

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

Americares Foundation, Inc. and Affiliate

June 30, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Americares Foundation, Inc.

Opinion

We have audited the consolidated financial statements of Americares Foundation, Inc. and Affiliate (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Foundation 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 of the consolidated 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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date 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 consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position as of June 30, 2025, consolidating schedule of activities for the year ended June 30, 2025, schedule of functional expenses - Americares Foundation, Inc. for the year ended June 30, 2025, and schedule of functional expenses - Americares Free Clinics, Inc. for the year ended June 30, 2025 are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records

used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
December 5, 2025

Americares Foundation, Inc. and Affiliate
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**June 30,
(Dollars in thousands)**

| | 2025 | 2024 |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 11,663 | \$ 6,083 |
| Investments | 43,295 | 44,660 |
| Contributions receivable, net | 7,171 | 7,093 |
| Other receivables | 1,142 | 659 |
| Inventory, net | 287,058 | 331,675 |
| Prepaid expenses and other assets | 2,780 | 2,635 |
| Total current assets | <u>353,109</u> | <u>392,805</u> |
| Noncurrent assets | | |
| Other assets | | |
| Contributions receivable, net | 2,407 | 2,975 |
| Property held for investment | 40 | 36 |
| Beneficial interest in split-interest agreements | | |
| Charitable gift annuities and perpetual trust assets | 9,599 | 9,033 |
| Trust agreements | 216 | 194 |
| Total other assets | <u>12,262</u> | <u>12,238</u> |
| Property and equipment, net | 2,387 | 2,593 |
| Right-of-use assets, net | <u>6,801</u> | <u>8,338</u> |
| Total noncurrent assets | <u>21,450</u> | <u>23,169</u> |
| Total assets | <u><u>\$ 374,559</u></u> | <u><u>\$ 415,974</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 11,024 | \$ 10,424 |
| Committed subgrants | 2,823 | 1,460 |
| Lease liabilities, net | <u>2,230</u> | <u>2,177</u> |
| Total current liabilities | <u>16,077</u> | <u>14,061</u> |
| Noncurrent liabilities | | |
| Liabilities under split-interest agreements | 6,319 | 5,692 |
| Note payable | 1,500 | 300 |
| Lease liabilities, net | <u>5,109</u> | <u>6,604</u> |
| Total noncurrent liabilities | <u>12,928</u> | <u>12,596</u> |
| Total liabilities | <u>29,005</u> | <u>26,657</u> |
| Net assets | | |
| Without donor restrictions | 97,720 | 58,860 |
| With donor restrictions | <u>247,834</u> | <u>330,457</u> |
| Total net assets | <u>345,554</u> | <u>389,317</u> |
| Total liabilities and net assets | <u><u>\$ 374,559</u></u> | <u><u>\$ 415,974</u></u> |

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

Americares Foundation, Inc. and Affiliate
CONSOLIDATED STATEMENTS OF ACTIVITIES
**Years ended June 30,
(Dollars in thousands)**

| | 2025 | | | 2024 | | |
|---|-------------------------------|----------------------------|--------------------------|-------------------------------|----------------------------|--------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue | | | | | | |
| Public support: | | | | | | |
| Contributions of cash and other financial assets | \$ 55,970 | \$ 39,669 | \$ 95,639 | \$ 46,600 | \$ 30,391 | \$ 76,991 |
| Government grants | 3,139 | - | 3,139 | 8,149 | - | 8,149 |
| Contributions of nonfinancial assets: | | | | | | |
| Donated medical and disaster supplies | 168,556 | 1,586,689 | 1,755,245 | 127,236 | 1,785,573 | 1,912,809 |
| Contributed services, facilities and freight | 10,467 | - | 10,467 | 9,283 | - | 9,283 |
| Total contributions of nonfinancial assets | 179,023 | 1,586,689 | 1,765,712 | 136,519 | 1,785,573 | 1,922,092 |
| Net assets released from restrictions | <u>1,709,817</u> | <u>(1,709,817)</u> | <u>-</u> | <u>1,763,679</u> | <u>(1,763,679)</u> | <u>-</u> |
| Total public support | <u>1,947,949</u> | <u>(83,459)</u> | <u>1,864,490</u> | <u>1,954,947</u> | <u>52,285</u> | <u>2,007,232</u> |
| Investment and other revenue: | | | | | | |
| Net investment return | 3,998 | 836 | 4,834 | 3,820 | 397 | 4,217 |
| Other revenue | 3,543 | - | 3,543 | 3,386 | - | 3,386 |
| Change in value of split-interest agreements | (391) | - | (391) | (254) | 154 | (100) |
| Total Investment and other revenue | <u>7,150</u> | <u>836</u> | <u>7,986</u> | <u>6,952</u> | <u>551</u> | <u>7,503</u> |
| Total support and revenue | <u>1,955,099</u> | <u>(82,623)</u> | <u>1,872,476</u> | <u>1,961,899</u> | <u>52,836</u> | <u>2,014,735</u> |
| Expenses | | | | | | |
| Program services: | | | | | | |
| Distribution of donated medical and disaster supplies | 1,745,551 | - | 1,745,551 | 1,823,015 | - | 1,823,015 |
| Other program expenses | 133,068 | - | 133,068 | 128,839 | - | 128,839 |
| Total program services | <u>1,878,619</u> | <u>-</u> | <u>1,878,619</u> | <u>1,951,854</u> | <u>-</u> | <u>1,951,854</u> |
| Supporting services: | | | | | | |
| Management and general | 15,629 | - | 15,629 | 15,757 | - | 15,757 |
| Fundraising | 21,991 | - | 21,991 | 20,664 | - | 20,664 |
| Total supporting services | <u>37,620</u> | <u>-</u> | <u>37,620</u> | <u>36,421</u> | <u>-</u> | <u>36,421</u> |
| Total expenses | <u>1,916,239</u> | <u>-</u> | <u>1,916,239</u> | <u>1,988,275</u> | <u>-</u> | <u>1,988,275</u> |
| CHANGE IN NET ASSETS | 38,860 | (82,623) | (43,763) | (26,376) | 52,836 | 26,460 |
| Net assets, beginning of year | 58,860 | 330,457 | 389,317 | 85,236 | 277,621 | 362,857 |
| Net assets, end of year | <u>\$ 97,720</u> | <u>\$ 247,834</u> | <u>\$ 345,554</u> | <u>\$ 58,860</u> | <u>\$ 330,457</u> | <u>\$ 389,317</u> |

