

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

Americares Foundation, Inc. and Affiliate

June 30, 2020 and 2019

Contents

	Page
Report of Independent Certified Public Accountants	1 - 2
Consolidated Financial Statements	
Consolidated Statements of Financial Position as of June 30, 2020 and 2019	3
Consolidated Statements of Activities for the years ended June 30, 2020 and 2019	4
Consolidated Statement of Functional Expenses for the year ended June 30, 2020	5
Consolidated Statement of Functional Expenses for the year ended June 30, 2019	6
Consolidated Statements of Cash Flows for the years ended June 30, 2020 and 2019	7
Notes to Consolidated Financial Statements	8 - 20
Supplementary Information	
Consolidating Schedule of Financial Position as of June 30, 2020	22
Consolidating Schedule of Activities for the year ended June 30, 2020	23
Schedule of Functional Expenses - Americares Foundation, Inc. for the year ended June 30, 2020	24
Schedule of Functional Expenses - Americares Free Clinics, Inc. for the year ended June 30, 2020	25

GRANT THORNTON LLP

757 Third Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100

F +1 212 370 4520

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, 2020 and 2019, 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2020, consolidating schedule of activities for the year ended June 30, 2020, schedule of functional expenses – AmeriCares Foundation, Inc. for the year ended June 30, 2020, and schedule of functional expenses – AmeriCares Free Clinics, Inc. for the year ended June 30, 2020 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.



New York, New York
November 19, 2020

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2020 and 2019
(In thousands)

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,019	\$ 17,376
Investments	34,585	26,998
Contributions receivable, net	3,527	4,978
Other receivables	558	807
Inventory, net	347,494	165,456
Prepaid expenses and other assets	6,180	4,643
Total current assets	417,363	220,258
NONCURRENT ASSETS		
Other assets:		
Contributions receivable, net	4,511	568
Property held for investment	36	225
Beneficial interest in split-interest agreements -		
Perpetual assets held in trust	3,229	3,404
Trust agreements	53	55
Total other assets	7,829	4,252
Property and equipment:		
Building and land	1,323	1,264
Furniture and equipment	4,564	3,820
Leasehold improvements	3,643	3,545
Accumulated depreciation and amortization	(6,831)	(6,335)
Net property and equipment	2,699	2,294
Total noncurrent assets	10,528	6,546
Total assets	\$ 427,891	\$ 226,804
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,623	\$ 6,284
Committed subgrants	431	1,001
Deferred revenue	4,111	203
Total current liabilities	11,165	7,488
NONCURRENT LIABILITIES		
Liabilities under split-interest agreements	4,180	2,897
Loan payable and capital leases	370	320
Total noncurrent liabilities	4,550	3,217
Total liabilities	15,715	10,705
NET ASSETS		
Without donor restrictions	47,131	65,032
With donor restrictions	365,045	151,067
Total net assets	412,176	216,099
Total liabilities and net assets	\$ 427,891	\$ 226,804

