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AIDS Healthcare Foundation
Audited Consolidated Financial Statements
As of and For the Years Ended December 31, 2023 and 2022
with Independent Auditor's Report

VASQUEZ + COMPANY LLP

An independently owned member RSM US Alliance

RSM

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Audited Consolidated Financial Statements
As of and For the Years Ended December 31, 2023 and 2022
with Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
AIDS Healthcare Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of AIDS Healthcare Foundation (the Foundation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
April 29, 2024

		December 31	
		2023	2022
ASSETS			
Current assets			
Cash and cash equivalents		**$ 62,477,588**	$ 157,152,788
Pharmacy revenue receivable, net of allowance for doubtful accounts of $12,285,688 and $10,237,372 at December 31, 2023 and 2022, respectively		**125,919,677**	110,823,942
Premiums revenue receivable		**5,380,244**	5,318,444
Grant revenue receivable, net of allowance for doubtful accounts of $595,698 and $763,141 at December 31, 2023 and 2022, respectively		**24,772,899**	24,548,618
Accounts receivable - other, net of allowance for doubtful accounts of $18,390,057 and $34,713,169 at December 31, 2023 and 2022, respectively		**19,331,743**	15,727,052
Inventories		**102,846,054**	62,876,170
Short-term investments		**37,147,167**	134,424,497
Prepaid expenses and other current assets		**23,824,025**	26,815,749
	Total current assets	**401,699,397**	537,687,260
Noncurrent assets			
Property and equipment, net		**614,088,876**	473,304,059
Long-term investments		**313,045,684**	176,718,848
Operating leases, right-of-use assets		**61,435,325**	53,630,410
Intangibles, deposits and other assets		**34,497,391**	28,885,271
Property held for sale, net		**2,947,995**	-
Interest rate swap		**4,439,571**	5,218,495
Assets limited as to use		**3,846,529**	3,846,314
	Total assets	**$ 1,436,000,768**	$ 1,279,290,657
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		**$ 94,711,376**	$ 100,806,926
Accrued expenses		**45,669,179**	44,917,267
Claims payable		**11,968,818**	12,695,837
Unearned premiums		**18,359,567**	16,165,202
Current portion of operating lease liabilities		**15,452,556**	14,468,840
Current portion of long-term debt		**2,661,367**	2,790,000
	Total current liabilities	**188,822,863**	191,844,072
Noncurrent liabilities			
Operating lease liabilities		**48,056,360**	41,414,486
Long-term debt, net of current portion		**50,479,327**	53,137,635
	Total liabilities	**287,358,550**	286,396,193
Net assets			
Without donor restrictions:			
Controlling interest		**1,152,671,864**	992,541,201
Noncontrolling interests - Crate		**(4,375,607)**	-
Total without donor restrictions		**1,148,296,257**	992,541,201
With donor restrictions		**345,961**	353,263
	Total net assets	**1,148,642,218**	992,894,464
	Total liabilities and net assets	**$ 1,436,000,768**	$ 1,279,290,657

See notes to consolidated financial statements.