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

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025, with summarized comparative information for the year ended June 30, 2024
(Dollars in thousands)

| | 2025 | | | | | | | | | | 2024 |
|---|---------------------|--------------------|--|---------------------|------------------|------------------------|---------------------|---------------------|-----------|-----------|------|
| | Program Services | | | | | Supporting Services | | | | | |
| | Access to Medicine | Emergency Programs | Clinical Services and Community Health | | Total | Management and General | Fundraising | Total | | Total | |
| Functional expenses | | | | | | | | | | | |
| Salaries and related payroll expenses | \$ 4,210 | \$ 7,971 | \$ 15,727 | \$ 2,849 | \$ 27,908 | \$ 10,955 | \$ 9,902 | \$ 48,765 | \$ 48,526 | | |
| Rent and other occupancy costs | 332 | 983 | 1,534 | | 637 | 208 | | 3,694 | | 3,810 | |
| Distribution of donated medical and disaster supplies | 1,729,225 | 10,440 | 5,886 | 1,745,551 | | | | | 1,745,551 | 1,823,015 | |
| Other grants, awards, relief supplies and destruction | 9,476 | 22,342 | 25,949 | 57,767 | | - | 58 | 57,825 | | 56,177 | |
| Grants to other agencies | 2,530 | 4,572 | 2,185 | 9,287 | | 11 | - | 9,298 | | 7,516 | |
| Professional fees and contract services | 202 | 2,198 | 10,574 | 12,974 | | 1,580 | 3,527 | 18,081 | | 17,179 | |
| Office supplies and equipment | 166 | 493 | 789 | 1,448 | | 1,276 | 1,079 | 3,803 | | 3,711 | |
| Telephone | 24 | 67 | 122 | 213 | | 71 | 72 | 356 | | 394 | |
| Postage, shipping and warehousing | 17,082 | 492 | 343 | 17,917 | | 15 | 1,559 | 19,491 | | 17,257 | |
| Promotional expenses | 41 | 76 | 223 | 340 | | 7 | 4,767 | 5,114 | | 5,165 | |
| Travel | 112 | 700 | 399 | 1,211 | | 106 | 196 | 1,513 | | 2,306 | |
| Insurance and miscellaneous | 241 | 128 | 463 | 832 | | 758 | 616 | 2,206 | | 2,611 | |
| Depreciation | 25 | 84 | 213 | 322 | | 213 | 7 | 542 | | 608 | |
| Total functional expenses | <u>\$ 1,763,666</u> | <u>\$ 50,546</u> | <u>\$ 64,407</u> | <u>\$ 1,878,619</u> | <u>\$ 15,629</u> | <u>\$ 21,991</u> | <u>\$ 1,916,239</u> | <u>\$ 1,988,275</u> | | | |

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

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2024
(Dollars in thousands)

| | 2024 | | | | | | | | | | | | |
|---|---------------------|--------------------|--|---------------------|------------------------|------------------|---------------------|--|--|--|--|--|--|
| | Program Services | | | Supporting Services | | | | | | | | | |
| | Access to Medicine | Emergency Programs | Clinical Services and Community Health | Total | Management and General | Fundraising | Total | | | | | | |
| Functional expenses | | | | | | | | | | | | | |
| Salaries and related payroll expenses | \$ 5,773 | \$ 8,147 | \$ 13,960 | \$ 27,880 | \$ 11,563 | \$ 9,083 | \$ 48,526 | | | | | | |
| Rent and other occupancy costs | 791 | 1,017 | 1,231 | 3,039 | 420 | 351 | 3,810 | | | | | | |
| Distribution of donated medical and disaster supplies | 1,782,632 | 33,895 | 6,488 | 1,823,015 | - | - | 1,823,015 | | | | | | |
| Other grants, awards, relief supplies and destruction | 52,370 | 2,061 | 1,746 | 56,177 | - | - | 56,177 | | | | | | |
| Grants to other agencies | 1,702 | 3,248 | 2,566 | 7,516 | - | - | 7,516 | | | | | | |
| Professional fees and contract services | 8,503 | 1,641 | 2,065 | 12,209 | 1,526 | 3,444 | 17,179 | | | | | | |
| Office supplies and equipment | 459 | 410 | 991 | 1,860 | 910 | 941 | 3,711 | | | | | | |
| Telephone | 33 | 84 | 95 | 212 | 138 | 44 | 394 | | | | | | |
| Postage, shipping and warehousing | 15,069 | 703 | 363 | 16,135 | 14 | 1,108 | 17,257 | | | | | | |
| Promotional expenses | 38 | 100 | 275 | 413 | 7 | 4,745 | 5,165 | | | | | | |
| Travel | 218 | 864 | 646 | 1,728 | 193 | 385 | 2,306 | | | | | | |
| Insurance and miscellaneous | 480 | 4 | 721 | 1,205 | 874 | 532 | 2,611 | | | | | | |
| Depreciation | 122 | 143 | 200 | 465 | 112 | 31 | 608 | | | | | | |
| Total functional expenses | <u>\$ 1,868,190</u> | <u>\$ 52,317</u> | <u>\$ 31,347</u> | <u>\$ 1,951,854</u> | <u>\$ 15,757</u> | <u>\$ 20,664</u> | <u>\$ 1,988,275</u> | | | | | | |

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

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

**Years ended June 30,
(Dollars in thousands)**

| | 2025 | 2024 |
|---|--|---|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (43,763) | \$ 26,460 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 542 | 608 |
| Net realized (gain) loss on investments | (940) | 555 |
| Net unrealized gain on fair value of investments | (1,883) | (2,802) |
| Donated investments | (7,277) | (1,898) |
| Realized and unrealized (gain) loss on property held for investment and contributed stock | (27) | 11 |
| Contributions restricted for endowment | - | (25) |
| Changes in assets and liabilities: | | |
| Decrease (increase) in contributions receivable | 490 | (570) |
| (Increase) decrease in other receivables | (483) | 1,249 |
| Decrease (increase) in inventory | 44,617 | (38,170) |
| Increase in prepaid expenses and other assets | (145) | (1,115) |
| Increase in beneficial interest in split-interest agreements | (588) | (245) |
| Decrease in right-of-use assets | 2,239 | 1,894 |
| Increase in accounts payable and accrued expenses | 600 | 457 |
| Increase (decrease) in committed subgrants | 1,363 | (333) |
| Decrease in deferred revenue | - | (1,548) |
| Decrease in lease liabilities | (2,165) | (1,877) |
| Increase in liabilities under split-interest agreements | 627 | 690 |
| Net cash used in by operating activities | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (6,793) | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (16,659) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (215) | (258) |
| Proceeds from sale of investments | 31,035 | 40,383 |
| Purchases of investments | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (19,540) | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (26,517) |
| Net cash provided by investing activities | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 11,280 | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 13,608 |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for endowment | - | 25 |
| Proceeds from note payable | 1,500 | - |
| Payments on note payable | (300) | - |
| Payments of finance leases | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (107) | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (94) |
| Net cash provided by (used in) financing activities | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 1,093 | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (69) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 5,580 | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> (3,120) |
| Cash and cash equivalents, beginning of year | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 6,083 | <hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/> 9,203 |
| Cash and cash equivalents, end of year | <hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 11,663 | <hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 6,083 |
| Supplemental cash flow information: | | |
| Donated medical and disaster relief supplies | \$ 1,755,245 | \$ 1,912,809 |
| Contributed services and facilities | \$ 10,467 | \$ 9,283 |
| Cash paid for interest | \$ 10 | \$ 8 |
| Non-cash ROU assets, obtained in exchange for new operating lease liabilities | \$ 819 | \$ 8,997 |
| Non-cash ROU assets, obtained in exchange for new financing lease liabilities | <hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 11 | <hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ - |

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

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024
(Dollars in thousands)

NOTE 1 - ORGANIZATION

Americares Foundation, Inc. (the "Foundation") is a nonprofit organization established in 1979, which provides life-changing medicine, medical supplies, and health programs to people affected by poverty or disaster throughout the world. Americares has seven country offices throughout the world, and it sponsors Americares Free Clinics, Inc. (the "Clinics"), an affiliated organization, which operates four free health clinics in Connecticut.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include Americares Foundation, Inc. and its affiliated organization (together "Americares") as described in Note 1 and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual basis of accounting. All inter-company amounts have been eliminated in consolidation.

Net Assets

Net assets and related revenues and support are classified based upon the existence or absence of donor-imposed stipulations, as follows:

Net Assets Without Donor Restrictions

Includes all resources that are expendable for carrying on Americares' general mission with no donor restrictions but may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Also included in net assets without donor restrictions are certain planned giving amounts received that have been designated by management to function as an endowment.

Net Assets With Donor Restrictions

Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or are for expenditure on a specific program or in a specific geographic location. These donor imposed stipulations can be fulfilled and removed by the actions of Americares pursuant to those stipulations.

Net assets with donor restrictions also include the corpus of gifts, which must be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes in accordance with donor stipulations.

Revenue is reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. If an expense is incurred for a purpose for which net assets with donor restriction are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred.

Americares receives gifts of cash and other assets with donor stipulations that limit the use of donated assets. When the donor-restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

Cash and Cash Equivalents

Americares classifies short-term highly liquid investments with original maturities of three months or less as cash equivalents. Americares places its cash and cash equivalents in institutions and funds of high credit quality. Americares maintains cash at financial institutions that periodically exceed federally insured amounts. Americares has not experienced any loss in such accounts and believes it is not exposed to any significant risk on cash.

Contributions of Cash and Other Financial Assets

Americares records contributions, including promises to give, in the period received or pledged as long as they are unconditional which requires there be no right of return of the assets contributed and no indication of donor-imposed barriers or performance obligations as a condition of the contribution based upon the donor agreement. Contributions of securities or other similar nonfinancial assets are recorded at the fair value of the assets received and are classified as either without donor restrictions or with donor restrictions, depending on whether the donor has imposed a restriction on the use of such assets. Conditional contributions received with donor-imposed barriers are recognized as revenue when the barriers have been met. Amounts received in advance of satisfying the donor-imposed barriers are reported as deferred revenue until the barriers are met.

Pledged contributions not expected to be received within one year are recognized as support with donor restrictions and are discounted using an appropriate discount rate assigned in the year the pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity. Americares writes-off contributions receivable when they become uncollectible, and payments subsequently received are recorded as income in the period received. As of June 30, 2025 and 2024, there were no allowances for uncollectible contributions receivable.

Government Grants

Americares has determined that government grants are conditional contributions and therefore recognizes revenue when the barriers have been met. Amounts received in advance of satisfying the performance barriers are reported as accrued liabilities until the barriers are met. Generally, performance barriers are met as Americares incurs qualifying costs under the grant or contract agreements. Amounts expended in excess of reimbursements are reported in the consolidated statements of financial position as other receivables.

Americares establishes an allowance for uncollectible accounts, based on historical collection experience. Receivables are written off when deemed uncollectible. As of 2025 and 2024, there were no allowances for uncollectible grant-related receivables.

Contribution of Nonfinancial Assets

Donated Medical Inventory and Disaster Supplies

Upon receipt, Americares reports gifts of donated inventory and supplies as support without donor restrictions unless explicit donor stipulations specify how or where the donated supplies must be used. Gifts of donated inventory and supplies with explicit restrictions that specify how or where the assets are to be used are reported as support with donor restrictions. Additionally, where donated inventory or supplies may be restricted by donors to be used outside the United States of America, such donations were utilized in

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024
(Dollars in thousands)

international health services and natural disaster services. In valuing contributed pharmaceuticals otherwise legally permissible for sale in the United States of America (the principal market), Americares recognizes such gifts on the date received at wholesale acquisition cost ("WAC"), which approximates the exit price in the United States of America. Americares has determined that the WAC is the most appropriate estimate of the fair value for its donated medical inventory and supplies. Americares estimates the WAC by using published industry recognized drug and pricing reference guides for pharmaceuticals in the United States. For products not available in such reference guides, the wholesale value is provided by the donor or estimated using publicly available pricing sources. In valuing pharmaceuticals not legally permissible for sale in the United States of America (and primarily consumed in developing markets), Americares used third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale (that is, the principal markets). Donated inventory and supplies are not sold and goods are only distributed for program use.

Americares operates a Patient Assistance Program ("PAP") through which it receives contributions of donated medical supplies. Gifts in kind received pursuant to this program are not sold; goods received are only distributed for program use. This program's pharmaceutical donations totaled \$1,345,013 and \$1,435,417 for the years ended June 30, 2025 and 2024, respectively. Additionally, Americares received gifts of cash to assist with the funding of PAP costs totaling \$15,336 and \$14,746 for the years ended June 30, 2025 and 2024, respectively. These donations are used to provide drugs to needy patients in the United States of America who have met various eligibility criteria and who would not otherwise be able to afford them. In addition, contributions receivable has been recorded for cash amounts pledged by donors to the PAP program of \$3,818 and \$2,080 for the years ended June 30, 2025 and 2024, respectively.

Contributed Services, Facilities and Freight

Americares receives services and supplies provided by a wide variety of organizations and professionals who receive no fees or salaries, except for reimbursement of certain travel and related expenses. Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Americares records the fair value of contributed services, facilities, and freight as revenue, with an equivalent amount recorded as expense.

