

Financial Statements and Report of
Independent Certified Public
Accountants

National Endowment for Democracy

September 30, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
National Endowment for Democracy

Opinion

We have audited the financial statements of National Endowment for Democracy (the "Endowment"), which comprise the balance sheet as of September 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Endowment as of September 30, 2025 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 Endowment and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Endowment's ability to continue as a going concern for one year after 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 US 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 US 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 Endowment'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 Endowment'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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of indirect cost rate and schedule of fringe benefit rate for the year ended September 30, 2025 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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. These additional procedures included 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 US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on 2024 summarized comparative information

We have previously audited the Endowment's 2024 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 3, 2025. In our opinion, the accompanying summarized comparative information as of and for the year ended September 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Arlington, Virginia
January 28, 2026

National Endowment for Democracy

BALANCE SHEETS

September 30,

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 50,183,994	\$ 6,902,660
Investments	14,771,021	5,879,298
Grants receivable from the U.S. Department of State	34,147,484	21,199,876
Other receivables	79,447	128,251
Prepaid and other assets	5,011,280	6,118,962
Property and equipment, net	7,298,099	8,163,164
Right-of-use assets	53,777,080	58,105,880
Total assets	\$ 165,268,405	\$ 106,498,091
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,882,965	\$ 3,586,493
Grants payable	24,638,528	10,698,430
Grant funds received in advance	53,964,899	2,932,467
Lease liabilities, net	76,931,753	82,217,770
	158,418,145	99,435,160
Commitments and contingency (Notes 6 and 12)		
Net assets		
Without donor restrictions:		
General unrestricted funds	6,350,815	6,281,930
Board-designated funds:		
Fund for Democracy in the 21st Century	-	145,400
	6,350,815	6,427,330
With donor restrictions	499,445	635,601
	6,850,260	7,062,931
Total liabilities and net assets	\$ 165,268,405	\$ 106,498,091

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

National Endowment for Democracy

STATEMENT OF ACTIVITIES

Year ended September 30, 2025
(With summarized comparative information for 2024)

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Grant revenue - U.S. government	\$ 296,324,822	\$ -	\$ 296,324,822	\$ 354,129,218
Grant revenue - other sources	-	663,332	663,332	100,000
Contributions	220,925	216,630	437,555	857,243
Other revenue, investment and miscellaneous income	784,643	-	784,643	1,452,980
Net assets released from restrictions	1,016,118	(1,016,118)	-	-
Total support and revenue	298,346,508	(136,156)	298,210,352	356,539,441
Expenses				
Program services				
Federal programs and activities				
Federal grants programs	261,622,402	-	261,622,402	311,987,608
Endowment initiatives	5,701,003	-	5,701,003	7,279,896
Emergency response	-	-	-	-
Other nonfederal activities	1,764,938	-	1,764,938	1,156,749
Total program services	269,088,343	-	269,088,343	320,424,253
Supporting services				
Management and general	29,334,680	-	29,334,680	35,060,160
Total supporting services	29,334,680	-	29,334,680	35,060,160
Total expenses	298,423,023	-	298,423,023	355,484,413
CHANGE IN NET ASSETS	(76,515)	(136,156)	(212,671)	1,055,028
Net assets				
Beginning	6,427,330	635,601	7,062,931	6,007,903
Ending	\$ 6,350,815	\$ 499,445	\$ 6,850,260	\$ 7,062,931

The accompanying notes are an integral part of this financial statement.

