

Consolidated Financial Statements  
and Uniform Guidance Supplementary  
Information Together with Report of  
Independent Certified Public  
Accountants

**Americares Foundation, Inc. and Affiliate**

For the years ended June 30, 2019 and 2018

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
**Americares Foundation, Inc.:**

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of Americares Foundation, Inc. and affiliate (collectively, "Americares"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Americares' preparation and fair presentation of the consolidated financial statements 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 Americares' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

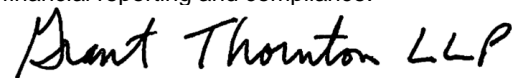
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriCares Foundation, Inc. and affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters***Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the 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 audits 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.

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 5, 2019, on our consideration of AmeriCares' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AmeriCares' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AmeriCares' internal control over financial reporting and compliance.



New York, New York  
November 5, 2019

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**As of June 30, 2019 and 2018  
(In thousands)**

<b>ASSETS</b>	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 17,376	\$ 25,040
Investments	26,998	28,187
Contributions receivable, net	4,978	3,816
Other receivables	807	560
Inventory, net	165,456	263,454
Prepaid expenses and other assets	4,643	855
Total current assets	<u>220,258</u>	<u>321,912</u>
<b>NONCURRENT ASSETS</b>		
Other assets:		
Contributions receivable, net	568	268
Property held for investment	225	261
Beneficial interest in split-interest agreements - Perpetual assets held in trust	3,404	3,473
Trust agreements	55	113
Total other assets	<u>4,252</u>	<u>4,115</u>
Property and equipment:		
Building and land	1,264	1,109
Furniture and equipment	3,820	3,807
Leasehold improvements	3,545	3,545
Accumulated depreciation and amortization	(6,335)	(5,931)
Net property and equipment	<u>2,294</u>	<u>2,530</u>
Total noncurrent assets	<u>6,546</u>	<u>6,645</u>
Total assets	<u>\$ 226,804</u>	<u>\$ 328,557</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 6,284	\$ 5,445
Committed subgrants	1,001	1,717
Deferred revenue	203	384
Total current liabilities	<u>7,488</u>	<u>7,546</u>
<b>NONCURRENT LIABILITIES</b>		
Liabilities under split-interest agreements	2,897	2,221
Loan payable and capital leases	320	352
Total noncurrent liabilities	<u>3,217</u>	<u>2,573</u>
Total liabilities	<u>10,705</u>	<u>10,119</u>
<b>NET ASSETS</b>		
Without donor restrictions	65,032	97,005
With donor restrictions	151,067	221,433
Total net assets	<u>216,099</u>	<u>318,438</u>
Total liabilities and net assets	<u>\$ 226,804</u>	<u>\$ 328,557</u>

