Truth Initiative Foundation

Financial Report
June 30, 2025

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RSM US LLP

Independent Auditor's Report

Board of Directors
Truth Initiative Foundation

Opinion

We have audited the financial statements of the Truth Initiative Foundation (Truth Initiative), which comprise the balance sheets as of June 30, 2025 and 2024, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Truth Initiative as of June 30, 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 Truth Initiative 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 Truth Initiative's ability to continue as a going concern within one year after the date that the financial statements are issued or 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.

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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 Truth Initiative'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 Truth Initiative'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.

RSM US LLP

Washington, D.C.
November 11, 2025

Truth Initiative Foundation

Balance Sheets
June 30, 2025 and 2024
(In Thousands)

	2025	2024
Assets		
Cash and cash equivalents	**$ 87,394**	$ 99,442
Investments	**567,725**	600,760
Trades to be settled	**803**	220
Accrued interest receivable	**975**	1,265
Grants receivable	**355**	207
Accounts receivable	**6,154**	3,517
Prepaid expenses	**1,922**	1,573
Operating lease right-of-use assets, net	**7,545**	3,386
Property and equipment, net	**3,434**	1,338
Other assets	**20**	17
Total assets	**$ 676,327**	$ 711,725
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 12,121**	$ 10,296
Deferred revenue	**714**	919
Refundable advances	**3,978**	16
Loan payable	**70,000**	89,847
Other liabilities	**2,063**	1,713
Operating lease liabilities, net	**11,261**	5,184
Total liabilities	**100,137**	107,975
Commitments and contingencies (Notes 2 and 7)		
Net assets without donor restrictions	**576,190**	603,750
Total liabilities and net assets	**$ 676,327**	$ 711,725

See notes to financial statements.

Truth Initiative Foundation

Statements of Activities
Years Ended June 30, 2025 and 2024
(In Thousands)

	2025	2024
Revenue and support:		
Sponsored projects	**$ 8,703**	$ 4,606
Settlement proceeds	**8,000**	-
Other income	**3,518**	2,519
Investment income, net of fees	**58,935**	47,010
Total revenue and support	**79,156**	54,135
Expenses:		
Program expenses:		
Counter-marketing and public education	**63,656**	64,104
Communications	**3,121**	4,095
Truth Initiative Schroeder Institute	**8,618**	8,410
Innovations	**9,352**	8,028
Program grants	**966**	1,004
Other programs	**6,964**	6,750
	92,677	92,391
Supporting services:		
General and administrative	**12,571**	11,007
Fundraising and development	**1,468**	704
	14,039	11,711
Total expenses	**106,716**	104,102
Change in net assets	**(27,560)**	(49,967)
Net assets without donor restrictions:		
Beginning	**603,750**	653,717
Ending	**$ 576,190**	$ 603,750

See notes to financial statements.

Truth Initiative Foundation

Statement of Functional Expenses
Year Ended June 30, 2025
(In Thousands)

	Program Services							Supporting Services			
	Counter-Marketing and Public Education	Communications	Truth Initiative Schroeder Institute	Innovations	Program Grants	Other Programs	Total Program Services	General and Administrative	Fundraising and Development	Total Supporting Services	Total
Salaries and fringe	$ 3,994	$ 1,927	$ 5,221	$ 5,291	$ -	$ 4,147	$ 20,580	$ 7,201	$ 903	$ 8,104	$ 28,684
Contract services	57,808	783	2,361	1,905	-	1,347	64,204	494	334	828	65,032
Grants	-	-	-	-	966	173	1,139	-	-	-	1,139
Travel and lodging	59	24	73	34	-	114	304	79	23	102	406
Digital promotions	85	41	-	21	-	-	147	-	-	-	147
Sponsorship and contributions	25	-	6	-	-	173	204	-	-	-	204
Consulting	58	-	-	145	-	7	210	36	-	36	246
Meetings, events and conferences	79	4	16	2	-	123	224	94	4	98	322
Miscellaneous expense	7	2	7	4	-	25	45	360	3	363	408
Dues and subscriptions	12	21	74	2	-	19	128	36	1	37	165
Insurance	85	-	-	-	-	-	85	373	-	373	458
Computer expense	779	-	20	835	-	42	1,676	225	28	253	1,929
Telephone and wireless services	12	8	5	153	-	5	183	309	1	310	493
Depreciation and amortization	13	-	9	-	-	-	22	533	31	564	586
Auditing, accounting and payroll processing	-	-	-	-	-	-	-	311	-	311	311
Legal fees	-	-	12	-	-	-	12	242	-	242	254
Occupancy	-	-	-	-	-	-	-	1,922	-	1,922	1,922
Meals and entertainment	4	1	11	4	-	16	36	7	3	10	46
Supplies	-	1	1	-	-	1	3	30	-	30	33
Professional development	27	1	10	15	-	13	66	20	-	20	86
Printing and publications	1	1	20	15	-	14	51	13	-	13	64
Postage and shipping	3	2	1	-	-	5	11	6	-	6	17
Fellowships and scholarships	-	-	-	-	-	5	5	-	-	-	5
Equipment rental, repairs and maintenance	-	-	-	-	-	-	-	31	-	31	31
Utilities	-	-	-	-	-	-	-	45	-	45	45
Temporary services	5	21	-	20	-	-	46	3	-	3	49
UBIT payments	-	-	-	-	-	-	-	717	-	717	717
Interest expense	-	-	-	-	-	-	-	2,683	-	2,683	2,683
Survey incentives	-	-	-	90	-	2	92	-	-	-	92
Outreach materials	7	-	-	-	-	73	80	-	2	2	82
Recruitment ads	1	-	-	1	-	7	9	5	-	5	14
Referral fees	-	-	-	28	-	-	28	-	-	-	28
Taxes and filing fees	-	-	-	-	-	-	-	18	-	18	18
	63,064	2,837	7,847	8,565	966	6,311	89,590	15,793	1,333	17,126	106,716
Overhead allocation	592	284	771	787	-	653	3,087	(3,222)	135	(3,087)	-
Total expenses	$ 63,656	$ 3,121	$ 8,618	$ 9,352	$ 966	$ 6,964	$ 92,677	$ 12,571	$ 1,468	$ 14,039	$ 106,716

