

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

Americares Foundation, Inc. and Affiliate

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Americares Foundation, Inc.

Opinion

We have audited the consolidated financial statements of Americares Foundation, Inc. and affiliate (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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.

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, 2022, consolidating schedule of activities for the year ended June 30, 2022, schedule of functional expenses - Americares Foundation, Inc. for the year ended June 30, 2022, and schedule of functional expenses - Americares Free Clinics, Inc. for the year ended June 30, 2022 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
November 17, 2022

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,
(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 28,832	\$ 17,650
Investments	48,939	52,351
Contributions receivable, net	10,485	5,273
Other receivables	3,351	2,152
Inventory, net	227,463	290,796
Prepaid expenses and other assets	<u>7,181</u>	<u>6,438</u>
Total current assets	<u>326,251</u>	<u>374,660</u>
Noncurrent assets		
Other assets		
Contributions receivable, net	2,373	4,352
Property held for investment	39	36
Beneficial interest in split-interest agreements		
Perpetual assets held in trust	3,105	3,843
Trust agreements	<u>57</u>	<u>56</u>
Total other assets	<u>5,574</u>	<u>8,287</u>
Property and equipment, net	2,555	3,170
Total noncurrent assets	<u>8,129</u>	<u>11,457</u>
Total assets	<u>\$ 334,380</u>	<u>\$ 386,117</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,242	\$ 9,059
Committed subgrants	1,007	892
Deferred revenue	<u>37</u>	<u>3,717</u>
Total current liabilities	<u>16,286</u>	<u>13,668</u>
Noncurrent liabilities		
Liabilities under split-interest agreements	4,787	4,577
Loan payable and capital leases	<u>312</u>	<u>337</u>
Total noncurrent liabilities	<u>5,099</u>	<u>4,914</u>
Total liabilities	<u>21,385</u>	<u>18,582</u>
Net assets		
Without donor restrictions	79,693	111,015
With donor restrictions	<u>233,302</u>	<u>256,520</u>
Total net assets	<u>312,995</u>	<u>367,535</u>
Total liabilities and net assets	<u>\$ 334,380</u>	<u>\$ 386,117</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)

	2022			2021		
	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	\$ 48,422	\$ 50,399	\$ 98,821	\$ 39,224	\$ 33,032	\$ 72,256
Government grants	13,732	-	13,732	12,794	-	12,794
Contributions of nonfinancial assets:						
Donated medical and disaster supplies	159,055	1,096,763	1,255,818	222,200	925,115	1,147,315
Contributed services, facilities and freight	11,165	-	11,165	11,038	-	11,038
Total contributions of nonfinancial assets	170,220	1,096,763	1,266,983	233,238	925,115	1,158,353
Net assets released from restrictions	1,170,044	(1,170,044)	-	1,067,787	(1,067,787)	-
Total public support	1,402,418	(22,882)	1,379,536	1,353,043	(109,640)	1,243,403
Investment and fee revenue:						
Net investment (loss) return	(8,529)	381	(8,148)	6,878	471	7,349
Other revenue	3,113	15	3,128	2,709	27	2,736
Change in value of split-interest agreements	(127)	(732)	(859)	(101)	617	516
Total investment and fee revenue (loss)	(5,543)	(336)	(5,879)	9,486	1,115	10,601
Total support and revenue	1,396,875	(23,218)	1,373,657	1,362,529	(108,525)	1,254,004
Expenses						
Program services:						
Distribution of donated medical and disaster supplies	1,275,774	-	1,275,774	1,115,912	-	1,115,912
Other program expenses	124,991	-	124,991	160,364	-	160,364
Total program services	1,400,765	-	1,400,765	1,276,276	-	1,276,276
Supporting services:						
Management and general	10,486	-	10,486	8,235	-	8,235
Fundraising	16,946	-	16,946	14,134	-	14,134
Total supporting services	27,432	-	27,432	22,369	-	22,369
Total expenses	1,428,197	-	1,428,197	1,298,645	-	1,298,645
CHANGE IN NET ASSETS	(31,322)	(23,218)	(54,540)	63,884	(108,525)	(44,641)
Net assets, beginning of year	111,015	256,520	367,535	47,131	365,045	412,176
Net assets, end of year	\$ 79,693	\$ 233,302	\$ 312,995	\$ 111,015	\$ 256,520	\$ 367,535