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

AMERICARES FOUNDATION, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018  
(In thousands)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Public support:						
Contributions and private grants	\$ 27,632	\$ 22,872	\$ 50,504	\$ 24,643	\$ 43,026	\$ 67,669
Government grants	1,388	-	1,388	140	-	140
Donated medical and disaster supplies	205,124	719,266	924,390	183,181	792,810	975,991
Contributed services and facilities	10,408	-	10,408	8,196	-	8,196
Net assets released from restrictions	<u>812,761</u>	<u>(812,761)</u>	<u>-</u>	<u>1,157,455</u>	<u>(1,157,455)</u>	<u>-</u>
Total public support	<u>1,057,313</u>	<u>(70,623)</u>	<u>986,690</u>	<u>1,373,615</u>	<u>(321,619)</u>	<u>1,051,996</u>
Investment and fee revenue:						
Net investment return	1,383	235	1,618	1,481	133	1,614
Other revenue	2,512	50	2,562	2,372	62	2,434
Change in value of split-interest agreements	<u>(578)</u>	<u>(28)</u>	<u>(606)</u>	<u>21</u>	<u>(1)</u>	<u>20</u>
Total revenue	<u>3,317</u>	<u>257</u>	<u>3,574</u>	<u>3,874</u>	<u>194</u>	<u>4,068</u>
Total support and revenue	<u>1,060,630</u>	<u>(70,366)</u>	<u>990,264</u>	<u>1,377,489</u>	<u>(321,425)</u>	<u>1,056,064</u>
<b>EXPENSES</b>						
Program services						
Distribution of donated medical and disaster supplies	984,619	-	984,619	1,254,703	-	1,254,703
Other program expenses	<u>89,272</u>	<u>-</u>	<u>89,272</u>	<u>66,030</u>	<u>-</u>	<u>66,030</u>
Total program services	<u>1,073,891</u>	<u>-</u>	<u>1,073,891</u>	<u>1,320,733</u>	<u>-</u>	<u>1,320,733</u>
Supporting services						
Management and general	5,738	-	5,738	5,519	-	5,519
Fundraising	<u>12,974</u>	<u>-</u>	<u>12,974</u>	<u>12,394</u>	<u>-</u>	<u>12,394</u>
Total supporting services	<u>18,712</u>	<u>-</u>	<u>18,712</u>	<u>17,913</u>	<u>-</u>	<u>17,913</u>
Total expenses	<u>1,092,603</u>	<u>-</u>	<u>1,092,603</u>	<u>1,338,646</u>	<u>-</u>	<u>1,338,646</u>
Change in net assets	<u>(31,973)</u>	<u>(70,366)</u>	<u>(102,339)</u>	<u>38,843</u>	<u>(321,425)</u>	<u>(282,582)</u>
Net assets, beginning of year	<u>97,005</u>	<u>221,433</u>	<u>318,438</u>	<u>58,162</u>	<u>542,858</u>	<u>601,020</u>
Net assets, end of year	<u>\$ 65,032</u>	<u>\$ 151,067</u>	<u>\$ 216,099</u>	<u>\$ 97,005</u>	<u>\$ 221,433</u>	<u>\$ 318,438</u>

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended June 30, 2019 and 2018  
(In thousands)

	2019				2018			
	Grants, Awards and Program- Related Expenses	Supporting Services			Grants, Awards and Program- Related Expenses	Supporting Services		
		Management and General	Fundraising	Total		Management and General	Fundraising	Total
FUNCTIONAL EXPENSES								
Salaries and related payroll expenses	\$ 16,300	\$ 3,821	\$ 5,085	\$ 25,206	\$ 12,095	\$ 3,729	\$ 4,656	\$ 20,480
Rent and other occupancy costs	1,983	410	397	2,790	1,788	417	311	2,516
Distribution of donated medical and disaster supplies	984,619	-	-	984,619	1,254,703	-	-	1,254,703
Other grants, awards and relief supplies	40,221	-	-	40,221	27,031	-	-	27,031
Grants to other agencies	3,268	-	-	3,268	5,355	-	-	5,355
Professional fees and contract services	14,576	630	1,564	16,770	9,091	461	1,774	11,326
Office supplies and equipment	662	365	738	1,765	517	316	725	1,558
Telephone	165	31	779	975	186	43	1,003	1,232
Postage, shipping and warehousing	7,979	4	1,004	8,987	6,294	16	866	7,176
Equipment and software rental	156	22	43	221	136	26	28	190
Promotional expenses	277	9	2,569	2,855	250	3	2,054	2,307
Travel	1,935	74	237	2,246	1,761	55	240	2,056
Insurance and miscellaneous	1,291	324	495	2,110	947	361	619	1,927
Depreciation	459	48	63	570	579	92	118	789
	<u>\$ 1,073,891</u>	<u>\$ 5,738</u>	<u>\$ 12,974</u>	<u>\$ 1,092,603</u>	<u>\$ 1,320,733</u>	<u>\$ 5,519</u>	<u>\$ 12,394</u>	<u>\$ 1,338,646</u>
Total functional expenses								

