

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

Americares Foundation, Inc. and Affiliate

June 30, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Americares Foundation, Inc. and Affiliate

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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position as of June 30, 2023, consolidating schedule of activities for the year ended June 30, 2023, schedule of functional expenses - Americares Foundation, Inc. for the year ended June 30, 2023, and schedule of functional expenses - Americares Free Clinics, Inc. for the year ended June 30, 2023 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial

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

Grant Thornton LLP

New York, New York
December 19, 2023

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,
(Dollars in thousands)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,203	\$ 28,832
Investments	54,393	48,939
Contributions receivable, net	6,859	10,485
Other receivables	1,908	3,351
Inventory, net	293,505	227,463
Prepaid expenses and other assets	7,174	7,181
Total current assets	373,042	326,251
Noncurrent assets		
Other assets		
Contributions receivable, net	2,639	2,373
Property held for investment	36	39
Beneficial interest in split-interest agreements		
Perpetual assets held in trust	3,169	3,105
Trust agreements	159	57
Total other assets	6,003	5,574
Property and equipment, net	2,885	2,555
Right-of-use assets, net	894	-
Total noncurrent assets	9,782	8,129
Total assets	\$ 382,824	\$ 334,380
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,967	\$ 15,242
Committed subgrants	1,793	1,007
Deferred revenue	1,548	37
Lease liability	803	-
Total current liabilities	14,111	16,286
Noncurrent liabilities		
Liabilities under split-interest agreements	5,002	4,787
Loan payable	300	300
Lease liability	554	12
Total noncurrent liabilities	5,856	5,099
Total liabilities	19,967	21,385
Net assets		
Without donor restrictions	85,236	79,693
With donor restrictions	277,621	233,302
Total net assets	362,857	312,995
Total liabilities and net assets	\$ 382,824	\$ 334,380

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)

	2023			2022		
	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	\$ 37,739	\$ 40,496	\$ 78,235	\$ 48,422	\$ 50,399	\$ 98,821
Government grants	15,985	-	15,985	13,732	-	13,732
Contributions of nonfinancial assets:						
Donated medical and disaster supplies	166,814	1,302,018	1,468,832	159,055	1,096,763	1,255,818
Contributed services, facilities and freight	12,883	-	12,883	11,165	-	11,165
Total contributions of nonfinancial assets	179,697	1,302,018	1,481,715	170,220	1,096,763	1,266,983
Net assets released from restrictions	1,298,477	(1,298,477)	-	1,170,044	(1,170,044)	-
Total public support	1,531,898	44,037	1,575,935	1,402,418	(22,882)	1,379,536
Investment and fee revenue:						
Net investment (loss) return	4,103	178	4,281	(8,529)	381	(8,148)
Other revenue	2,788	39	2,827	3,113	15	3,128
Change in value of split-interest agreements	(72)	65	(7)	(127)	(732)	(859)
Total investment and fee revenue (loss)	6,819	282	7,101	(5,543)	(336)	(5,879)
Total support and revenue	1,538,717	44,319	1,583,036	1,396,875	(23,218)	1,373,657
Expenses						
Program services:						
Distribution of donated medical and disaster supplies	1,398,135	-	1,398,135	1,275,774	-	1,275,774
Other program expenses	100,566	-	100,566	124,991	-	124,991
Total program services	1,498,701	-	1,498,701	1,400,765	-	1,400,765
Supporting services:						
Management and general	13,860	-	13,860	10,486	-	10,486
Fundraising	20,613	-	20,613	16,946	-	16,946
Total supporting services	34,473	-	34,473	27,432	-	27,432
Total expenses	1,533,174	-	1,533,174	1,428,197	-	1,428,197
CHANGE IN NET ASSETS	5,543	44,319	49,862	(31,322)	(23,218)	(54,540)
Net assets, beginning of year	79,693	233,302	312,995	111,015	256,520	367,535
Net assets, end of year	\$ 85,236	\$ 277,621	\$ 362,857	\$ 79,693	\$ 233,302	\$ 312,995