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, 2020 and 2019
(In thousands)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Public support:						
Contributions and private grants	\$ 33,776	\$ 41,181	\$ 74,957	\$ 27,632	\$ 22,872	\$ 50,504
Government grants	4,669	-	4,669	1,388	-	1,388
Donated medical and disaster supplies	151,695	1,215,074	1,366,769	205,124	719,266	924,390
Contributed services, facilities and freight	8,916	-	8,916	10,408	-	10,408
Net assets released from restrictions	1,041,998	(1,041,998)	-	812,761	(812,761)	-
Total public support	<u>1,241,054</u>	<u>214,257</u>	<u>1,455,311</u>	<u>1,057,313</u>	<u>(70,623)</u>	<u>986,690</u>
Investment and fee revenue:						
Net investment return	829	(112)	717	1,383	235	1,618
Other revenue	2,222	5	2,227	2,512	50	2,562
Change in value of split-interest agreements	(199)	(172)	(371)	(578)	(28)	(606)
Total revenue	<u>2,852</u>	<u>(279)</u>	<u>2,573</u>	<u>3,317</u>	<u>257</u>	<u>3,574</u>
Total support and revenue	<u>1,243,906</u>	<u>213,978</u>	<u>1,457,884</u>	<u>1,060,630</u>	<u>(70,366)</u>	<u>990,264</u>
EXPENSES						
Program services						
Distribution of donated medical and disaster supplies	1,017,333	-	1,017,333	984,619	-	984,619
Other program expenses	223,783	-	223,783	89,272	-	89,272
Total program services	<u>1,241,116</u>	<u>-</u>	<u>1,241,116</u>	<u>1,073,891</u>	<u>-</u>	<u>1,073,891</u>
Supporting services						
Management and general	6,578	-	6,578	5,738	-	5,738
Fundraising	14,113	-	14,113	12,974	-	12,974
Total supporting services	<u>20,691</u>	<u>-</u>	<u>20,691</u>	<u>18,712</u>	<u>-</u>	<u>18,712</u>
Total expenses	<u>1,261,807</u>	<u>-</u>	<u>1,261,807</u>	<u>1,092,603</u>	<u>-</u>	<u>1,092,603</u>
Change in net assets	<u>(17,901)</u>	<u>213,978</u>	<u>196,077</u>	<u>(31,973)</u>	<u>(70,366)</u>	<u>(102,339)</u>
Net assets, beginning of year	<u>65,032</u>	<u>151,067</u>	<u>216,099</u>	<u>97,005</u>	<u>221,433</u>	<u>318,438</u>
Net assets, end of year	<u>\$ 47,131</u>	<u>\$ 365,045</u>	<u>\$ 412,176</u>	<u>\$ 65,032</u>	<u>\$ 151,067</u>	<u>\$ 216,099</u>

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

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020, with summarized comparative information for the year ended June 30, 2019
(In thousands)

	2020							2019
	Program Services			Total	Supporting Services			Total
	Access to Medicine	Emergency Programs	Clinical Services and Community Health		Management and General	Fundraising	Total	
FUNCTIONAL EXPENSES								
Salaries and related payroll expenses	\$ 3,458	\$ 7,588	\$ 7,650	\$ 18,696	\$ 4,157	\$ 5,158	\$ 28,011	\$ 25,206
Rent and other occupancy costs	600	793	816	2,209	384	332	2,925	2,790
Distribution of donated medical and disaster supplies	995,186	19,644	2,503	1,017,333	-	-	1,017,333	984,619
Other grants, awards, relief supplies and destruction	168,847	5,909	229	174,985	-	-	174,985	40,221
Grants to other agencies	393	2,067	1,304	3,764	-	-	3,764	3,268
Professional fees and contract services	352	2,344	9,019	11,715	935	3,040	15,690	16,770
Office supplies and equipment	125	418	253	796	568	702	2,066	1,765
Telephone	46	79	85	210	36	124	370	975
Postage, shipping and warehousing	6,088	840	738	7,666	5	1,026	8,697	8,987
Equipment and software rental	50	54	69	173	22	41	236	221
Promotional expenses	57	159	115	331	10	2,945	3,286	2,855
Travel	159	1,211	292	1,662	58	197	1,917	2,246
Insurance and miscellaneous	-	868	237	1,105	344	498	1,947	2,110
Depreciation	133	79	259	471	59	50	580	570
Total functional expenses	<u>\$ 1,175,494</u>	<u>\$ 42,053</u>	<u>\$ 23,569</u>	<u>\$ 1,241,116</u>	<u>\$ 6,578</u>	<u>\$ 14,113</u>	<u>\$ 1,261,807</u>	<u>\$ 1,092,603</u>

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

Americares Foundation, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019
(In thousands)

	Program Services				Supporting Services		
	Access to Medicine	Emergency Programs	Clinical Services and Community Health	Total	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES							
Salaries and related payroll expenses	\$ 3,541	\$ 7,170	\$ 5,589	\$ 16,300	\$ 3,821	\$ 5,085	\$ 25,206
Rent and other occupancy costs	667	625	691	1,983	410	397	2,790
Distribution of donated medical and disaster supplies	964,757	16,805	3,057	984,619	-	-	984,619
Other grants, awards, relief supplies and destruction	39,246	646	329	40,221	-	-	40,221
Grants to other agencies	520	2,116	632	3,268	-	-	3,268
Professional fees and contract services	2,193	1,835	10,548	14,576	630	1,564	16,770
Office supplies and equipment	245	218	199	662	365	738	1,765
Telephone	45	57	63	165	31	779	975
Postage, shipping and warehousing	7,001	352	626	7,979	4	1,004	8,987
Equipment and software rental	61	33	62	156	22	43	221
Promotional expenses	70	92	115	277	9	2,569	2,855
Travel	346	1,143	446	1,935	74	237	2,246
Insurance and miscellaneous	3	809	479	1,291	324	495	2,110
Depreciation	158	63	238	459	48	63	570
	<u>\$ 1,018,853</u>	<u>\$ 31,964</u>	<u>\$ 23,074</u>	<u>\$ 1,073,891</u>	<u>\$ 5,738</u>	<u>\$ 12,974</u>	<u>\$ 1,092,603</u>
Total functional expenses							