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended June 30, 2019 and 2018  
(In thousands)**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (102,339)	\$ (282,582)
Adjustments to reconcile change in net assets to net cash provided by		
Depreciation and amortization	570	789
Net realized gain on investments	(324)	(789)
Net unrealized (gain)/loss on fair value of investments	(95)	191
Donated investments	(1,336)	(2,579)
Realized and unrealized loss on property held for investment and contributed stock	48	29
Contributions restricted for endowment	(126)	(225)
Changes in assets and liabilities		
Increase in other receivables	(247)	(286)
(Increase) decrease in contributions receivable	(1,462)	6,791
Decrease in inventory	97,998	303,502
Increase in prepaid expenses and other assets	(3,788)	(222)
Decrease (increase) in beneficial interest in split-interest agreements	127	(21)
Increase in accounts payable and accrued expenses	839	684
(Decrease) increase in committed subgrants	(716)	958
Decrease in deferred revenue	(181)	(672)
Increase (decrease) in liabilities under split-interest agreements	<u>676</u>	<u>(325)</u>
Net cash (used in) provided by operating activities	<u>(10,356)</u>	<u>25,243</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(334)	(149)
Proceeds from sale of assets held for investments	-	167
Proceeds from sale of investments	13,019	8,291
Purchases of investments	<u>(10,087)</u>	<u>(12,797)</u>
Net cash provided by (used in) investing activities	<u>2,598</u>	<u>(4,488)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	126	225
Payments of capital leases	<u>(32)</u>	<u>(30)</u>
Net cash provided by financing activities	<u>94</u>	<u>195</u>
Net (decrease) increase in cash and cash equivalents	(7,664)	20,950
Cash and cash equivalents, beginning of year	<u>25,040</u>	<u>4,090</u>
Cash and cash equivalents, end of year	<u>\$ 17,376</u>	<u>\$ 25,040</u>

Supplemental cash flow information:

Noncash items for fiscal years 2019 and 2018 included \$924,390 and \$975,991 of donated medical and disaster relief supplies, respectively, and \$10,408 and \$8,196 of contributed services and facilities, respectively. Cash used in operating activities included payments for interest in gift annuities of \$81 and \$400 in fiscal years 2019 and 2018 respectively, and cash paid for interest of \$4 and \$3 in fiscal years 2019 and 2018, respectively.

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



**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**  
**(In thousands)**

**1. ORGANIZATION**

Americares Foundation, Inc. is a not-for-profit organization established in 1979, which principally provides medicine, emergency medical supplies and other disaster relief aid to those in need throughout the world. In addition, Americares sponsors Americares Free Clinics, Inc. (the "Clinics"), an affiliated organization, which operates four free health clinics in Connecticut.

**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 generally accepted accounting principles in the United States of America ("US GAAP") using the accrual basis of accounting. All inter-company amounts have been eliminated in consolidation.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information regarding liquidity;
- Presenting investment return net of external and direct internal investment expenses; and,
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018  
(In thousands)**

For the year ended June 30, 2019, Americares adopted the relevant provisions of ASU 2016-14 and similarly revised the presentation of its fiscal 2018 consolidated financial statements to align with the new reporting presentation. A presentation of net assets as previously reported as of June 30, 2018, and as required under ASU 2016-14 follows:

	<b>June 30, 2018</b>			
	<b>Presentation under ASU 2016-14</b>			
	<b>As Previously Presented</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Net assets:				
Unrestricted	\$ 97,005	\$ 97,005	\$ -	\$ 97,005
Temporarily restricted	216,464	-	216,464	216,464
Permanently restricted	4,969	-	4,969	4,969
Total net assets	<u>\$ 318,438</u>	<u>\$ 97,005</u>	<u>\$ 221,433</u>	<u>\$ 318,438</u>

**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.

*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 includes 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.

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 statement of activities as net assets released from restrictions.

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**  
**(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**

Americares records contributions, including unconditional promises to give, in the period received or pledged. Contributions 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.

Pledged contributions not expected to be received within one year are recognized as support with donor restrictions and are discounted using a credit-adjusted 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, 2019 and 2018, there were no allowances for uncollectible contributions receivables.