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, 2022, with summarized comparative information for the year ended June 30, 2021
(Dollars in thousands)

	2022						2021	
	Program Services			Supporting Services			Total	Total
	Access to Medicine	Emergency Programs	Clinical Services and Community Health	Program Total	Management and General	Fundraising		
Functional expenses								
Salaries and related payroll expenses	\$ 5,001	\$ 9,171	\$ 11,628	\$ 25,800	\$ 8,270	\$ 7,095	\$ 41,165	\$ 34,042
Rent and other occupancy costs	733	525	938	2,196	233	407	2,836	2,670
Distribution of donated medical and disaster supplies	1,221,070	51,337	3,367	1,275,774	-	-	1,275,774	1,115,912
Other grants, awards, relief supplies and destruction	48,237	44	186	48,467	-	-	48,467	95,499
Grants to other agencies	357	8,076	2,561	10,994	-	-	10,994	8,125
Professional fees and contract services	146	2,420	12,152	14,718	936	4,120	19,774	19,970
Office supplies and equipment	551	511	720	1,782	329	866	2,977	2,293
Telephone	58	94	114	266	32	235	533	440
Postage, shipping and warehousing	13,791	1,955	934	16,680	11	824	17,515	12,755
Equipment and software rental	64	109	70	243	20	22	285	289
Promotional expenses	44	19	118	181	50	2,628	2,859	2,672
Travel	193	1,086	378	1,657	80	73	1,810	632
Insurance and miscellaneous	176	545	828	1,549	434	612	2,595	2,687
Depreciation	130	107	221	458	91	64	613	659
Total functional expenses	<u>\$ 1,290,551</u>	<u>\$ 75,999</u>	<u>\$ 34,215</u>	<u>\$ 1,400,765</u>	<u>\$ 10,486</u>	<u>\$ 16,946</u>	<u>\$ 1,428,197</u>	<u>\$ 1,298,645</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, 2021
(Dollars in thousands)

	2021						
	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	\$ 3,949	\$ 8,262	\$ 9,863	\$ 22,074	\$ 6,152	\$ 5,816	\$ 34,042
Rent and other occupancy costs	675	527	859	2,061	229	380	2,670
Distribution of donated medical and disaster supplies	1,091,592	22,302	2,018	1,115,912	-	-	1,115,912
Other grants, awards, relief supplies and destruction	90,894	3,855	750	95,499	-	-	95,499
Grants to other agencies	471	4,654	3,000	8,125	-	-	8,125
Professional fees and contract services	369	3,910	11,468	15,747	918	3,305	19,970
Office supplies and equipment	370	381	495	1,246	301	746	2,293
Telephone	49	78	103	230	27	183	440
Postage, shipping and warehousing	9,740	1,687	506	11,933	7	815	12,755
Equipment and software rental	63	63	116	242	18	29	289
Promotional expenses	57	39	149	245	21	2,406	2,672
Travel	47	391	187	625	3	4	632
Insurance and miscellaneous	49	1,084	659	1,792	498	397	2,687
Depreciation	159	108	278	545	61	53	659
Total functional expenses	\$ 1,198,484	\$ 47,341	\$ 30,451	\$ 1,276,276	\$ 8,235	\$ 14,134	\$ 1,298,645