National Endowment for Democracy

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2025

(With summarized comparative information for 2024)

	Program Services				Supporting Services		2025	2024
	Federal Programs and Activities		Other		Management and General	Total Supporting Services		
	Federal Grant Programs	Endowment Initiatives	Non-Federal Activities	Total Program Services				
Grants expense	\$ 249,999,752	\$ -	\$ 298,759	\$ 250,298,511	\$ -	\$ -	\$ 250,298,511	\$ 301,205,657
Grants deobligated	(3,706,238)	-	-	(3,706,238)	-	-	(3,706,238)	(4,503,061)
Direct assistance	-	-	72,084	72,084	-	-	72,084	27,299
Fellowships and internships	-	348,138	30,000	378,138	1,313	1,313	379,451	860,357
Salaries, wages and benefits	14,708,198	3,967,152	39,517	18,714,867	17,269,985	17,269,985	35,984,852	41,267,848
Occupancy and equipment	-	27,026	24,395	51,421	9,057,845	9,057,845	9,109,266	9,540,981
Professional fees	81,400	171,510	529,903	782,813	1,402,867	1,402,867	2,185,680	2,660,377
Travel and transportation	539,290	836,831	180,003	1,556,124	633,221	633,221	2,189,345	2,347,327
Conferences and meetings	-	294,681	513,170	807,851	95,998	95,998	903,849	746,602
Communications	-	4,157	26	4,183	389,433	389,433	393,616	586,762
Printing and publications	-	45,454	7,248	52,702	34,765	34,765	87,467	139,195
Insurance	-	-	-	-	267,372	267,372	267,372	315,350
Other	-	6,054	69,833	75,887	181,881	181,881	257,768	289,719
Total expenses	\$ 261,622,402	\$ 5,701,003	\$ 1,764,938	\$ 269,088,343	\$ 29,334,680	\$ 29,334,680	\$ 298,423,023	\$ 355,484,413

The accompanying notes are an integral part of this financial statement.

National Endowment for Democracy

STATEMENTS OF CASH FLOWS

September 30,

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (212,671)	\$ 1,055,028
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	905,806	1,120,075
Net realized and unrealized gain on investments	(165,341)	(371,064)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable from U.S. Department of State	(12,947,608)	(6,880,445)
Other receivables	48,804	30,015
Prepaid expenses and other assets	1,107,683	220,180
Amortization of right-of-use assets	4,328,800	4,388,851
Increase (decrease) in:		
Accounts payable and accrued liabilities	(703,528)	(121,867)
Grants payable	13,940,098	(4,186,967)
Grant funds received in advance	51,032,432	(11,120,239)
Operating lease liabilities	(5,286,017)	(5,204,994)
Net cash provided by (used in) operating activities	52,048,458	(21,071,427)
Cash flows from investing activities:		
Purchases of investments	(8,726,382)	-
Proceeds from sales of investments	-	262,628
Purchases of property and equipment	(40,742)	(22,346)
Net cash (used in) provided by investing activities	(8,767,124)	240,282
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,281,334	(20,831,145)
Cash and cash equivalents:		
Beginning	6,902,660	27,733,805
Ending	\$ 50,183,994	\$ 6,902,660

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

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS
September 30, 2025 and 2024

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

National Endowment for Democracy (the Endowment) is a nonprofit organization based in Washington, D.C. The establishment of the Endowment in 1983 was followed by the National Endowment for Democracy Act (the Act) of the United States Congress, which authorized the terms by which the Endowment could receive an annual appropriation from Congress in the form of a grant awarded through the United States Information Agency (USIA). The purpose of the Endowment is to encourage free and democratic institutions throughout the world through activities that promote individual rights and freedoms. The Endowment awards grants to organizations with programs consistent with its objectives. On October 1, 1999, USIA and the U.S. Department of State (the DOS) consolidated. Accordingly, the Endowment receives funding for its annual congressional appropriation and other special federal funding from the DOS.

A summary of the Endowment's significant accounting policies follows:

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. The Endowment reports quarterly to the U.S. government on the basis of grant obligations incurred and accrual-based expenses for democracy support activities.

Basis of Presentation

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

Net Assets Without Donor Restrictions: net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions: net assets subject to donor-imposed stipulations that will be met by the passage of time and/or actions of the Endowment pursuant to those stipulations, such as usage for specific programs.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash held in investment accounts are considered investments. Money market funds are also considered investments.

