

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**

June 30, 2018 and 2017

# AMERICARES FOUNDATION, INC. AND AFFILIATE

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of Americares Foundation, Inc. and affiliate (collectively, "Americares"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Americares Foundation, Inc. and affiliate as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### 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, consolidating schedule of activities, consolidating schedule of program expenses and schedules of functional expenses are presented for 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.

The image shows a handwritten signature in cursive script that reads "Grant Thornton LLP". The signature is written in black ink and is positioned above the typed name and date.

New York, New York  
November 1, 2018

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Consolidated Statements of Financial Position**  
**As of June 30, 2018 and 2017**  
**(In thousands)**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 25,040	\$ 4,090
Investments	28,187	20,510
Contributions receivable, net	3,816	7,793
Other receivables	560	274
Inventory, net	263,454	566,956
Prepaid expenses	<u>855</u>	<u>633</u>
Total current assets	<u>321,912</u>	<u>600,256</u>
<b>NONCURRENT ASSETS</b>		
Other assets:		
Contributions receivable, net	268	3,083
Property held for investment	261	450
Beneficial interest in split-interest agreements - Perpetual assets held in trust	3,473	3,474
Trust agreements	<u>113</u>	<u>92</u>
Total other assets	<u>4,115</u>	<u>7,099</u>
Property and equipment:		
Building and land	1,109	1,076
Furniture and equipment	3,807	3,916
Leasehold improvements	3,545	3,545
Accumulated depreciation and amortization	<u>(5,931)</u>	<u>(5,367)</u>
Net property and equipment	<u>2,530</u>	<u>3,170</u>
Total noncurrent assets	<u>6,645</u>	<u>10,269</u>
Total assets	<u>\$ 328,557</u>	<u>\$ 610,525</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 5,445	\$ 4,761
Committed grants	1,717	759
Deferred revenue	<u>384</u>	<u>1,056</u>
Total current liabilities	<u>7,546</u>	<u>6,576</u>
<b>NONCURRENT LIABILITIES</b>		
Liabilities under split-interest agreements	2,221	2,547
Loan payable and capital leases	<u>352</u>	<u>382</u>
Total noncurrent liabilities	<u>2,573</u>	<u>2,929</u>
Total liabilities	<u>10,119</u>	<u>9,505</u>
<b>NET ASSETS</b>		
Unrestricted	97,005	58,162
Temporarily restricted	216,464	538,113
Permanently restricted	<u>4,969</u>	<u>4,745</u>
Total net assets	<u>318,438</u>	<u>601,020</u>
Total liabilities and net assets	<u>\$ 328,557</u>	<u>\$ 610,525</u>

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Consolidated Statements of Activities**  
For the years ended June 30, 2018 and 2017  
(In thousands)

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>								
Public support:								
Contributions	\$ 24,643	\$ 42,801	\$ 225	\$ 67,669	\$ 18,339	\$ 19,767	\$ 481	\$ 38,587
Government grants	140	-	-	140	463	-	-	463
Donated medical and disaster supplies	183,181	792,810	-	975,991	99,794	2,242,101	-	2,341,895
Contributed services and facilities	8,196	-	-	8,196	7,794	-	-	7,794
Net assets released from restrictions	1,157,455	(1,157,455)	-	-	1,793,393	(1,793,393)	-	-
Total public support	1,373,615	(321,844)	225	1,051,996	1,919,783	468,475	481	2,388,739
Investment and fee revenue:								
Interest and dividend income	974	42	-	1,016	632	31	-	663
Net realized gain (loss) on investments	737	52	-	789	(67)	56	-	(11)
Net unrealized (loss) gain on investments	(230)	39	-	(191)	844	119	-	963
Other revenue	2,372	62	-	2,434	2,013	-	-	2,013
Change in value of split-interest agreements	21	-	(1)	20	(269)	3	89	(177)
Total revenue	3,874	195	(1)	4,068	3,153	209	89	3,451
Total support and revenue	1,377,489	(321,649)	224	1,056,064	1,922,936	468,684	570	2,392,190
<b>EXPENSES</b>								
Program services - grants, awards and program-related expenses	1,320,733	-	-	1,320,733	1,921,409	-	-	1,921,409
Supporting services								
Management and general	5,519	-	-	5,519	5,463	-	-	5,463
Fundraising	12,394	-	-	12,394	11,724	-	-	11,724
Total supporting services	17,913	-	-	17,913	17,187	-	-	17,187
Total expenses	1,338,646	-	-	1,338,646	1,938,596	-	-	1,938,596
Change in net assets	38,843	(321,649)	224	(282,582)	(15,660)	468,684	570	453,594
Net assets, beginning of year	58,162	538,113	4,745	601,020	73,822	69,429	4,175	147,426
Net assets, end of year	\$ 97,005	\$ 216,464	\$ 4,969	\$ 318,438	\$ 58,162	\$ 538,113	\$ 4,745	\$ 601,020

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Consolidated Statements of Functional Expenses**  
For the years ended June 30, 2018 and 2017  
(In thousands)

	2018				2017			
	Grants, Awards and Program- Related Expenses	Supporting Services			Grants, Awards and Program- Related Expenses	Supporting Services		
		Management and General	Fundraising	Total		Management and General	Fundraising	Total
FUNCTIONAL EXPENSES								
Salaries and related payroll expenses	\$ 12,095	\$ 3,729	\$ 4,656	\$ 20,480	\$ 9,980	\$ 3,237	\$ 4,221	\$ 17,438
Rent and other occupancy costs	1,788	417	311	2,516	1,808	403	316	2,527
Grants and awards, relief supplies	1,281,734	-	-	1,281,734	1,889,795	-	-	1,889,795
Grants to other agencies	5,355	-	-	5,355	2,485	-	-	2,485
Professional fees and contract services	9,091	461	1,774	11,326	8,280	709	1,752	10,741
Office supplies and equipment	517	316	725	1,558	306	461	884	1,651
Telephone	186	43	1,003	1,232	117	89	420	626
Postage, shipping and warehousing	6,294	16	866	7,176	5,803	10	1,117	6,930
Equipment and software rental	136	26	28	190	134	10	25	169
Promotional expenses	250	3	2,054	2,307	208	9	2,395	2,612
Travel	1,761	55	240	2,056	1,368	96	228	1,692
Insurance and miscellaneous	947	361	619	1,927	532	345	252	1,129
Depreciation	579	92	118	789	593	94	114	801
Total functional expenses	<u>\$ 1,320,733</u>	<u>\$ 5,519</u>	<u>\$ 12,394</u>	<u>\$ 1,338,646</u>	<u>\$ 1,921,409</u>	<u>\$ 5,463</u>	<u>\$ 11,724</u>	<u>\$ 1,938,596</u>

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2018 and 2017**  
**(In thousands)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (282,582)	\$ 453,594
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	789	801
Net realized (gain)/loss on investments	(789)	11
Net unrealized (gain)/loss on fair value of investments	191	(963)
Donated investments	(2,579)	(3,621)
Realized and unrealized loss on property held for investment and contributed stock	29	57
Changes in assets and liabilities		
(Increase) decrease in other receivables	(286)	34
Decrease (increase) in contributions receivable	6,791	(3,575)
Decrease (increase) in inventory	303,502	(453,772)
(Increase) decrease in prepaid expenses	(222)	184
Increase in beneficial interest in split-interest agreements	(21)	(525)
Increase in accounts payable and accrued expenses	684	67
Increase (decrease) in committed grants	958	(359)
(Decrease) increase in deferred revenue	(672)	691
Decrease in liabilities under split-interest agreements	(325)	(141)
Net cash provided by (used in) operating activities	<u>25,468</u>	<u>(7,517)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(149)	(600)
Proceeds from sale of assets held for investments	167	3,254
Proceeds from sale of investments	8,291	19,762
Purchases of investments	(12,797)	(18,934)
Net cash (used in) provided by investing activities	<u>(4,488)</u>	<u>3,482</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of loan payable	-	(300)
Loan payable borrowing	-	300
Payments of capital leases	(30)	(24)
Net cash used in financing activities	<u>(30)</u>	<u>(24)</u>
Net increase (decrease) in cash and cash equivalents	20,950	(4,059)
Cash and cash equivalents, beginning of year	<u>4,090</u>	<u>8,149</u>
Cash and cash equivalents, end of year	<u>\$ 25,040</u>	<u>\$ 4,090</u>

Supplemental cash flow information:

Noncash items for fiscal years 2018 and 2017 included \$975,991 and \$2,341,895 of donated medical and disaster relief supplies, respectively, and \$8,196 and \$7,794 of contributed services and facilities, respectively. Cash used in operating activities included payments for interest in gift annuities of \$400 for both fiscal 2018 and 2017, and cash paid for interest of \$3 and \$4 in fiscal years 2018 and 2017, respectively.

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



# AMERICARES FOUNDATION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(In thousands)

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### 1. ORGANIZATION

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

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

#### **Net Assets**

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

##### Unrestricted Net Assets

Includes all resources that are expendable for carrying on Americares’ general mission with no donor restrictions.

##### Temporarily Restricted Net Assets

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.

##### Permanently Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income there from utilized for operating or other donor-restricted purposes.

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

#### **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.

# **AMERICARES FOUNDATION, INC. AND AFFILIATE**

## **Notes to Consolidated Financial Statements**

**June 30, 2018 and 2017**  
**(In thousands)**

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### **Contributions**

Americares records contributions, including unconditional promises to give, in the period received or pledged. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted, depending on whether the donor has imposed a restriction on the use of such assets.

Pledged contributions not expected to be received within one year are recognized as temporarily restricted support 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, 2018 and 2017, there was no allowance for uncollectible contributions receivables.

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

Americares' policy is to report gifts of property, plant and equipment as unrestricted support 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 temporarily restricted support. 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.

### **Donated Medical Inventory and Disaster Supplies**

Upon receipt, Americares reports gifts of donated inventory and supplies as unrestricted support 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 temporarily restricted support. Donated inventory and medical supplies are recognized on the date received at wholesale acquisition cost ("WAC"), which approximates the exit price. 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, primarily IBM Micromedex's "Red Book," which is an industry recognized drug and pricing reference guide for pharmaceuticals in the United States. For products not available in the Red Book, the wholesale value is provided by the donor or estimated using publicly available pricing sources.

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

# AMERICARES FOUNDATION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(In thousands)

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Americares operates a Patient Assistance Program (“PAP”) through which it receives gifts in kind of donated medical supplies. This program’s pharmaceutical donations totaled \$329.3 million and \$224.7 million for the years ended June 30, 2018 and 2017, respectively. Additionally, Americares received gifts of cash to assist with the funding of PAP costs totaling \$4.2 million and \$3.1 million for the years ended June 30, 2018 and 2017, respectively. These donations are used to provide drugs to needy patients in the United States of America that have met various eligibility criteria and who would not otherwise be able to afford them. In addition, contributions receivable have been recorded for cash amounts pledged by donors to the PAP program of \$0.9 million and \$1.0 million for the years ended June 30, 2018 and 2017, respectively.

### Inventory

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

### Investments

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

### 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 include 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.

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Notes to Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
**(In thousands)**

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

**Split-Interest Agreements**

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

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

**Perpetual Assets Held in Trust**

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

**Property and Equipment**

Property and equipment purchased for a value greater than \$5 thousand and with depreciable lives greater than one year are recorded at cost; assets donated to Americares are recorded at fair value on the date of donation. Assets acquired under capital leases are stated at present value of future minimum lease payments at the inception of the lease and are amortized over the shorter period of the lease term or the estimated useful life of the asset of the equipment. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment are depreciated over five years. Leasehold improvements are amortized over the lesser of the economic life of the assets or the terms of the related leases. Buildings are depreciated over twenty years.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$0.8 million each year.

**Committed Grants**

Americares makes grants 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 grants is recorded when Americares has approved the grant and there are unconditional terms with the partner grantee. Committed grants beyond one year are recorded at net present value using a risk free rate of return. At June 30, 2018 and 2017, committed grants expected to be distributed in the next fiscal year aggregate to \$1.7 million and \$0.8 million, respectively.

# AMERICARES FOUNDATION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(In thousands)

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### **Contributed Services and Facilities**

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

### **Allocation of Expenses**

Amounts for salaries, office supplies, occupancy and other similar items are allocated to program or supporting services based on allocation factors, which are representative of cost consumption and depend on the nature of the activity for which the expense was incurred.

### **Concentration of Credit Risk**

Cash and investments are exposed to various risks, such as interest rate, market, and credit risks. To minimize such risks, Americares maintains its cash in various bank deposit accounts and in diversified institutions and, accordingly, Americares does not expect nonperformance.

### **Fair Value of Financial Instruments**

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

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

### **Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation reserves for inventories. While Americares believes that these estimates are reasonable, actual results could differ from such estimates.

### **Recent Accounting Pronouncements**

#### *Effective in Future Periods*

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 (i.e., fiscal year 2019). ASU 2016-14 is to be applied retroactively with transition

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Notes to Consolidated Financial Statements**  
**June 30, 2018 and 2017**  
**(In thousands)**

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provisions. Management is currently evaluating the impact that ASU 2016-14 will have on the consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This new revenue recognition guidance will supersede nearly all existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, the new guidance implements a five-step process for customer contract revenue recognition. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. For nonpublic entities, the standard will be effective for annual reporting periods beginning after December 15, 2018 (i.e., fiscal year 2020), and interim reporting periods within annual reporting periods beginning after December 15, 2019. Nonpublic entities can also elect to early adopt the standard as of the following: (a) annual reporting periods beginning after December 15, 2016, including interim periods; or (b) annual reporting periods beginning after December 15, 2016, and interim periods within annual reporting periods beginning one year after the annual reporting period of initial application of the new standard. Entities can transition to the new guidance either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact of this new revenue recognition guidance on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. For recipients, the amendments are effective for annual periods beginning after December 15, 2018 (i.e., fiscal year 2020). Americares is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Notes to Consolidated Financial Statements**  
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(In thousands)

**3. INVESTMENTS**

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

	2018			2017		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Fixed income	\$ 14,718	\$ -	\$ 14,718	\$ 10,742	\$ -	\$ 10,742
Equity securities	12,038	-	12,038	8,549	5	8,554
Other	1,431	-	1,431	1,214	-	1,214
	<u>28,187</u>	<u>-</u>	<u>28,187</u>	<u>20,505</u>	<u>5</u>	<u>20,510</u>
Beneficial interest in split-interest agreements -						
Perpetual assets held in trust	-	3,473	3,473	-	3,474	3,474
Trust agreements	-	113	113	-	92	92
	<u>-</u>	<u>3,586</u>	<u>3,586</u>	<u>-</u>	<u>3,566</u>	<u>3,566</u>
Total	<u>\$ 28,187</u>	<u>\$ 3,586</u>	<u>\$ 31,773</u>	<u>\$ 20,505</u>	<u>\$ 3,571</u>	<u>\$ 24,076</u>

The following table summarizes the changes in Level 3 investments for the years ended June 30, 2018 and 2017:

	2018	2017
<b>Balance at beginning of year</b>	\$ 3,571	\$ 3,046
Contributions	21	436
Sale	(5)	-
Unrealized (loss)/gain	<u>(1)</u>	<u>89</u>
<b>Balance at end of year</b>	<u>\$ 3,586</u>	<u>\$ 3,571</u>

**4. CONTRIBUTIONS RECEIVABLE**

Contributions expected to be collected after one year have been discounted using a discount rate of 2.8% and 2.4% for the years ended June 30, 2018 and 2017, respectively, and are reflected on the accompanying consolidated financial statements at net present value. Contributions receivable, net at June 30, 2018 and 2017, are due as follows:

	2018	2017
Less than one year	\$ 3,816	\$ 7,793
One to two years	<u>348</u>	<u>3,308</u>
Total contributions receivable	4,164	11,101
Less: discount to present value	<u>(80)</u>	<u>(225)</u>
Total contributions receivable, net	<u>\$ 4,084</u>	<u>\$ 10,876</u>

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
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**5. INVENTORY**

Inventory balances as of June 30, 2018 and 2017, were composed of the following:

	<u>2018</u>	<u>2017</u>
Medicines	\$ 267,961	\$ 583,899
Medical devices and consumables	4,933	5,152
Other assorted	<u>3,560</u>	<u>1,405</u>
Total inventory	276,454	590,456
Less: allowance for obsolescence	<u>(13,000)</u>	<u>(23,500)</u>
Total inventory, net	<u>\$ 263,454</u>	<u>\$ 566,956</u>

Medical inventory increased substantially in fiscal year 2017 due to the receipt of the pharmaceutical daclatasvir, of which \$370 million was in ending inventory at June 30, 2017. All of these goods were shipped during fiscal year 2018.

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

For the years ended June 30, 2018 and 2017, contributed services, facilities and freight included the following:

	<u>2018</u>	<u>2017</u>
Professional services	\$ 7,474	\$ 6,812
Other contributed services and facilities	500	575
No-charge freight	<u>222</u>	<u>407</u>
	<u>\$ 8,196</u>	<u>\$ 7,794</u>

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

Americares has received donor-restricted endowment contributions of perpetual duration and classified these funds as permanently restricted net assets, 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 permanently restricted net assets as temporarily restricted net assets 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



# AMERICARES FOUNDATION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

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funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Americares would classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Americares in a manner consistent with the standard of prudence prescribed by UPMIFA. At June 30, 2018 and 2017, Americares did not maintain any board-designated (quasi) endowment funds. Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment assets, June 30, 2016</b>	\$ -	\$ 195	\$ 1,226	\$ 1,421
Investment return:				
Deposits	-	-	45	45
Investment income	-	26	-	26
Realized gain on sales	-	56	-	56
Unrealized gain in fair value of investments	-	119	-	119
Withdrawal	-	(100)	-	(100)
<b>Endowment assets, June 30, 2017</b>	-	296	1,271	1,567
Investment return:				
Deposits	-	-	225	225
Investment income	-	37	-	37
Realized gain on sales	-	52	-	52
Unrealized gain in fair value of investments	-	39	-	39
Withdrawal	-	(170)	-	(170)
<b>Endowment assets, June 30, 2018</b>	<u>\$ -</u>	<u>\$ 254</u>	<u>\$ 1,496</u>	<u>\$ 1,750</u>

As of June 30, 2018 and 2017, perpetual assets held in trusts totaling \$3.5 million for each year, have been excluded from the above permanently restricted endowment assets. During fiscal year 2018, Americares withdrew \$170 thousand from its endowment to support the implementation of a new enterprise resource planning (“ERP”) system. During fiscal year 2017, Americares withdrew \$100 thousand from its endowment which had been appropriated in fiscal year 2016 for expenditures to support the reconfiguration of its Distribution Center in Stamford, Connecticut.

As of June 30, 2018, the FASB actuarial calculation for liabilities under split interest agreements from annuity contracts was \$2.56 million. Americares is mandated by certain states’ laws to keep, as a reserve, certain excess balances related to its annuity contracts, which equaled \$776 thousand and \$883 thousand at June 30, 2018 and 2017, respectively.

# AMERICARES FOUNDATION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(In thousands)

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### 8. LOAN PAYABLE AND LINE OF CREDIT

In November 2016, Americares Free Clinics, Inc. entered into a new unsecured \$300 thousand five-year loan at an annual interest rate of 1% with Northern Trust Company (“The Loan”) which is secured by Americares Foundation, Inc. The purpose of the loan was to repay the \$300 thousand loan from Citizens Bank N.A. (formerly held by Royal Bank of Scotland). The prior loan provided funds toward the renovation of space in the Wheeler Community Center in Bridgeport, Connecticut for a free medical clinic for uninsured low and moderate income individuals. Interest expense of \$3 thousand and \$4 thousand has been reflected in insurance and miscellaneous expense on the accompanying consolidated statement of activities for years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, the outstanding balance on The Loan was \$300 thousand which is payable in full on November 3, 2021.

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

### 9. INCOME TAXES

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

Both Americares and the Clinics are exempt from federal income tax under Internal Revenue Code (“IRC”) section 501(c)(3), though they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Americares has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. Americares has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

### 10. 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, 2018 and 2017, the largest contributor accounted for 15% and 57%, respectively, of total merchandise contributions. The three largest contributors accounted for 37% and 67% of total merchandise contributions for the years ended June 30, 2018 and 2017, respectively.

# AMERICARES FOUNDATION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(In thousands)

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### 11. EMPLOYEE BENEFITS

Americares established a defined contribution plan for all eligible employees effective January 1, 1992. As of December 31, 2002, Americares modified the plan to include a company matching program in which Americares would match each employee's contribution to the 401(k) savings plan up to a maximum of 6% of each employee's salary. Employees enrolling in the 401(k) savings plan after January 1, 2003 become 50% vested in the company match after one year of service and 100% vested after two years. Americares' contribution was approximately \$0.7 million and \$0.6 million for years ended June 30, 2018 and 2017, 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 IRS Code covering the CEO of Americares. For the years ended June 30, 2018 and 2017, \$18 thousand and \$30 thousand was recognized as expense for this plan, respectively.

### 12. 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>
2019	\$ 1,832
2020	1,713
2021	1,703
2022	1,718
2023	1,699
2024 and beyond	<u>693</u>
Total lease commitments	<u>\$ 9,358</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$1.7 and \$1.6 million, respectively.

Americares sublets offices space to World Wrestling Entertainment, Inc. ("WWE"), HomeFront and the Elm Project. The sublet with WWE expires May 2019. As of June 30, 2018, future total minimum rental payments to be received under the WWE sublease during fiscal 2019 total \$118 thousand. The arrangements with HomeFront and The Elm Project are month to month.

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Notes to Consolidated Financial Statements**  
June 30, 2018 and 2017  
(In thousands)

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**13. TEMPORARILY RESTRICTED NET ASSETS**

Americares' temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Disaster relief:		
Donated inventory	\$ 184,456	\$ 518,448
Donated cash and pledges	31,191	17,335
Clinics	<u>95</u>	<u>492</u>
	<u>215,742</u>	<u>536,275</u>
Time restricted	<u>722</u>	<u>1,838</u>
Total	<u>\$ 216,464</u>	<u>\$ 538,113</u>

**14. SUBSEQUENT EVENTS**

Americares has evaluated subsequent events through November 1, 2018, the date these consolidated financial statements were available for issuance, and noted no events, except as those disclosed above, 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**  
**As of June 30, 2018**  
**(In thousands)**

	<b>Americares Foundation, Inc.</b>	<b>Americares Free Clinics, Inc.</b>	<b>Total June 30, 2018</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 24,530	\$ 510	\$ 25,040
Investments	28,187	-	28,187
Contributions receivable	3,803	13	3,816
Other receivables	560	-	560
Inventory, net	262,923	531	263,454
Prepaid expenses	828	27	855
Total current assets	<u>320,831</u>	<u>1,081</u>	<u>321,912</u>
<b>NONCURRENT ASSETS</b>			
Other assets:			
Contributions receivable, net	255	13	268
Property held for investment	261	-	261
Beneficial interest in split-interest agreements -			
Perpetual assets held in trust	3,473	-	3,473
Trust agreements	113	-	113
Total other assets	<u>4,102</u>	<u>13</u>	<u>4,115</u>
Property and equipment			
Building and land	1,109	-	1,109
Furniture and equipment	3,699	108	3,807
Leasehold improvements	2,590	955	3,545
Accumulated depreciation and amortization	(5,058)	(873)	(5,931)
Net property and equipment	<u>2,340</u>	<u>190</u>	<u>2,530</u>
Total noncurrent assets	<u>6,442</u>	<u>203</u>	<u>6,645</u>
Total assets	<u>\$ 327,273</u>	<u>\$ 1,284</u>	<u>\$ 328,557</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 4,989	\$ 456	\$ 5,445
Committed grants	1,717	-	1,717
Deferred revenue	384	-	384
Total current liabilities	<u>7,090</u>	<u>456</u>	<u>7,546</u>
<b>CURRENT LIABILITIES</b>			
Liability under split-interest agreements	2,221	-	2,221
Long-term loan and capital leases	52	300	352
Total noncurrent liabilities	<u>2,273</u>	<u>300</u>	<u>2,573</u>
Total liabilities	<u>9,363</u>	<u>756</u>	<u>10,119</u>
<b>NET ASSETS</b>			
Unrestricted	96,572	433	97,005
Temporarily restricted	216,369	95	216,464
Permanently restricted	4,969	-	4,969
Total net assets	<u>317,910</u>	<u>528</u>	<u>318,438</u>
Total liabilities and net assets	<u>\$ 327,273</u>	<u>\$ 1,284</u>	<u>\$ 328,557</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, 2018**  
**(In thousands)**

	Americares Foundation, Inc.	Americares Free Clinics, Inc.	Intercompany Eliminations	Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
<b>SUPPORT AND REVENUE</b>				
Public support:				
Contributions	\$ 24,049	\$ 594	\$ -	\$ 24,643
Government grants	140	-	-	140
Donated medical and disaster supplies	183,181	2,439	(2,439)	183,181
Contributed services and facilities	699	7,497	-	8,196
Net assets released from restrictions	<u>1,156,185</u>	<u>1,270</u>	<u>-</u>	<u>1,157,455</u>
Total public support	<u>1,364,254</u>	<u>11,800</u>	<u>(2,439)</u>	<u>1,373,615</u>
Revenue:				
Interest and dividend income	974	-	-	974
Net realized gain on investments	737	-	-	737
Net unrealized loss on investments	(230)	-	-	(230)
Other revenue	2,372	-	-	2,372
Change in value of split-interest agreements	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
Total revenue	<u>3,874</u>	<u>-</u>	<u>-</u>	<u>3,874</u>
Total support and revenue	<u>1,368,128</u>	<u>11,800</u>	<u>(2,439)</u>	<u>1,377,489</u>
<b>EXPENSES</b>				
Program services - grants, awards and program-related expenses	<u>1,310,465</u>	<u>12,707</u>	<u>(2,439)</u>	<u>1,320,733</u>
Supporting services:				
Management and general	5,400	119	-	5,519
Fundraising	<u>12,264</u>	<u>130</u>	<u>-</u>	<u>12,394</u>
Total supporting services	<u>17,664</u>	<u>249</u>	<u>-</u>	<u>17,913</u>
Total expenses	<u>1,328,129</u>	<u>12,956</u>	<u>(2,439)</u>	<u>1,338,646</u>
Increase (decrease) in unrestricted net assets	<u>39,999</u>	<u>(1,156)</u>	<u>-</u>	<u>38,843</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>				
<b>SUPPORT AND REVENUE</b>				
Public support:				
Contributions	42,028	773	-	42,801
Donated medical and disaster supplies	792,810	-	-	792,810
Net assets released from restrictions	<u>(1,156,185)</u>	<u>(1,270)</u>	<u>-</u>	<u>(1,157,455)</u>
Total public support	<u>(321,347)</u>	<u>(497)</u>	<u>-</u>	<u>(321,844)</u>
Revenue:				
Interest and dividend income	42	-	-	42
Net realized gain on investments	52	-	-	52
Net unrealized gain on investments	39	-	-	39
Other revenue	62	-	-	62
Change in value of split-interest agreements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>195</u>	<u>-</u>	<u>-</u>	<u>195</u>
Decrease in temporarily restricted net assets	<u>(321,152)</u>	<u>(497)</u>	<u>-</u>	<u>(321,649)</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>				
Support and revenue:				
Contributions	225	-	-	225
Change in value of split-interest agreements	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Increase in permanently restricted net assets	<u>224</u>	<u>-</u>	<u>-</u>	<u>224</u>
Changes in net assets	<u>(280,929)</u>	<u>(1,653)</u>	<u>-</u>	<u>(282,582)</u>
Net assets, beginning of year	<u>598,839</u>	<u>2,181</u>	<u>-</u>	<u>601,020</u>
Net assets, end of year	<u>\$ 317,910</u>	<u>\$ 528</u>	<u>\$ -</u>	<u>\$ 318,438</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, 2018  
(In thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
<b>FUNCTIONAL EXPENSES</b>				
Salaries and related payroll expenses	\$ 10,424	\$ 3,622	\$ 4,540	\$ 18,586
Rent and other occupancy costs	1,601	408	301	2,310
Grants and awards, relief supplies	1,281,000	-	-	1,281,000
Grants to other agencies	5,355	-	-	5,355
Professional fees and contract services	1,616	461	1,774	3,851
Office supplies and equipment	478	316	725	1,519
Telephone	170	42	1,002	1,214
Postage, shipping and warehousing	6,293	16	866	7,175
Equipment and software rental	129	26	27	182
Promotional expenses	244	3	2,054	2,301
Travel	1,749	55	240	2,044
Insurance and miscellaneous	887	359	617	1,863
Depreciation	519	92	118	729
	<u>519</u>	<u>92</u>	<u>118</u>	<u>729</u>
Total functional expenses	<u>\$ 1,310,465</u>	<u>\$ 5,400</u>	<u>\$ 12,264</u>	<u>\$ 1,328,129</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, 2018  
(In thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
FUNCTIONAL EXPENSES				
Salaries and related payroll expenses	\$ 1,671	\$ 107	\$ 116	\$ 1,894
Rent and other occupancy costs	187	9	10	206
Grants and awards, relief supplies	3,173	-	-	3,173
Professional fees and contract services	7,475	-	-	7,475
Office supplies and equipment	39	-	-	39
Telephone	16	1	1	18
Postage, shipping and warehousing	1	-	-	1
Equipment and software rental	7	-	1	8
Promotional expenses	6	-	-	6
Travel	12	-	-	12
Insurance and miscellaneous	60	2	2	64
Depreciation	60	-	-	60
Total functional expenses	<u>\$ 12,707</u>	<u>\$ 119</u>	<u>\$ 130</u>	<u>\$ 12,956</u>

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

**AMERICARES FOUNDATION, INC. AND AFFILIATE**  
**Consolidated Statement of Program Expenses**  
For the year ended June 30, 2018, with summarized comparative totals for 2017  
(In thousands)

	Access to Medicine	Emergency Programs	Clinical Services and Community Health	2018 Total	2017 Total
Salaries and related payroll expenses	\$ 3,348	\$ 3,954	\$ 4,793	\$ 12,095	\$ 9,980
Rent and other occupancy costs	725	402	661	1,788	1,808
Grants and awards, relief supplies	1,198,705	79,046	3,983	1,281,734	1,889,795
Grants to other agencies	541	3,869	945	5,355	2,485
Professional fees and contract services	603	574	7,914	9,091	8,280
Office supplies and equipment	140	155	222	517	306
Telephone	48	81	57	186	117
Shipping, postage and warehousing	4,916	869	509	6,294	5,803
Equipment and software rental	58	27	51	136	134
Promotional expenses	102	76	72	250	208
Travel	327	1,151	283	1,761	1,368
Insurance and miscellaneous	(191)	967	171	947	532
Depreciation	200	87	292	579	593
	<u>200</u>	<u>87</u>	<u>292</u>	<u>579</u>	<u>593</u>
Total	<u>\$ 1,209,522</u>	<u>\$ 91,258</u>	<u>\$ 19,953</u>	<u>\$ 1,320,733</u>	<u>\$ 1,921,409</u>

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