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

Americares Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 196,077	\$ (102,339)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	581	570
Net realized gain on investments	(476)	(324)
Net unrealized loss (gain) on fair value of investments	923	(95)
Donated investments	(5,737)	(1,336)
Realized and unrealized (gain) loss on property held for investment and contributed stock	(18)	48
Contributions restricted for endowment	-	(126)
Changes in assets and liabilities		
Decrease (increase) in other receivables	249	(247)
Increase in contributions receivable	(2,492)	(1,462)
(Increase) decrease in inventory	(182,038)	97,998
Increase in prepaid expenses and other assets	(1,537)	(3,788)
Decrease in beneficial interest in split-interest agreements	177	127
Increase in accounts payable and accrued expenses	339	839
Decrease in committed subgrants	(570)	(716)
Increase (decrease) in deferred revenue	3,908	(181)
Increase in liabilities under split-interest agreements	1,283	676
	<u>10,669</u>	<u>(10,356)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(902)	(334)
Proceeds from sale of assets held for investments	182	-
Proceeds from sale of investments	18,829	13,019
Purchases of investments	(21,101)	(10,087)
	<u>(2,992)</u>	<u>2,598</u>
Net cash (used in) provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	-	126
Payments of capital leases	(34)	(32)
	<u>(34)</u>	<u>94</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	7,643	(7,664)
Cash and cash equivalents, beginning of year	17,376	25,040
Cash and cash equivalents, end of year	<u>\$ 25,019</u>	<u>\$ 17,376</u>

Supplemental cash flow information:

Noncash items for fiscal years 2020 and 2019 included \$1,366,770 and \$924,390 of donated medical and disaster relief supplies, respectively, and \$8,916 and \$10,408 of contributed services and facilities, respectively. Cash used in operating activities included payments for interest in gift annuities of \$0 and \$81 in fiscal years 2020 and 2019 respectively, and cash paid for interest of \$4 and \$4 in fiscal years 2020 and 2019, respectively.

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

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

June 30, 2020 and 2019
(In thousands)

1. ORGANIZATION

Americares Foundation, Inc. (the "Foundation") 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:

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

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

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 THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

Contributions

Americares records contributions, including unconditional promises to give, in the period received or pledged. Contributions are recorded at the fair value of the assets received and are classified as either without donor restrictions or with donor restrictions, depending on whether the donor has imposed a restriction on the use of such assets.

Pledged contributions not expected to be received within one year are recognized as support with donor restrictions and are discounted using a credit-adjusted discount rate assigned in the year the pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity. Americares writes-off contributions receivable when they become uncollectible, and payments subsequently received are recorded as income in the period received. As of June 30, 2020 and 2019, there were no allowances for uncollectible contributions receivables.

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

Government Grants

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

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

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 otherwise legally permissible for sale in the United States of America (the principal market), Americares recognizes such gifts on the date received at wholesale acquisition cost ("WAC"), which approximates the exit price in the United States of America. Americares has determined that the WAC is the most appropriate estimate of the fair value for its donated medical inventory and supplies. Americares estimates the WAC by using published industry information, 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 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).

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

Americares operates a Patient Assistance Program (“PAP”) through which it receives gifts in kind of donated medical supplies. This program’s pharmaceutical donations totaled \$525.7 million and \$359.8 million for the years ended June 30, 2020 and 2019, respectively. Additionally, Americares received gifts of cash to assist with the funding of PAP costs totaling \$5.4 million and \$5.4 million for the years ended June 30, 2020 and 2019, respectively. These donations are used to provide drugs to needy patients in the United States of America that have met various eligibility criteria and who would not otherwise be able to afford them. In addition, contributions receivable have been recorded for cash amounts pledged by donors to the PAP program of \$1.4 million and 1.5 million for the years ended June 30, 2020 and 2019, 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.