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, 2023, with summarized comparative information for the year ended June 30, 2022
(Dollars in thousands)

	2023						2022	
	Program Services			Total	Supporting Services		Total	Total
	Access to Medicine	Emergency Programs	Clinical Services and Community Health		Management and General	Fundraising		
Functional expenses								
Salaries and related payroll expenses	\$ 5,586	\$ 5,843	\$ 15,502	\$ 26,931	\$ 9,679	\$ 8,351	\$ 44,961	\$ 41,165
Rent and other occupancy costs	888	545	1,339	2,772	290	275	3,337	2,836
Distribution of donated medical and disaster supplies	1,322,003	74,493	1,639	1,398,135	-	-	1,398,135	1,275,774
Other grants, awards, relief supplies and destruction	5,037	6,880	2,866	14,783	-	-	14,783	48,467
Grants to other agencies	332	7,043	4,402	11,777	-	-	11,777	10,994
Professional fees and contract services	273	2,622	14,397	17,292	2,177	2,480	21,949	19,774
Office supplies and equipment	573	358	938	1,869	582	1,091	3,542	2,977
Telephone	41	48	136	225	30	1,580	1,835	533
Postage, shipping and warehousing	15,651	2,444	906	19,001	21	953	19,975	17,515
Equipment and software rental	55	45	112	212	25	40	277	285
Promotional expenses	106	57	218	381	8	5,128	5,517	2,859
Travel	241	928	1,093	2,262	188	164	2,614	1,810
Insurance and miscellaneous	40	323	2,175	2,538	666	464	3,668	2,595
Depreciation	167	129	227	523	194	87	804	613
Total functional expenses	\$ 1,350,993	\$ 101,758	\$ 45,950	\$ 1,498,701	\$ 13,860	\$ 20,613	\$ 1,533,174	\$ 1,428,197

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

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022
(Dollars in thousands)

	2022						
	Program Services			Program Total	Supporting Services		Total
	Access to Medicine	Emergency Programs	Clinical Services and Community Health		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
Rent and other occupancy costs	733	525	938	2,196	233	407	2,836
Distribution of donated medical and disaster supplies	1,221,070	51,337	3,367	1,275,774	-	-	1,275,774
Other grants, awards, relief supplies and destruction	48,237	44	186	48,467	-	-	48,467
Grants to other agencies	357	8,076	2,561	10,994	-	-	10,994
Professional fees and contract services	146	2,420	12,152	14,718	936	4,120	19,774
Office supplies and equipment	551	511	720	1,782	329	866	2,977
Telephone	58	94	114	266	32	235	533
Postage, shipping and warehousing	13,791	1,955	934	16,680	11	824	17,515
Equipment and software rental	64	109	70	243	20	22	285
Promotional expenses	44	19	118	181	50	2,628	2,859
Travel	193	1,086	378	1,657	80	73	1,810
Insurance and miscellaneous	176	545	828	1,549	434	612	2,595
Depreciation	130	107	221	458	91	64	613
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>