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)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (54,540)	\$ (44,641)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	613	659
Net realized gain on investments	(2,254)	(2,110)
Net unrealized loss (gain) on fair value of investments	11,727	(4,336)
Donated investments	(2,516)	(6,921)
Realized and unrealized (gain) loss on property held for investment and contributed stock	(11)	26
Contributions restricted for endowment	(25)	(25)
Fixed assets write-offs	215	-
Changes in assets and liabilities:		
Increase in other receivables	(1,199)	(1,594)
Increase in contributions receivable	(3,233)	(1,587)
Decrease in inventory	63,333	56,698
Increase in prepaid expenses and other assets	(743)	(258)
Decrease (increase) in beneficial interest in split-interest agreements	737	(617)
Increase in accounts payable and accrued expenses	6,183	2,436
Increase in committed subgrants	115	461
Decrease in deferred revenue	(3,680)	(394)
Increase in liabilities under split-interest agreements	210	397
Net cash provided by (used in) operating activities	14,932	(1,806)
Cash flows from investing activities:		
Purchase of property and equipment	(213)	(1,130)
Proceeds from sale of investments	32,429	37,470
Purchases of investments	(35,966)	(41,895)
Net cash used in investing activities	(3,750)	(5,555)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	25	25
Payments of capital leases	(25)	(33)
Net cash used in financing activities	-	(8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,182	(7,369)
Cash and cash equivalents, beginning of year	17,650	25,019
Cash and cash equivalents, end of year	\$ 28,832	\$ 17,650
Supplemental cash flow information:		
Donated medical and disaster relief supplies	\$ 1,255,818	\$ 1,147,315
Contributed services and facilities	\$ 11,165	\$ 11,038
Cash paid for interest	\$ -	\$ 4

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

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021
(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 nine 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 generally accepted accounting principles 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 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 statement of activities as net assets released from restrictions.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(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 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, 2022 and 2021, there were no allowances for uncollectible contributions receivables.

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 statement 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 June 30, 2022 and 2021, 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 international health services and natural disaster services. In valuing contributed pharmaceuticals

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

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 information such as IBM Micromedex's Red Book and First Databank, which are industry-recognized drug and pricing reference guides for pharmaceuticals in the United States. For products not available in the Red Book or First Databank, 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 gifts in kind 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 \$806,266 and \$658,253 for the years ended June 30, 2022 and 2021, respectively. Additionally, Americares received gifts of cash to assist with the funding of PAP costs totaling \$6,559 and \$6,627 for the years ended June 30, 2022 and 2021, 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 have been recorded for cash amounts pledged by donors to the PAP program of \$8,528 and \$3,349 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021
(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, 2022 and 2021
(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 ten 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.

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, 2022 and 2021, committed subgrants expected to be distributed in the next fiscal year aggregate to \$1,007 and \$892, 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 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. The Foundation 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, 2022 and 2021
(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.

Recent Accounting Pronouncements

Adopted in the Current Period

In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets within the financial statements of not-for-profit entities through the enhancement of the presentation and disclosure of such activities. Under the new guidance, not-for-profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities and disclose certain information related to contributed nonfinancial assets received during the period, including but not limited to: (1) a disaggregation of the amount of contributed nonfinancial assets by type; (2) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the period; (3) a description of donor-imposed restrictions associated with nonfinancial assets; and (4) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit entity is prohibited by donor-imposed restriction from selling or using the contributed nonfinancial assets. The new guidance was effective for fiscal years beginning after June 15, 2021, and interim periods with fiscal years beginning after June 15, 2022 (i.e., fiscal year 2022) and required retrospective application. ASU 2020-07 did not have a material impact on the consolidated financial statements.

Effective in Future Periods

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date of ASU 2016-02. The guidance permits eligible entities to defer the adoption of Topic 842 until the period beginning after December 15, 2021 (i.e., the Foundation’s fiscal year 2023). The Foundation has elected to defer the implementation of Topic 842 and is currently evaluating the new guidance and has not determined the impact this standard may have on the consolidated financial statements nor decided upon the method of adoption.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 3 - INVESTMENTS

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

	2022			2021		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Fixed income	\$ 24,765	\$ -	\$ 24,765	\$ 24,026	\$ -	\$ 24,026
Equity securities	23,198	-	23,198	27,304	-	27,304
Other	976	-	976	1,021	-	1,021
	<u>48,939</u>	<u>-</u>	<u>48,939</u>	<u>52,351</u>	<u>-</u>	<u>52,351</u>
Beneficial interest in split-interest agreements						
Perpetual assets held in trust	-	3,105	3,105	-	3,843	3,843
Trust agreements	-	57	57	-	56	56
	<u>-</u>	<u>3,162</u>	<u>3,162</u>	<u>-</u>	<u>3,899</u>	<u>3,899</u>
Total	<u>\$ 48,939</u>	<u>\$ 3,162</u>	<u>\$ 52,101</u>	<u>\$ 52,351</u>	<u>\$ 3,899</u>	<u>\$ 56,250</u>

The following table summarizes the changes in Level 3 investments for the years ended June 30, 2022 and 2021:

	2022	2021
Balance at beginning of year	\$ 3,899	\$ 3,282
Contributions	-	9
Unrealized gain (loss)	(737)	608
Balance at end of year	<u>\$ 3,162</u>	<u>\$ 3,899</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions expected to be collected after one year have been discounted using a discount rate of 2.03% and 1.48% for the years ended June 30, 2022 and 2021, respectively, and are reflected on the accompanying consolidated financial statements at net present value.