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

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.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

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

Split-Interest Agreements

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

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

Perpetual Assets Held in Trust

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

Property and Equipment

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

Depreciation expense for each of the years ended June 30, 2020 and 2019 was \$0.6 million.

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, 2020 and 2019, committed subgrants expected to be distributed in the next fiscal year aggregate to \$0.4 million and \$1.0 million, respectively.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

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.

Allocation of Expenses

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

Concentration of Credit Risk

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

Fair Value of Financial Instruments

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

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

Adopted in the Current Period

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. The adoption of ASU 2018-08 during fiscal 2020 did not have a material impact on the accompanying consolidated financial statements.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

Effective in Future Periods

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

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

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective dates of ASU 2014-09 and ASU 2016-02. The guidance permits eligible entities to defer the adoption of Topic 606 until the period beginning after December 15, 2019 (i.e., the Foundation's fiscal year 2021) and Topic 842 until the period beginning after December 15, 2021 (i.e., the Foundation's fiscal year 2023). The Foundation has elected to defer the implementation of Topic 606 and Topic 842 and 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 September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets within the financial statements of not-for-profit entities through the enhancement of the presentation and disclosure of such activities. Under the new guidance, not-for-profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities and disclose certain information related to contributed nonfinancial assets received during the period, including but not limited to: (1) a disaggregation of the amount of contributed nonfinancial assets by type, (2) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the period, (3) a description of donor-imposed restrictions associated with nonfinancial assets, and (4) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit entity is prohibited by donor-imposed restriction from selling or using the contributed nonfinancial assets. The new guidance is effective for fiscal years beginning after June 15, 2021, and interim periods with fiscal years beginning after June 15, 2022 (i.e. fiscal year 2022). Early adoption is permitted and amendments should be applied on a retrospective basis. Management is currently evaluating the impact that ASU 2020-07 will have on the consolidated financial statements.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

3. INVESTMENTS

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

	2020			2019		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Fixed income	\$ 16,472	\$ -	\$ 16,472	\$ 13,025	\$ -	\$ 13,025
Equity securities	15,932	-	15,932	12,257	-	12,257
Other	2,181	-	2,181	1,716	-	1,716
	<u>34,585</u>	<u>-</u>	<u>34,585</u>	<u>26,998</u>	<u>-</u>	<u>26,998</u>
Beneficial interest in split-interest agreements- Perpetual assets held in trust	-	3,229	3,229	-	3,404	3,404
Trust agreements	-	53	53	-	55	55
	<u>-</u>	<u>3,282</u>	<u>3,282</u>	<u>-</u>	<u>3,459</u>	<u>3,459</u>
Total	<u>\$ 34,585</u>	<u>\$ 3,282</u>	<u>\$ 37,867</u>	<u>\$ 26,998</u>	<u>\$ 3,459</u>	<u>\$ 30,457</u>

The following table summarizes the changes in Level 3 investments for the years ended June 30, 2020 and 2019:

	2020	2019
Balance at beginning of year	\$ 3,459	\$ 3,586
Contributions	4	18
Sale	-	(72)
Unrealized loss	(181)	(73)
	<u>\$ 3,282</u>	<u>\$ 3,459</u>
Balance at end of year	\$ 3,282	\$ 3,459

4. CONTRIBUTIONS RECEIVABLE

Contributions expected to be collected after one year have been discounted using a discount rate of 0.7% and 2.0% for the years ended June 30, 2020 and 2019, respectively, and are reflected on the accompanying consolidated financial statements at net present value.

Contributions receivable, net at June 30, 2020 and 2019, are due as follows:

	2020	2019
Less than one year	\$ 3,527	\$ 4,978
One to three years	4,626	613
Total contributions receivable	8,153	5,591
Less: discount to present value	(115)	(45)
Total contributions receivable, net	<u>\$ 8,038</u>	<u>\$ 5,546</u>

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

5. INVENTORY

Inventory balances as of June 30, 2020 and 2019, were composed of the following:

	<u>2020</u>	<u>2019</u>
Medicines	\$ 423,055	\$ 177,394
Medical devices and consumables	11,260	3,582
Other assorted	7,179	2,480
Total inventory	<u>441,494</u>	<u>183,456</u>
Less: allowance for obsolescence	<u>(94,000)</u>	<u>(18,000)</u>
Total inventory, net	<u>\$ 347,494</u>	<u>\$ 165,456</u>

Medical inventory increased substantially in fiscal year 2020 mainly due to an increase in restricted inventory receipts in fiscal year 2020 as a result of shifts in demand and capacity due to COVID-19, along with some higher risk and valued product accepted from expanded donor opportunities.