Other Nonfinancial Assets

Americares' policy is to report gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long such assets must be maintained, Americares reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Americares has a significant number of volunteers who contribute meaningful amounts of time in furtherance of its mission. Such contributions do not meet generally accepted accounting criteria for recognition as contributed services and, accordingly, are not reflected in the consolidated statements of activities.

Inventory

Purchased inventory is carried at cost. Donated inventory is valued at WAC, which approximates fair value, as determined on the date of receipt. Americares monitors its inventory throughout the year and writes-off amounts that have expired or records an allowance for items that may expire before distribution can be made or are known to have become damaged.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

Investments

Investments are recorded at fair value based on the quoted market values of the securities; accordingly, the accompanying consolidated statements of activities reflects changes in fair value as increases or decreases in unrealized gain (loss) in fair value of investments. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned on the accrual basis. Security transactions are recorded on a trade date basis. The cost of marketable securities sold is determined by the specific identification method and realized gains (losses) are reflected in the accompanying consolidated statements of activities.

Fair Value Measurements

Americares follows the guidance that established a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument.

The three levels are based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but trade less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to Americares' perceived risk of that investment.

Split-Interest Agreements

Americares is the beneficiary of various irrevocable trusts held both by Americares and third-party trustees. Receivables from split-interest agreements held by third-party trustees represent the net present value of an estimate of the funds to be received. The net present value of these receivables was determined by using an estimate of the funds to be received from these trusts, the specified number of periods the funds will be received, and a discount rate determined at the time of the gift.

Liabilities from split-interest agreements result from annuity contracts whereby donors receive life-time income in exchange for a payment to Americares that constitutes part charitable contribution and part purchase of an annuity. The liability is recorded at the present value of the payments to be made based on the donor's life expectancy. Actuarial gains and losses on the present value discount are reflected in the accompanying consolidated statements of activities as change in value of split-interest agreements.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

Perpetual Assets Held in Trust

Donors have established and funded trusts which are administered by organizations other than Americares. Under the terms of these trusts, Americares has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. Americares does not control the assets held by outside trusts. Americares recognizes its interest in the trusts, based on the fair value of the assets contributed to the trusts, as contributions with donor restrictions. Fluctuations in the fair value of these assets are recorded as changes in net assets with donor restrictions in the accompanying consolidated statements of activities.

Property and Equipment

Property and equipment purchased for a value greater than \$5 and with depreciable lives greater than one year are recorded at cost; assets donated to Americares are recorded at fair value on the date of donation. Assets acquired under capital leases are stated at present value of future minimum lease payments at the inception of the lease and are amortized over the shorter period of the lease term or the estimated useful life of the asset. Capitalizable costs incurred in connection with ongoing capital projects are recorded as construction in progress.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment are depreciated over five years. Capitalized software, which is reflected within furniture and equipment on the accompanying consolidated statements of financial position, is depreciated over 10 years. Leasehold improvements are amortized over the lesser of the economic life of the assets or the terms of the related leases. Buildings are depreciated over 20 years.

Committed Subgrants

Americares makes subgrants and awards to organizations that help in the rehabilitation, rebuilding and recovery efforts of areas suffering as a result of natural or manmade disasters, as well as, complex humanitarian situations. A liability for cash subgrants is recorded when Americares has approved the subgrant and there are unconditional terms with the partner grantee. Committed subgrants beyond one year are recorded at net present value using a risk-free rate of return. At June 30, 2025 and 2024, committed subgrants expected to be distributed in the next fiscal year aggregate to \$2,823 and \$1,460, respectively.

Allocation of Expenses

Amounts for salaries, office supplies, occupancy and other similar items are allocated to program or supporting services based on allocation factors such as square footage (used for allocation of rent, utilities and building maintenance), headcount (used for allocation of insurance, telephone and software) and budgeted costs (for example, software budgeted as an information technology cost, but allocated to programs). These allocation factors are representative of cost consumption and depend on the nature of the activity for which the expense was incurred.

Concentration of Credit Risk

Cash and investments are exposed to various risks, such as interest rate, market, and credit risks. Americares maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize such risks, Americares maintains its cash in various bank deposit accounts and in diversified institutions and, accordingly, Americares does not expect nonperformance.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation reserves for inventories and contributions receivable. While Americares believes that these estimates are reasonable, actual results could differ from such estimates.

Leases

Americares determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. Americares determines these assets are leased because Americares has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because Americares determines it does not have the right to control and direct the use of the identified asset. Americares's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, Americares separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use ("ROU") assets and lease liabilities for its office space. Americares has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term.

Lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. Americares determines lease classification as operating or finance at the lease commencement date. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Americares has made a policy election to use a risk-free rate per U.S. Treasury instrument for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term. The lease term may include options to extend or to terminate the lease that Americares is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Americares has elected not to record leases with an initial term of 12 months or less on its consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

NOTE 3 - INVESTMENTS

Investments, at fair value, consisted of and are classified as follows within the fair value hierarchy:

| | 2025 | | | 2024 | | |
|--|------------------|-----------------|------------------|------------------|-----------------|------------------|
| | Level 1 | Level 3 | Total | Level 1 | Level 3 | Total |
| Fixed income | \$ 16,880 | \$ - | \$ 16,880 | \$ 22,712 | \$ - | \$ 22,712 |
| Equity securities | 25,389 | - | 25,389 | 21,518 | - | 21,518 |
| Other | 1,026 | - | 1,026 | 430 | - | 430 |
| | <u>43,295</u> | <u>-</u> | <u>43,295</u> | <u>44,660</u> | <u>-</u> | <u>44,660</u> |
| Beneficial interest in split-interest agreements | | | | | | |
| Perpetual assets held in trust | - | 3,280 | 3,280 | - | 3,341 | 3,341 |
| Trust agreements | - | 216 | 216 | - | 194 | 194 |
| | <u>-</u> | <u>3,496</u> | <u>3,496</u> | <u>-</u> | <u>3,535</u> | <u>3,535</u> |
| Total | <u>\$ 43,295</u> | <u>\$ 3,496</u> | <u>\$ 46,791</u> | <u>\$ 44,660</u> | <u>\$ 3,535</u> | <u>\$ 48,195</u> |

The following table summarizes the changes in Level 3 investments for the years ended June 30, 2025 and 2024:

| | 2025 | 2024 |
|------------------------------|-----------------|-----------------|
| Balance at beginning of year | \$ 3,535 | \$ 3,328 |
| Unrealized (loss) gain | <u>(39)</u> | <u>207</u> |
| Balance at end of year | <u>\$ 3,496</u> | <u>\$ 3,535</u> |

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions expected to be collected after one year have been discounted using a discount rate of 3.78% and 4.58% for the years ended June 30, 2025 and 2024, respectively, and are reflected on the accompanying consolidated financial statements at net present value.