Contributions receivable, net as of June 30, 2022 and 2021, are due as follows:

	2022	2021
Less than one year	\$ 10,485	\$ 5,273
One to three years	2,522	4,520
Total contributions receivable	13,007	9,793
Less: discount to present value	(149)	(168)
Total contributions receivable, net	<u>\$ 12,858</u>	<u>\$ 9,625</u>

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 5 - INVENTORY

Inventory balances as of June 30, 2022 and 2021 were composed of the following:

	2022	2021
Medicines	\$ 242,622	\$ 338,875
Medical devices and nonmedical supplies	16,988	18,927
Other assorted	858	1,006
Total inventory	260,468	358,808
Less: allowance for obsolescence	(33,005)	(68,012)
Total inventory, net	\$ 227,463	\$ 290,796

During the COVID-19 pandemic shipping to many partners was delayed or halted due to the pandemic and global supply chain challenges. Receipts outpaced shipments leading to higher than usual levels of inventory at the end of 2021. During 2022, as Americares extended expiration dating requirements on product receipts to factor in for outbound shipping delays, shipments outpaced receipts, leading to a reduction in year-end inventory, closer to pre-COVID levels.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2022, and 2021

	2022	2021
Building and land	\$ 1,387	\$ 1,323
Furniture and equipment	5,359	5,616
Leasehold improvements	3,663	3,663
Construction in process	50	1
Accumulated depreciation and amortization	(7,904)	(7,433)
	\$ 2,555	\$ 3,170

Depreciation expense for the years ended June 30, 2022 and 2021 was \$613 and \$633, respectively.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2022 and 2021
(Dollars in thousands)**

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2022 and 2021, contributions of nonfinancial assets consisted of the following:

Nonfinancial Assets Category	Type of Contribution for Beneficiaries	Valuation	2022	2021
Medicines	Pharmaceuticals and medical supplies	WAC/international pricing/donor provided	\$ 1,227,115	\$ 1,122,922
Medical devices and nonmedical supplies	Devices such as syringes, needles, portable power supplies, solution sets	WAC/international pricing/donor provided	<u>28,703</u>	<u>24,393</u>
Subtotal			1,255,818	1,147,315
Contributed services	Services such as pro bono medical, advertising and legal services	Standard industry practice for similar services	10,971	10,896
Contributed freight	Air freight services	Standard industry practice for similar services	<u>194</u>	<u>142</u>
Total Nonfinancial assets contributed			<u>\$ 1,266,983</u>	<u>\$ 1,158,353</u>

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

United States	\$ 1,245,921	\$ 1,142,128
International	<u>9,897</u>	<u>5,187</u>
Total donated medical and disaster supplies	<u>\$ 1,255,818</u>	<u>\$ 1,147,315</u>

In 2022, Americares received medicines, medical devices, and non-medical supplies with donor restrictions aggregating \$1,096,763, of which \$806,266 were used on the Patient Assistance Program, \$229,209 on international programs, \$46,048 on US programs and \$434 on emergency programs. The remaining \$14,806 is restricted to any medical program except Americares's Medical Outreach Program.

In 2021, Americares received medicines, medical devices, and non-medical supplies with donor restrictions aggregating \$925,115, of which \$658,253 were used on the Patient Assistance Program, \$226,138 on international programs, \$21,305 on US programs, and \$2,470 on emergency programs. The remaining \$16,949 is restricted to any medical program except Americares's Medical Outreach Program.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 8 - NET ASSETS

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

	2022	2021
Purpose restricted:		
Disaster relief:		
Donated inventory	\$ 190,585	\$ 218,798
Donated cash and pledges	27,636	19,514
Clinics	2,630	3,904
	220,851	242,216
Time-restricted	7,371	8,381
Endowment funds subject to Americares' appropriation and satisfaction of donor restrictions - original corpus	1,673	1,648
Endowment accumulated earnings	302	432
Perpetual trusts	3,105	3,843
Total	\$ 233,302	\$ 256,520

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 the Foundation 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.