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)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 49,862	\$ (54,540)
Adjustments to reconcile change in net assets to net cash (used in) provided by (used in) operating activities:		
Depreciation and amortization	804	613
Net realized loss (gain) on investments	508	(2,254)
Net unrealized (gain) loss on fair value of investments	(2,747)	11,727
Donated investments	(2,003)	(2,516)
Realized and unrealized loss (gain) on property held for investment and contributed stock	8	(11)
Contributions restricted for endowment	(50)	(25)
Fixed assets write-offs and donations	278	215
Changes in assets and liabilities:		
Decrease (increase) in contributions receivable	3,360	(3,233)
Decrease (increase) in other receivables	1,443	(1,199)
(Increase) decrease in inventory	(66,042)	63,333
Decrease (increase) in prepaid expenses and other assets	7	(743)
(Increase) decrease in beneficial interest in split-interest agreements	(166)	737
Decrease in right-of-use assets	1,298	-
(Decrease) increase in accounts payable and accrued expenses	(4,827)	6,183
Increase in committed subgrants	786	115
Increase (decrease) in deferred revenue	1,511	(3,680)
Decrease in lease liabilities	(1,293)	-
Increase in liabilities under split-interest agreements	215	210
Net cash (used in) provided by operating activities	(17,048)	14,932
Cash flows from investing activities:		
Purchase of property and equipment	(1,350)	(213)
Proceeds from sale of investments	12,911	32,429
Purchases of investments	(14,130)	(35,966)
Net cash (used in) provided by investing activities	(2,569)	(3,750)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	50	25
Payments of finance leases	(62)	(25)
Net cash used in financing activities	(12)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,629)	11,182
Cash and cash equivalents, beginning of year	28,832	17,650
Cash and cash equivalents, end of year	\$ 9,203	\$ 28,832
Supplemental cash flow information:		
Donated medical and disaster relief supplies	\$ 1,468,832	\$ 1,255,818
Contributed services and facilities	\$ 12,883	\$ 11,165
Cash paid for interest	\$ 9	\$ -
Non-cash right of use assets due to adoption of ASU 2016-02	\$ 2,254	\$ -
Non-cash lease liabilities due to adoption of ASU 2016-02	\$ 2,712	\$ -
Non-cash write off of prepaid and accrued rent due to adoption of ASU 2016-02	\$ 447	\$ -
Transfer of capital leases to lease liability	\$ 12	\$ -

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

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022
(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, 2023 and 2022
(Dollars in thousands)

Cash and Cash Equivalents

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

Contributions of Cash and Other Financial Assets

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

Pledged contributions not expected to be received within one year are recognized as support with donor restrictions and are discounted using an appropriate discount rate assigned in the year the pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity. Americares writes-off contributions receivable when they become uncollectible, and payments subsequently received are recorded as income in the period received. As of June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022
(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 recognized drug and pricing reference guides for pharmaceuticals in the United States. For products not available in such reference guides, the wholesale value is provided by the donor or estimated using publicly available pricing sources. In valuing pharmaceuticals not legally permissible for sale in the United States of America (and primarily consumed in developing markets), Americares used third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale (that is, the principal markets). Donated inventory and supplies are not sold and goods are only distributed for program use.

Americares operates a Patient Assistance Program ("PAP") through which it receives 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 \$1,024,810 and \$806,266 for the years ended June 30, 2023 and 2022, respectively. Additionally, Americares received gifts of cash to assist with the funding of PAP costs totaling \$10,678 and \$6,559 for the years ended June 30, 2023 and 2022, 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 \$4,248 and \$8,528 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022
(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, 2023 and 2022
(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 20 years.

Committed Subgrants

Americares makes subgrants and awards to organizations that help in the rehabilitation, rebuilding and recovery efforts of areas suffering as a result of natural or manmade disasters, as well as, complex humanitarian situations. A liability for cash subgrants is recorded when Americares has approved the subgrant and there are unconditional terms with the partner grantee. Committed subgrants beyond one year are recorded at net present value using a risk-free rate of return. At June 30, 2023 and 2022, committed subgrants expected to be distributed in the next fiscal year aggregate to \$1,793 and \$1,007, respectively.

Allocation of Expenses

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

Concentration of Credit Risk

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

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(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 February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use ("ROU") asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provided an optional transition method for applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, (i.e., the comparatives under ASC 840 option).

Americares adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives approach under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. Americares similarly elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. Americares has lease agreements with non-lease components that relate to the lease components. Americares elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. Also, Americares elected to not record short-term leases with an initial term of 12 months or less on its consolidated statement of financial position.

The most significant impact of adoption was the recognition of operating lease ROU assets and lease liabilities of \$2,254 and \$2,712, respectively. As part of adopting the standard, previously recognized liabilities for deferred rent were reclassified as a component of the ROU assets. As of July 1, 2022, there was no deferred rent balance, therefore, there is no difference between the ROU asset and operating lease liability at the date of adoption. Americares had an immaterial amount of capital leases (now referred to as finance leases). The standard did not significantly affect Americares's changes in net assets or cash flows.