6. CONTRIBUTED SERVICES, FACILITIES AND FREIGHT

For the years ended June 30, 2020 and 2019, contributed services, facilities and freight included the following:

	<u>2020</u>	<u>2019</u>
Professional services	\$ 8,379	\$ 10,010
Other contributed services and facilities	416	235
No-charge freight	121	163
	<u>\$ 8,916</u>	<u>\$ 10,408</u>

7. NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Disaster relief:		
Donated inventory	\$ 325,682	\$ 120,035
Donated cash and pledges	23,062	25,273
Clinics	4,737	10
	<u>353,481</u>	<u>145,318</u>
Time restricted	6,712	722
Endowment funds subject to Americares' appropriation and satisfaction of donor restrictions – original corpus	1,623	1,623
Perpetual trusts	3,229	3,404
	<u>\$ 365,045</u>	<u>\$ 151,067</u>
Total		

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

During fiscal 2020, Americares responded to the COVID-19 global pandemic by providing critically needed protective gear, training and mental health programming to health workers in the U.S. and around the world. Americares raised \$14.2 million in fiscal 2020 and \$3.5 million in fiscal 2021 through October 2020 in restricted funding (i.e. not gifts-in-kind) towards these efforts. Management expects the economic impact of this global pandemic to affect Americares fundraising of gifts without donor restrictions in fiscal 2021 and has contingency plans in the operating budget to mitigate various levels of impact.

8. ENDOWMENTS AND LIABILITIES UNDER SPLIT-INTEREST AGREEMENTS

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

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, June 30, 2018	\$ -	\$ 1,750	\$ 1,750
Management designations and donor gifts	2,725	126	2,851
Net investment return	8	70	78
Withdrawal	-	(158)	(158)
Endowment assets, June 30, 2019	<u>2,733</u>	<u>1,788</u>	<u>4,521</u>
Management designations and donor gifts	1,125	-	1,125
Net investment return	29	12	41
Withdrawal	-	-	-
Endowment assets, June 30, 2020	<u>\$ 3,887</u>	<u>\$ 1,800</u>	<u>\$ 5,687</u>

As of June 30, 2020 and 2019, perpetual assets held in trusts totaling \$3.2 million and \$3.4 million, respectively, have been excluded from the above donor-restricted endowment assets. During fiscal year 2019, Americares withdrew \$158 thousand from its endowment to support the implementation of a new enterprise resource planning ("ERP") system.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2020 and 2019
(In thousands)**

Management of Americares has removed planning giving gifts from its annual operating budget and has established guidelines for allocating these gifts on an annual basis between the management-directed quasi endowment, an innovation fund, and strategic initiatives or operating funds. These guidelines are reviewed at the end of each fiscal year dependent on the level of planned giving gifts and the financial results for the fiscal year. Management informs the Board of Directors of these decisions. Management designated \$1.1 million and \$2.7 million for the years ended June 30, 2020 and 2019, respectively, of gifts without donor restrictions for long-term investment in the quasi-endowment (i.e. without donor restrictions). Management has access to such funds and may use them without a resolution from the Board of Directors.

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

Americares has entered into agreements with insurance companies to reinsure its charitable gift annuity program. Under the terms of these agreements, the insurance companies agreed to assume the risk of changes in the present value of expected future cash flows payable to the annuitants in exchange for cash consideration of \$1.4 million and \$3.0 million as of June 30, 2020 and 2019, 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 \$182 thousand and \$542 thousand in fiscal years ended June 30, 2020 and June 30, 2019, respectively, which is included in the change in value of split-interest agreements line on the consolidated statements of activities. Subsequent changes in the actuarial present value of Americares' liability to annuitants do not impact the consolidated statements of activities.