Contributions receivable, net as of June 30, 2025 and 2024, are due as follows:

| | 2025 | 2024 |
|-------------------------------------|-----------------|------------------|
| Less than one year | \$ 7,171 | \$ 7,093 |
| One to three years | <u>2,750</u> | <u>3,327</u> |
| Total contributions receivable | 9,921 | 10,420 |
| Less: discount to present value | <u>(343)</u> | <u>(352)</u> |
| Total contributions receivable, net | <u>\$ 9,578</u> | <u>\$ 10,068</u> |

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

NOTE 5 - INVENTORY

Inventory balances as of June 30, 2025 and 2024 were composed of the following:

| | <u>2025</u> | <u>2024</u> |
|---|-----------------------|-----------------------|
| Medicines | \$ 312,195 | \$ 356,452 |
| Medical devices and nonmedical supplies | 4,372 | 6,136 |
| Other assorted | 491 | 1,087 |
| Total inventory | 317,058 | 363,675 |
| Less: allowance for obsolescence | (30,000) | (32,000) |
| Total inventory, net | <u>\$ 287,058</u> | <u>\$ 331,675</u> |

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Building and land | \$ 1,597 | \$ 1,597 |
| Furniture and equipment | 6,403 | 6,344 |
| Leasehold improvements | 3,859 | 3,663 |
| Construction in process | - | 47 |
| Total property and equipment | 11,859 | 11,651 |
| Accumulated depreciation and amortization | (9,472) | (9,058) |
| Property and equipment, net | <u>\$ 2,387</u> | <u>\$ 2,593</u> |

Depreciation expense for property and equipment for the years ended June 30, 2025 and 2024 was \$435 and \$550, respectively.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2025 and 2024, contributions of nonfinancial assets consisted of the following:

| Nonfinancial Assets Category | Type of Contribution for Beneficiaries | Valuation | 2025 | 2024 |
|---|---|---|---------------------|---------------------|
| Medicines | Pharmaceuticals and medical supplies | WAC/international pricing/donor provided | \$ 1,738,833 | \$ 1,888,712 |
| Medical devices and nonmedical supplies | Devices such as syringes, needles, portable power supplies, solution sets | WAC/international pricing/donor provided | 16,412 | 24,097 |
| Subtotal | | | 1,755,245 | 1,912,809 |
| Contributed services | Services such as pro bono medical, advertising and legal services | Standard industry practice for similar services | 10,128 | 8,976 |
| Contributed freight | Air freight services | Standard industry practice for similar services | 339 | 307 |
| Total nonfinancial assets contributed | | | <u>\$ 1,765,712</u> | <u>\$ 1,922,092</u> |

The principal market used to arrive at a fair value for total medicines, medical devices, medical supplies and other is:

| | 2025 | 2024 |
|---|---------------------|---------------------|
| United States | \$ 1,755,084 | \$ 1,908,929 |
| International | 161 | 3,880 |
| Total donated medical and disaster supplies | <u>\$ 1,755,245</u> | <u>\$ 1,912,809</u> |

In 2025, Amicares received medicines, medical devices, and non-medical supplies with donor restrictions aggregating \$1,586,689, of which \$1,345,013 were used on the Patient Assistance Program, \$189,735 on international programs, \$47,455 on programs in the United States of America and \$4,486 on emergency programs.

In 2024, Amicares received medicines, medical devices, and non-medical supplies with donor restrictions aggregating \$1,785,573, of which \$1,435,417 were used on the Patient Assistance Program, \$213,860 on international programs, \$132,310 on programs in the United States of America and \$3,986 on emergency programs.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

NOTE 8 - NET ASSETS

Americares' net assets with donor restrictions are available for the following purposes as of June 30:

| | 2025 | 2024 |
|---|------------------|------------------|
| Purpose restricted: | | |
| Disaster relief: | | |
| Donated inventory | \$ 226,509 | \$ 317,472 |
| Donated cash and pledges | 11,372 | 845 |
| Clinics | 766 | 375 |
| | <hr/> 238,647 | <hr/> 318,692 |
| Time-restricted | 2,750 | 5,653 |
| Endowment funds subject to Americares' appropriation and satisfaction of donor restrictions - original corpus | 1,748 | 1,748 |
| Endowment accumulated earnings | 1,409 | 1,023 |
| Perpetual trusts | 3,280 | 3,341 |
| | <hr/> \$ 247,834 | <hr/> \$ 330,457 |
| Total | | |

NOTE 9 - ENDOWMENTS AND LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS

Management appropriates amounts from the donor-restricted endowment in accordance with their established endowment policy. Donor-restricted endowment balances are released from restrictions as Americares incurs expenditures during the fiscal period in satisfaction of the donor stipulations. Amounts appropriated that have not been spent on qualifying expenditures remain as net assets with donor restrictions.

Endowments

Americares has received donor-restricted endowment contributions of perpetual duration and classified these funds as net assets with donor restrictions, with the appreciation available for the general purposes of Americares. Americares' investment policy requires that endowment funds be invested in Level 1 assets and provides management with an asset allocation guideline, which provides flexibility for management of the portfolio to achieve long-term growth, without excessive risk. Americares follows guidance which, among other things, addresses the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of this guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as held in perpetuity as net assets with donor restrictions until appropriated for expenditure. This standard requires new disclosures about an organization's donor restricted and board-designated (quasi) endowment funds. During 2008, Connecticut enacted UPMIFA into law. Management of Americares has interpreted the Connecticut law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Americares would classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the donor-restricted endowment; and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund includes the accumulated unspent earnings on the donor-restricted endowment funds that remains within net assets with donor restrictions until those amounts are appropriated for expenditure by Americares in a manner consistent with the standard of prudence prescribed by UPMIFA.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

Changes in endowment net assets for the years ended June 30, 2025 and 2024 are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|------------------|
| Endowment assets, June 30, 2023 | \$ 10,606 | \$ 2,460 | \$ 13,066 |
| Management designations and donor restricted gifts | - | 25 | 25 |
| Net investment return | <u>1,442</u> | <u>286</u> | <u>1,728</u> |
| Endowment assets, June 30, 2024 | 12,048 | 2,771 | 14,819 |
| Management designations and donor restricted gifts | 12,285 | - | 12,285 |
| Net investment return | <u>1,737</u> | <u>386</u> | <u>2,123</u> |
| Withdrawal | <u>(526)</u> | <u>-</u> | <u>(526)</u> |
| Endowment assets, June 30, 2025 | <u>\$ 25,544</u> | <u>\$ 3,157</u> | <u>\$ 28,701</u> |

Perpetual trust assets totaling \$3,280 and \$3,340 have been excluded from the above donor -restricted endowment assets as of June 30, 2025 and 2024, respectively. During fiscal year 2025, Americares withdrew \$526 from its quasi-endowment to support the implementation of a new enterprise resource planning system.