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, 2022 and 2021
(Dollars in thousands)**

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2020	\$ 3,887	\$ 1,800	\$ 5,687
Management designations and donor gifts	4,531	25	4,556
Net investment return	1,672	466	2,138
Transfer	39	(39)	-
Withdrawal	-	(172)	(172)
Endowment assets, June 30, 2021	10,129	2,080	12,209
Management designations and donor gifts	1,750	275	2,025
Net investment return	(2,222)	(335)	(2,557)
Transfer	(45)	45	-
Withdrawal	-	-	-
Endowment assets, June 30, 2022	<u>\$ 9,612</u>	<u>\$ 2,065</u>	<u>\$ 11,677</u>

As of June 30, 2022 and 2021, perpetual assets held in trusts totaling \$3,105 and \$3,843, respectively, have been excluded from the above donor-restricted endowment assets.

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 \$1,750 and \$4,531 for the years ended June 30, 2022 and 2021, 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.

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 \$618 and \$618 as of June 30, 2022 and 2021, respectively. Additionally, the insurance companies agreed to fund payments made to beneficiaries over the duration of the annuity. As a result of these transactions, Americares recorded an increase in the fair value of its charitable gift annuities of \$118 and \$95 in fiscal years ended June 30, 2022 and 2021, 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.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

As of June 30, 2022 and 2021, the FASB actuarial calculation for these arrangements (which equates to the fair value of the reinsurance agreement) was \$5,363 and \$5,125, respectively.

	2022	2021
Balance at beginning of year	\$ 5,125	\$ 4,663
Purchase of reinsurance contract	618	617
Change in value of reinsurance contract	(380)	(155)
Balance at end of year	\$ 5,363	\$ 5,125

Americares is mandated by certain states' laws to keep, as a reserve, certain excess balances related to its annuity contracts, which equaled \$100 at both June 30, 2022 and 2021.

**NOTE 10 - LOAN PAYABLE, LINE OF CREDIT AND PAYCHECK PROTECTION PROGRAM ("PPP")
LOAN**

In November 2016, Americares Free Clinics, Inc. entered into a new unsecured \$300 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 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 for both the years ended June 30, 2022 and 2021 has been reflected in insurance and miscellaneous expense on the accompanying consolidated statements of activities. At June 30, 2022 and 2021, the outstanding balance on the Loan was \$300. In November 2021, an agreement was executed to extend the maturity date of the Loan to November 2, 2026 under the same conditions.

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 expires in July 2023 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, 2022 and 2021.

In fiscal year 2020, the Department of Treasury implemented the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"), which provides potentially forgivable loans to nonprofits with 500 or fewer employees and meeting certain other eligibility requirements. The SBA will forgive loans if employees are maintained on the payroll for 8 to 24 weeks after the loan originates and the loan proceeds received are used for payroll, rent, mortgage, interest or utilities. In April 2020, the Foundation and the Clinics applied for PPP loans and approval was granted. The Foundation received loan proceeds of \$3,642 and the Clinics received loan proceeds of \$415 in May 2020. The Foundation opted to account for PPP loan monies received as a refundable advance until the conditions for recognition as revenue have been satisfied. In August 2021, the Foundation received notice of forgiveness from the SBA and the \$3,642 forgiveness of debt is included in contributions and private grants, without donor restrictions, in the accompanying consolidated statements of activities in the fiscal year ending 2022. In May 2021, the Clinics received notice of forgiveness from the SBA and the \$415 forgiveness of debt is included in contributions of cash and other financial assets, without donor restrictions, in the accompanying consolidated statements of activities in the fiscal year ending 2021.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 11 - INCOME TAXES

