended September 30, 2025.

(k) MAGAZINE REVENUE

The Foundation has contracts with customers for magazine subscriptions where the Foundation has performance obligations under the contracts and in return the Foundation receives commensurate value. These revenues are recognized under FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Performance obligations under these contracts are satisfied at a point in time, specifically upon delivery of each print or digital magazine. The revenue is recognized at various points in time over the term of the subscription agreement as the magazines are delivered and the performance obligations are satisfied.

Payments received for magazine subscriptions in advance of the Foundation satisfying its performance obligations are deferred and recorded within unearned subscriptions in the accompanying statement of financial position.

The Foundation has contracts with customers for magazine advertising where the Foundation has performance obligations under the contracts and in return the Foundation receives commensurate value. Performance obligations under these contracts are satisfied as a point in time as the advertisements run in the print or digital magazines. The revenue is recognized at various points in time over the term of the agreement as the advertisements are run and the performance obligations are satisfied.

Payments received for magazine advertising in advance of the Foundation satisfying its performance obligations are deferred and recorded within accounts payable and other accrued expenses in the accompanying statement of financial position.

Contract liabilities include deferred revenues related to unearned magazine subscriptions. As of October 1, 2024, contract liabilities totaled $244,081. As of September 30, 2025, contract liabilities totaled $246,629 and are included in the statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) CONFERENCE INCOME

The Foundation has contracts with customers for conference income where the Foundation has performance obligations under the contracts to provide various accommodations and participant engagement, and the attendees receive commensurate value. These revenues are recognized under FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Performance obligations under these contracts are satisfied at a point in time, specifically in the period in which the specific conference is held.

Payments received for conference income in advance of the Foundation satisfying its performance obligations are deferred and recorded within deferred revenues in the accompanying statement of financial position.

(m) ADVERTISING AND PROMOTION

Costs of advertising and promotion are expensed as incurred. Total advertising and promotion expense was $457,610 for the year ended September 30, 2025.

(n) FUNCTIONAL EXPENSES

The costs of providing the Foundation's programs and other activities have been presented in the statement of activities. During the year, such costs are allocated among program and support services by a method that best measures the relative degree of benefit. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated accordingly based on the specific department.

(o) LEASES

The Foundation recognizes and measures its leases in accordance with FASB Accounting Standards Codification (ASC) 842, *Leases*. The Foundation is a lessee in an operating lease for a facility (see Note 5). The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Foundation recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Foundation uses its risk-free rate. The implicit rate of the Foundation's operating lease is not readily determinable and accordingly, the Foundation uses the risk-free rate based on the information available at the commencement date of the lease.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) LEASES (continued)

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Foundation has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. The Foundation recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

(p) INCOME TAXES

The Foundation is a nonprofit public benefit corporation organized under the laws of California and, as such, is generally exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions. The Foundation incurs unrelated business income taxes (UBIT) from its activities involving Reason Magazine advertising income and from rental of its mailing list. UBIT is calculated using federal and California corporate tax rates applied to any surplus from its unrelated business activities.

In accordance with the FASB's ASC Topic No. 740, *Uncertainty in Income Taxes,* the Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended September 30, 2025, the Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(q) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS

In December 2023, the FASB issued *ASU No. 2023-08, Intangibles-Goodwill and Other-Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Certain Crypto Assets*. This ASU requires certain crypto assets to be measured at fair value, with changes in fair value recognized in change in net assets after investment return (net) and enhances disclosure requirements related to crypto asset holdings. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Foundation adopted this guidance during the year ended September 30, 2025. The adoption of this standard did not have a material impact on the Foundation’s financial statements.

In July 2025, the Financial Accounting Standards Board (FASB) issued ASU No. 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provided a practical expedient and an accounting policy election when estimating current credit losses for current accounts receivable intended to simplify the evaluation of the allowance for current credit losses. The Foundation implemented this ASU during the year ending September 30, 2025 prospectively, and the adoption had no material impact on the financial statements.

(s) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of September 30, 2025, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 30, 2026, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

The Foundation has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This Standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset. At September 30, 2025 the Foundation does not have any investments in Level 2 or Level 3 of the fair value hierarchy.

NOTE 3 - INVESTMENTS (continued)

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at September 30, 2025 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Year Ended September 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	$ 19,005,610	$ 19,005,610	$ -	$ -
Exchange -Traded Funds	1,005,581	1,005,581	-	-
Equity Funds	251,838	251,838	-	-
TOTAL INVESTMENTS	$ 20,263,029	$ 20,263,029	$ -	$ -

The fair values of the investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2025 consist of the following:

Land	$ 1,908,473
Buildings and Improvements	1,018,670
Furniture and Equipment	484,343
Leasehold Improvements	255,574
TOTAL	3,667,060
Less: Accumulated Depreciation	(823,135)
PROPERTY AND EQUIPMENT (NET)	$ 2,843,925

Depreciation expense for the year ended September 30, 2025 was $66,387.

THE REASON FOUNDATION

NOTES TO FINANCIAL STATEMENTS
September 30, 2025

NOTE 5 - LEASES

The Foundation leases office space in Washington, D.C. which is accounted for as an operating lease. The operating lease expires in April 2035. The lease includes one option to renew, with the renewal terms extending the lease for 5 years. The exercise of lease renewal options is at the Foundation's discretion. The Foundation has chosen to not include the renewal term in the calculation of the right-of-use asset and related lease liability as they are not reasonably certain they will exercise the option. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, are not recorded on the balance sheet and are recognized as lease expense on a straight-line basis over the lease term. As of September 30, 2025, the Foundation recognized $2,456,330 of a right-of-use asset and $2,828,881 of a related lease liability for a contract that classifies as an operating lease.