Financial Risk

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

The Endowment invests in mutual funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2025 and 2024

Investments

The Endowment's investments consist entirely of money market funds, mutual funds, and equities and are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is included as a component of investment income in the statement of activities.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned.

Grants Receivable

Grants receivables are due from DOS and represent unreimbursed funds owed by the Endowment to other organizations and administrative costs incurred by the Endowment. As of September 30, 2025 and 2024, management did not record an allowance for grants receivable as all balances were judged to be collectible.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line methods over the estimated useful lives of the related assets, which range from three to 16 years. The Endowment capitalizes all property and equipment purchased with a cost of \$5,000 or more.

Right-of-Use Assets/Liabilities

The Endowment determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether the Endowment controls the use of the identified asset throughout the period of use. The Endowment classifies leases as either financing or operating. Right-of-use (ROU) assets are recognized at the lease commencement date and represent the Endowment's right to use an underlying asset for the lease term and lease liabilities represent the Endowment's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based on the risk-free rate. Expenses related to leases determined to be operating leases are recognized on a straight-line basis.

The Endowment's ROU assets are initially measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the long-lived asset guidance.

The Endowment has elected not to recognize ROU assets and lease liabilities for all leases with terms of 12 months or less. In addition, the Endowment does not allocate consideration between lease and non-lease components, such as operating costs, as the Endowment has elected to not separate lease and non-lease components for any leases within its existing classes of assets.

Valuation of Long-lived Assets

The Endowment accounts for the valuation of long-lived assets by reviewing such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Grants Payables

Grants payables represent the unliquidated funds due to the Endowment's grantees representing expenses incurred and conditions met. Grantee organizations are entitled to collect funds as needed in accordance with the terms of the grant agreement.

Grant Funds received in Advance

Funds received in advance for conditional contributions are recorded as liability titled Grant funds received in advance in the accompanying statements of financial position. Such amounts represent conditional donor funding received prior to the satisfaction of the related conditions, which are generally related to the disbursements made to subrecipients in accordance with the underlying grant agreements. The disbursement of the grant funds received in advance are pending program expenditure by the subrecipients.

Support and Revenue

The Endowment receives grants from the DOS and private grantors for various purposes. Grants received from the DOS specify the periods in which monies are to be expended.

Additionally, certain government grants restrict the use of funds for programs in specific countries or regions. Government grants are generally conditional and, as such, revenue is recognized when conditions are met, which is when the Endowment expends the funds for the intended purpose that is set forth in the grant agreement and for administrative expenses incurred. Revenue from private grantors is recognized as earned in the year received when unconditional.

Agreements with the DOS provide for the subsequent audit of costs funded under the grant agreements. It is the policy of the Endowment to provide for cost disallowances based upon its experience in previous grant audits. There was no provision for such disallowance for the years ended September 30, 2025 and 2024.

Contributions

The Endowment recognizes unconditional gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified in the statement of activities as net assets released from restrictions. Income on these net assets is classified as with donor restrictions or without donor restrictions, in accordance with the donor's stipulation. The Endowment treats all contributions with donor restrictions that are satisfied within the same fiscal year as activities without donor restrictions for purposes of financial statement presentation. Conditional contributions are those contributions that contain donor-imposed rights of return/refund and barriers (performance obligation and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as refundable advances.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2025 and 2024

statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Endowment follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Endowment is exempt from federal income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Endowment has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Endowment has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Prior-Year Information

The financial statements include certain prior-year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Endowment’s financial statements for the year ended September 30, 2024, from which the summarized information was derived.