See notes to financial statements.

Truth Initiative Foundation

Statement of Functional Expenses
Year Ended June 30, 2024
(In Thousands)

	Program Services							Supporting Services			
	Counter-Marketing and Public Education	Communications	Truth Initiative Schroeder Institute	Innovations	Program Grants	Other Programs	Total Program Services	General and Administrative	Fundraising and Development	Total Supporting Services	Total
Salaries and fringe	$ 4,655	$ 2,525	$ 4,990	$ 4,998	$ -	$ 2,582	$ 19,750	$ 6,591	$ 210	$ 6,801	$ 26,551
Contract services	57,481	787	2,208	889	-	2,770	64,135	371	326	697	64,832
Grants	-	-	-	-	1,003	222	1,225	-	110	110	1,335
Travel and lodging	87	68	70	44	-	211	480	88	6	94	574
Digital promotions	-	111	-	58	-	3	172	-	-	-	172
Sponsorship and contributions	-	10	4		-	80	94	-	5	5	99
Consulting	-	3	-	182	-	27	212	1	-	1	213
Meetings, events and conferences	18	29	20	77	-	147	291	152	6	158	449
Miscellaneous expense	17	18	5	99	1	12	152	291	1	292	444
Dues and subscriptions	16	18	59	9	-	16	118	44	-	44	162
Insurance	79	-	-	-	-	-	79	331	-	331	410
Computer expense	649	1	26	457	-	-	1,133	240	-	240	1,373
Telephone and wireless services	17	11	9	180	-	8	225	243	1	244	469
Depreciation	-	-	9	-	-	-	9	508	-	508	517
Auditing, accounting and payroll processing	-	-	-	-	-	-	-	274	-	274	274
Legal fees	-	-	32	-	-	-	32	139	-	139	171
Occupancy	-	-	-	-	-	-	-	2,739	-	2,739	2,739
Meals and entertainment	10	8	9	5	-	22	54	19	1	20	74
Supplies	-	2	1	1	-	1	5	53	-	53	58
Professional development	4	2	20	16	-	15	57	23	-	23	80
Printing and publications	-	21	26	1	-	4	52	3	-	3	55
Postage and shipping	1	2	-	1	-	7	11	9	-	9	20
Fellowships and scholarships	-	-	-	-	-	15	15	-	-	-	15
Equipment rental, repairs and maintenance	-	-	-	-	-	-	-	42	-	42	42
Utilities	-	-	-	-	-	-	-	57	-	57	57
Temporary services	208	-	-	17	-	-	225	-	-	-	225
UBIT payments	-	-	-	-	-	-	-	1,066	-	1,066	1,066
Interest expense	-	-	-	-	-	-	-	1,424	-	1,424	1,424
Survey incentives	-	-	-	40	-	2	42	-	-	-	42
Outreach materials	-	11	-	2	-	82	95	-	-	-	95
Recruitment ads	7	1	1	6	-	2	17	9	-	9	26
Referral fees	-	-	-	23	-	-	23	-	-	-	23
Taxes and filing fees	-	-	-	-	-	-	-	16	-	16	16
	63,249	3,628	7,489	7,105	1,004	6,228	88,703	14,733	666	15,399	104,102
Overhead allocation	855	467	921	923	-	522	3,688	(3,726)	38	(3,688)	-
Total expenses	$ 64,104	$ 4,095	$ 8,410	$ 8,028	$ 1,004	$ 6,750	$ 92,391	$ 11,007	$ 704	$ 11,711	$ 104,102

See notes to financial statements.