As of June 30, 2020 and 2019, the FASB actuarial calculation for these arrangements (which equates to the fair value of the reinsurance agreement) was \$4.66 million and \$3.23 million, respectively.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 3,230	\$ -
Purchase of reinsurance contract	1,362	3,022
Change in value of reinsurance contract	71	208
	<hr/>	<hr/>
Balance at end of year	\$ 4,663	\$ 3,230

Americares is mandated by certain states' laws to keep, as a reserve, certain excess balances related to its annuity contracts, which equaled \$100 thousand at both June 30, 2020 and 2019.

9. LOAN PAYABLE, LINE OF CREDIT AND PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In November 2016, Americares Free Clinics, Inc. entered into a new unsecured \$300 thousand five-year loan at an annual interest rate of 1% with Northern Trust Company ("The Loan") which is secured by Americares Foundation, Inc. The purpose of the loan was to repay the \$300 thousand loan from Citizens Bank N.A. (formerly held by Royal Bank of Scotland). The prior loan provided funds toward the renovation of space in the Wheeler Community Center in Bridgeport, Connecticut for a free medical clinic for uninsured low- and moderate-income individuals. Interest expense of \$3 thousand for both the years ended June 30, 2020 and 2019 has been reflected in insurance and miscellaneous expense on the accompanying consolidated statement of activities. At June 30, 2020 and 2019, the outstanding balance on The Loan was \$300 thousand which is payable in full on November 3, 2021.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

In fiscal year 2017, Americares entered into an uncommitted \$3 million line of credit with Northern Trust Company secured by certain Americares investment funds. Subsequent to June 30, 2020, the expiration of the line of credit was extended from July 2020 to July 2023. Any outstanding balances under the line of credit would accrue interest at the overnight LIBOR rate plus 1.75%. No amounts were drawn down during fiscal years 2020 or 2019.

In fiscal year 2020, the Department of Treasury implemented the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") which provides potentially forgivable loans to nonprofits with 500 or fewer employees and meeting certain other eligibility requirements. The SBA will forgive loans if employees are maintained on the payroll for 8 to 24 weeks after the loan originates and the loan proceeds received are used for payroll, rent, mortgage, interest or utilities. In April, 2020, the Foundation and the Clinics applied for PPP loans and approval was granted. The Foundation received loan proceeds of \$3.64 million and the Clinics received loan proceeds of \$0.4 million in May 2020. The Foundation and the Clinics have opted to account for PPP loan monies received as a refundable advance, until the conditions for recognition as revenue have been satisfied. These balances are included in deferred revenue on the accompanying consolidated statement of financial position as of June 30, 2020. At the time of issuance of the consolidated financial statements, notice of forgiveness had not been received from the lender. If a portion of the loan must be repaid, the terms are 1% interest per annum, repayable over a maximum of five years with a six-month deferral period.

10. INCOME TAXES

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

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

11. SIGNIFICANT DONORS

Most of Americares' medical, food and other disaster relief supplies ("merchandise") contributions are received from companies in the pharmaceutical industry. For years ended June 30, 2020 and 2019, the largest contributor accounted for 16% and 14%, respectively, of total merchandise contributions. The three largest contributors accounted for 38% and 35% of total merchandise contributions for the years ended June 30, 2020 and 2019, respectively.

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

12. EMPLOYEE BENEFITS

Americares established a defined contribution plan for all eligible employees effective January 1, 1992. As of December 31, 2002, Americares modified the plan to include a company matching program in which Americares would match each employee's contribution to the 401(k) savings plan up to a maximum of 6% of each employee's salary. Employees enrolling in the 401(k) savings plan after January 1, 2003 become 50% vested in the company match after one year of service and 100% vested after two years. Americares' contribution was approximately \$0.9 million for both the years ended June 30, 2020 and 2019.

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. The 457 (f) plan was forfeited in fiscal year 2020, when the CEO left the organization. For the years ended June 30, 2020 and 2019, \$24 thousand and \$29 thousand was recognized as expense for this plan, respectively. As of June 30, 2019, the balance associated with the 457(b) and (f) plans totaled approximately \$160. As of June 30, 2020, the balance associated with the 457(b) plan was approximately \$102 thousand. Plan balances are included in investments and accounts payable and accrued liabilities on the accompanying consolidated statements of financial position.