Subsequent Events

The Endowment has evaluated subsequent events through January 28, 2026, the date on which the financial statements were available to be issued. The Endowment is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Endowment maintains a policy of structuring its financial assets to ensure availability as operational expenses come due. The table below represents financial assets as of September 30, 2025 and 2024, that are available to fulfill both the Endowment's contractual obligations to its subrecipient grantees as well as requirements for general expenditures to be made over the course of the following year:

	2025	2024
Cash	\$ 50,183,994	\$ 6,902,660
Investments	14,771,021	5,879,298
Grants and other receivables	34,226,931	21,328,127
Total financial assets available	99,181,946	34,110,085
Less amounts not available to be used within one year:		
Grant funds received in advance	53,964,899	2,932,467
Restricted by donor with time or purpose restrictions	499,445	635,601
Board-designated funds	-	145,400
	54,464,344	3,713,468
Financial assets available to meet general expenditures within one year	\$ 44,717,602	\$ 30,396,617

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Endowment's investments are measured at fair value and consist almost entirely of amounts invested in mutual funds.

The Fair Value Measurement Topic of the Financial Accounting Standards Board Accounting Standards Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Endowment performs a detailed analysis of the assets and liabilities that are subject to accounting for fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets or liabilities held by the Endowment at September 30, 2025 and 2024.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

The Endowment's investments are mainly comprised of money market funds, domestic equities and publicly-traded mutual funds. The fair values of these investments are based on the quoted market price in the active market; therefore, these investments are considered a Level 1 item.

The deferred compensation liability is based on the fair market value of the deferred compensation plan assets that are observable inputs. The liability is not publicly traded and, therefore, is classified as Level 2.

Assets at fair value as of September 30, 2025, consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 12,232,703	\$ 12,232,703	\$ -	\$ -
Domestic equity	104,072	104,072	-	-
Mutual funds:				
Large growth	1,968,845	1,968,845	-	-
Intermediate-term bonds	<u>465,401</u>	<u>465,401</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 14,771,021</u>	<u>\$ 14,771,021</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan assets:				
Mutual funds	<u>\$ 255,515</u>	<u>\$ 255,515</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan liabilities	<u>\$ 255,515</u>	<u>\$ -</u>	<u>\$ 255,515</u>	<u>\$ -</u>

Assets at fair value as of September 30, 2024, consist of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 3,694,284	\$ 3,694,284	\$ -	\$ -
Domestic equity	50,015	50,015	-	-
Mutual funds:				
Large growth	1,681,699	1,681,699	-	-
Intermediate-term bonds	<u>453,300</u>	<u>453,300</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 5,879,298</u>	<u>\$ 5,879,298</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan assets:				
Mutual funds	<u>\$ 153,107</u>	<u>\$ 153,107</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred compensation plan liabilities	<u>\$ 153,107</u>	<u>\$ -</u>	<u>\$ 153,107</u>	<u>\$ -</u>

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2025 and 2024

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2025, and related accumulated depreciation and amortization for the year then ended, consist of the following:

<u>Asset Category</u>	<u>Estimated Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net</u>	<u>Depreciation and Amortization Expense</u>
Leasehold improvements	16 years	\$ 8,660,120	\$ 2,391,006	\$ 6,269,114	\$ 537,353
Furniture and fixtures	10 years	1,630,723	738,913	891,810	161,172
Office equipment	3 years	660,503	596,988	63,515	83,068
Computer equipment and software	3 years	<u>1,905,272</u>	<u>1,831,612</u>	<u>73,660</u>	<u>124,213</u>
		<u>\$ 12,856,618</u>	<u>\$ 5,558,519</u>	<u>\$ 7,298,099</u>	<u>\$ 905,806</u>

Property and equipment at September 30, 2024, and related accumulated depreciation and amortization for the year then ended, consist of the following:

<u>Asset Category</u>	<u>Estimated Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net</u>	<u>Depreciation and Amortization Expense</u>
Leasehold improvements	16 years	\$ 8,660,120	\$ 1,853,653	\$ 6,806,467	\$ 537,353
Furniture and fixtures	10 years	1,630,723	577,741	1,052,982	161,172
Office equipment	3 years	700,610	554,027	146,583	119,755
Computer equipment and software	3 years	2,119,902	1,985,177	134,725	301,795
Construction in progress	-	<u>22,407</u>	<u>-</u>	<u>22,407</u>	<u>-</u>
		<u>\$ 13,133,762</u>	<u>\$ 4,970,598</u>	<u>\$ 8,163,164</u>	<u>\$ 1,120,075</u>

NOTE 5 - GRANT REVENUE - U.S. GOVERNMENT

Federal awards received during the fiscal year ended September 30, 2025, are as follows:

Fiscal Year 2025 Congressional Annual Appropriation received from DOS	\$ 315,860,780
Other new grants and supplemental funding received from DOS during the year:	
Cuba 2025: Grantmaking Program Advancing Democratic Rights, Political Pluralism and Independent Civil Society in Cuba	<u>8,222,331</u>
Total awards received during the year	<u>\$ 324,083,111</u>
Federal grant revenue recognized during the fiscal year:	
Grants obligated, net of deobligations	\$ 246,293,514
Democracy support activities	5,701,003
Other grant-related expenses	<u>44,330,305</u>
	<u>\$ 296,324,822</u>

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2025 and 2024

Federal awards received during the fiscal year ended September 30, 2024, are as follows:

Fiscal Year 2024 Congressional Annual Appropriation received from DOS	\$ 315,249,800
Other new grants and supplemental funding received from DOS during the year:	
Cuba 2024: Grantmaking Program Advancing Democratic Rights, Political Pluralism and Independent Civil Society in Cuba	6,041,748
Eurasia 2024: Grantmaking Program Promoting Democracy in Eurasia Region and Georgia	5,376,418
Ukraine 2024: Fostering democratic development in Ukraine	3,946,720
Europe 2024: Fostering democratic development in Europe	838,677
Balkans 2021: (Amendment) Grantmaking Program Supporting Independent Media Initiatives in Southeast Europe	<u>690,675</u>
Total new grants and supplemental funding	<u>16,894,238</u>
Total awards received during the year	<u>\$ 332,144,038</u>
Federal grant revenue recognized during the fiscal year:	
Grants obligated, net of deobligations	\$ 296,648,020
Democracy support activities	7,279,896
Other grant-related expenses	<u>50,201,302</u>
	<u>\$ 354,129,218</u>

As of September 30, 2025, the Endowment had \$299,606,125 of revenue yet to be earned on its conditional grants from the U.S. government. As of September 30, 2024, the Endowment had \$277,465,362 million of revenue yet to be earned on its conditional grants from the U.S. government. The amount is not recognized in the accompanying financial statements as such revenue is recognized over the multi-year period of each grant, conditional on the management of the Endowment complying with grant requirements.

NOTE 6 - CONCENTRATIONS OF REVENUE

During the years ended September 30, 2025 and 2024, substantially all of the Endowment's revenue was related to appropriations and grants from the U.S. government.

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2025 and 2024

NOTE 7 - PROGRAM SERVICES EXPENSES

Program services expenses for the years ended September 30, 2025 and 2024, represent the following activities:

	2025	2024
Federally funded programs and activities:		
Grant programs	\$ 261,622,402	\$ 311,987,608
Endowment Initiatives, federal:		
International Forum for Democratic Studies:		
Journal of Democracy	1,052,164	1,085,150
Research and conferences	82,026	180,314
Management and support	1,276,757	1,899,167
Reagan-Fascell Fellowships	893,918	1,251,970
Democracy Resource Center	310,082	481,347
World Movement for Democracy	1,546,108	1,094,682
Center for International Media Assistance	483,852	811,663
Other democracy support activities	56,096	475,603
	5,701,003	7,279,896
Other non-federal democracy support activities:		
Grant programs	298,759	78,014
International Forum for Democratic Studies:		
Research and conferences	14,496	10,000
Other Forum activities	3,059	39,325
Management and support	32	(1,395)
Afghanistan Response (non-U.S. government)	58,056	9,689
Greshman Dem-At-Risk Fund (non-U.S. government)	23,028	157,707
World Movement for Democracy:		
WMD Global Assembly	508,792	-
Youth Fellowships & Engagement	29,163	75,789
Other WMD activities	-	509
Other Endowment events and development	829,553	787,111
	1,764,938	1,156,749
	\$ 269,088,343	\$ 320,424,253

National Endowment for Democracy
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2025 and 2024

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions during the year ended September 30, 2025, are as follows:

	Balance at September 30, 2024	Additions	Releases	Balance at September 30, 2025
Democracy Support Activities:				
WMD 12th Global Assembly	\$ 235,831	\$ 171,730	\$ (407,561)	\$ -
World Movement for Democracy:				
Hurford Youth Fellowship Program	156,735	-	(69,093)	87,642
International Forum for Democratic Studies:				
Smith Richardson Foundation 2019-2022	340	-	(340)	-
Penn Kemble Youth Forum on Democracy	85,680	-	(5,139)	80,541
Gershman Democrats-at-Risk Fund	48,217	25,500	(29,922)	43,796
Emergency Response Funding:				
Afghanistan Relief Response	108,798	-	(67,871)	40,927
State of Emergency	-	85,732	(85,732)	-
Other restrictions:				
Oak Foundation	-	500,000	(329,167)	170,833
Korea Foundation	-	70,000	(2,273)	67,727
Annual Democracy Award Event	-	27,000	(19,020)	7,980
	<u>\$ 635,601</u>	<u>\$ 879,962</u>	<u>\$ (1,016,118)</u>	<u>\$ 499,445</u>

Changes in net assets with donor restrictions during the year ended September 30, 2024, are as follows:

	Balance at September 30, 2023	Additions	Releases	Balance at September 30, 2024
Democracy Support Activities:				
WMD 12th Global Assembly	\$ 100,000	\$ 135,831	\$ -	\$ 235,831
World Movement for Democracy:				
Hurford Youth Fellowship Program	145,445	100,000	(88,710)	156,735
International Forum for Democratic Studies:				
Smith Richardson Foundation 2019-2022	6,289	-	(5,949)	340
Penn Kemble Youth Forum on Democracy	57,889	40,000	(12,209)	85,680
Gershman Democrats-at-Risk Fund	209,238	57,489	(218,510)	48,217
Emergency Response Funding:				
Afghanistan Relief Response	120,138	-	(11,340)	108,798
Other restrictions:				
Annual Democracy Award Event	53,780	25,000	(78,780)	-
	<u>\$ 692,779</u>	<u>\$ 358,320</u>	<u>\$ (415,498)</u>	<u>\$ 635,601</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during the years ended September 30, 2025 and 2024.

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

NOTE 9 - RELATED PARTIES

The Endowment awards grants to various organizations to be used for programs that the Board of Directors determines are consistent with the purposes of the Act. Some of the organizations that submit proposals and are awarded funds may have members of their Boards of Directors represented on the Board of Directors of the Endowment. Article VI, Section III of the Endowment's bylaws provides that any Board member who is an officer or director of an organization seeking to receive grants from the Endowment must abstain from consideration of and any vote on such a grant. The provision does not prevent any director from supplying factual information that the Board of Directors requests.

NOTE 10 - LEASES

In May 2020, the Endowment entered into a noncancellable operating lease for its office that commenced on April 1, 2021, with a lease term through May 31, 2037. The lease for office space includes a provision for rent escalations. The lease expense is recognized on a straight-line basis ratably over the term of the lease. The Endowment determined at lease commencement that there were no renewal options expected to be exercised and calculated operating lease schedules through May 31, 2037.

