

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)**

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Leadership Foundations

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leadership Foundations (a not-for-profit corporation), which comprise the statements of financial position 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 referred to above present fairly, in all material respects, the financial position of Leadership Foundations 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 accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Leadership Foundations 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls 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 Leadership Foundations' ability to continue as a going concern for one year after the date that the financial statements are 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 and *Government 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 GAAS and *Government 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 Leadership Foundations' 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 Leadership Foundations' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards listed above is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2026 on our consideration of Leadership Foundations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Leadership Foundations' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Leadership Foundations' internal control over financial reporting and compliance.

Tarwater, PC

Knoxville, TN
August 18, 2026

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 144,142	\$ 188,613
Grants and contributions receivable	2,850	79,804
Investments	5,817,410	2,206,124
Prepaid expenses	<u>-</u>	<u>23,344</u>
Total current assets	<u>5,964,402</u>	<u>2,497,885</u>
Total assets	<u><u>\$ 5,964,402</u></u>	<u><u>\$ 2,497,885</u></u>
 Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 13,265	\$ 12,905
Accounts payable	131,888	78,119
Accrued expenses	4,471	3,426
Deferred grant revenue	5,383,243	2,301,500
Due to subrecipients	<u>281,079</u>	<u>-</u>
Total current liabilities	5,813,946	2,395,950
Long-term debt	<u>465,286</u>	<u>477,352</u>
Total liabilities	<u>6,279,232</u>	<u>2,873,302</u>
 Net Assets		
Without donor restrictions	(314,830)	(526,884)
With donor restrictions	<u>-</u>	<u>151,467</u>
Total net assets	<u>(314,830)</u>	<u>(375,417)</u>
Total liabilities and net assets	<u><u>\$ 5,964,402</u></u>	<u><u>\$ 2,497,885</u></u>

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

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	\$ 1,040,153	\$ -	\$ 1,040,153
Grants	1,659,174	-	1,659,174
Dues	84,850	-	84,850
Consulting income	44,450	-	44,450
Investment return	183,972	-	183,972
	3,012,599	-	3,012,599
Net assets released from restrictions	151,467	(151,467)	-
Total revenues and support	3,164,066	(151,467)	3,012,599
Expenses			
Program services	2,416,220	-	2,416,220
General and administrative	262,647	-	262,647
Fundraising	273,145	-	273,145
Total expenses	2,952,012	-	2,952,012
Changes in net assets	212,054	(151,467)	60,587
Net assets at beginning of year	(526,884)	151,467	(375,417)
Net assets at end of year	\$ (314,830)	\$ -	\$ (314,830)

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

LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	\$ 374,345	\$ 532,986	\$ 907,331
Grants	960,868	-	960,868
Dues	76,960	-	76,960
Interest	16,630	-	16,630
	<u>1,428,803</u>	<u>532,986</u>	<u>1,961,789</u>
Net assets released from restrictions	<u>767,719</u>	<u>(767,719)</u>	<u>-</u>
Total revenues and support	<u>2,196,522</u>	<u>(234,733)</u>	<u>1,961,789</u>
Expenses			
Program services	1,662,517	-	1,662,517
General and administrative	262,712	-	262,712
Fundraising	274,458	-	274,458
Total expenses	<u>2,199,687</u>	<u>-</u>	<u>2,199,687</u>
Changes in net assets	(3,165)	(234,733)	(237,898)
Net assets at beginning of year	<u>(523,719)</u>	<u>386,200</u>	<u>(137,519)</u>
Net assets at end of year	<u>\$ (526,884)</u>	<u>\$ 151,467</u>	<u>\$ (375,417)</u>