Truth Initiative Foundation

Statements of Cash Flows
Years Ended June 30, 2025 and 2024
(In Thousands)

	2025	2024
Cash flows from operating activities:		
Change in net assets	**$ (27,560)**	$ (49,967)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gain on investments	**(49,554)**	(34,648)
Other investment gain	**(3,777)**	(6,633)
Depreciation and amortization	**586**	517
Amortization of debt issuance costs	**153**	409
Loss on sale of property and equipment	**19**	-
Gain on partial lease termination	**(325)**	-
Change in operating leases, net	**2,243**	(651)
Changes in assets and liabilities:		
(Increase) decrease in:		
Trades to be settled	**(583)**	90
Accrued interest receivable	**290**	(809)
Grants receivable	**(148)**	(2)
Accounts receivable	**(2,637)**	(2,566)
Prepaid expenses	**(349)**	(377)
Other assets	**(3)**	7
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,825**	(354)
Deferred revenue	**(205)**	(38)
Refundable advances	**3,962**	(1,017)
Other liabilities	**350**	295
Net cash used in operating activities	**(75,713)**	(95,744)
Cash flows from investing activities:		
Purchase of property and equipment	**(2,710)**	(115)
Proceeds from sale of property and equipment	**9**	-
Proceeds from sale of investments	**241,564**	245,711
Purchases of investments	**(155,198)**	(128,934)
Net cash provided by investing activities	**83,665**	116,662
Cash flows from financing activities:		
Principal repayments on loan payable	**(20,000)**	-
Net cash used in financing activities	**(20,000)**	**-**
Net (decrease) increase in cash and cash equivalents	**(12,048)**	20,918
Cash and cash equivalents:		
Beginning	**99,442**	78,524
Ending	**$ 87,394**	$ 99,442
Supplemental disclosure of cash flow information:		
Cash payments for interest	**$ 2,330**	$ 1,016
Cash payments for income taxes	**$ 717**	$ 1,066

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: In November 1998, a coalition of 46 state attorneys general successfully settled their civil cases with the tobacco companies. As a result, the settling states and the participating tobacco manufacturers entered into two separate settlement agreements: the Master Settlement Agreement and the Smokeless Tobacco Master Settlement Agreement. The two settlement agreements provided for the establishment and initial funding of a Section 501(c)(3) organization to reduce tobacco and nicotine usage in the United States. Pursuant to these agreements, an organization named Master Settlement Agreement Foundation was created in March 1999, and was later renamed American Legacy Foundation.

As of August 27, 2015, American Legacy Foundation legally changed its name to Truth Initiative Foundation (Truth Initiative) to reflect its objective to align all organization programs more closely with the truth campaign and consistent with its mission to achieve a culture where all youth and young adults reject tobacco.

Truth Initiative is governed by a board of directors, which is comprised of state governors, legislators, attorneys general and experts in the medical, education and public health fields.

Truth Initiative's bylaws set forth its functions as follows:

Carrying out a nationwide sustained advertising and education program to: (a) counter the use by youth of tobacco products and (b) educate consumers about the cause and prevention of diseases associated with the use of tobacco products.

Developing and disseminating model advertising and education programs to counter the use by youth of substances that are unlawful for the use or purchase by youth, with an emphasis on reducing youth tobacco and nicotine use, monitoring and testing the effectiveness of such model programs and, based on the information received from such monitoring and testing, continuing to develop and disseminate revised versions of such model programs, as appropriate.

Developing and disseminating model classroom education programs and curriculum ideas about tobacco and nicotine use and substance abuse in the K–12 school system, including specific target programs for special at-risk populations, monitoring and testing the effectiveness of such model programs and ideas and, based on the information received from such model programs or ideas, continuing to develop and disseminate revised versions of such model programs, as appropriate.

Developing and disseminating criteria for the effectiveness cessation program, monitoring and testing the effectiveness of such criteria and continuing to develop and disseminate revised versions of such criteria, as appropriate.

Commissioning studies, funding research and publishing reports and factors that influence youth tobacco and nicotine use and substance abuse and developing strategies to address the conclusions of such studies and research.