Quasi-Endowments

Management of Americares has removed planning giving gifts from its annual operating budget and has established guidelines for allocating these gifts on an annual basis between the management-directed quasi endowment, an innovation fund, and strategic initiatives or operating funds. These guidelines are reviewed at the end of each fiscal year dependent on the level of planned giving gifts and the financial results for the fiscal year. Management informs the Board of Directors of these decisions. Management designated \$12,285 and \$0 for the years ended June 30, 2025 and 2024, respectively, of gifts without donor restrictions for long-term investment in the quasi-endowment (i.e., without donor restrictions). Management has access to such funds and may use them without a resolution from the Board of Directors.

Charitable Gifts Annuities

Americares has several charitable gift annuities which are arrangements between donors and Americares. Under these arrangements, donors contribute assets to Americares in exchange for a promise by Americares to pay a fixed amount back to the donor (or individuals designated by the donor) over a period of time. The current and long-term portions of the liability for these arrangements is shown in accounts payable and accrued liabilities and liabilities under split-interest agreements and assets relating these arrangements are included in prepaid expenses and other assets in the accompanying consolidated statements of financial position.

Americares has entered into agreements with insurance companies to reinsure its charitable gift annuity program. Under the terms of these agreements, the insurance companies agreed to assume the risk of changes in the present value of expected future cash flows payable to the annuitants in exchange for cash consideration of \$1,247 and \$1,221 as of June 30, 2025 and 2024, respectively. Additionally, the insurance companies agreed to fund payments made to beneficiaries over the duration of the annuity. As a result of

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024
(Dollars in thousands)

these transactions, Americares recorded an increase in the fair value of its charitable gift annuities of \$58 and \$257 in fiscal years ended June 30, 2025 and 2024, respectively, which is included in the change in value of split-interest agreements line on the consolidated statements of activities. Subsequent changes in the actuarial present value of Americares' liability to annuitants do not impact the consolidated statements of activities.

As of June 30, 2025 and 2024, the actuarial calculation for these arrangements (which equates to the fair value of the reinsurance agreement) was \$7,326 and \$6,518, respectively. Such amounts are included in prepaid expenses and other assets. Liabilities under split interest agreements are included as accrued and non-current liabilities on the accompanying consolidated statements of financial position.

| | 2025 | 2024 |
|---|-----------------|-----------------|
| Balance at beginning of year | \$ 6,518 | \$ 5,655 |
| Purchase of reinsurance contract | 1,247 | 1,221 |
| Change in value of reinsurance contract | (439) | (358) |
| Balance at end of year | <u>\$ 7,326</u> | <u>\$ 6,518</u> |

Americares is mandated by certain states' laws to keep, as a reserve, certain excess balances related to its annuity contracts, which equaled \$100 at June 30, 2025 and 2024.

NOTE 10 - NOTE PAYABLE AND LINE OF CREDIT

In November 2021, Americares Free Clinics, Inc. ("AFC") issued an unsecured \$300 five-year bond with an annual interest rate of 1% to the Northern Trust Company, Inc. The purpose of the bond is to assist AFC in the funding of its programs. Interest expense of \$3 for both the years ended June 30, 2025 and 2024 has been reflected in insurance and miscellaneous expense on the accompanying consolidated statements of activities. During the fiscal year ended June 30, 2025, Americares paid the outstanding bond.

On July 9, 2024, Americares entered into a loan agreement with Sobrato Family Foundation, for an aggregate principal amount of up to \$5,000, which is unsecured. The purpose of this loan is to provide working capital for programs aimed at promoting its charitable mission. The loan matures on July 8, 2027. Pursuant to the loan agreement, interest accrues at a rate of 2%. As of June 30, 2025, \$1,500 was outstanding. Interest expense of \$22 for the year ended June 30, 2025 has been reflected in insurance and miscellaneous expense on the accompanying consolidated statements of activities.

In fiscal year 2017, Americares entered into an uncommitted \$3,000 line of credit with Northern Trust Company secured by certain Americares investment funds. The line of credit will expire in July 2026 and any outstanding balances under the line of credit would accrue interest at the overnight London Interbank Offered Rate plus 1.75%. No amounts were outstanding as of June 30, 2025 and 2024.

NOTE 11 - INCOME TAXES

Americares and the Clinics follow 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.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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(Dollars in thousands)**

Both Americares and the Clinics are exempt from federal income tax under Internal Revenue Code ("IRC") section 501(c)(3), though they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. Americares 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. Americares has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE 12 - SIGNIFICANT DONORS

Most of Americares' medical, food and other disaster relief supplies ("merchandise") contributions are received from companies in the pharmaceutical industry. For the years ended June 30, 2025 and 2024, the largest contributor accounted for 28% and 30%, respectively, of total merchandise contributions. The three largest contributors accounted for 54% and 53% of total merchandise contributions for the years ended June 30, 2025 and 2024, respectively.

NOTE 13 - EMPLOYEE BENEFITS

Americares established a defined contribution plan for all eligible employees effective January 1, 1992. As of December 31, 2002, Americares modified the plan to include a company matching program in which Americares would match each employee's contribution to the 401(k) savings plan up to a maximum of 6% of each employee's salary. Employees enrolling in the 401(k) savings plan after January 1, 2003 become 50% vested in the company match after one year of service and 100% vested after two years. Americares' contribution was approximately \$1,605 and \$1,611 for the years ended June 30, 2025 and 2024, respectively.

During fiscal year 2015, Americares established a Non-Qualified Deferred Compensation Plan that is designed in accordance with Section 457 (b) and (f) of the IRC covering the Chief Executive Officer of Americares. The balance associated with the 457(b) plan was approximately \$92 and \$88 for the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, there were no balances associated with the 457(f) plan. Plan balances are included in investments and accounts payable and accrued liabilities on the accompanying consolidated statements of financial position.

NOTE 14 - LEASES

Americares leases real estate and certain equipment. These lease agreements expire on various dates through January 2036. ROU assets pursuant to operating and finance leases are comprised of:

| | <u>2025</u> | <u>2024</u> |
|-------------------------|-----------------|-----------------|
| Operating leases | \$ 6,577 | \$ 8,018 |
| Finance leases | 224 | 320 |
| Total ROU assets | \$ 6,801 | \$ 8,338 |

For the years ended June 30, 2025 and 2024, there were no impairments on the ROU assets.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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The lease cost and other required information relevant to the lease commitments for the years ended June 30, 2025 and 2024 are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|-----------------|-----------------|
| Lease cost | | |
| Operating lease cost | \$ 1,828 | \$ 1,107 |
| Finance lease cost: | | |
| Amortization of ROU assets | 107 | 94 |
| Interest on lease liabilities | 10 | 13 |
| Total lease cost | \$ 1,945 | \$ 1,214 |
| Operating cash flows paid for operating leases | \$ 2,017 | \$ 1,365 |
| Operating cash flows from finance leases | 10 | 13 |
| Financing cash flows from finance leases | 107 | 94 |
| ROU assets, obtained in exchange for new operating lease liabilities | 819 | 8,997 |
| ROU assets, obtained in exchange for new financing lease liabilities | 11 | - |
| Weighted-average remaining lease term: | | |
| Operating leases | 3.50 years | 4.28 years |
| Finance leases | 2.04 years | 2.96 years |
| Weighted-average discount rate: | | |
| Operating leases | 5.00% | 4.64% |
| Finance leases | 3.66% | 3.66% |

Lease liabilities aggregating \$7,339 are reflected under current and non-current liabilities. Future minimum payments under the above-described leases are due as follows:

| | <u>Operating</u> | <u>Finance</u> |
|--|---------------------|-------------------|
| 2026 | \$ 2,221 | \$ 117 |
| 2027 | 2,117 | 111 |
| 2028 | 2,145 | 2 |
| 2029 | 771 | 2 |
| 2030 | 77 | 1 |
| Thereafter | <u>459</u> | <u>-</u> |
| Total future undiscounted lease payments | 7,790 | 233 |
| Less: amounts representing interest | (675) | (9) |
| Total lease liabilities | \$ 7,115 | \$ 224 |

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

NOTE 15 - RELATED PARTY TRANSACTIONS

Americares has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees or key person, or any immediate family member, can participate in any decision in which he or she has a material financial interest or exercises influence. Each Trustee and key person is required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related-party transactions to the audit committee. If such a relationship exists, Americares requires that such transactions be conducted at arms' length, with terms that are fair and reasonable to and for the benefit of Americares. There were no material related party transactions during fiscal years ended June 30, 2025 and 2024.

NOTE 16 - LIQUIDITY AND AVAILABILITY

Americares receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Americares manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Americares has a liquidity policy to maintain financial cash reserves within net assets without donor restrictions at a minimum of 90 days of operating expenses exclusive of restricted gifts at all times during the fiscal year. To achieve these targets, Americares forecasts its future cash flows, monitors its liquidity monthly and monitors its reserves annually. During the fiscal years ended June 30, 2025 and 2024, the level of liquidity and reserves were managed within the policy requirements.

Financial assets for general expenditure available to management for general expenditure within one year as of June 30, 2025 and 2024 is as follows:

| | 2025 | 2024 |
|--|------------------|------------------|
| Financial assets due within one year: | | |
| Cash and cash equivalents | \$ 11,663 | \$ 6,083 |
| Investments | 43,295 | 44,660 |
| Contributions, receivable due within one year | 7,171 | 7,093 |
| Other receivables | 1,142 | 659 |
| | 63,271 | 58,495 |
| Less: | | |
| Amounts unavailable for general expenditures within one year due to: | | |
| Restricted by donors with other purpose restrictions | 12,138 | 1,220 |
| Restricted by donors with time restrictions | 2,750 | 5,654 |
| Unappropriated accumulated endowment gains | 1,409 | 1,023 |
| Restricted by donor in perpetuity | 1,748 | 1,748 |
| | | |
| Total financial assets available to management for general expenditure within one year | <u>\$ 45,226</u> | <u>\$ 48,850</u> |

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024
(Dollars in thousands)**

NOTE 17 - SUBSEQUENT EVENTS

There are no additional events that require consideration for adjustments to, or disclosure in the consolidated financial statements through December 5, 2025, the date these consolidated financial statements were available for issuance.

SUPPLEMENTAL INFORMATION

Americares Foundation, Inc. and Affiliate
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

June 30, 2025
(Dollars in thousands)

| | Americares Foundation, Inc. | Americares Free Clinics, Inc. | Total |
|--|--|--|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 11,631 | \$ 32 | \$ 11,663 |
| Investments | 43,295 | - | 43,295 |
| Contributions receivable, net | 7,071 | 100 | 7,171 |
| Other receivables | 1,012 | 130 | 1,142 |
| Inventory, net | 286,429 | 629 | 287,058 |
| Prepaid expenses and other assets | 2,727 | 53 | 2,780 |
| Intercompany | (4,156) | 4,156 | - |
| Total current assets | 348,009 | 5,100 | 353,109 |
| Noncurrent assets | | | |
| Other assets | | | |
| Contributions receivable, net | 2,338 | 69 | 2,407 |
| Property held for investment | 40 | - | 40 |
| Beneficial interest in split-interest agreements | | | |
| Charitable gift annuities and perpetual trust assets | 9,599 | - | 9,599 |
| Trust agreements | 216 | - | 216 |
| Total other assets | 12,193 | 69 | 12,262 |
| Property and equipment, net | 2,132 | 255 | 2,387 |
| Right-of-use assets | 6,053 | 748 | 6,801 |
| Total noncurrent assets | 20,378 | 1,072 | 21,450 |
| Total assets | \$ 368,387 | \$ 6,172 | \$ 374,559 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | \$ 10,517 | \$ 507 | \$ 11,024 |
| Committed subgrants | 2,823 | - | 2,823 |
| Lease liabilities | 2,116 | 114 | 2,230 |
| Total current liabilities | 15,456 | 621 | 16,077 |
| Noncurrent liabilities | | | |
| Liabilities under split-interest agreements | 6,319 | - | 6,319 |
| Note payable | 1,500 | - | 1,500 |
| Lease liabilities | 4,423 | 686 | 5,109 |
| Total noncurrent liabilities | 12,242 | 686 | 12,928 |
| Total liabilities | 27,698 | 1,307 | 29,005 |
| Net assets | | | |
| Without donor restrictions | 93,171 | 4,549 | 97,720 |
| With donor restrictions | 247,518 | 316 | 247,834 |
| Total net assets | 340,689 | 4,865 | 345,554 |
| Total liabilities and net assets | \$ 368,387 | \$ 6,172 | \$ 374,559 |