13. LEASE COMMITMENTS

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

<u>Fiscal Year Ending</u>	<u>Minimum Lease Commitments</u>
2021	\$ 1,794
2022	1,780
2023	1,762
2024	654
2025	40
2026 and beyond	80
Total lease commitments	<u>\$ 6,110</u>

Rent expense for the years ended June 30, 2020 and 2019 was \$2.1 million and \$1.8 million, respectively.

Americares sublets offices space to World Wrestling Entertainment, Inc. ("WWE"), HomeFront and the Elm Project. The sublet with WWE expires August, 2021. As of June 30, 2020, future total minimum rental payments to be received under the WWE sublease total \$164 thousand. The arrangements with HomeFront and The Elm Project are month to month.

14. LIQUIDITY AND AVAILABILITY

Americares receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Americares manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Americares has a liquidity policy to

AMERICARES FOUNDATION, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019
(In thousands)

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, 2020 and 2019, 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Financial assets due within one year:		
Cash and cash equivalents	\$ 25,019	\$ 17,376
Investments	34,585	26,998
Contributions, receivable due within one year	3,527	4,978
Other receivables	<u>558</u>	<u>807</u>
	63,689	50,159
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with other purpose restrictions	27,799	25,118
Restricted by donors with time restrictions	6,712	722
Unappropriated accumulated endowment gains	177	165
Restricted by donor in perpetuity	<u>1,623</u>	<u>1,623</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 27,378</u>	<u>\$ 22,531</u>

15. SUBSEQUENT EVENTS

AmeriCares has evaluated subsequent events through November 19, 2020, 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, other than what has been disclosed within Notes 7 and 9.

SUPPLEMENTARY INFORMATION

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

As of June 30, 2020
(In thousands)

	Americares Foundation, Inc.	Americares Free Clinics, Inc.	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 23,866	\$ 1,153	\$ 25,019
Investments	34,585	-	34,585
Contributions receivable, net	2,727	800	3,527
Other receivables	558	-	558
Inventory, net	347,319	175	347,494
Prepaid expenses and other assets	6,155	25	6,180
Total current assets	<u>415,210</u>	<u>2,153</u>	<u>417,363</u>
NONCURRENT ASSETS			
Other assets:			
Contributions receivable, net	792	3,719	4,511
Property held for investment	36	-	36
Beneficial interest in split-interest agreements - Perpetual assets held in trust	3,229	-	3,229
Trust agreements	53	-	53
Total other assets	<u>4,110</u>	<u>3,719</u>	<u>7,829</u>
Property and equipment:			
Building and land	1,323	-	1,323
Furniture and equipment	4,457	107	4,564
Leasehold improvements	2,613	1,030	3,643
Accumulated depreciation and amortization	<u>(5,889)</u>	<u>(942)</u>	<u>(6,831)</u>
Net property and equipment	<u>2,504</u>	<u>195</u>	<u>2,699</u>
Total noncurrent assets	<u>6,614</u>	<u>3,914</u>	<u>10,528</u>
Total assets	<u>\$ 421,824</u>	<u>\$ 6,067</u>	<u>\$ 427,891</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 6,044	\$ 579	\$ 6,623
Committed subgrants	431	-	431
Deferred revenue	3,696	415	4,111
Total current liabilities	<u>10,171</u>	<u>994</u>	<u>11,165</u>
NONCURRENT LIABILITIES			
Liabilities under split-interest agreements	4,180	-	4,180
Loan payable and capital leases	70	300	370
Total noncurrent liabilities	<u>4,250</u>	<u>300</u>	<u>4,550</u>
Total liabilities	<u>14,421</u>	<u>1,294</u>	<u>15,715</u>
NET ASSETS			
Without donor restrictions	47,095	36	47,131
With donor restrictions	360,308	4,737	365,045
Total net assets	<u>407,403</u>	<u>4,773</u>	<u>412,176</u>
Total liabilities and net assets	<u>\$ 421,824</u>	<u>\$ 6,067</u>	<u>\$ 427,891</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, 2020
(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 and private grants	\$ 32,420	\$ 1,356	\$ -	\$ 33,776
Government grants	4,669	-	-	4,669
Donated medical and disaster supplies	151,695	1,253	(1,253)	151,695
Contributed services and facilities	531	8,385	-	8,916
Net assets released from restrictions	1,040,266	1,732	-	1,041,998
Total public support	<u>1,229,581</u>	<u>12,726</u>	<u>(1,253)</u>	<u>1,241,054</u>
Revenue:				
Net investment return	826	3	-	829
Other revenue	2,221	1	-	2,222
Change in value of split-interest agreements	(199)	-	-	(199)
Total revenue	<u>2,848</u>	<u>4</u>	<u>-</u>	<u>2,852</u>
Total support and revenue	<u>1,232,429</u>	<u>12,730</u>	<u>(1,253)</u>	<u>1,243,906</u>
EXPENSES				
Program services				
Distribution of donated medical and disaster supplies	1,016,103	1,230	-	1,017,333
Other program expenses	213,807	11,229	(1,253)	223,783
Total program services	<u>1,229,910</u>	<u>12,459</u>	<u>(1,253)</u>	<u>1,241,116</u>
Supporting services:				
Management and general	6,446	132	-	6,578
Fundraising	13,968	145	-	14,113
Total supporting services	<u>20,414</u>	<u>277</u>	<u>-</u>	<u>20,691</u>
Total expenses	<u>1,250,324</u>	<u>12,736</u>	<u>(1,253)</u>	<u>1,261,807</u>
Decrease in net assets without donor restrictions	<u>(17,895)</u>	<u>(6)</u>	<u>-</u>	<u>(17,901)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
SUPPORT AND REVENUE				
Public support:				
Contributions and private grants	34,722	6,459	-	41,181
Donated medical and disaster supplies	1,215,074	-	-	1,215,074
Net assets released from restrictions	(1,040,266)	(1,732)	-	(1,041,998)
Total public support	<u>209,530</u>	<u>4,727</u>	<u>-</u>	<u>214,257</u>
Revenue:				
Net investment return	(112)	-	-	(112)
Other revenue	5	-	-	5
Change in value of split-interest agreements	(172)	-	-	(172)
Total revenue	<u>(279)</u>	<u>-</u>	<u>-</u>	<u>(279)</u>
Increase in net assets with donor restrictions	<u>209,251</u>	<u>4,727</u>	<u>-</u>	<u>213,978</u>
Changes in net assets	191,356	4,721	-	196,077
Net assets, beginning of year	216,047	52	-	216,099
Net assets, end of year	<u>\$ 407,403</u>	<u>\$ 4,773</u>	<u>\$ -</u>	<u>\$ 412,176</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, 2020