The income from donor-restricted endowments held in perpetuity is used for operating purposes when expenditures satisfy the donors' restrictions and such amounts are appropriated for expenditure by the Board of Directors following their established endowment policy. Income amounts that exceed related expenditures during a fiscal period remain as net assets with donor restrictions.

Americares' policy is to report gifts of property, plant 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.

**Government grants**

Revenues from government grants are recognized when earned, that is, generally as the related costs are incurred under the grant or contract agreements. Amounts expended in excess of reimbursements are reported as other receivables. Amounts received in advance are reported as deferred revenue.

The carrying value of receivables has been reduced by an appropriate allowance for uncollectible accounts, based on historical collection experience and therefore approximates net realizable value. Receivables are written-off when deemed uncollectible.

## AMERICARES FOUNDATION, INC. AND AFFILIATE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018  
(In thousands)

#### Donated Medical Inventory and Disaster Supplies

Upon receipt, AmeriCare 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. Donated inventory and medical supplies are recognized on the date received at wholesale acquisition cost ("WAC"), which approximates the exit price. AmeriCare has determined that the WAC is the most appropriate estimate of the fair value for its donated medical inventory and supplies. AmeriCare estimates the WAC by using published industry information, primarily IBM Micromedex's "Red Book," which is an industry recognized drug and pricing reference guide for pharmaceuticals in the United States. For products not available in the Red Book, the wholesale value is provided by the donor or estimated using publicly available pricing sources.

In fiscal year 2017, AmeriCare received an extraordinary pharmaceutical donation of the hepatitis C drug, daclatasvir, valued at approximately \$1.334 billion. Daclatasvir, when combined with sofosbuvir, provides a potential cure for chronic hepatitis C infection in adults. As of June 30, 2017, AmeriCare shipped approximately \$0.97 billion worth of this life-saving drug to Myanmar, Nigeria, Rwanda and Vietnam. In fiscal year 2018, the remaining \$0.37 billion was shipped to Ethiopia, Indonesia and Myanmar.

AmeriCare operates a Patient Assistance Program ("PAP") through which it receives gifts in kind of donated medical supplies. This program's pharmaceutical donations totaled \$359.8 million and \$329.3 million for the years ended June 30, 2019 and 2018, respectively. Additionally, AmeriCare received gifts of cash to assist with the funding of PAP costs totaling \$5.4 million and \$4.2 million for the years ended June 30, 2019 and 2018, respectively. These donations are used to provide drugs to needy patients in the United States of America that have met various eligibility criteria and who would not otherwise be able to afford them. In addition, contributions receivable have been recorded for cash amounts pledged by donors to the PAP program of \$1.5 million and \$0.9 million for the years ended June 30, 2019 and 2018, respectively.

#### Inventory

Purchased inventory is carried at cost. Donated inventory is valued at WAC, which approximates fair value, as determined on the date of receipt. AmeriCare 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.

#### Investments

Investments are recorded at fair value based on the quoted market values of the securities; accordingly, the accompanying consolidated statement 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 statement of activities.

## AMERICARES FOUNDATION, INC. AND AFFILIATE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018  
(In thousands)

#### 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 statement of activities as change in value of split-interest agreements.

#### 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 statement of activities.

## AMERICARES FOUNDATION, INC. AND AFFILIATE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018  
(In thousands)

#### Property and Equipment

Property and equipment purchased for a value greater than \$5 thousand 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. 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. 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 twenty years.

Depreciation expense for the years ended June 30, 2019 and 2018 was \$0.6 million and \$0.8 million, respectively.

#### 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, 2019 and 2018, committed subgrants expected to be distributed in the next fiscal year aggregate to \$1.0 million and \$1.7 million, respectively.

#### Contributed Services and Facilities

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 and supplies as revenue, with an equivalent amount recorded as expense.

#### 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 IT 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. To minimize such risks, Americares maintains its cash in various bank deposit accounts and in diversified institutions and, accordingly, Americares does not expect nonperformance.

#### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, other receivables, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments.