Effective in Future Periods

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. The guidance is effective for us for fiscal years beginning after December 15, 2022. Americares is currently evaluating the potential impact on our consolidated financial statements and do not expect it to have a material impact on its financial results. In May 2019, the FASB issued ASU 2019-05, *Financial Instruments (Topic 326)*, which will allow entities to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost upon adoption of the new credit losses standard. The election must be applied on an instrument-by-instrument basis for eligible instruments. The guidance is effective for fiscal years beginning

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
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after December 15, 2022. Americares is currently evaluating the potential impact on our consolidated financial statements and do not expect it to have a material impact to its financial results.

Reclassification

A balance reported in noncurrent liabilities in the fiscal 2022 consolidated financial statements have been reclassified to conform to the fiscal 2023 presentation. This reclassification has no effect on previously reported change in total assets, liabilities, net assets, revenues or expenses.

NOTE 3 - INVESTMENTS

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

	2023			2022		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Fixed income	\$ 27,176	\$ -	\$ 27,176	\$ 24,765	\$ -	\$ 24,765
Equity securities	26,310	-	26,310	23,198	-	23,198
Other	907	-	907	976	-	976
	<u>54,393</u>	<u>-</u>	<u>54,393</u>	<u>48,939</u>	<u>-</u>	<u>48,939</u>
Beneficial interest in split-interest agreements						
Perpetual assets held in trust	-	3,169	3,169	-	3,105	3,105
Trust agreements	-	159	159	-	57	57
	<u>-</u>	<u>3,328</u>	<u>3,328</u>	<u>-</u>	<u>3,162</u>	<u>3,162</u>
Total	<u>\$ 54,393</u>	<u>\$ 3,328</u>	<u>\$ 57,721</u>	<u>\$ 48,939</u>	<u>\$ 3,162</u>	<u>\$ 52,101</u>

The following table summarizes the changes in Level 3 investments for the years ended June 30, 2023 and 2022:

	2023	2022
Balance at beginning of year	\$ 3,162	\$ 3,899
Contributions	115	-
Unrealized gain (loss)	51	(737)
Balance at end of year	<u>\$ 3,328</u>	<u>\$ 3,162</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions expected to be collected after one year have been discounted using a discount rate of 4.87% and 2.03% for the years ended June 30, 2023 and 2022, respectively, and are reflected on the accompanying consolidated financial statements at net present value.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

Contributions receivable, net as of June 30, 2023 and 2022, are due as follows:

	2023	2022
Less than one year	\$ 6,859	\$ 10,485
One to three years	2,923	2,522
Total contributions receivable	9,782	13,007
Less: discount to present value	(284)	(149)
Total contributions receivable, net	\$ 9,498	\$ 12,858

NOTE 5 - INVENTORY

Inventory balances as of June 30, 2023 and 2022 were composed of the following:

	2023	2022
Medicines	\$ 293,435	\$ 242,622
Medical devices and nonmedical supplies	7,503	16,988
Other assorted	567	858
Total inventory	301,505	260,468
Less: allowance for obsolescence	(8,000)	(33,005)
Total inventory, net	\$ 293,505	\$ 227,463

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023, and 2022

	2023	2022
Building and land	\$ 1,402	\$ 1,387
Furniture and equipment	6,360	5,359
Leasehold improvements	3,663	3,663
Construction in process	30	50
Accumulated depreciation and amortization	(8,570)	(7,904)
	\$ 2,885	\$ 2,555

Depreciation expense for property and equipment for the years ended June 30, 2023 and 2022 was \$742 and \$613, respectively.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2023 and 2022
(Dollars in thousands)**

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2023 and 2022, contributions of nonfinancial assets consisted of the following:

Nonfinancial Assets Category	Type of Contribution for Beneficiaries	Valuation	2023	2022
Medicines	Pharmaceuticals and medical supplies	WAC/international pricing/donor provided	\$ 1,444,725	\$ 1,227,115
Medical devices and nonmedical supplies	Devices such as syringes, needles, portable power supplies, solution sets	WAC/international pricing/donor provided	<u>24,107</u>	<u>28,703</u>
Subtotal			1,468,832	1,255,818
Contributed services	Services such as pro bono medical, advertising and legal services	Standard industry practice for similar services	12,662	10,971
Contributed freight	Air freight services	Standard industry practice for similar services	<u>221</u>	<u>194</u>
Total nonfinancial assets contributed			<u>\$ 1,481,715</u>	<u>\$ 1,266,983</u>

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

United States	\$ 1,456,942	\$ 1,245,921
International	<u>11,890</u>	<u>9,897</u>
Total donated medical and disaster supplies	<u>\$ 1,468,832</u>	<u>\$ 1,255,818</u>

In 2023, Americares received medicines, medical devices, and non-medical supplies with donor restrictions aggregating \$1,302,018, of which \$1,024,810 were used on the Patient Assistance Program, \$204,128 on international programs, \$43,028 on programs in the United States of America and \$26,944 on emergency programs. The remaining \$3,108 is restricted to any medical program except Americares's Medical Outreach Program and certain countries.

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 programs in the United States of America and \$434 on emergency programs. The remaining \$14,806 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, 2023 and 2022
(Dollars in thousands)**

NOTE 8 - NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Disaster relief:		
Donated inventory	\$ 246,661	\$ 190,585
Donated cash and pledges	17,607	27,636
Clinics	<u>1,959</u>	<u>2,630</u>
	<u>266,227</u>	<u>220,851</u>
Time-restricted	6,300	7,371
Endowment funds subject to Americares' appropriation and satisfaction of donor restrictions - original corpus	1,723	1,673
Endowment accumulated earnings	202	302
Perpetual trusts	<u>3,169</u>	<u>3,105</u>
Total	<u>\$ 277,621</u>	<u>\$ 233,302</u>

NOTE 9 - ENDOWMENTS AND LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS

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

Endowments

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

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2021	\$ 10,129	\$ 2,080	\$ 12,209
Management designations and donor restricted gifts	1,750	275	2,025
Net investment return	(2,222)	(335)	(2,557)
Transfer	(45)	45	-
Withdrawal	-	-	-
	<hr/>	<hr/>	<hr/>
Endowment assets, June 30, 2022	9,612	2,065	11,677
Management designations and donor restricted gifts	-	193	193
Net investment return	994	202	1,196
	<hr/>	<hr/>	<hr/>
Endowment assets, June 30, 2023	<u>\$ 10,606</u>	<u>\$ 2,460</u>	<u>\$ 13,066</u>

Perpetual assets held in trusts totaling \$3,169 and \$3,105, have been excluded from the above donor-restricted endowment assets as of June 30, 2023 and 2022, respectively.

Quasi-Endowments

Management of Americares has removed planning giving gifts from its annual operating budget and has established guidelines for allocating these gifts on an annual basis between the management-directed quasi endowment, an innovation fund, and strategic initiatives or operating funds. These guidelines are reviewed at the end of each fiscal year dependent on the level of planned giving gifts and the financial results for the fiscal year. Management informs the Board of Directors of these decisions. Management designated \$0 and \$1,750 for the years ended June 30, 2023 and 2022, respectively, of gifts without donor restrictions for long-term investment in the quasi-endowment (i.e., without donor restrictions). Management has access to such funds and may use them without a resolution from the Board of Directors.

Charitable Gifts Annuities

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

Americares has entered into agreements with insurance companies to reinsure its charitable gift annuity program. Under the terms of these agreements, the insurance companies agreed to assume the risk of changes in the present value of expected future cash flows payable to the annuitants in exchange for cash consideration of \$548 and \$618 as of June 30, 2023 and 2022, 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 \$69 and \$118 in fiscal years ended June 30, 2023 and 2022, respectively, which is included in the change in

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

value of split-interest agreements line on the consolidated statements of activities. Subsequent changes in the actuarial present value of Americares' liability to annuitants do not impact the consolidated statements of activities.