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Americares Foundation, Inc. and Affiliate
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended June 30, 2025
(Dollars in thousands)

| | Americares Foundation, Inc. | Americares Free Clinics, Inc. | Intercompany Eliminations | Total |
|---|--|--|--------------------------------------|-------------------|
| Changes in net assets without donor restrictions | | | | |
| Support and revenue: | | | | |
| Public support: | | | | |
| Contributions of cash and other financial assets | \$ 49,480 | \$ 6,490 | \$ - | \$ 55,970 |
| Government grants | 3,139 | - | - | 3,139 |
| Contributions of nonfinancial assets: | | | | |
| Donated medical and disaster supplies | 168,556 | 1,833 | (1,833) | 168,556 |
| Contributed services and facilities | 789 | 9,678 | - | 10,467 |
| Total contributions of nonfinancial assets | 169,345 | 11,511 | (1,833) | 179,023 |
| Net assets released from restrictions | 1,708,783 | 1,034 | - | 1,709,817 |
| Total public support | 1,930,747 | 19,035 | (1,833) | 1,947,949 |
| Investment and other revenue: | | | | |
| Net investment return | 3,209 | 789 | - | 3,998 |
| Other revenue | 3,542 | 1 | - | 3,543 |
| Change in value of split-interest agreements | (391) | - | - | (391) |
| Total Investment and other revenue | 6,360 | 790 | - | 7,150 |
| Total support and revenue | 1,937,107 | 19,825 | (1,833) | 1,955,099 |
| Expenses: | | | | |
| Program services | | | | |
| Distribution of donated medical and disaster supplies | 1,745,510 | 1,874 | (1,833) | 1,745,551 |
| Other program expenses | 118,003 | 15,065 | - | 133,068 |
| Total program services | 1,863,513 | 16,939 | (1,833) | 1,878,619 |
| Supporting services: | | | | |
| Management and general | 15,629 | - | - | 15,629 |
| Fundraising | 21,991 | - | - | 21,991 |
| Total supporting services | 37,620 | - | - | 37,620 |
| Total expenses | 1,901,133 | 16,939 | (1,833) | 1,916,239 |
| Increase in net assets without donor restrictions | 35,974 | 2,886 | - | 38,860 |
| Changes in net assets with donor restrictions | | | | |
| Support and revenue: | | | | |
| Public support: | | | | |
| Contributions of cash and other financial assets | 39,020 | 649 | - | 39,669 |
| Donated medical and disaster supplies | 1,586,689 | - | - | 1,586,689 |
| Net assets released from restrictions | (1,708,783) | (1,034) | - | (1,709,817) |
| Total public support | (83,074) | (385) | - | (83,459) |
| Investment and fee revenue: | | | | |
| Net investment return | 836 | - | - | 836 |
| Total investment and fee revenue | 836 | - | - | 836 |
| Total support and revenue | (82,238) | (385) | - | (82,623) |
| Decrease in net assets with donor restrictions | (82,238) | (385) | - | (82,623) |
| CHANGE IN NET ASSETS | (46,264) | 2,501 | - | (43,763) |
| Net assets, beginning of year | 386,953 | 2,364 | - | 389,317 |
| Net assets, end of year | \$ 340,689 | \$ 4,865 | \$ - | \$ 345,554 |

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Americares Foundation, Inc. and Affiliate

SCHEDULE OF FUNCTIONAL EXPENSES - AMERICARES FOUNDATION, INC.

Year ended June 30, 2025
(Dollars in thousands)

| | Grants, Awards and Program- Related Expenses | Supporting Services | | | Total | |
|---|---|---------------------------------------|----------------------|-------------------------|--------------|--|
| | | Management and General | | Fundraising | | |
| | | Management | General | | | |
| Functional expenses | | | | | | |
| Salaries and related payroll expenses | \$ 23,369 | \$ 10,955 | \$ 9,902 | | \$ 44,226 | |
| Rent and other occupancy costs | 2,411 | 637 | 208 | | 3,256 | |
| Distribution of donated medical and disaster supplies | 1,745,510 | - | - | | 1,745,510 | |
| Other grants, awards, relief supplies and destruction | 57,705 | - | 58 | | 57,763 | |
| Grants to other agencies | (333) | 11 | - | | (322) | |
| Professional fees and contract services | 12,794 | 1,580 | 3,527 | | 17,901 | |
| Office supplies and equipment | 1,412 | 1,276 | 1,079 | | 3,767 | |
| Telephone | 206 | 71 | 72 | | 349 | |
| Postage, shipping and warehousing | 17,888 | 15 | 1,559 | | 19,462 | |
| Promotional expenses | 328 | 7 | 4,767 | | 5,102 | |
| Travel | 1,102 | 106 | 196 | | 1,404 | |
| Insurance and miscellaneous | 799 | 758 | 616 | | 2,173 | |
| Depreciation | 322 | 213 | 7 | | 542 | |
| Total functional expenses | <u>\$ 1,863,513</u> | <u>\$ 15,629</u> | <u>\$ 21,991</u> | <u>\$ 1,901,133</u> | | |

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Americares Foundation, Inc. and Affiliate

SCHEDULE OF FUNCTIONAL EXPENSES - AMERICARES FREE CLINICS, INC.

Year ended June 30, 2025
(Dollars in thousands)

| | Grants, Awards and Program- Related Expenses | Supporting Services | | | Total | |
|---|---|---------------------------------------|----------------|--------------------|---------------|--|
| | | Management and General | | Fundraising | | |
| | | Management | General | | | |
| Functional expenses | | | | | | |
| Salaries and related payroll expenses | \$ 4,539 | \$ - | \$ - | \$ - | \$ 4,539 | |
| Rent and other occupancy costs | 438 | - | - | - | 438 | |
| Distribution of donated medical and disaster supplies | 1,874 | - | - | - | 1,874 | |
| Other grants, awards, relief supplies and destruction | 62 | - | - | - | 62 | |
| Grants to other agencies | 9,620 | - | - | - | 9,620 | |
| Professional fees and contract services | 180 | - | - | - | 180 | |
| Office supplies and equipment | 36 | - | - | - | 36 | |
| Telephone | 7 | - | - | - | 7 | |
| Postage, shipping and warehousing | 29 | - | - | - | 29 | |
| Promotional expenses | 12 | - | - | - | 12 | |
| Travel | 109 | - | - | - | 109 | |
| Insurance and miscellaneous | 33 | - | - | - | 33 | |
| Total functional expenses | \$ 16,939 | \$ - | \$ - | \$ - | \$ 16,939 | |

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.