Lease cost comprises solely of operating lease costs and is included in occupancy costs on the statement of functional expenses. Lease cost for the period ended September 30, 2025 was $337,625 which is included in occupancy costs within the statement of functional expenses.

Weighted-average remaining lease term and weighted-average discount rate were as follows during the year ended September 30, 2025:

Weighted-Average Lease Term	9.58 years
Weighted-Average Discount Rate	3.57%

Maturities of lease liabilities as of September 30, 2025 are as follows:

Years Ending September 30	
2026	$ 167,159
2027	328,545
2028	351,243
2029	360,024
2030	369,024
Thereafter	1,811,729
Total Rent Payments	3,387,724
Less: Imputed Interest	(558,843)
Total	2,828,881
Less: Current Portion	(67,635)
LONG-TERM LIABILITY	$ 2,761,246

NOTE 6 - LINE OF CREDIT

The Foundation has a $200,000 line of credit with a bank, secured by all personal property of the Foundation, with interest at the bank's index rate (7.75% as of September 30, 2025) plus 0.5% renewable annually. There is no maturity date on the line of credit and there was no outstanding balance on the line of credit at September 30, 2025.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2025:

Time Restrictions	$ 890,973
Internship and Fellows Fund	735,990
Soho Forum	200,000
Criminal Justice Program	176,000
Magazine	92,923
Donor-Restricted Endowment Corpus	51,279
Accumulated Endowment Earnings	17,091
Savas Privatization Award	11,527
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	$ 2,175,783

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2025:

Time Restrictions	$ 850,000
Magazine	39,689
Criminal Justice Grant	30,000
Internship and Fellows Fund	7,767
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	$ 927,456

NOTE 8 - RETIREMENT PLANS

(a) 403(b) PLAN

The Foundation offered an IRC Section 403(b) individual defined contribution plan (the 403(b) Plan) for all eligible employees. Participants may make salary deferrals to their individual accounts up to the maximum allowable deferral amounts for defined contribution plans. The Foundation did not make contributions to the 403(b) Plan. Effective December 31, 2022, the foundation stopped withholding contributions from employees for the 403(b) Plan as they implemented a 401(k) Plan.

NOTE 8 - RETIREMENT PLANS (continued)

(b) 401(k) PLAN

The Foundation offers a Safe Harbor 401(k) plan for the benefit of substantially all employees who have reached 21 years of age and have completed 3 months of service. The Foundation matches 100% of the first 4% of employee contributions. Employer contributions for the year ended September 30, 2025 were $402,543.

(c) 457(f) PLAN

The Foundation has established a nonqualified IRC Section 457(f) employee retirement plan (the 457(f) Plan) on behalf of an officer. The participant's right to receive deferred compensation is vested based over a 14-year period, and will be paid out over a five year period, commencing in April 2027. The 457(f) Plan provides for an earlier payout of the vested portion in the event of a death, disability or termination of employment.

During the year ended September 30, 2025, the Foundation transferred $150,000 into the 457(f) Plan and accrued $120,000 of contributions at September 30, 2025. Investments of the 457(f) Plan generated a net gain of $227,544 during the year. The Foundation has recorded a deferred compensation liability of $1,870,056 at September 30, 2025, which represents the fair value of future payouts of the 457(f) Plan. The Board of Trustees may make discretionary contributions to the 457(f) Plan in the future.

The plan provides that the accounts' funds shall be deemed to be invested in investment funds in which the Foundation has invested its general assets. The income, gains, losses and investment results of such deemed investment shall be credited to, or debited from, the accounts as of the end of each calendar year.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

LITIGATION

In the ordinary course of conducting its business, the Foundation may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Foundation, which, from time to time, may have an impact on changes in net assets or its financial position. The Foundation does not believe that these proceedings individually, or in the aggregate, would have a material effect on the accompanying financial statements.

NOTE 10 - ENDOWMENT

The Foundation's endowment consists of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to either provide a perpetual endowment, which is to provide a permanent source of income to the Foundation, or a term endowment, which is to provide income for a specified period to the Foundation.

The Foundation's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on endowments restricted in perpetuity, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for the Foundation's endowments is to preserve the real (inflation-adjusted) purchasing power of the endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. The Foundation's Board of Directors has approved a spending policy that will distribute a specific payout rate (5%) of the endowment base (calculated as the three-year average market value of endowment funds) to support the Foundation's programs. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term.

	With Donor Restrictions
Endowment Net Asset Composition At September 30, 2025	
Donor-Restricted:	
Original Donor-Restricted Perpetual Gifts	$ 51,279
ENDOWMENT NET ASSETS - SEPTEMBER 30, 2025	$ 51,279

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At September 30, 2025, the Foundation had no underwater endowments.

The Foundation's endowment net assets remained the same during the fiscal year as there were no additions or appropriations for expenses.

Investment return (net) related to the Foundation's donor-restricted endowment is recorded as revenue without donor restrictions unless otherwise directed by the donor's gift instrument.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Foundation at September 30, 2025 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at September 30, 2025		
Cash and Cash Equivalents	$	891,682
Investments		20,211,750
Accounts Receivable (Net)		126,837
Pledges Receivable		5,000
TOTAL FINANCIAL ASSETS AT SEPTEMBER 30, 2025	$	21,235,269

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and liquid investments. Additionally, the Foundation has a $200,000 line of credit facility at September 30, 2025 which can be utilized to fund operations.