Developing other innovative youth tobacco and nicotine use and substance abuse prevention programs.

Providing targeted training and information for parents.

Maintaining a library of Truth Initiative-funded studies, reports and other publications related to the cause and prevention of youth tobacco and nicotine use and substance abuse that will be open to the public.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Tracking and monitoring youth tobacco and nicotine use and substance abuse, with a focus on the reason for any increases in or failures to decrease youth tobacco and nicotine use and substance abuse, and what actions can be taken to reduce youth tobacco and nicotine use and substance abuse.

Receiving, controlling and managing contributions and funds provided by other entities for further purposes described in Truth Initiative's certificate of incorporation.

Truth Initiative is organized around its four primary program goals: (i) youth/young adult public education (primarily through the truth® anti-tobacco counter-marketing campaign), (ii) research policy and practice, including the activity of Truth Initiative's evaluation science research function and its Schroeder Institute for Tobacco Research and Policy Studies, (iii) community and youth engagement activities, including Truth Initiative's youth activism program and (iv) using innovative digital tools to design, build and market effective and scalable approaches to smoking cessation. Truth Initiative also has an operations function for administration, fiscal, legal, technology and personnel activities.

A summary of Truth Initiative's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (ASC or the Codification). As required by the Non-Profit Entities Topic of the Codification, Truth Initiative is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Truth Initiative had no net assets with donor restrictions at June 30, 2025 and 2024.

Cash and cash equivalents: For purposes of the statements of cash flows, Truth Initiative considers all short-term, highly liquid debt instruments to be cash equivalents, including money market funds and repurchase agreements purchased with an original maturity of three months or less.

Financial risk: Truth Initiative maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Truth Initiative has not experienced any losses in such accounts. Truth Initiative believes it is not exposed to any significant financial risk on cash. Truth Initiative invests in various equities and alternative investments. 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 changes 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.

Securities transactions, interest and dividends: Securities transactions are recorded on a trade-date basis and are carried at their fair value. Realized gains and losses on securities transactions are determined on a specific identification basis and are included in investment income, net of fees in the accompanying statements of activities. The change in the fair value of investments is also included in investment income, net of fees in the accompanying statements of activities. Interest income is recognized under the accrual basis. Dividend income is recognized on the ex-dividend date.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of investments and cash equivalents: Investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Mutual funds, U.S. stocks and global stocks consist of investments in securities traded on a national securities exchange, or reported on the National Association of Securities Dealers Automated Quotations national market, are stated at the last reported sales price on the day of valuation; other securities traded on the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, except for short sales positions and call options written, for which the last quoted asked price is used.

Truth Initiative considers repurchase agreements, money market funds, the State Street Institutional Reserves Fund and deposits held at a futures broker to be cash equivalents based on the short maturity and liquidity of the assets. Accordingly, Truth Initiative's management utilizes the dollar per unit price provided by the custodian of the assets as a basis for the fair value assessment.

Investments in commingled/common trust funds, hedge funds and private equity funds are valued at fair value based on a practical expedient, the net asset value per share or equivalent, determined by the fund or the fund manager at the measurement date. The underlying investment funds/partnerships value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds/partnerships, which may include private placements and other securities for which prices are not readily available, are determined by the general partner or sponsor of the respective funds and investment partnerships and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of Truth Initiative's investments in funds and investment partnerships generally represents the amount Truth Initiative would expect to receive if it were to liquidate its investment in the other investment partnerships, excluding any redemption charges that may apply.

The fund managers of underlying funds and investment partnership funds in which Truth Initiative invests may utilize derivative instruments with off-balance-sheet risk. Truth Initiative's exposure to risk is limited to the amount of its investment.

Financial instruments with off-balance-sheet risk: In connection with its trading activities, Truth Initiative enters into transactions involving a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the balance sheets.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Theoretically, Truth Initiative's exposure is equal to the notional value of contracts purchased and unlimited on such contracts sold short.

Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease Truth Initiative's overall exposure to market risk. Truth Initiative attempts to control its exposure to market risk through various analytical monitoring techniques.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Concentrations of credit risk: Truth Initiative is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, Truth Initiative may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is Truth Initiative's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of its business, Truth Initiative enters into contracts and agreements with certain service providers, such as clearing and custody agents, trustees and administrators, that contain a variety of representations and warranties, and which provide general indemnifications and guarantees against specified potential losses in connection with their activities as an agent of, or providing services to, Truth Initiative. Truth Initiative's maximum exposure under these agreements is unknown, as this may involve future claims that could be made against Truth Initiative and have not yet occurred. Truth Initiative expects the risk of any future obligation under these arrangements to be remote and has not recorded any contingent liability in the financial statements for these indemnifications.