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part of these financial statements.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and Related Expenses				
Salaries and wages	\$ 690,721	\$ 137,491	\$ 201,223	\$ 1,029,435
Payroll taxes	52,082	9,449	14,842	76,373
Fringe benefits	<u>58,282</u>	<u>8,926</u>	<u>9,276</u>	<u>76,484</u>
Total Compensation and Related Expenses	801,085	155,866	225,341	1,182,292
Advertising and outreach	\$ -	\$ -	\$ 12,523	\$ 12,523
Bank service fees	-	4,635	6,513	11,148
Professional fees	248,740	15,242	21,100	285,082
Insurance	-	6,241	-	6,241
Occupancy and utilities	5,430	10,865	-	16,295
Other expenses	9,673	21,287	-	30,960
Supplies	62,805	-	-	62,805
Support to others	1,198,114	-	-	1,198,114
Interest expense	-	14,482	-	14,482
Travel and transportation	<u>90,373</u>	<u>34,029</u>	<u>7,668</u>	<u>132,070</u>
Total expenses	<u>\$ 2,416,220</u>	<u>\$ 262,647</u>	<u>\$ 273,145</u>	<u>\$ 2,952,012</u>

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part of these financial statements.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and Related Expenses				
Salaries and wages	\$ 637,097	\$ 122,633	\$ 198,323	\$ 958,053
Payroll taxes	41,466	14,912	13,468	69,846
Fringe benefits	<u>50,523</u>	<u>9,915</u>	<u>8,404</u>	<u>68,842</u>
Total Compensation and Related Expenses	729,086	147,460	220,195	1,096,741
Bank service fees	-	5,162	6,621	11,783
Computers and technology	-	-	16,208	16,208
Professional fees	144,467	28,820	15,375	188,662
Insurance	-	6,615	-	6,615
Occupancy and utilities	4,996	10,160	-	15,156
Supplies	93	19,749	-	19,842
Support to others	731,754	-	-	731,754
Travel and transportation	52,121	29,385	16,059	97,565
Interest expense	<u>-</u>	<u>15,361</u>	<u>-</u>	<u>15,361</u>
Total expenses	<u><u>\$ 1,662,517</u></u>	<u><u>\$ 262,712</u></u>	<u><u>\$ 274,458</u></u>	<u><u>\$ 2,199,687</u></u>

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

LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flow from operating activities		
Change in net assets	\$ 60,587	\$ (237,898)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(51,054)	(3,979)
Realized loss on sale of investments	18,686	-
(Increase) decrease in grants and contributions receivable	76,954	61,190
(Increase) decrease in prepaid expenses	23,344	(3,039)
Increase (decrease) in accounts payable	50,296	(17,127)
Increase (decrease) in accrued expenses	1,045	1,247
Increase (decrease) in deferred grant revenue	3,081,743	2,301,500
Increase (decrease) in due to subrecipients	281,079	-
Net cash provided by operating activities	<u>3,542,680</u>	<u>2,101,894</u>
Cash flow from investing activities		
Proceeds from sale of investments	8,738,898	2,561,247
Purchase of investments	<u>(12,314,343)</u>	<u>(4,763,392)</u>
Net cash used in investing activities	<u>(3,575,445)</u>	<u>(2,202,145)</u>
Cash flow from financing activities		
Payments on long-term debt	<u>(11,706)</u>	<u>(9,743)</u>
Net cash used in financing activities	<u>(11,706)</u>	<u>(9,743)</u>
Net decrease in cash, cash equivalents and restricted cash	(44,471)	(109,994)
Beginning of period cash, cash equivalents and restricted cash	<u>188,613</u>	<u>298,607</u>
End of period cash, cash equivalents and restricted cash	<u>\$ 144,142</u>	<u>\$ 188,613</u>
Supplemental information:		
Cash paid during the year for interest	<u>\$ 14,443</u>	<u>\$ 16,405</u>

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

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

1. NATURE OF ORGANIZATION AND OPERATIONS

Leadership Foundations (“the Organization”) is a national network of local faith-based organizations that mobilize leaders, congregations, and other resources to tackle our cities’ biggest problems. All members of the network of Leadership Foundations throughout the United States are not-for-profit entities exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is dependent on public support and government contracts to fund its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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 assets and liabilities and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

Cash, accounts receivable, and accounts payable are reflected in the financial statements at cost, which approximates fair value because of the short-term maturity of those instruments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted investment instruments purchased with original maturities of three months or less to be cash equivalents.