The Foundation 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 the Foundation 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 years ended June 30, 2022 and 2021, the largest contributor accounted for 32% and 27%, respectively, of total merchandise contributions. The three largest contributors accounted for 63% and 47% of total merchandise contributions for the years ended June 30, 2022 and 2021, 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 \$1,284 and \$1,115 for the years ended June 30, 2022 and 2021, 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 CEO of Americares. The 457(f) plan was forfeited in fiscal year 2020, when the CEO left the organization. For the year ended June 30, 2020, \$24 was recognized as expense for this plan. The balance associated with the 457(b) plan was approximately \$40 and \$19 for the years ended June 30, 2022 and 2021, respectively. Plan balances are included in investments and accounts payable and accrued liabilities on the accompanying consolidated statements of financial position.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

NOTE 14 - 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>
2023	\$ 2,096
2024	682
2025	131
2026	137
2027	245
	<hr/>
Total lease commitments	\$ 3,291

Rent expense for the years ended June 30, 2022 and 2021 was \$1,917 and \$1,915, respectively.

Americares sublets offices space to World Wrestling Entertainment, Inc. ("WWE"), HomeFront and the Elm Project. The sublet with WWE expires in October 2023. As of June 30, 2022, future total minimum rental payments to be received under the WWE sublease total \$293. The arrangements with HomeFront and The Elm Project are month to month.

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 ending June 30, 2022 and 2021.

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, 2022 and 2021, the level of liquidity and reserves were managed within the policy requirements.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021
(Dollars in thousands)

Financial assets for general expenditure available to management for general expenditure within one year as of June 30, 2022 and 2021 is as follows:

	2022	2021
Financial assets due within one year:		
Cash and cash equivalents	\$ 28,832	\$ 17,650
Investments	48,939	52,351
Contributions, receivable due within one year	10,485	5,273
Other receivables	3,351	2,152
	91,607	77,426
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with other purpose restrictions	30,568	23,850
Restricted by donors with time restrictions	7,371	8,381
Unappropriated accumulated endowment gains	302	432
Restricted by donor in perpetuity	1,673	1,648
Total financial assets available to management for general expenditure within one year	\$ 51,693	\$ 43,115

NOTE 17 - SUBSEQUENT EVENTS

Americares has evaluated subsequent events through November 17, 2022 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
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
June 30, 2022
(Dollars in thousands)

	Americares Foundation, Inc.	Americares Free Clinics, Inc.	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 28,467	\$ 365	\$ 28,832
Investments	46,845	2,094	48,939
Contributions receivable, net	10,485	-	10,485
Other receivables	3,351	-	3,351
Inventory, net	226,828	635	227,463
Prepaid expenses and other assets	7,149	32	7,181
Total current assets	<u>323,125</u>	<u>3,126</u>	<u>326,251</u>
Noncurrent assets			
Other assets			
Contributions receivable, net	2,373	-	2,373
Property held for investment	39	-	39
Beneficial interest in split-interest agreements			
Perpetual assets held in trust	3,105	-	3,105
Trust agreements	57	-	57
Total other assets	<u>5,574</u>	<u>-</u>	<u>5,574</u>
Property and equipment, net	2,409	146	2,555
Total noncurrent assets	<u>7,983</u>	<u>146</u>	<u>8,129</u>
Total assets	<u>\$ 331,108</u>	<u>\$ 3,272</u>	<u>\$ 334,380</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	\$ 14,516	\$ 726	\$ 15,242
Committed subgrants	1,007	-	1,007
Deferred revenue	37	-	37
Total current liabilities	<u>15,560</u>	<u>726</u>	<u>16,286</u>
Noncurrent liabilities			
Liabilities under split-interest agreements	4,787	-	4,787
Loan payable and capital leases	12	300	312
Total noncurrent liabilities	<u>4,799</u>	<u>300</u>	<u>5,099</u>
Total liabilities	<u>20,359</u>	<u>1,026</u>	<u>21,385</u>
Net assets			
Without donor restrictions	79,694	(1)	79,693
With donor restrictions	231,055	2,247	233,302
Total net assets	<u>310,749</u>	<u>2,246</u>	<u>312,995</u>
Total liabilities and net assets	<u>\$ 331,108</u>	<u>\$ 3,272</u>	<u>\$ 334,380</u>