## AMERICARES FOUNDATION, INC. AND AFFILIATE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018  
(In thousands)

The carrying value of contributions receivable is believed to approximate the amounts which will ultimately be realized and is calculated at the net present value of anticipated future cash flows.

#### Use of Estimates

The preparation of financial statements in conformity with US 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. While Americares believes that these estimates are reasonable, actual results could differ from such estimates.

#### Recent Accounting Pronouncements

##### *Effective in Future Periods*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This new revenue recognition guidance will supersede nearly all existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, the new guidance implements a five-step process for customer contract revenue recognition. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. For nonpublic entities, the standard will be effective for annual reporting periods beginning after December 15, 2018 (i.e., fiscal year 2020), and interim reporting periods within annual reporting periods beginning after December 15, 2019. Nonpublic entities can also elect to early adopt the standard as of the following: (a) annual reporting periods beginning after December 15, 2016, including interim periods; or (b) annual reporting periods beginning after December 15, 2016, and interim periods within annual reporting periods beginning one year after the annual reporting period of initial application of the new standard. Entities can transition to the new guidance either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact of this new revenue recognition guidance on the consolidated financial statements nor decided upon the method of adoption.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For recipients, the amendments are effective for annual periods beginning after December 15, 2018 (i.e., fiscal year 2020). Americares is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements.

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018  
(In thousands)**

In February 2016, the FASB issued the new guidance, ASU 2016-02, *Leases*, which requires that most leases be recognized on the statement of financial position as assets and liabilities for the rights and obligations created by these leases. Under the new guidance, lessees will be required to recognize a lease liability, which is a lessor's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control use of, a specified asset for the lease term for all leases (with the exception of short-term leases) at the adoption date. The new guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years after December 15, 2020 (i.e., fiscal year 2021). Early adoption is permitted for any interim or annual financial statements not yet issued. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing and operating leases) must apply a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Management is currently evaluating the impact that ASU 2016-02 will have on the consolidated financial statements.

**3. INVESTMENTS**

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

	2019			2018		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Fixed income	\$ 13,025	\$ -	\$ 13,025	\$ 14,718	\$ -	\$ 14,718
Equity securities	12,257	-	12,257	12,038	-	12,038
Other	1,716	-	1,716	1,431	-	1,431
	<u>26,998</u>	<u>-</u>	<u>26,998</u>	<u>28,187</u>	<u>-</u>	<u>28,187</u>
Beneficial interest in split-interest agreements-						
Perpetual assets held in trust	-	3,404	3,404	-	3,473	3,473
Trust agreements	-	55	55	-	113	113
	<u>-</u>	<u>3,459</u>	<u>3,459</u>	<u>-</u>	<u>3,586</u>	<u>3,586</u>
Total	<u>\$ 26,998</u>	<u>\$ 3,459</u>	<u>\$ 30,457</u>	<u>\$ 28,187</u>	<u>\$ 3,586</u>	<u>\$ 31,773</u>

The following table summarizes the changes in Level 3 investments for the years ended June 30, 2019 and 2018:

	2019	2018
Balance at beginning of year	\$ 3,586	\$ 3,571
Contributions	18	21
Sale	(72)	(5)
Unrealized loss	(73)	(1)
Balance at end of year	<u>\$ 3,459</u>	<u>\$ 3,586</u>



**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018  
(In thousands)**

**4. CONTRIBUTIONS RECEIVABLE**

Contributions expected to be collected after one year have been discounted using a discount rate of 2.0% and 2.8% for the years ended June 30, 2019 and 2018, respectively, and are reflected on the accompanying consolidated financial statements at net present value. Contributions receivable, net at June 30, 2019 and 2018, are due as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 4,978	\$ 3,816
One to two years	613	348
	<hr/>	<hr/>
Total contributions receivable	5,591	4,164
	<hr/>	<hr/>
Less: discount to present value	(45)	(80)
	<hr/>	<hr/>
Total contributions receivable, net	<u>\$ 5,546</u>	<u>\$ 4,084</u>

**5. INVENTORY**

Inventory balances as of June 30, 2019 and 2018, were composed of the following:

	<u>2019</u>	<u>2018</u>
Medicines	\$ 177,394	\$ 267,961
Medical devices and consumables	3,582	4,933
Other assorted	2,480	3,560
	<hr/>	<hr/>
Total inventory	183,456	276,454
Less: allowance for obsolescence	(18,000)	(13,000)
	<hr/>	<hr/>
Total inventory, net	<u>\$ 165,456</u>	<u>\$ 263,454</u>

Medical inventory decreased substantially in fiscal year 2019 mainly due to a decrease in restricted inventory receipts in fiscal year 2019 as a result of the hurricanes and resulting emergency responses that took place in fiscal year 2018.

**6. CONTRIBUTED SERVICES, FACILITIES AND FREIGHT**

For the years ended June 30, 2019 and 2018, contributed services, facilities and freight included the following:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 10,010	\$ 7,474
Other contributed services and facilities	235	500
No-charge freight	163	222
	<hr/>	<hr/>
	<u>\$ 10,408</u>	<u>\$ 8,196</u>

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018  
(In thousands)**

**7. NET ASSETS**

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

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Disaster relief:		
Donated inventory	\$ 120,035	\$ 184,456
Donated cash and pledges	25,273	31,191
Clinics	<u>10</u>	<u>95</u>
	<u>145,318</u>	<u>215,742</u>
Time restricted	722	722
Endowment funds subject to Americares' appropriation and satisfaction of donor restrictions – original corpus	1,623	1,496
Perpetual trusts	<u>3,404</u>	<u>3,473</u>
 Total	 <u>\$ 151,067</u>	 <u>\$ 221,433</u>

**8. ENDOWMENTS AND LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS**

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 THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018  
(In thousands)**

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Endowment assets, June 30, 2017</b>	\$ -	\$ 1,567	\$ 1,567
Board designations and donor gifts	-	225	225
Net investment return	-	128	128
Withdrawal	-	(170)	(170)
<b>Endowment assets, June 30, 2018</b>	-	1,750	1,750
Board designations and donor gifts	2,725	126	2,851
Net investment return	8	70	78
Withdrawal	-	(158)	(158)
<b>Endowment assets, June 30, 2019</b>	<u>\$ 2,733</u>	<u>\$ 1,788</u>	<u>\$ 4,521</u>

As of June 30, 2019 and 2018, perpetual assets held in trusts totaling \$3.4 million and \$3.5 million, respectively, have been excluded from the above donor-restricted endowment assets. During fiscal years 2019 and 2018, Americares withdrew \$158 thousand and \$170 thousand, respectively, from its endowment to support the implementation of a new enterprise resource planning (“ERP”) system. As of June 30, 2019, the Board of Directors of Americares Foundation, Inc. designated \$2.7 million of gifts without donor restrictions for long-term investment in the unrestricted quasi endowment.

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 in the consolidated statements of financial position.

On November 27, 2018, Americares entered into an agreement with an insurance company to reinsure its charitable gift annuity program. Under the terms of the agreement, the insurance company 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 \$3.02 million. Additionally, the insurance company agreed to fund payments made to beneficiaries over the duration of the annuity. As a result of this transaction, Americares recorded an increase in the fair value of its charitable gift annuities of \$542 thousand which is included in the change in value of split-interest agreements line in 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, 2019 and 2018, the FASB actuarial calculation for these arrangements (which equates to the fair value of the reinsurance agreement) was \$3.23 million and \$2.56 million, respectively.

	<u>2019</u>	<u>2018</u>
<b>Balance at beginning of year</b>	\$ -	\$ -
Purchase of reinsurance contract	3,022	-
Change in value of reinsurance contract	208	-
<b>Balance at end of year</b>	<u>\$ 3,230</u>	<u>\$ -</u>

Americares is mandated by certain states’ laws to keep, as a reserve, certain excess balances related to its annuity contracts, which equaled \$100 thousand and \$776 thousand at June 30, 2019 and 2018, respectively.