Investments

The Foundation’s investments classified as available-for-sale consist of equity securities with readily determinable fair values and debt securities with readily determinable fair values that are not classified as held-to-maturity. Investments that the Foundation intends and has the ability to hold to maturity are carried at amortized cost and classified as held-to-maturity.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Realized gains and losses, and unrealized gains and losses based on the difference between cost and fair value are reported as a component of investment return on the consolidated statement of activities. Donated investments are recorded at the fair value on the date of the contribution. Purchases and sales of securities are recorded at the settlement date. Investment return is reported in the period earned as an increase in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions.

Grants Receivable

Grant revenue and related receivables are recorded when the Organization incurs expenses eligible for reimbursement under the terms of the corresponding contract or grant. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and member and agency attributes. At December 31, 2025 and 2024, the Organization considers all receivables to be fully collectible and, therefore, no allowance for uncollectible accounts has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

Contributions Receivable

Contributions, including unconditional promises to give, are recorded in the period made. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in a subsequent year are reported at the present value of their net realizable value, discounted using risk-free interest rates applicable to the year in which the promises are to be received. All unconditional contributions received are considered without donor restrictions unless specifically restricted by the donor. Conditional promises to give are recognized when conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value when contributed. Contributions, including noncash contributions, subject to donor-imposed stipulations that are met in the same reporting period are reported as increases in net assets without donor restrictions. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions until the assets are required and placed in service. If a contribution becomes uncollectible, it will be charged to operations when that determination is made. There was \$3,473 and \$0 of noncash contributions received during the years ended December 31, 2025 and 2024, respectively and are included in contributions on the statement of activities.

Membership Dues

Membership dues are recognized as control is passed to the member over the term of the membership, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for providing those services.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

2. **SUMMARY OF SIGIFICANT ACCOUNTING POLICIES**

Property and Equipment

Land, building, and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over the estimated service lives. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Improvements above the Organization's capitalization threshold of \$5,000 are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Estimated service lives are as follows:

	<u>Estimated Life</u>	<u>Method</u>
Office Furniture and Equipment	5 years	Straight-line

Advertising

The Organization expenses advertising costs as incurred. For the years ending December 31, 2025 and 2024, advertising costs were \$12,523 and \$0, respectively.

Allocation of Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, costs have been allocated among the program and supporting services in the direct functional method, when applicable, and on the basis of proportional use of the service provided.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Any interest or penalties assessed to the Organization are recorded in operating expenses. For the years ended December 31, 2025 and 2024, there were no interest or penalties recorded in the accompanying financial statements.

3. **LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization considers all expenditures related to its ongoing program activities, as well as the services undertaken to support those activities to be general expenditures. The Organization regularly monitors liquidity required to meet its operational needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the financial assets available to meet general expenditures over the next year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table shows the total financial assets held by the Organization and the amounts of which could readily be made available within one year of December 31, 2025 and 2024 to meet general expenditures:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 144,142	\$ 188,613
Grants and contributions receivable	2,850	79,804
Investments	<u>5,817,410</u>	<u>2,206,124</u>
 Total financial assets	 5,964,402	 2,474,541
 Less financial assets unavailable for general expenditure		
Net assets with donor restrictions	<u>-</u>	<u>(151,467)</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 5,964,402</u>	 <u>\$ 2,323,074</u>

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on assumptions market participants would use when pricing an asset. Generally accepted accounting principles provide 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. 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]. The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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

Level 2. These are assets and liabilities where values are based on the following inputs:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

4. FAIR VALUE MEASUREMENTS

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities reflect the Organization's own assumptions in pricing the asset based on the best information available.

The valuation methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation 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. In addition, the investments as reported on the combined statement of financial position include certain cash and cash equivalents that are not subject to fair value measurements. There have been no changes in fair value measurement methodologies used as of December 31, 2025.