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

For the year ended June 30, 2022
(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	\$ 47,030	\$ 1,405	\$ (13)	\$ 48,422
Government grants	13,732	-	-	13,732
Contributions of nonfinancial assets:				
Donated medical and disaster supplies	159,055	1,229	(1,229)	159,055
Contributed services and facilities	889	10,276	-	11,165
Total contributions of nonfinancial assets	159,944	11,505	(1,229)	170,220
Net assets released from restrictions	1,168,001	2,043	-	1,170,044
Total public support	1,388,707	14,953	(1,242)	1,402,418
Investment and fee revenue:				
Net investment return	(8,185)	(344)	-	(8,529)
Other revenue	3,112	1	-	3,113
Change in value of split-interest agreements	(127)	-	-	(127)
Total investment and fee revenue (loss)	(5,200)	(343)	-	(5,543)
Total support and revenue	1,383,507	14,610	(1,242)	1,396,875
Expenses:				
Program services				
Distribution of donated medical and disaster supplies	1,275,499	1,504	(1,229)	1,275,774
Other program expenses	110,861	14,143	(13)	124,991
Total program services	1,386,360	15,647	(1,242)	1,400,765
Supporting services:				
Management and general	10,294	192	-	10,486
Fundraising	16,767	179	-	16,946
Total supporting services	27,061	371	-	27,432
Total expenses	1,413,421	16,018	(1,242)	1,428,197
Decrease in net assets without donor restrictions	(29,914)	(1,408)	-	(31,322)
Changes in net assets with donor restrictions				
Support and revenue:				
Public support:				
Contributions and private grants	49,486	913	-	50,399
Donated medical and disaster supplies	1,096,763	-	-	1,096,763
Net assets released from restrictions	(1,168,001)	(2,043)	-	(1,170,044)
Total public support	(21,752)	(1,130)	-	(22,882)
Investment and fee revenue:				
Net investment return	381	-	-	381
Other revenue	15	-	-	15
Change in value of split-interest agreements	(732)	-	-	(732)
Total investment and fee revenue (loss)	(336)	-	-	(336)
Decrease in net assets with donor restrictions	(22,088)	(1,130)	-	(23,218)
Changes in net assets	(52,002)	(2,538)	-	(54,540)
Net assets, beginning of year	362,751	4,784	-	367,535
Net assets, end of year	<u>\$ 310,749</u>	<u>\$ 2,246</u>	<u>\$ -</u>	<u>\$ 312,995</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 FOUNDATION, INC.

For the year ended June 30, 2022

(Dollars in thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
Functional expenses				
Salaries and related payroll expenses	\$ 22,514	\$ 8,111	\$ 6,946	\$ 37,571
Rent and other occupancy costs	1,945	221	397	2,563
Distribution of donated medical and disaster supplies	1,275,499	-	-	1,275,499
Other grants, awards, relief supplies and destruction	48,480	-	-	48,480
Grants to other agencies	10,982	-	-	10,982
Professional fees and contract services	4,470	936	4,120	9,526
Office supplies and equipment	1,680	318	856	2,854
Telephone	235	29	233	497
Postage, shipping and warehousing	16,679	11	824	17,514
Equipment and software rental	228	18	21	267
Promotional expenses	174	50	2,628	2,852
Travel	1,653	80	73	1,806
Insurance and miscellaneous	1,404	429	605	2,438
Depreciation	417	91	64	572
Total functional expenses	<u>\$ 1,386,360</u>	<u>\$ 10,294</u>	<u>\$ 16,767</u>	<u>\$ 1,413,421</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.

For the year ended June 30, 2022

(Dollars in thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
Functional expenses				
Salaries and related payroll expenses	\$ 3,286	\$ 159	\$ 149	\$ 3,594
Rent and other occupancy costs	251	12	10	273
Distribution of donated medical and disaster supplies	1,504	-	-	1,504
Grants to other agencies	12	-	-	12
Professional fees and contract services	10,248	-	-	10,248
Office supplies and equipment	102	11	10	123
Telephone	31	3	2	36
Postage, shipping and warehousing	1	-	-	1
Equipment and software rental	15	2	1	18
Promotional expenses	7	-	-	7
Travel	4	-	-	4
Insurance and miscellaneous	145	5	7	157
Depreciation	41	-	-	41
	<u>\$ 15,647</u>	<u>\$ 192</u>	<u>\$ 179</u>	<u>\$ 16,018</u>

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