(In thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
FUNCTIONAL EXPENSES				
Salaries and related payroll expenses	\$ 16,384	\$ 4,047	\$ 5,038	\$ 25,469
Rent and other occupancy costs	2,009	375	321	2,705
Distribution of donated medical and disaster supplies	1,016,103	-	-	1,016,103
Other grants, awards, relief supplies and destruction	176,143	-	-	176,143
Grants to other agencies	3,764	-	-	3,764
Professional fees and contract services	3,372	935	3,040	7,347
Office supplies and equipment	706	567	701	1,974
Telephone	181	33	122	336
Postage, shipping and warehousing	7,665	5	1,025	8,695
Equipment and software rental	155	19	39	213
Promotional expenses	316	10	2,945	3,271
Travel	1,655	58	197	1,910
Insurance and miscellaneous	1,022	338	490	1,850
Depreciation	435	59	50	544
Total functional expenses	<u>\$ 1,229,910</u>	<u>\$ 6,446</u>	<u>\$ 13,968</u>	<u>\$ 1,250,324</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, 2020
(In thousands)

	Grants, Awards and Program- Related Expenses	Supporting Services		Total
		Management and General	Fundraising	
FUNCTIONAL EXPENSES				
Salaries and related payroll expenses	\$ 2,312	\$ 110	\$ 120	\$ 2,542
Rent and other occupancy costs	200	9	11	220
Distribution of donated medical and disaster supplies	1,230	-	-	1,230
Other grants, awards, relief supplies and destruction	95	-	-	95
Professional fees and contract services	8,343	-	-	8,343
Office supplies and equipment	90	1	1	92
Telephone	29	3	2	34
Postage, shipping and warehousing	1	-	1	2
Equipment and software rental	18	3	2	23
Promotional expenses	15	-	-	15
Travel	7	-	-	7
Insurance and miscellaneous	83	6	8	97
Depreciation	36	-	-	36
Total functional expenses	<u>\$ 12,459</u>	<u>\$ 132</u>	<u>\$ 145</u>	<u>\$ 12,736</u>

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