As of June 30, 2023 and 2022, the FASB actuarial calculation for these arrangements (which equates to the fair value of the reinsurance agreement) was \$5,655 and \$5,363, respectively.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 5,363	\$ 5,125
Purchase of reinsurance contract	548	618
Change in value of reinsurance contract	<u>(256)</u>	<u>(380)</u>
Balance at end of year	<u>\$ 5,655</u>	<u>\$ 5,363</u>

Americares is mandated by certain states' laws to keep, as a reserve, certain excess balances related to its annuity contracts, which equaled \$100 at June 30, 2023 and 2022.

NOTE 10 - LOAN PAYABLE AND LINE OF CREDIT

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, 2023 and 2022 has been reflected in insurance and miscellaneous expense on the accompanying consolidated statements of activities. At June 30, 2023 and 2022, the outstanding balance on the Loan was \$300 and \$300, respectively. 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, 2023 and 2022.

NOTE 11 - INCOME TAXES

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

Both Americares and the Clinics are exempt from federal income tax under Internal Revenue Code ("IRC") section 501(c)(3), though they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. Americares has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

considered tax positions. Americares has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE 12 - SIGNIFICANT DONORS

Most of Americares' medical, food and other disaster relief supplies ("merchandise") contributions are received from companies in the pharmaceutical industry. For the years ended June 30, 2023 and 2022, the largest contributor accounted for 32% and 32%, respectively, of total merchandise contributions. The three largest contributors accounted for 54% and 63% of total merchandise contributions for the years ended June 30, 2023 and 2022, 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 \$1,420 and \$1,284 for the years ended June 30, 2023 and 2022, 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. 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 \$62 and \$40 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, there were no balances associated with the 457(f) plan. Plan balances are included in investments and accounts payable and accrued liabilities on the accompanying consolidated statements of financial position.

NOTE 14 - LEASES

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

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

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. ROU assets pursuant to operating and finance leases are comprised of:

	2023
Operating leases	\$ 487
Finance leases	407
Total ROU assets	\$ 894

During the fiscal year ended 2023, there were no impairments on the right-of-use assets.

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

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

Americares leases real estate and certain equipment. These lease agreements expire on various dates through May 2027. The lease cost and other required information relevant to the lease commitments for the year ended June 30, 2023 are:

Lease cost	
Operating lease cost	\$ 1,866
Finance lease cost:	
Amortization of ROU assets	62
Interest on lease liabilities	9
Total lease cost	\$ 1,937
Operating cash flows paid for operating leases	\$ 1,914
Operating cash flows from finance leases	9
Financing cash flows from finance leases	62
ROU assets, obtained in exchange for new operating lease liabilities	226
ROU assets, obtained in exchange for new financing lease liabilities	487
Weighted-average remaining lease term:	
Operating leases	1.3 years
Finance leases	3.9 years
Weighted-average discount rate:	
Operating leases	3.00%
Finance leases	3.64%

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

Lease liabilities aggregating \$1,357 are reflected under current and non-current liabilities. Future minimum payments under the above-described leases are due as follows

	Operating	Finance
2024	\$ 711	\$ 116
2025	139	115
2026	41	115
2027	42	109
Total future undiscounted lease payments	933	455
Less: amounts representing interest	(18)	(13)
Total lease liabilities	\$ 915	\$ 442

Prior to the adoption of ASC 842 on July 1, 2022, leases were accounted for under ASC 840. The leases for office and warehouse space provide for rent escalations. Future minimum lease commitments under non-cancelable operating leases are as follows:

Fiscal Year Ending	Minimum Lease Commitments
2024	634
2025	131
2026	137
2027	245
Total lease commitments	\$ 1,147

Rent expense for the year ended 2022 was \$1,917.