Accounts receivable: Accounts receivable are carried at the original invoice amount less an estimated allowance for credit losses. Management determines the allowance for credit losses by regularly evaluating individual receivables and considering a customer's financial condition, credit history, current economic conditions and the age of the receivable balance. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At June 30, 2025 and 2024, management determined no allowance for credit losses was necessary.

Property and equipment: Truth Initiative capitalizes all property and equipment and buildings purchased with a cost of $5 or more at cost and depreciates them using the straight-line method over the estimated useful lives of the assets, which range from three to 11½ years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the related lease terms. Truth Initiative expenses preliminary project stage costs as incurred. Capitalized application stage software costs are amortized over three years using the straight-line method. Post-implementation and operation stage costs are expensed as incurred.

Valuation of long-lived assets: Truth Initiative reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset 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 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.

Debt issuance costs: The costs associated with debt issuance are being amortized on the effective interest method over the term of the debt acquired. Unamortized debt issuance costs are reported with bonds payable.

Leases: Truth Initiative determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) Truth Initiative obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Truth Initiative also considers whether its service arrangements include the right to control the use of an asset.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Truth Initiative recognizes most leases on its balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

Truth Initiative made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, Truth Initiative made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Truth Initiative has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The nonlease components typically represent additional services transferred to Truth Initiative, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Income taxes: Truth Initiative is generally exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). In addition, Truth Initiative has been classified as an organization that is not a private foundation. Income, which is not related to its exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

Truth Initiative follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Truth Initiative may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de recognition, classification, interest, penalties on income taxes and accounting in interim periods.

Management evaluated Truth Initiative's tax positions and concluded that Truth Initiative had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance for accounting for uncertainty in income taxes.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Allocation of expenses: The costs of providing the program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Expenses are either directly charged to program services as incurred or proportionately allocated to functional categories, based on various allocation methods. Certain management and staff expenses have been allocated to programs on the basis of time spent. Other expenses have been allocated to programs on a percentage basis.

Revenue recognition: Unconditional contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grants received without conditions are treated consistent as unconditional contributions. Grants that contain a right of return or release by the resource provider and a barrier (performance obligations, control elements and/or overall nature of the agreement) are considered conditional contributions. Donor-restricted support that are initially conditional contributions are recognized as an increase in net assets without donor restrictions if the restrictions are met in the same period the support becomes unconditional. Federal grant revenues are recognized as allowable expenses are incurred under the terms of the grant. Truth Initiative defers grant collections under approved awards from grantors to the extent amounts received exceed expenditures incurred for the purposes specified under the grant restrictions. These deferred grants are recorded as refundable advances.

During the year ended June 30, 2025, Truth Initiative received $8,000, which was recognized when the proceeds were realized, as part of a derivatives settlement agreement. The proceeds will be utilized to fund an awareness campaign to promote tobacco and nicotine cessation for people under 21, including Truth Initiative's adolescent cessation program.

Truth Initiative recognizes revenue from sales of EX Program products and services when the performance obligations of transferring the products and providing the services are met. All goods and services are transferred at a point in time. Receivables from contracts with customers are reported as accounts receivable. Amounts received in advance are deferred to the applicable period and reflected as deferred revenue on the balance sheets.

The beginning and ending balances for accounts receivables and deferred revenue were as follows for the years ended June 30, 2025 and 2024:

	2025	
	July 1, 2024	June 30, 2025
Accounts receivable	$ 3,506	$ 6,149
Deferred revenue	919	714

	2024	
	July 1, 2023	June 30, 2024
Accounts receivable	$ 950	$ 3,506
Deferred revenue	957	919

Grant expense: Unconditional grants are expensed when approved. Conditional grants are expensed as the conditions are satisfied.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with 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 statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on the change in net assets or net assets.

Subsequent events: Truth Initiative has evaluated subsequent events through November 11, 2025, the date on which the financial statements were available to be issued.