The lease includes an incentive for leasehold improvements of \$12,447,642 which is included in property and equipment and amortized over the term of the lease.

The lease liability and its maturity analysis are summarized as follows:

Years Ending September 30:

2026	\$ 6,092,862
2027	6,242,144
2028	6,392,395
2029	6,552,206
2030	6,716,011
Thereafter	49,261,905
Total minimum payments required	81,257,523
Less: amounts representing interest	(4,325,770)
Present value of minimum lease payments	\$ 76,931,753

The Endowment does not have an established borrowing rate and, therefore, applied the risk-free rate as of July 2020. The weighted-average remaining life of the lease is 11.58 and 13.67 years for 2025 and 2024, and weighted-average discount rate of 0.9% for both years.

Total lease expense, including the Endowment's share of common building costs, was \$5,274,571 and \$5,245,009 for the years ended September 30, 2025 and 2024.

Supplemental cash flow information related to leases for the years ended September 30, 2025 and 2024:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows-payments on operating leases	\$ 6,002,059	\$ 5,983,485

National Endowment for Democracy

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

The Endowment has a standby letter of credit in the amount of \$452,810. The letter of credit is held by the commercial banking institution where the Endowment maintains its primary operating funds and represents the security deposit for the Endowment's noncancelable operating lease for office space. No funds were withdrawn from the letter of credit during the years ended September 30, 2025 and 2024.

NOTE 11 - RETIREMENT PLANS

The Endowment has a defined contribution annuity plan for all of its employees, under which the Endowment contributes a percentage of eligible employees' annual earnings to individually owned tax-deferred annuity contracts. The Endowment's contribution to the plan is based on 10% of an eligible employees' annual earnings after the first year of employment. Employer contributions to the plan for the years ended September 30, 2025 and 2024 amounted to \$2,472,387 and \$2,670,190, respectively.

In June 2022, the Endowment established a 457(b) plan for executive members of management to defer a limited portion of their compensation on a pre-tax basis. Eligible employees may contribute to this 457(b) plan up to the legal limits defined by the IRS. The employer contributes to the 457(b) plan. Total contribution expense was \$102,408 and \$75,285 for the years ended September 30, 2025 and 2024, respectively. The value of assets held and the related deferred compensation liability was \$255,515 and \$153,107 as of September 30, 2025 and 2024, respectively, and is included within prepaid expenses and other assets and accrued expenses on the accompanying balance sheet.

NOTE 12 - CONTINGENCY

Federal awards: The Endowment participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the federal government or its representative. Separate audit reports may be received on these federal programs. Management does not anticipate significant adjustments as a result of such audits.

SUPPLEMENTARY INFORMATION

National Endowment for Democracy

SCHEDULE OF INDIRECT COST RATE AND SCHEDULE OF FRINGE BENEFIT RATE

Year ended September 30, 2025

Indirect cost rate	
Total allowable management and general expenses	\$ 44,663,568
Less income offsets on management and general expenses	-
	<u>\$ 44,663,568</u>
Total grant obligations and expenses	\$ 308,840,348
Less management and general expenses	44,663,568
	<u>\$ 264,176,780</u>
Management and general direct activity base	16.91%
Fringe benefit rate	
Total fringe benefits, including compensated balances	\$ 13,251,962
	<u>\$ 22,602,504</u>
Total salaries and wages	58.63%
Provisional rates per negotiated indirect cost rate agreement (2025):	
Management and general administrative rate	17.50%
Fringe benefit rate	51.52%

The Endowment determines its indirect cost rate in accordance with the Uniform Guidance. Allowable elements of cost not directly related to specific programs are accumulated in an indirect cost pool. The total of the indirect cost pool is divided by the appropriate base to arrive at the indirect cost rate. The direct cost base consists of the following: (1) total subrecipient awards obligated during the fiscal year by the Endowment, net of any deobligations executed on previously awarded subgrants and (2) the Endowment's direct democracy support activities.