Americares sublets office space to World Wrestling Entertainment, Inc. ("WWE"), HomeFront and the Elm Project. The sublet with WWE expires in October 2023. As of June 30, 2023, 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 ended June 30, 2023 and 2022.

Americares Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022
(Dollars in thousands)

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, 2023 and 2022, the level of liquidity and reserves were managed within the policy requirements.

Financial assets for general expenditure available to management for general expenditure within one year as of June 30, 2023 and 2022 is as follows:

	2023	2022
Financial assets due within one year:		
Cash and cash equivalents	\$ 9,203	\$ 28,832
Investments	54,393	48,939
Contributions, receivable due within one year	6,859	10,485
Other receivables	1,908	3,351
	72,363	91,607
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with other purpose restrictions	19,768	30,568
Restricted by donors with time restrictions	6,300	7,371
Unappropriated accumulated endowment gains	202	302
Restricted by donor in perpetuity	1,723	1,673
Total financial assets available to management for general expenditure within one year	\$ 44,370	\$ 51,693

NOTE 17 - SUBSEQUENT EVENTS

Americares has evaluated subsequent events through December 19, 2023 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, 2023
(Dollars in thousands)

	<u>Americares Foundation, Inc.</u>	<u>Americares Free Clinics, Inc.</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 8,898	\$ 305	\$ 9,203
Investments	52,708	1,685	54,393
Contributions receivable, net	6,359	500	6,859
Other receivables	1,806	102	1,908
Inventory, net	292,928	577	293,505
Prepaid expenses and other assets	7,141	33	7,174
Intercompany	1,327	(1,327)	-
Total current assets	<u>371,167</u>	<u>1,875</u>	<u>373,042</u>
Noncurrent assets			
Other assets			
Contributions receivable, net	2,163	476	2,639
Property held for investment	36	-	36
Beneficial interest in split-interest agreements			
Perpetual assets held in trust	3,169	-	3,169
Trust agreements	159	-	159
Total other assets	<u>5,527</u>	<u>476</u>	<u>6,003</u>
Property and equipment, net	2,770	115	2,885
Right-of-use assets	697	197	894
Total noncurrent assets	<u>8,994</u>	<u>788</u>	<u>9,782</u>
Total assets	<u>\$ 380,161</u>	<u>\$ 2,663</u>	<u>\$ 382,824</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	\$ 9,485	\$ 482	\$ 9,967
Committed subgrants	1,793	-	1,793
Deferred revenue	1,548	-	1,548
Lease liabilities	606	197	803
Total current liabilities	<u>13,432</u>	<u>679</u>	<u>14,111</u>
Noncurrent liabilities			
Liabilities under split-interest agreements	5,002	-	5,002
Loan payable	-	300	300
Lease liabilities	554	-	554
Total noncurrent liabilities	<u>5,556</u>	<u>300</u>	<u>5,856</u>
Total liabilities	<u>18,988</u>	<u>979</u>	<u>19,967</u>
Net assets			
Without donor restrictions	85,104	132	85,236
With donor restrictions	276,069	1,552	277,621
Total net assets	<u>361,173</u>	<u>1,684</u>	<u>362,857</u>
Total liabilities and net assets	<u>\$ 380,161</u>	<u>\$ 2,663</u>	<u>\$ 382,824</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

Year ended June 30, 2023
(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	\$ 35,537	\$ 2,202	\$ -	\$ 37,739
Government grants	15,985	-	-	15,985
Contributions of nonfinancial assets:				
Donated medical and disaster supplies	166,814	1,657	(1,657)	166,814
Contributed services and facilities	1,560	11,323	-	12,883
Total contributions of nonfinancial assets	168,374	12,980	(1,657)	179,697
Net assets released from restrictions	1,295,629	2,848	-	1,298,477
Total public support	1,515,525	18,030	(1,657)	1,531,898
Investment and fee revenue:				
Net investment return	4,103	-	-	4,103
Other revenue	2,787	1	-	2,788
Change in value of split-interest agreements	(72)	-	-	(72)
Total investment and fee revenue	6,818	1	-	6,819
Total support and revenue	1,522,343	18,031	(1,657)	1,538,717
Expenses:				
Program services				
Distribution of donated medical and disaster supplies	1,398,078	1,714	(1,657)	1,398,135
Other program expenses	84,933	15,633	-	100,566
Total program services	1,483,011	17,347	(1,657)	1,498,701
Supporting services:				
Management and general	13,575	285	-	13,860
Fundraising	20,347	266	-	20,613
Total supporting services	33,922	551	-	34,473
Total expenses	1,516,933	17,898	(1,657)	1,533,174
Increase in net assets without donor restrictions	5,410	133	-	5,543
Changes in net assets with donor restrictions				
Support and revenue:				
Public support:				
Contributions and private grants	38,230	2,266	-	40,496
Donated medical and disaster supplies	1,302,018	-	-	1,302,018
Net assets released from restrictions	(1,295,516)	(2,961)	-	(1,298,477)
Total public support	44,732	(695)	-	44,037
Investment and fee revenue:				
Net investment return	178	-	-	178
Other revenue	39	-	-	39
Change in value of split-interest agreements	65	-	-	65
Total investment and fee revenue	282	-	-	282
Increase (decrease) in net assets with donor restrictions	45,014	(695)	-	44,319
CHANGE IN NET ASSETS	50,424	(562)	-	49,862
Net assets, beginning of year	310,749	2,246	-	312,995
Net assets, end of year	\$ 361,173	\$ 1,684	\$ -	\$ 362,857

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

Americares Foundation, Inc. and Affiliate

SCHEDULE OF FUNCTIONAL EXPENSES - AMERICARES FOUNDATION, INC.

Year ended June 30, 2023
(Dollars in thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
Functional expenses				
Salaries and related payroll expenses	\$ 23,364	\$ 9,434	\$ 8,120	\$ 40,918
Rent and other occupancy costs	2,401	271	258	2,930
Distribution of donated medical and disaster supplies	1,398,078	-	-	1,398,078
Other grants, awards, relief supplies and destruction	14,722	-	-	14,722
Grants to other agencies	11,776	-	-	11,776
Professional fees and contract services	6,002	2,177	2,480	10,659
Office supplies and equipment	1,739	571	1,081	3,391
Telephone	194	28	1,579	1,801
Postage, shipping and warehousing	18,999	21	953	19,973
Equipment and software rental	195	24	39	258
Promotional expenses	375	8	5,128	5,511
Travel	2,249	188	164	2,601
Insurance and miscellaneous	2,425	659	458	3,542
Depreciation	492	194	87	773
Total functional expenses	<u>\$ 1,483,011</u>	<u>\$ 13,575</u>	<u>\$ 20,347</u>	<u>\$ 1,516,933</u>

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

Americares Foundation, Inc. and Affiliate

SCHEDULE OF FUNCTIONAL EXPENSES - AMERICARES FREE CLINICS, INC.

Year ended June 30, 2023
(Dollars in thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
Functional expenses				
Salaries and related payroll expenses	\$ 3,567	\$ 245	\$ 231	\$ 4,043
Rent and other occupancy costs	371	19	17	407
Distribution of donated medical and disaster supplies	1,714	-	-	1,714
Other grants, awards, relief supplies and destruction	61	-	-	61
Grants to other agencies	1	-	-	1
Professional fees and contract services	11,290	-	-	11,290
Office supplies and equipment	130	11	10	151
Telephone	31	2	1	34
Postage, shipping and warehousing	2	-	-	2
Equipment and software rental	17	1	1	19
Promotional expenses	6	-	-	6
Travel	13	-	-	13
Insurance and miscellaneous	113	7	6	126
Depreciation	31	-	-	31
Total functional expenses	<u>\$ 17,347</u>	<u>\$ 285</u>	<u>\$ 266</u>	<u>\$ 17,898</u>

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