Note 2. Investments

Investments at June 30, 2025 and 2024, consist of the following:

	2025	2024
Mutual funds	$ 40,417	$ 34,434
U.S. stocks	140,236	115,346
Global stocks	24,500	21,654
Fixed income bonds	38,950	26,491
Other investments measured at net asset value (or its equivalent):		
Commingled/common trust funds	159,577	177,606
Hedge funds	19,805	37,791
Private equity funds	144,240	187,438
	$ 567,725	$ 600,760

Investment income, net of fees, for the years ended June 30, 2025 and 2024, consists of the following:

	2025	2024
Interest, dividends and accretion income	$ 8,637	$ 8,971
Realized and unrealized gain on investments	49,554	34,648
Other investment gain	3,777	6,633
Investment fees	(3,033)	(3,242)
Total investment income, net of fees	$ 58,935	$ 47,010

Note 2. Investments (Continued)

Alternative investments are less liquid than Truth Initiative's other investments. The following tables set forth additional disclosures of Truth Initiative's investments whose fair value is estimated using net asset value (NAV) per share (or its equivalent) as of June 30, 2025 and 2024:

	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled/common trust funds (a):				
Emerging markets	$ 67,915	$ -	Daily, monthly	3-90 days
Global developed market	40,501	-	Monthly	10 days
U.S. small cap	21,954	-	Monthly	10 days
U.S. large cap	29,207	-	Daily	3 days
	159,577	-		
Hedge funds:				
Semi-liquid credit (c)	909	-	Semi-annually	90 days
Multi-strategy (b)	18,896	-	Monthly, semi-annually	3-60 days
	19,805	-		
Private equity funds:				
Real estate (g)	19,850	1,698	Longer than one year	Not applicable
Private energy (g)	15,869	7,177	Longer than one year	Not applicable
Private debt (f)	74,477	21,447	Longer than one year	Not applicable
Venture/buyout (e)	34,044	20,122	Longer than one year	Not applicable
	144,240	50,444		
	$ 323,622	$ 50,444		

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled/common trust funds (a):				
Emerging markets	$ 87,099	$ -	Daily, monthly	3-90 days
Global developed market	44,439	-	Monthly	10 days
U.S. small cap	21,142	-	Monthly	10 days
U.S. large cap	24,926	-	Daily	3 days
	177,606	-		
Hedge funds:				
Semi-liquid credit (c)	1,048	-	Semi-annually	90 days
Multi-strategy (b)	36,743	-	Monthly, semi-annually	3-60 days
	37,791	-		
Private equity funds:				
Real estate (g)	26,433	2,391	Longer than one year	Not applicable
Private energy (g)	25,169	10,603	Longer than one year	Not applicable
Private debt (f)	38,441	33,888	Longer than one year	Not applicable
Venture/buyout (e)	97,395	30,442	Longer than one year	Not applicable
	187,438	77,324		
	$ 402,835	$ 77,324		

Note 2. Investments (Continued)

Investment strategies of trusts, hedge funds and other funds are as follows:

(a) **Common trust funds/commingled funds:** This category invests in common trust funds and commingled funds, which pursue a variety of investment strategies. The fair value of investments in this category has been estimated using an equivalent to an NAV per share and is available to be redeemed at that value.

(b) **Hedge fund—multi-strategy:** The funds within this category pursue multiple strategies to diversify risk and reduce volatility. Approximately 100% and 71% of the value of category at June 30, 2025 and 2024, respectively, can be redeemed on a monthly basis with three days' notice. The remaining 29% of the value of this category can be redeemed on a semiannual basis with 60 days' notice at June 30, 2024. The fair value of investment in this category has been estimated using the NAV per share of the investment.

(c) **Hedge fund—semi-liquid credit:** This category includes an investment in a hedge fund that seeks to generate superior risk-adjusted returns by investing in a broad array of securities within the leveraged finance marketplace. This investment represents one class of shares, which is available to be redeemed annually on the anniversary date of the initial investment. The fair value of investment in this category has been estimated using the NAV per share of the investment.

(d) **Other:** This category includes an emerging income fund that seeks long-term capital appreciation by investing in and holding a diversified portfolio of revenue-producing intellectual property assets and royalty interests. The fund allows redemption to the extent that there is surplus cash available and is subject to fund management's discretion.

The following categories include various private equity funds. The nature of the investments in these categories is that distributions are received through the liquidation of the underlying assets of the fund. As of June 30, 2025 and 2024, it is probable that the investments in these categories will be liquidated at an amount different from the value of the Truth Initiative's ownership interest in partners' capital; therefore, the fair value of the investments in this category has been estimated using recent observable transaction information received from potential buyers of the investments. It is estimated that the underlying assets of the funds within these categories would be liquidated over five to 10 years.

The investment strategies of the funds within these categories are summarized as follows:

(e) **Private equity funds—venture/buyout:** This category includes several private equity funds pursuing venture and/or buyout strategies to generate investment returns.

(f) **Private equity funds—private debt:** This category includes several private equity funds focusing on private debt. The investment strategies of these funds focus on debt securities of companies undergoing financial distress, operating difficulties and significant restructuring and on acquiring eligible assets, which include certain commercial mortgage-backed securities and non-agency residential mortgage-backed securities under the Public-Private Investment Partnership, which seeks to unlock frozen credit markets and expand lending activity.