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**  
**(In thousands)**

**9. LOAN PAYABLE AND LINE OF CREDIT**

In November 2016, Americares Free Clinics, Inc. entered into a new unsecured \$300 thousand five-year loan at an annual interest rate of 1% with Northern Trust Company ("The Loan") which is secured by Americares Foundation, Inc. The purpose of the loan was to repay the \$300 thousand loan from Citizens Bank N.A. (formerly held by Royal Bank of Scotland). The prior loan provided funds toward the renovation of space in the Wheeler Community Center in Bridgeport, Connecticut for a free medical clinic for uninsured low- and moderate-income individuals. Interest expense of \$3 thousand for the years ended June 30, 2019 and 2018 has been reflected in insurance and miscellaneous expense on the accompanying consolidated statement of activities. At June 30, 2019 and 2018, the outstanding balance on The Loan was \$300 thousand which is payable in full on November 3, 2021.

In fiscal year 2017, Americares entered into an uncommitted \$3 million line of credit with Northern Trust Company secured by certain Americares investment funds. The line of credit expires in July 2020 and any outstanding balances would accrue interest at the overnight LIBOR rate plus 1.75%. No amounts were drawn down during fiscal years 2019 or 2018.

**10. 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.

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 Code. 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 was 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.

**11. SIGNIFICANT DONORS**

Most of Americares' medical, food and other disaster relief supplies ("merchandise") contributions are received from companies in the pharmaceutical industry. For years ended June 30, 2019 and 2018, the largest contributor accounted for 14% and 15%, respectively, of total merchandise contributions. The three largest contributors accounted for 35% and 37% of total merchandise contributions for the years ended June 30, 2019 and 2018, respectively.

**12. 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 \$0.9 million and \$0.7 million for years ended June 30, 2019 and 2018, respectively.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018  
(In thousands)

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 IRS Code covering the CEO of Americares. For the years ended June 30, 2019 and 2018, \$29 thousand and \$18 thousand was recognized as expense for this plan, respectively. As of June 30, 2019 and 2018, the balance associated with the 457(b) and (f) plans totaled approximately \$160 and \$94, respectively, and is included in investments and accounts payable and accrued liabilities on the accompanying consolidated statements of financial position.

**13. LEASE COMMITMENTS**

Americares leases real estate and certain equipment under operating leases. The leases for office and warehouse space provide for rent escalations. Future minimum lease commitments under non-cancelable operating leases are as follows:

<u>Fiscal Year Ending</u>	<u>Minimum Lease Commitments</u>
2020	\$ 1,857
2021	1,779
2022	1,767
2023	1,727
2024	587
2025 and beyond	121
Total lease commitments	<u>\$ 7,838</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$1.8 million and \$1.7 million, respectively.

Americares sublets offices space to World Wrestling Entertainment, Inc. ("WWE"), HomeFront and the Elm Project. The sublet with WWE expires May 2020. As of June 30, 2019, future total minimum rental payments to be received under the WWE sublease during fiscal 2020 total \$128 thousand. The arrangements with HomeFront and The Elm Project are month to month.

**14. 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, 2019 and 2018, the level of liquidity and reserves were managed within the policy requirements.

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018  
(In thousands)**

Financial assets for general expenditure available to management for general expenditure within one year as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Financial assets due within one year:		
Cash and cash equivalents	\$ 17,376	\$ 25,040
Investments	26,998	28,187
Contributions, receivable due within one year	4,978	3,816
Other receivables	807	560
	<u>50,159</u>	<u>57,603</u>
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with other purpose restrictions	25,118	31,032
Restricted by donors with time restrictions	722	722
Unappropriated accumulated endowment gains	165	254
Restricted by donor in perpetuity	1,623	1,496
	<u>27,628</u>	<u>33,504</u>
Total financial assets due within one year less donor restrictions		
	<u>22,531</u>	<u>24,099</u>
Amounts unavailable to management without Board's approval:		
Board designated for Quasi-Endowment	2,733	-
Total financial assets available to management for general expenditure within one year	<u>\$ 19,798</u>	<u>\$ 24,099</u>