Assets at fair value as of December 31, 2025 consist of:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income securities	\$ 3,499,939	\$ -	\$ -
Cash and cash equivalents	<u>2,317,471</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,817,410</u>	<u>\$ -</u>	<u>\$ -</u>

Assets at fair value as of December 31, 2024 consist of:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income securities	\$ 905,184	\$ 905,184	\$ -
Cash and cash equivalents	<u>1,300,940</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,206,124</u>	<u>\$ 905,184</u>	<u>\$ -</u>

5. INVESTMENTS

Investment securities are stated at fair value based on quoted market or market prices for similar securities. Unrealized gains and losses are recognized based on the change in fair value and are reported as a component of investment income. Realized gains and losses are recognized using the average cost method and are reported as a component of investment income. In addition, external and direct internal expenses relating to investment activities have been netted against investment income. Investments include certain cash and cash equivalents intended for long-term investing, and allocation of additional cash and cash equivalents intended for long-term investing is included as purchases of investments on the statement of cash flows.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

5. INVESTMENTS

Investments as of December 31, 2025 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Fixed income securities	\$ 3,499,939	\$ 3,475,815	\$ 24,124
Cash and cash equivalents	<u>2,317,471</u>	<u>2,317,471</u>	<u>-</u>
	<u><u>\$ 5,817,410</u></u>	<u><u>\$ 5,793,286</u></u>	<u><u>\$ 24,124</u></u>

Investments as of December 31, 2024 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Fixed income securities	\$ 905,184	\$ 901,205	\$ 3,979
Cash and cash equivalents	<u>1,300,940</u>	<u>1,300,940</u>	<u>-</u>
	<u><u>\$ 2,206,124</u></u>	<u><u>\$ 2,202,145</u></u>	<u><u>\$ 3,979</u></u>

Investment return includes the following for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 151,904	\$ 12,645
Unrealized gain on investments	51,054	3,979
Realized loss on sale of investments	(18,686)	-
Investment management fees	<u>(300)</u>	<u>-</u>
	<u><u>\$ 183,972</u></u>	<u><u>\$ 16,624</u></u>

6. DEFERRED GRANT REVENUE

During the years ended December 31, 2025 and 2024, the Company received grant funding of \$3,750,000 and \$2,250,000, respectively from a private foundation to support the execution of specified program activities as outlined in the related grant agreements. The grant proceeds are accounted for as conditional contributions and are deferred, with revenue being recognized as the Company incurs qualifying expenditures in carrying out the underlying programs. Grant revenue of \$616,757 and \$0 was recognized in the for the years ended December 31, 2025 and 2024. Deferred grant revenue totaled \$5,383,243 and \$2,250,000 as of December 31, 2025 and 2024, respectively, and will be recognized future periods as the Company incurs qualifying expenditures in accordance with the grant terms.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

7. LONG-TERM DEBT

On May 22, 2020, the Organization received a loan from the Small Business Administration EIDL program in the amount of \$149,500. In January 2022, the amount was modified to \$500,000. The loan bears interest of 2.75% and is payable in monthly principal and interest payments of \$2,179, maturing on May 22, 2050. Payments will begin 24 months from the original loan date with each payment being applied to interest accrued first and then any remaining balance applied towards principal. The loan is secured by equipment, chattel paper and receivables. As of December 31, 2025 and 2024 the outstanding balance on the note was \$478,551 and \$490,257, respectively, with accrued interest of \$1,082 and \$1,117, respectively. Interest paid on the note for the years ended December 31, 2025 and 2024 was \$14,443 and \$16,405, respectively. Interest expense on the note for the years ended December 31, 2025 and 2024 was \$14,408 and \$15,343, respectively.

The aggregate annual maturities on long-term debt are as follows:

2026	\$	13,265
2027		13,634
2028		14,014
2029		14,404
2030		14,805
Thereafter		408,429
Total	\$	<u>478,551</u>

8. NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donor's stipulations results in the release of such restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the Organization. Net assets with donor restrictions are designated by donors for specific purposes.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

8. NET ASSETS

Net assets with donor restrictions consist of support for programs and initiatives and consists of the following at December 31, 2025 and 2024:

	2025	2024
Cash	\$ -	\$ 78,122
Grants Receivable	-	73,345
	<u>\$ -</u>	<u>\$ 151,467</u>

Net assets that were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors at December 31, 2025 and 2024 are as follows:

	2025	2024
Programs and initiatives	<u>\$ 151,467</u>	<u>\$ 767,719</u>

9. COMPENSATED ABSENCES

The Organization does not accrue a liability for employees' compensation for future absences as compensation for accrued annual leave may be suspended at the discretion of the Executive Director under special circumstances, such as budget reductions and/or limitations and early termination of a current operating contract. Unused vacation time will be lost if not used within the allotted time period.