(g) **Private equity funds—private energy and real estate:** These categories invest in various private equity funds focused on generating gains through investments in real assets, specifically real assets within the private energy sector and real estate ventures.

Note 3. Property and Equipment

Property and equipment and accumulated depreciation and amortization at June 30, 2025, and depreciation and amortization expense for the year ended June 30, 2025, consist of the following:

	Estimated Useful Lives (Years)	Cost	Accumulated Depreciation and Amortization	Net	Depreciation and Amortization Expense
Furniture and fixtures	7	$ 1,414	$ 1,414	$ -	$ 1
Computers and software	3	2,658	225	2,433	52
Office equipment	5	957	718	239	97
Leasehold improvements	11½	4,377	3,817	560	392
Intangible assets	3	5,129	4,927	202	44
		$ 14,535	$ 11,101	$ 3,434	$ 586

Property and equipment and accumulated depreciation and amortization at June 30, 2024, and depreciation and amortization expense for the year ended June 30, 2024, consist of the following:

	Estimated Useful Lives (Years)	Cost	Accumulated Depreciation and Amortization	Net	Depreciation and Amortization Expense
Furniture and fixtures	7	$ 1,414	$ 1,413	$ 1	$ 3
Computers and software	3	371	270	101	30
Office equipment	5	1,172	888	284	93
Leasehold improvements	11½	4,377	3,425	952	391
Intangible assets	3	4,883	4,883	-	-
		$ 12,217	$ 10,879	$ 1,338	$ 517

Note 4. Leases

Truth Initiative leases office space under an operating lease agreement which commenced on September 1, 2015 and was originally due to expire on November 30, 2026. During December 2024, Truth Initiative modified the office space operating lease with an effective date of September 2024. The modification terminated a portion of the existing office space and extended the lease term for the remainder of the office space. The extended lease term expires on November 30, 2033, and includes a 24-month rent abatement of half of the monthly base rent, annual rent escalations and an improvement allowance. These benefits and escalations are recognized on a straight-line basis over the life of the lease. Operating lease cost is recognized on a straight-line basis over the lease term. Truth Initiative's share of real estate taxes and operating costs are determined annually.

Note 4. Leases (Continued)

Future undiscounted cash flows for each of the next five years and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2025:

Years ending June 30:		
2026	$	772
2027		1,388
2028		1,622
2029		1,663
2030		1,704
Thereafter		6,149
Total lease payments		13,298
Less imputed interest		(2,037)
Total present value of lease liabilities	$	11,261

Operating lease cost for the years ended June 30, 2025 and 2024, was $1,922 and $2,739, respectively.

At June 30, 2025 and 2024, the weighed-average remaining lease term for the operating lease is 8.42 years and 2.41 years, respectively. At June 30, 2025 and 2024, the weighted-average discount rate for the operating lease is 3.74% and 2.88%, respectively.

Supplemental cash flow information related to leases is as follows for the years ended June 30, 2025 and 2024:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	$ 1,099	$ 2,126
ROU assets obtained in exchange for new lease obligations:		
Operating leases	$ 5,638	$ -

Note 5. Retirement Plans

Truth Initiative maintains an employee 401(k) savings plan. Employees who are at least 21 years of age are eligible for enrollment and participation in the first month following the completion of 180 days of employment. During the year ended June 30, 2020, Truth Initiative contributed 15% of the base compensation for each employee. Beginning on July 1, 2020, Truth Initiative contributes 10% of the base compensation for each employee. Participants may elect to defer their compensation subject to statutory limitations of the Internal Revenue Service.

Expenses related to the retirement plan amounted to $1,894 and $1,806 for the years ended June 30, 2025 and 2024, respectively.

Truth Initiative has established a deferred compensation plan to provide certain eligible employees the ability to defer a portion of their compensation to provide supplemental retirement benefits under IRC §457. The plan is funded entirely from the compensation of the participants and vested with the employees immediately. At June 30, 2025 and 2024, participants in the 457(b) plan had deferred balances, including income earned, totaling $1,341 and $1,411, respectively.

Note 5. Retirement Plans (Continued)

Truth Initiative had established a second deferred compensation plan to provide certain eligible employees the ability to defer a portion of their compensation to provide supplemental retirement benefits under IRC §457. The plan is funded entirely from the compensation of the participants and the participants will fully vest on September 30, 2025, with forfeiture if employment ended either voluntarily or involuntarily before this date. At June 30, 2025 and 2024, participants in the 457(f) plan had deferred balances, including income earned, totaling $722 and $303, respectively.