**15. SUBSEQUENT EVENTS**

Americares has evaluated subsequent events through November 5, 2019, the date these consolidated financial statements were available for issuance, and noted no events that require consideration for adjustments to, or disclosure in the consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2019

<u>Federal Grantor or Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<b>U.S. Agency for International Development (USAID)</b>				
USAID Foreign Assistance for Programs Oversees Emergency Health Intervention in Response to Venezuela Regional Crisis	98.001	N/A	\$ 1,174,216	\$ -
Passed through Family Health International (FHI 360): Act to End Neglected Tropical Disease (NTDs)/West Total USAID Foreign Assistance for Programs Oversees (CFDA 98.001)	98.001	7200AA18CA00011	<u>927</u> <u>1,175,143</u>	<u>-</u> <u>-</u>
Ocean Freight Reimbursement Program	98.003	N/A	24,764	-
Food for Peace Emergency Program				
International Food Relief Partnership (IFRP) Phase 1	98.008	N/A	79,649	21,548
International Food Relief Partnership (IFRP) Phase 2	98.008	N/A	<u>67,772</u>	<u>-</u>
Total Food for Peace Emergency Program (CFDA 98.008)			<u>147,421</u>	<u>21,548</u>
<b>Total U.S. Agency for International Development (USAID)</b>			<u>1,347,328</u>	<u>21,548</u>
<b>U.S. Department of Health and Human Services</b>				
National Institute on Minority Health and Health Disparities Minority Health and Health Disparities Research	93.307	N/A	<u>40,400</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$1,387,728</u>	<u>\$ 21,548</u>

See accompanying notes to schedule of expenditures of federal awards.



**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended June 30, 2019**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Federal award program amounts, as presented in the accompanying Schedule, represent expenditures or federal award payments administered by Americares Foundation, Inc. and affiliate (collectively, "Americares") during the year ended June 30, 2019. Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports filed by Americares.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and cost accounting principles. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures also include a portion of costs associated with general Americares activities (facilities and administrative costs), which are allocated to awards under negotiated formulas commonly referred to as indirect cost rates.

**3. INDIRECT COST RATE**

Americares has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**GRANT THORNTON LLP**757 Third Avenue, 9<sup>th</sup> Floor  
New York, NY 10017**D** +1 212 599 0100**F** +1 212 370 4520**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT  
AUDITING STANDARDS**

To the Board of Directors of  
**Americares Foundation, Inc.:**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Americares Foundation, Inc. and affiliate (collectively, "Americares"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2019.

**Internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered Americares' internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of Americares' internal control.

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

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

**Compliance and other matters**

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

**Intended purpose**

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



New York, New York  
November 5, 2019

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
**Americares Foundation, Inc.:**

### **Report on compliance for each major federal program**

We have audited the compliance of the Americares Foundation, Inc. and affiliate's (collectively, "Americares") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2019. Americares' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to Americares' federal programs.

### **Auditor's responsibility**

Our responsibility is to express an opinion on compliance for Americares' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Americares' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Americares' compliance.

### **Opinion on the major federal program**

In our opinion, Americares complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on internal control over compliance**

Management of AmeriCare is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AmeriCare's internal control over compliance with the types of compliance requirements that could have a direct and material effect on its major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AmeriCare's internal control over compliance.

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

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

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



New York, New York  
November 5, 2019

**AMERICARES FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2019**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued Unmodified

Internal control over financial reporting material weakness(es) identified? \_\_\_ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_ yes X no

**FEDERAL AWARDS**

Internal control over the major programs:

- Material weaknesses identified? \_\_\_ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ yes X none reported

Type of auditors' report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance: \_\_\_ yes X no

**Identification of the major program**

<b>Name of Grantor and Federal Program or Cluster</b>	<b>Federal CFDA Number</b>
USAID Foreign Assistance for Programs Oversees	98.001
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	___ yes <u>X</u> no

**AMERICARES FOUNDATION, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2019**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.