The Organization also allows employees to receive paid sick leave, jury duty, bereavement, and study leave. The Organization views these days as a privilege, not a benefit or a right. Therefore, any unused time remaining at the end of the year is not paid in cash.

10. RETIREMENT PLAN

Leadership Foundations provides a simple Individual Retirement Account retirement plan. The retirement plan provides coverage for all employees with no minimum age or service requirements and immediate vesting of employer contributions. Leadership Foundations contributes 3% of employees' gross wages. Detailed plan provisions are available in the plan trust agreement. Retirement plan contributions for the years ended December 31, 2025 and 2024 were \$13,081 and \$13,081, respectively.

**LEADERSHIP FOUNDATIONS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

11. LEASES

The Organization leases office space on a month-to-month basis. This lease does not qualify under ASC Topic 842. Expense under this lease was \$16,295 and \$15,156 for the years ended December 31, 2025 and 2024, respectively.

12. SUBSEQUENT EVENTS

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated activity through August 18, 2026, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

13. CONCENTRATIONS

Economic Concentrations

The Organization receives a significant portion of its revenue from United States Department of Justice and is subject to certain risks of the legislative process in securing continued funding for the Organization's program. A significant reduction of funds from this contract could adversely affect the Organization's ability to provide its program and services and could have a significant effect upon future operations.

Concentration of Credit Risk

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

SUPPLEMENTARY INFORMATION

**LEADERSHIP FOUNDATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	ALN	Expenditures			Passed- Through to Subrecipients
		From Pass- Through Awards	From Direct Awards	Total	
<u>United States Department of Justice (DOJ)</u>					
Juvenile Mentoring Program	16.726	\$ -	\$ 1,016,564	\$ 1,016,564	\$ 569,336
Total Federal Awards Expended:		<u>\$ -</u>	<u>\$ 1,016,564</u>	<u>\$ 1,016,564</u>	<u>\$ 569,336</u>

LEADERSHIP FOUNDATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Leadership Foundations under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of Leadership Foundations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Leadership Foundations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Leadership Foundations has elected to use the 15-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**LEADERSHIP FOUNDATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

SUBAWARDS

Leadership Foundations passed through federal awards under ALN 16.726 to the following subrecipients:

Root Cellar	\$ 43,271
Central Detroit	11,134
Next Chapter Ministries	4,799
Transform Scott County	18,115
Kingdom Partners	7,229
Lexington LF	35,858
Thrive	21,602
MOLE	37,083
Jackson LF	16,010
Resurgence LF	24,250
Philadelphia LF	18,599
Knoxville LF	41,950
Dallas LF	36,290
Be A Mentor	23,340
New Vision	34,279
On Ramps	35,883
Friendship House	33,208
Miami Valley LF	36,165
Memphis LF	60,793
CIS Cape Fear (Wilmington)	<u>29,479</u>
	<u>\$ 569,336</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors
Leadership Foundations

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Leadership Foundations (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 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, and have issued our report thereon dated August 18, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leadership Foundations' internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leadership Foundations' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leadership Foundations' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leadership Foundations' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Tarwater, PC

Knoxville, TN
August 18, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Leadership Foundations

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Leadership Foundations' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Leadership Foundations' major federal programs for the year ended December 31, 2025. Leadership Foundations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Leadership Foundations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Leadership Foundations and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Leadership Foundations' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Leadership Foundations' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Leadership Foundations' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Leadership Foundations' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Leadership Foundations' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Leadership Foundations' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Leadership Foundations' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tarwater, PC

Knoxville, TN
August 18, 2026

**LEADERSHIP FOUNDATIONS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unmodified opinion on the financial statements of Leadership Foundations.
2. No material weaknesses or significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Leadership Foundations were disclosed during the audit.
4. No material weaknesses or significant deficiencies were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Leadership Foundations expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The programs tested as major programs included:

U.S. Department of Justice
Juvenile Mentoring Program

ALN 16.726

8. The threshold for distinguishing Type A and B programs was \$1,000,000.
9. Leadership Foundations did qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE