

MEADOWS FOUNDATION, INCORPORATED
Dallas, Texas

FINANCIAL STATEMENTS
December 31, 2025 and 2024

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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Meadows Foundation, Incorporated
Dallas, Texas

Opinion

We have audited the financial statements of Meadows Foundation, Incorporated (Foundation), which comprise the statements of financial position as of December 31, 2025, and 2024, and the related statements of activities, 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 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). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Crowe LLP

Los Angeles, California
June 24, 2026

MEADOWS FOUNDATION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 2,082,344	\$ 1,445,342
Investments (Note 3 and 4)	758,786,538	694,762,358
Program-related investments, net (Note 7)	20,211,594	20,376,019
Program-related investment loan, net (Note 7)	300,212	205,001
Fixed assets, net (Note 7)	1,178,728	588,744
Other assets	<u>326,906</u>	<u>638,407</u>
 Total assets	 <u>\$ 782,886,322</u>	 <u>\$ 718,015,871</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 576,629	\$ 626,872
Grants payable, net of discount (Note 8)	14,951,786	20,829,614
Accrued pension and postretirement benefits (Note 10)	1,927,314	2,714,982
Federal current and deferred tax payable (Note 9)	<u>2,122,105</u>	<u>1,136,120</u>
Total liabilities	19,577,834	25,307,588
 Net assets without donor restrictions		
Designated for Robert Meadows Fund	575,000	600,000
Designated for Linda P. Evans Fund	4,000	104,000
Designated for Mark Meadows Fund	275,000	275,000
Undesignated	<u>762,454,488</u>	<u>691,729,283</u>
Total net assets	<u>763,308,488</u>	<u>692,708,283</u>
 Total liabilities and net assets	 <u>\$ 782,886,322</u>	 <u>\$ 718,015,871</u>

See accompanying notes to financial statements.

MEADOWS FOUNDATION, INCORPORATED
STATEMENTS OF ACTIVITIES
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Investment Return		
Dividends and interest	\$ 4,375,283	\$ 4,493,031
Net realized gain on investments	32,976,498	21,602,712
Net unrealized gain on investments	75,734,961	45,011,263
Other income	2,441,991	2,544,446
Investment and related fees	(9,993,795)	(10,082,264)
Income and excise tax expense (Note 9)	(1,835,788)	(620,636)
Investment return, net	103,699,150	62,948,552
Grants and Operating Activities		
Grants awarded	20,284,482	21,458,781
Program-related expenses	5,733,715	5,611,999
Direct charitable activities	342,924	288,241
Grants management	2,831,735	2,763,966
General management	4,669,585	4,015,172
Total grants and operating activities	33,862,441	34,138,159
Change in net assets from operating activities	69,836,709	28,810,393
Non-operating activities		
Pension and postretirement changes other than the		
Service cost component of net periodic benefit cost (Note 10)	763,496	795,860
Change in net assets without donor restrictions	70,600,205	29,606,253
Net assets without donor restrictions, beginning of year	692,708,283	663,102,030
Net assets without donor restrictions, end of year	<u>\$ 763,308,488</u>	<u>\$ 692,708,283</u>

See accompanying notes to financial statements.

MEADOWS FOUNDATION, INCORPORATED
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 70,600,205	\$ 29,606,253
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	547,517	518,492
Net realized gain on investments	(32,976,498)	(21,602,712)
Net unrealized gain on investments	(75,734,961)	(45,011,263)
Non cash grant of land	-	3,400,000
Pension and postretirement changes other than net periodic benefit cost	84,642	148,567
Changes in operating assets and liabilities:		
Increase (decrease) in other assets	311,501	(28,763)
Decrease in accounts payable and accrued liabilities	(50,243)	(473,547)
Decrease in grants payable	(5,877,828)	(5,161,151)
Increase in deferred excise taxes payable	985,985	559,588
Decrease in accrued pension and postretirement benefits	(872,310)	(970,305)
Net cash used in operating activities	<u>(42,981,990)</u>	<u>(39,014,841)</u>
Cash flows from investing activities		
Proceeds from sales of investments	552,069,996	436,018,175
Purchases of investments	(507,383,717)	(395,781,120)
Issuance of program-related investment loan	(95,211)	(205,001)
Capital expenditures	(972,076)	(643,519)
Net cash provided by investing activities	<u>43,618,992</u>	<u>39,388,535</u>
Net increase in cash and cash equivalents	637,002	373,694
Cash and cash equivalents, beginning of year	<u>1,445,342</u>	<u>1,071,648</u>
Cash and cash equivalents, end of year	<u>\$ 2,082,344</u>	<u>\$ 1,445,342</u>
Supplemental cash flow information		
Income and excise tax paid, net of refunds	\$ 550,000	\$ 100,000
Noncash items		
Rent-free lease income	2,409,122	2,536,750
Grants of free office space	558,505	1,882,289
Carrying value of land granted (Note 7)	-	940,000

See accompanying notes to financial statements.

MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 1 – ORGANIZATION

Meadows Foundation, Incorporated (the Foundation) is a private, nonprofit philanthropic institution established in 1948 by Algur H. and Virginia Meadows and intended to continue in perpetuity under the guidance and direction of family members and trusted advisors. The Foundation's mission is to assist people and institutions of Texas improve the quality and circumstances of life for themselves and future generations. The Foundation supports work in the areas of arts and culture, civic and public affairs, education, environment, health, and human services with special emphasis on postsecondary completion, educator preparation, water conservation, depression, and homelessness.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and includes the accounts maintained by and for the benefit of the Foundation.

Cash and Cash Equivalents: Cash consists of U.S. and foreign currencies. Cash equivalents held by the Foundation for use in its operations consist of temporary interest-earning investments with original maturities of three months or less at the time of acquisition. These are highly liquid investments whose principal values are not subject to significant risk of change due to interest rate fluctuations. Cash and cash equivalents used by the Foundation and the Foundation's investment managers in managing the investment portfolio are reported in investments.

Investments: All investments are carried at fair value. Investment sales and purchases are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis. Amortization and accretion of premiums and discounts are recorded using the effective interest method.

Investment return consists of interest and dividend income, realized gains and losses, and unrealized gains and losses. Gains and losses on dispositions of investments, as included in the statements of activities, are determined on the specific-identification basis, and include the effects of currency translation with respect to transactions and holdings of foreign securities. Unrealized gains and losses from fair value fluctuations on investments are included in the statements of activities in the period such fluctuations occur. Income from limited partnership investments is recorded in net realized gain/loss on investments in the statements of activities. This income is recorded as cash distributions are received in excess of capital invested from dispositions of underlying investments as reported by the general partner and/or the Foundation's custodian.

Investment and related fees include all external and direct internal investment expenses.

Fair Value of Financial Instruments: Investments in equity securities, debt securities, mutual and exchange-traded funds, and derivative contracts priced in active markets are carried at their quoted market prices. For investments with limited marketability, including investments in real estate, certain hedge funds and private partnerships, the determination of fair value is based on the best information available in the circumstances and incorporates management's own assumptions, including appropriate risk adjustments. Because a quoted market price does not exist for these investments, the fair value is generally based on management's estimate of fair value in the most advantageous exit market.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management considers the reasonableness of the investee company's methodology for measuring fair value and reviews the investee company's interim and audited financial statements as well as post-period transactions. Because of the inherent uncertainty of valuation, the estimated fair values of the investments presented could differ significantly from the value that would have been determined had a ready market existed, and it is reasonably possible the difference could be material. As such, there is no assurance that upon liquidation, the Foundation will realize the fair values presented therein.

The Foundation has adopted the concept of the "practical expedient" under GAAP, whereas fair value is calculated using net asset values (NAV) as of the most recent audited and interim financial statements. The NAV is based on underlying securities and investment holdings, which may be valued at quoted market prices, based on comparable instruments, at appraised value, or by discounted cash flows. Commingled funds and certain hedge funds and partnership investments are carried at NAV. Pension liabilities and unfunded retirement liabilities approximate fair value as the recorded amounts are reflected at present value. Fair values of all other financial instruments approximate their carrying amounts due to the short maturity of these instruments.

Under GAAP, the Foundation discloses investments recorded at fair value into the "fair value hierarchy." The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. Level 1 investments include publicly traded securities and publicly traded funds.
- Level 2 Quoted prices are available in non-active markets or in active markets for similar assets or liabilities, or inputs that are observable, either directly or indirectly, as of the reporting date for substantially the full term through corroboration with observable market data. Level 2 investments include artwork and real estate estimated using private valuations of the properties.
- Level 3 Pricing inputs are unobservable for the asset and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Fair value for portfolio investments considers a range of factors, including the nature of the investment, local market conditions, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment. Level 3 investments include an inflation hedging partnership not valued at NAV where the Foundation participates as a limited partner.

Investments that calculate NAV per share (or its equivalent) using the practical expedient are not categorized in the fair value hierarchy.

Program-Related Investments and Fixed Assets: In addition to awarding cash grants, the Foundation carries out its charitable purpose by providing certain benefits to nonprofit organizations in the form of program-related investments (PRI). In some cases, these benefits are in the form of loans to be repaid at below-market interest rates. In other cases, the Foundation enters into rent-free leases, which provide facilities, utilities, and other services to nonprofit organizations as tenants of the Wilson Historic District. The cost of building and renovating facilities in the Wilson Historic District is reflected as program-related investment real estate. Program-related investments involving real estate are recorded at their fair value on the date of dedication. The production of income is not the primary driver of a PRI.

(Continued)

MEADOWS FOUNDATION, INCORPORATED
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program-related loans are measured at fair value at inception and are recorded on a net basis to reflect a discount on the loan receivable. The Foundation monitors collectability on an ongoing basis based on its understanding of the borrower's financial health and/or payment history. The Foundation estimates an allowance for credit losses for each loan that reflects management's judgement at the time the loan is made.

The Foundation reviews its allowance for credit losses on a regular basis for adequacy based on risk assessments and economic conditions and trends, and credit quality indicators, including past write-off experience and the level of past due loans. The Foundation reserves the right to convert an outstanding loan to an outright grant as approved by the Board of Directors.

The Foundation generally assesses the recoverability of its program-related investments in land, buildings, and fixed assets by determining whether the carrying value of those assets can be recovered over a reasonable time period through undiscounted future cash flows from use and ultimate disposition of the assets, before interest charges. To the extent the carrying value of these assets is greater than the sum of the undiscounted future cash flows, before interest charges, impairment exists.

Buildings, furniture, and equipment owned by the Foundation are recorded at historical cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets as follows:

Software	3 years
Equipment	5 years
Furniture and fixtures	10 years
Buildings	20-30 years

Leasehold improvements are recorded at historical cost and amortized on a straight-line basis over the estimated useful life of the asset. The Foundation capitalizes acquisitions of computer hardware and software in excess of \$3,000 and acquisitions of all other long-lived assets in excess of \$5,000.

Grants Expense and Grants Payable: Grants are expensed when an unconditional promise to give is communicated to the grantee. Such unconditional grants are made in support of the Foundation's mission in which the Foundation receives no commensurate value. The Foundation determines whether a grant is conditional by evaluating whether an agreement includes (1) a barrier that must be overcome and (2) either a right of return of assets transferred or a right of release from its obligation to transfer assets. Indicators of barriers include measurable performance-related barriers, limited discretion by the recipient on the conduct of an activity, and stipulations related to the purpose of the agreement. Conditional promises to give are recognized as grant expense in the period in which the recipient substantially meets the terms of the condition or when such conditions are waived by the Foundation.

Grants payable due within one year are recorded at fair value on the date of authorization. Grants payable due in more than one year are recorded at the present value of their future cash outflows using U.S. Treasury rates applicable to the respective multi-year grant term. Grant refunds are recorded as a reduction of grant expense at the time the Foundation becomes aware the grant will be refunded.

The Foundation provides facility space to certain nonprofit organizations on a rent-free basis. The fair value of using the facility is recorded as grants expense and grants payable when the commitment to provide space is made. As the facilities are occupied, in-kind rental revenue is recognized and included in other income in the statements of activities.

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MEADOWS FOUNDATION, INCORPORATED
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Foundation. These expenses include personnel costs, board committee fees, annual report costs, as well as costs of the information technology department and the headquarters building. Personnel costs are allocated based on estimates of time and effort, board committee fees, annual report fees and information technology costs are allocated based on functions receiving direct benefit, and headquarters building costs are allocated based on square footage.

Excise and Income Tax: The Foundation is exempt from federal income tax under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise tax as well as federal and state unrelated business income tax.

The Foundation pays a 1.39% excise tax on net investment income as defined under federal law, which includes interest, dividends and net realized gains less expenses incurred in the production of income.

The Foundation accounts for unrelated business income tax based upon enacted tax laws and rates applicable to the periods in which the tax became payable. The Foundation assesses the likelihood that it will be able to recover its deferred tax assets and considers all available evidence, both positive and negative, including historical levels of unrelated business income, expiration of net operating losses, expectations and risks associated with estimates for future taxable income and ongoing prudent and feasible tax planning strategies, as well as current tax laws, in assessing the need for a valuation allowance. If recovery is not likely, the Foundation records a valuation allowance against the deferred tax assets that it estimates will not ultimately be recoverable.

The Foundation accounts for uncertain tax positions when it is more likely than not that such an asset or liability will be realized. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized upon examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Foundation recognizes interest and penalties related to uncertain tax positions in interest and income tax expense, respectively.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most significant estimate is the valuation of the alternative investments as estimated by the respective general partner and reviewed by management. Estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and from the values that may be ultimately realized at redemption.

Net Assets: Net assets of the Foundation and changes therein are classified and reported as net assets without donor restrictions, which represent resources available for support of Foundation operations that are not subject to donor-imposed stipulations.

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MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – INVESTMENTS

The following table presents information about the Foundation's investments and fair value hierarchy as of December 31, 2025:

	Fair Value Measurement at December 31, 2025				
	Active Markets for Identical Investments (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments held at NAV ⁽¹⁾	Balance as of December 31, 2025
Cash and Cash Equivalents	\$ 18,327,692	\$ -	\$ -	\$ -	\$ 18,327,692
Equities					
Global	71,639,013	-	-	-	71,639,013
Collective trusts/mutual and exchange-traded funds	74,894,267	-	-	-	74,894,267
Fixed income					
Collective trusts/mutual and exchange-traded funds	22,828,888	-	-	15,915,745	38,744,633
Commodities					
Collective trusts/mutual funds	4,363,373	-	-	-	4,363,373
Hedge funds ⁽²⁾	-	-	-	170,753,326	170,753,326
Other private partnerships					
Buyouts, venture and other private equity	-	-	-	253,077,901	253,077,901
Inflation hedging	-	-	-	121,654,217	121,654,217
Real Estate, buildings, and other	-	5,332,116	-	-	5,332,116
Total investments	\$ 192,053,233	\$ 5,332,116	\$ -	\$ 561,401,189	\$ 758,786,538

⁽¹⁾ Investments measured at NAV are presented in this table to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

⁽²⁾ Hedge funds include \$52,040 in expected distributions from redemptions submitted prior to December 31, 2025. Subsequent to December 31, 2025 one hedge fund manager, with a value of \$43,773,617, announced full liquidation of the fund by June 30, 2026.

Based on the information made available to the Foundation, there are no concentrations in any underlying individual security or issuer in amounts greater than 5% of the Foundation's net assets without donor restrictions for both 2025 and 2024.

One partnership fund valued at \$28,089,276 and \$16,410,954 as of December 31, 2025, and 2024, respectively, was classified as a Level 3 investment within the fair value hierarchy as of December 31, 2024 due to the lack of observable market data and the use of significant unobservable inputs in determining fair value.

As of December 31, 2025, the aforementioned partnership fund was in the process of liquidation, and the Foundation's estimated fair value was determined based on information provided by the investment manager and investment advisor, including the closed sale price of sold assets, liquidation proceeds received subsequent to year end, expected future distributions, projected tax obligations, commodity price assumptions, and other relevant factors.

Based on the availability of updated audited financial information, liquidation notices, and significant subsequent distributions related to conditions existing at December 31, 2025, management concluded the investment qualified for presentation using the NAV practical expedient as of December 31, 2025.

(Continued)

MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – INVESTMENTS (Continued)

The following table presents information about the Foundation's investments and fair value hierarchy as of December 31, 2024:

	Fair Value Measurement at December 31, 2024				
	Active Markets for Identical Investments (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments held at NAV ⁽¹⁾	Balance as of December 31, 2024
Cash and Cash Equivalents	\$ 15,080,825	\$ -	\$ -	\$ -	\$ 15,080,825
Equities					
Global	80,545,382	-	-	-	80,545,382
Collective trusts/mutual and exchange-traded funds	27,347,694	-	-	-	27,347,694
Fixed income					
Collective trusts/mutual and exchange-traded funds	27,897,684	-	-	7,125,031	35,022,715
Commodities					
Collective trusts/mutual funds	3,067,647	-	-	-	3,067,647
Hedge funds ⁽²⁾	-	-	-	192,059,461	192,059,461
Other private partnerships					
Buyouts, venture and other private equity	-	-	-	225,032,394	225,032,394
Inflation hedging	-	-	16,410,954	94,862,170	111,273,124
Real Estate, buildings, and other	-	5,333,116	-	-	5,333,116
Total investments	<u>\$ 153,939,232</u>	<u>\$ 5,333,116</u>	<u>\$ 16,410,954</u>	<u>\$ 519,079,056</u>	<u>\$ 694,762,358</u>

⁽¹⁾ Investments measured at NAV are presented in this table to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

⁽²⁾ Hedge funds include \$15,699,389 in expected distributions from redemptions submitted prior to December 31, 2024.

(Continued)

MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 3 – INVESTMENTS (Continued)

The following table provides additional details of hedge funds and other private partnerships measured at NAV as of December 31, 2025:

Category of Investment	Investment Strategy and Structure	Fair Value	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Restrictions and Terms in Place at Year End
Hedge Funds ⁽¹⁾	Investments in global macro, arbitrage, event driven, multi-strategy, credit, distressed debt, long-only equity, long/short equity, hedged equity, and asset-based lending	\$ 170,753,326	\$0	Open Ended	Ranges between 5 to 105 days	Eleven funds have restrictions consisting of a gate limiting to 10% - 25% of the fund NAV that can be redeemed in any one quarter. One fund has a rolling, yearly lockup.	Three funds (valued at \$.2 million), for which redemption was requested, are distributing upon sale of illiquid investments.
Other Private Partnerships ⁽²⁾	Investments in diversified private equity, distressed debt, leveraged buyout, venture capital, real estate, and energy companies	\$ 374,732,118	\$76,268,436	Generally between 5 and 16 years, but dependent upon investment circumstances	Redemption not permitted during the life of the fund. Distributions are made at the discretion of the general partners.	Funds can be sold in a secondary market at a discount or a premium to current fair value depending on the market for each fund.	Sixteen private equity funds have extended partnership terms for an additional 3 to 13 years.

⁽¹⁾ These funds generally have asset and performance-based fee structures and provide a monthly NAV.

⁽²⁾ The general partners of the respective funds issue capital calls and distributions. Performance fees are generally collected by the general partner or investment manager only upon a distribution of profits to investors. These funds generally provide the NAV less frequently than monthly.

The following table provides additional details of hedge funds and other private partnerships measured at NAV as of December 31, 2024:

Category of Investment	Investment Strategy and Structure	Fair Value	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Restrictions and Terms in Place at Year End
Hedge Funds ⁽¹⁾	Investments in global macro, arbitrage, event driven, multi-strategy, credit, distressed debt, long-only equity, long/short equity, hedged equity, and asset-based lending	\$ 192,059,461	\$0	Open Ended	Ranges between 5 to 105 days	Eight funds have restrictions consisting of a gate limiting to 10% - 25% of the fund NAV that can be redeemed in any one quarter. One fund has a rolling, yearly lockup.	Three funds (valued at \$.2 million), for which redemption was requested, are distributing upon sale of illiquid investments.
Other Private Partnerships ⁽²⁾	Investments in diversified private equity, distressed debt, leveraged buyout, venture capital, real estate, and energy companies	\$ 319,894,564	\$96,854,598	Generally between 5 and 16 years, but dependent upon investment circumstances	Redemption not permitted during the life of the fund. Distributions are made at the discretion of the general partners.	Funds can be sold in a secondary market at a discount or a premium to current fair value depending on the market for each fund.	Sixteen private equity funds have extended partnership terms for an additional 3 to 12 years.

⁽¹⁾ These funds generally have asset and performance-based fee structures and provide a monthly NAV.

⁽²⁾ The general partners of the respective funds issue capital calls and distributions. Performance fees are generally collected by the general partner or investment manager only upon a distribution of profits to investors. These funds generally provide the NAV less frequently than monthly.

(Continued)

MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 4 – DERIVATIVE FINANCIAL INSTRUMENTS

The Foundation accounts for derivative financial instruments in accordance with ASC 815, Derivatives and Hedging. The Foundation enters into derivative arrangements to manage exposure to asset classes. The Foundation recognizes all derivatives as either assets or liabilities measured at fair value. The Foundation recorded the fair value of \$504,693 and \$1,194 and of futures contracts in Investments on the Statements of Financial Position as of December 31, 2025, and 2024, respectively. The Foundation recorded \$2,685,802 and \$1,258,069 in realized gains on the Statements of Activities as of December 31, 2025, and 2024, respectively. The notional value of such derivative contracts was approximately \$6,371,925 and \$15,683,490 at December 31, 2025, and 2024, respectively. These derivative contracts are settled on a daily basis. The Foundation's investment manager has full discretion to commit the Foundation to derivative contracts in accordance with its Investment Policy Statement.

NOTE 5 – LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 20,410,036	\$ 16,526,167
Investments	<u>358,174,072</u>	<u>309,736,065</u>
Total	<u>\$ 378,584,108</u>	<u>\$ 326,262,232</u>

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$40 million which it could draw upon. The use of this line of credit is generally restricted to the extent that the Foundation is in need of liquidity to fund grants and program related obligations.

Borrowings under such an agreement are at a rate per year equal to a prime-based rate as determined by the lender, the Daily Simple SOFR-Based Rate plus .55%, or the Term SOFR-Based Rate plus .55%. The revolving line of credit contains a commitment fee of 0.09% per annum on the unused available credit balance. These fees are reported as operating activities in the statements of activities.

As of December 31, 2025, and 2024, there was no outstanding borrowing on the line of credit. Management believes the Foundation is in compliance with covenants on the line of credit as of December 31, 2025.

(Continued)

MEADOWS FOUNDATION, INCORPORATED
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December 31, 2025 and 2024

NOTE 6 – GRANTS AND OPERATING EXPENSES BY NATURE

The tables below present expenses by their nature and their function for the years ended December 31, 2025, and 2024:

	Program Expenses				General Management Expenses	Total
	Grants	Program-	Direct	Grants		
	<u>Awarded</u>	<u>Related Expenses</u>	<u>Charitable Activities</u>	<u>Management</u>		
<u>December 31, 2025</u>						
Grants awarded	\$ 20,284,482	\$ -	\$ -	\$ -	\$ -	\$ 20,284,482
Salaries and benefits	-	3,162,218	184,144	2,281,768	2,593,905	8,222,035
Office and occupancy	-	1,713,524	107,841	179,038	90,230	2,090,633
Services and professional fees	-	190,256	2,993	209,244	1,551,241	1,953,734
Depreciation	-	500,065	7,814	18,260	20,378	546,517
Supplies and travel	-	167,652	40,132	143,425	413,831	765,040
Total grants and operating activities	<u>\$ 20,284,482</u>	<u>\$ 5,733,715</u>	<u>\$ 342,924</u>	<u>\$ 2,831,735</u>	<u>\$ 4,669,585</u>	<u>\$ 33,862,441</u>

	Program Expenses				General Management Expenses	Total
	Grants	Program-	Direct	Grants		
	<u>Awarded</u>	<u>related Expenses</u>	<u>Charitable Activities</u>	<u>Management</u>		
<u>December 31, 2024</u>						
Grants awarded	\$ 21,458,781	\$ -	\$ -	\$ -	\$ -	\$ 21,458,781
Salaries and benefits	-	3,320,617	138,636	2,322,819	2,541,011	8,323,083
Office and occupancy	-	1,554,494	135,906	214,147	108,025	2,012,572
Services and professional fees	-	133,224	265	104,317	873,209	1,111,015
Depreciation	-	457,640	5,766	3,080	51,673	518,159
Supplies and travel	-	146,024	7,668	119,603	441,254	714,549
Total grants and operating activities	<u>\$ 21,458,781</u>	<u>\$ 5,611,999</u>	<u>\$ 288,241</u>	<u>\$ 2,763,966</u>	<u>\$ 4,015,172</u>	<u>\$ 34,138,159</u>

The allocations of certain categories of expenses attributable to more than one program or supporting function are described in Note 2.

NOTE 7 – PROGRAM-RELATED INVESTMENTS AND FIXED ASSETS

Program-related investments consisted of the following at December 31, 2025, and 2024:

	<u>2025</u>	<u>2024</u>
Program-related investments		
Land	\$ 18,444,614	\$ 18,444,614
Buildings and improvements	<u>36,887,067</u>	<u>36,655,139</u>
	55,331,681	55,099,753
Accumulated depreciation	<u>(35,120,087)</u>	<u>(34,723,734)</u>
Total program-related investments, net	20,211,594	20,376,019
Program-related investment loan, net	<u>300,212</u>	<u>205,001</u>
Total	<u>\$ 20,511,806</u>	<u>\$ 20,581,020</u>

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MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 7 – PROGRAM-RELATED INVESTMENTS AND FIXED ASSETS (Continued)

The fair value of the contributed rent-free use of program-related investment (PRI) real estate was \$2,409,122 and \$2,536,750 for the years ended December 31, 2025, and 2024, respectively and is included in other income in the accompanying Statements of Activities.

During the year ended December 31, 2024, the Foundation donated a portion of a parcel of land to a grantee. The land had a carrying value of \$940,000 at the time of donation. In connection with this transaction, the Foundation recognized grant expense of \$3,400,000, representing the fair value of the land donated, and a realized gain on the disposal of approximately \$2,500,000, which is included in the net realized gain (loss) on investments line item on the accompanying Statement of Activities for the year ended December 31, 2024.

For the fiscal year ended December 31, 2025, the Foundation entered into one new interest-free PRI loan. The loan, outstanding as of December 31, 2025, is scheduled for repayment in May 2030. This \$100,000 loan receivable is reported net of present value discount of \$18,083, based on an estimated rate of approximately 4%.

For the fiscal year ended December 31, 2024, the Foundation entered into two new interest-free, PRI loans. Repayment of one loan, totaling \$75,000, was repaid within 60 days. The other, outstanding as of December 31, 2024, is scheduled for repayment in July 2029. This \$250,000 loan receivable is reported net of a present value discount of \$46,092, based on an estimated discount rate of approximately 4%.

Fixed assets consisted of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Fixed assets		
Furniture and fixtures	\$ 276,394	\$ 398,536
Equipment	<u>1,966,155</u>	<u>1,376,597</u>
	2,242,549	1,775,133
Accumulated depreciation	<u>(1,063,821)</u>	<u>(1,186,389)</u>
 Total	 <u>\$ 1,178,728</u>	 <u>\$ 588,744</u>

As of December 31, 2025, and 2024, the Foundation determined there was no impairment associated with its program-related investments and fixed assets.

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MEADOWS FOUNDATION, INCORPORATED
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December 31, 2025 and 2024

NOTE 8 – GRANTS PAYABLE

Grants payable as of December 31, 2025, and 2024, using discount rates ranging from less than 1% to 4%, were as follows:

	<u>2025</u>	<u>2024</u>
Payable in less than one year	\$ 6,798,136	\$ 9,103,117
Payable in one to five years	8,333,730	11,954,648
Payable in more than five years	<u>854,854</u>	<u>1,147,989</u>
Total amount granted	15,986,720	22,205,754
Less: discount to reflect grants payable at present value	<u>(1,034,934)</u>	<u>(1,376,140)</u>
Grants payable, net of discount	<u>\$ 14,951,786</u>	<u>\$ 20,829,614</u>

Grants payable related to rent-free leases is \$6,465,078, net of a discount in the amount of \$800,511 at December 31, 2025; and grants payable related to rent-free leases is \$8,315,694, net of a discount in the amount of \$1,128,929, at December 31, 2024. This payable is equal to the fair value of the benefits provided over the lives of the remaining leases. The leases expire through 2035.

NOTE 9 – INCOME AND EXCISE TAX

The current provision for federal excise tax is based on a 1.39% rate on net investment income. The estimated tax may differ once the tax return is filed. The Foundation's final tax due for 2024 was \$295,986 less than accrued for the year and is reflected as an adjustment to the 2025 expense. The deferred provision on cumulative net unrealized gains is based on a 1.39% rate. State unrelated business income tax for the years 2025 and 2024 was expensed as incurred.

	<u>2025</u>	<u>2024</u>
Current excise tax (benefit)	\$ 826,245	\$ 52,771
Deferred excise tax	985,984	559,588
Unrelated business income tax	<u>23,559</u>	<u>8,277</u>
Total income and excise tax	<u>\$ 1,835,788</u>	<u>\$ 620,636</u>
Excise tax receivable	\$ (49,204)	\$ (325,449)
Deferred taxes payable	\$ 2,122,105	\$ 1,136,120

(Continued)

MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 9 – INCOME AND EXCISE TAX (Continued)

The Foundation is exempt from federal and state income tax, except to the extent it has unrelated business income (UBI). As of December 31, 2025, and 2024, the Foundation had a federal unrelated business income net operating loss of \$20,782,510 and \$24,624,232, respectively. After analysis of all available evidence, both positive and negative, the Foundation has determined there is insufficient evidence to prove that it will realize the deferred tax asset resulting from these net operating losses. As such, the entire deferred tax asset balance is offset by a valuation allowance. Accordingly, a deferred tax asset and corresponding valuation allowance was recorded using an applicable tax rate as follows:

	<u>2025</u>	<u>2024</u>
Deferred tax asset, federal UBI net operating loss	\$ 4,364,327	\$ 5,171,089
Less: valuation allowance	<u>(4,364,327)</u>	<u>(5,171,089)</u>
Net deferred tax asset, federal UBI net operating loss	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2025, and 2024, the Foundation has evaluated its uncertain tax positions and determined there were no uncertain tax positions that would have a material effect on the financial statements or the tax-exempt status of the Foundation. In addition, the Foundation has not incurred any material amounts for interest or penalties on uncertain tax positions for the years ended December 31, 2025, and 2024.

The Foundation does not expect the total amount of unrecognized tax positions to significantly change in the next 12 months. The Foundation is no longer subject to examination by U.S. federal and state taxing authorities for years through 2021.

The Foundation is required to make certain minimum qualifying distributions of its assets in accordance with formulas provided by federal law. At December 31, 2024, the Foundation had a distribution carryforward of approximately \$8.1 million which will be carried forward into 2025. The Foundation estimates it will generate an additional excess distribution in 2025 of approximately \$1.6 million that can be carried over for up to five years.

NOTE 10 – ACCRUED PENSION AND POSTRETIREMENT BENEFITS

The Foundation has a defined contribution pension plan covering substantially all of the Foundation's employees, excluding security guards, who have attained the age of 21 and work at least 1,000 hours in a year. Total pension contribution expenses were \$605,716 and \$616,851 for the years ended December 31, 2025, and 2024, respectively, which is an amount equal to 12.5% of the employee's compensation, as defined by the plan agreement.

The Foundation's employees may also elect to participate in a separate 403(b) defined contribution plan. No contributions are made by the Foundation under this plan.

The Foundation's defined benefit floor-offset plan, which supplements the defined contribution pension plan, covers substantially all the Foundation's employees who have attained the age of 21 and work at least 1,000 hours in a year. The Foundation's funding policy is to contribute annually the amount necessary to fully fund the offset plan in accordance with applicable portions of the Internal Revenue Code. The funded status, as defined by the Pension Protection Act of 2006, for the respective plan years was 119.29% in 2025 and 107.59% in 2024.

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MEADOWS FOUNDATION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025 and 2024

NOTE 10 – ACCRUED PENSION AND POSTRETIREMENT BENEFITS (Continued)

The Foundation also has a retiree medical plan covering all qualifying personnel of the Foundation. The Foundation's policy is to fund postretirement benefits from general assets.

The Foundation is required to recognize the overfunded or underfunded status of its defined benefit pension and other postretirement benefit plan as an asset or a liability in the statements of financial position and recognize changes in the funded status in the year in which the changes occur. The funded status of the plan is the difference between the fair value of plan assets and the benefit obligation.

The funded status and amounts recognized in the Foundation's statements of financial position and statements of activities as of and for the years ended December 31, 2025, and 2024, are as follows:

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Fair value of plan assets	\$ 7,183,914	\$ 6,531,752	\$ -	\$ -
Benefit obligation	<u>6,610,432</u>	<u>6,493,022</u>	<u>2,500,796</u>	<u>2,753,712</u>
Funded status recognized in the statements of financial position	<u>\$ 573,482</u>	<u>\$ 38,730</u>	<u>\$ (2,500,796)</u>	<u>\$ (2,753,712)</u>
Accumulated benefit obligation	\$ 6,003,900	\$ 6,073,025	\$ 2,500,796	\$ 3,082,870
Employer contributions	-	-	176,345	172,246
Benefits paid	(486,003)	(486,003)	(176,345)	(172,246)
Net periodic benefit cost, recognized in the statements of activities				
Service cost	119,151	71,228	53,523	93,945
Other components of net periodic benefit cost	<u>(10,572)</u>	<u>37,225</u>	<u>95,214</u>	<u>111,342</u>
Net periodic benefit cost	108,579	108,453	148,737	205,287
Gain	<u>\$ (643,331)</u>	<u>\$ (601,033)</u>	<u>\$ (204,807)</u>	<u>\$ (343,394)</u>
Items not yet recognized in net periodic benefit cost				
Unrecognized net loss (gain)	<u>125,902</u>	<u>769,233</u>	<u>(1,740,126)</u>	<u>(1,514,818)</u>
	<u>\$ 125,902</u>	<u>\$ 769,233</u>	<u>\$ (1,740,126)</u>	<u>\$ (1,514,818)</u>
Weighted average assumptions as of December 31				
Discount rate	5.80%	5.75%	5.80%	5.75%
Expected return on plan assets	6.00%	6.00%	-	-
Rate of compensation increase	3.00%	3.00%	-	-

To maintain funding within recommended ranges, the Foundation expects to make contributions of \$176,345 to the postretirement benefits plan and plans to make no contributions to the defined benefit pension plan in the fiscal year 2026.

The retiree medical plan provides a fixed maximum monthly premium reimbursement and is not subject to increases based on inflation or an indexed healthcare cost trend rate.

(Continued)

MEADOWS FOUNDATION, INCORPORATED
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December 31, 2025 and 2024

NOTE 10 – ACCRUED PENSION AND POSTRETIREMENT BENEFITS (Continued)

Benefit payments, which reflect expected future service, are expected to be paid as follows:

As of the year ended December 31, 2025:

	<u>Pension</u> <u>Benefits</u>	<u>Postretirement</u> <u>Benefits</u>
2026	\$ 582,747	\$ 202,357
2027	568,970	196,165
2028	544,752	189,626
2029	529,078	182,784
2030	558,095	181,114
2031-2035	2,711,206	862,204

As of the year ended December 31, 2024:

	<u>Pension</u> <u>Benefits</u>	<u>Postretirement</u> <u>Benefits</u>
2025	\$ 582,834	\$ 217,821
2026	570,086	212,013
2027	556,409	205,844
2028	532,299	199,322
2029	516,717	192,479
2030-2034	2,616,226	918,248

Plan assets of the defined pension benefit plan are invested in short-term cash investments and commingled index funds at the Foundation's custodial bank. Management determines the asset allocation of the portfolio based on the risk and return goals to meet the plan liability and liquidity requirements. Index funds are subject to market value changes which increased in 2025 resulting in a net gain in the plan which is reflected as a non-operating gain in the statements of activities. The fair value of plan assets is estimated using quoted NAV per share for each of the commingled index funds (Level 1). As of December 31, 2025, the fair value of the commingled index funds is \$6,945,336, or 97% of plan assets, with the remainder held in cash. As of December 31, 2024, the fair value of the commingled index funds is \$6,328,049, or 97% of plan assets, with the remainder held in cash.

The investment strategy is to manage risk through prudent asset allocations that will produce a rate of return commensurate with the plans' obligations. The overall expected long-term rate of return on plan assets is based on historical long-term returns of investment performance, adjusted to reflect expectations of future long-term returns by asset class.

NOTE 11 – SUBSEQUENT EVENTS

The Foundation evaluated events subsequent to December 31, 2025, and through June 24, 2026, the date on which the financial statements were available to be issued. Management has determined there are no material subsequent events requiring disclosure in the Foundation's financial statements through this date other than the hedge fund redemption listed in Note 3.