Note 6. Fair Value Measurements

The 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. Truth Initiative utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. 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: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and listed derivatives. As required by the guidance provided by the Codification, Truth Initiative does not adjust the quoted price for these investments, even in situations where Truth Initiative holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Note 6. Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2025:

	Total	Level 1	Level 2
Assets:			
Cash equivalents:			
Repurchase agreements	$ 51,916	$ 51,916	$ -
Money market funds	41,311	41,311	-
Total cash equivalents	93,227	93,227	-
Investments:			
Mutual funds:			
Global small/mid value	28,796	28,796	-
Real estate	11,621	11,621	-
	40,417	40,417	-
U.S. stocks:			
Large cap	108,575	108,575	-
Small cap	31,661	31,661	-
	140,236	140,236	-
Global stocks—developed markets	24,500	24,500	-
Fixed income bonds	38,950	-	38,950
Other investments measured at NAV (a)	323,622	-	-
Total investments	567,725	205,153	38,950
Total investment assets and cash equivalents held at fair value	$ 660,952	$ 298,380	$ 38,950

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2024:

	Total	Level 1	Level 2
Assets:			
Cash equivalents:			
Repurchase agreements	$ 42,821	$ 42,821	$ -
Money market funds	51,787	51,787	-
Total cash equivalents	94,608	94,608	-
Investments:			
Mutual funds:			
Global small/mid value	23,903	23,903	-
Real estate	10,531	10,531	-
	34,434	34,434	-
U.S. stocks:			
Large cap	87,508	87,508	-
Small cap	27,838	27,838	-
	115,346	115,346	-
Global stocks—developed markets	21,654	21,654	-
Fixed income bonds	26,491	-	26,491
Other investments measured at NAV (a)	402,835	-	-
Total investments	600,760	171,434	26,491
Total investment assets and cash equivalents held at fair value	$ 695,368	$ 266,042	$ 26,491

Note 6. Fair Value Measurements (Continued)

(h) In accordance with the Fair Measurements topic, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

Truth Initiative assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with Truth Initiative's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during the year.

Note 7. Commitments and Contingencies

Federal awards: Truth Initiative participates in federally assisted grant programs that are subject to financial and compliance audits by the federal agencies or their representative. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such audits.

Legal: From time to time, Truth Initiative may be subject to various legal proceedings which are incidental to the ordinary course of business. In the opinion of the management of Truth Initiative, there are no material pending legal proceedings to which Truth Initiative is a party.

Loan payable: Truth Initiative held a term loan in the original principal amount of $90,000 with a financial institution, which was due to mature on November 15, 2024. The interest rate on the original outstanding principal was 1.1%. During November 2024, Truth Initiative modified the existing term loan to reduce the principal amount to $70,000, and extend the maturity to November 15, 2025. The outstanding principal bears interest at 4.85%. Interest is payable monthly with the full remaining principal due at maturity.

At June 30, 2025 and 2024, there was outstanding principal of $70,000 and $90,000, which is shown with loans payable, net of unamortized debt issuance costs, on the balance sheets.

Loan payable as of June 30, 2025 and 2024, consist of the following:

	2025	2024
Principal amount	$ 70,000	$ 90,000
Less unamortized debt issuance costs	-	(153)
	$ 70,000	$ 89,847

Total interest expense on the loan payable, including amortization of debt issuance costs, amounted to $2,683 and $1,424 for the years ended June 30, 2025 and 2024, respectively.

Note 8. Liquidity and Availability of Financial Assets

Truth Initiative regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2025	2024
Cash and cash equivalents	$ 87,394	$ 99,442
Investments	567,725	600,760
Trades to be settled	803	220
Accrued interest receivable	975	1,265
Grants receivable	355	207
Accounts receivable	6,154	3,517
Financial assets at year-end	663,406	705,411
Less those unavailable for general expenditure within one year due to:		
Contractual restrictions:		
Investments held with redemptions periods longer than one year	(144,240)	(187,438)
Unfunded investment commitments	(50,444)	(77,324)
Deferred compensation obligations	(2,063)	(1,713)
	(196,747)	(266,475)
Financial assets available to meet cash needs for general expenditure within one year	$ 466,659	$ 438,936

Truth Initiative has various sources of liquidity at its disposal, including cash and cash equivalents, investments, receivables and debt facilities. See Note 7 for information about Truth Initiative's debt facility. As part of liquidity management, Truth Initiative invests cash in excess of daily requirements in investments. Truth Initiative regularly assesses its operating budget and cash flow projections to monitor the availability of resources to support operations.