	Years ended December 31	
	2023	2022
Net assets without donor restrictions:		
Operating revenues, unrestricted revenues, gains and other support:		
Pharmacy revenue, net	**$ 2,121,553,770**	$ 1,898,567,156
Premiums earned, net	**145,834,933**	150,981,741
Grant revenue, net	**109,353,345**	83,654,264
Net patient service revenue	**27,264,245**	19,637,680
Contributions:		
Cash	**7,279,561**	5,136,814
In-kind, thrift stores	**16,737,798**	16,684,096
In-kind, other	**2,550,507**	28,208,159
Other	**22,429,300**	27,850,821
Operating revenues before net assets released from restrictions for operations	**2,453,003,459**	2,230,720,731
Net assets released from restrictions for operations	**110,580**	48,847
Total operating revenues	**2,453,114,039**	2,230,769,578
Operating expenses:		
Cost of pharmacy, pantry, thrift stores and modular solutions sales	**1,523,243,596**	1,316,639,867
Salaries and benefits	**367,931,191**	327,203,717
Medical services, supplies and drugs	**176,632,853**	175,704,046
Rent and other facilities related expenses	**78,230,225**	67,130,397
Professional services	**42,153,111**	37,265,041
Depreciation and amortization	**22,656,716**	19,938,418
Charitable contributions	**19,264,246**	13,938,982
Insurance	**7,221,109**	4,853,879
Provision for bad debts	**4,573,237**	4,455,346
Interest expense	**2,098,989**	2,126,146
Other expenses	**91,108,036**	84,411,054
Total operating expenses	**2,335,113,309**	2,053,666,893
Income from operations	**118,000,730**	177,102,685
Investment income (losses), net	**37,036,317**	(17,310,592)
Net income from operations	**155,037,047**	159,792,093
Less: Loss attributable to noncontrolling interests	**(5,093,616)**	-
Net income attributable to controlling interest	**160,130,663**	159,792,093

(continued)

See notes to consolidated financial statements.

	Years ended December 31	
	2023	2022
Net assets without donor restrictions (continued):		
Controlling interest:		
Net income attributable to controlling interest	**$ 160,130,663**	$ 159,792,093
Noncontrolling interests:		
Net loss attributable to noncontrolling interests	**(5,093,616)**	-
Noncontrolling interests	**718,009**	-
Decrease in noncontrolling interests	**(4,375,607)**	-
Increase in net assets without donor restrictions	**155,755,056**	159,792,093
Net assets with donor restrictions:		
Contributions	**103,278**	64,016
Net assets released from restrictions for operations	**(110,580)**	(48,847)
Increase (decrease) in net assets with donor restrictions	**(7,302)**	15,169
Increase in net assets	**155,747,754**	159,807,262
Net assets, beginning of year	**992,894,464**	833,087,202
Net assets, end of year	**$ 1,148,642,218**	$ 992,894,464

See notes to consolidated financial statements.

AIDS Healthcare Foundation
Consolidated Statements of Functional Expenses
Years ended December 31, 2023 and 2022

2023	**Healthcare Services**	**Housing Services**	**Thrift Stores**	**Outreach**	**Fundraising**	**Administration**	**Total**
Cost of pharmacy, pantry, thrift stores and modular solutions sales	**$ 1,513,889,625**	**$ 7,903,026**	**$ 68,941**	**$ 1,382,004**	**$ -**	**$ -**	**$ 1,523,243,596**
Salaries and benefits	**294,131,939**	**7,297,273**	**10,127,411**	**32,073,597**	**3,115,105**	**21,185,866**	**367,931,191**
Medical services, supplies and drugs	**165,921,940**	**194,854**	**11,523**	**10,208,389**	**3,499**	**292,648**	**176,632,853**
Rent and other facilities related expenses	**51,776,030**	**8,019,566**	**2,724,710**	**3,713,417**	**294,097**	**11,702,405**	**78,230,225**
Professional services	**27,203,507**	**3,025,854**	**271,726**	**4,144,469**	**622,358**	**6,885,197**	**42,153,111**
Depreciation and amortization	**13,954,999**	**3,897,154**	**443,369**	**1,567,026**	**7,594**	**2,786,574**	**22,656,716**
Charitable contributions	**4,964,292**	**498**	**-**	**10,096,553**	**3,820,712**	**382,191**	**19,264,246**
Insurance	**3,862,654**	**1,022,557**	**204,332**	**435,754**	**48**	**1,695,764**	**7,221,109**
Provision for bad debts	**2,158,362**	**2,051,069**	**-**	**-**	**-**	**363,806**	**4,573,237**
Interest expense	**1,270,816**	**-**	**18,275**	**92,800**	**-**	**717,098**	**2,098,989**
Other expenses	**56,459,317**	**2,435,986**	**1,261,223**	**22,922,054**	**1,528,053**	**6,501,403**	**91,108,036**
	$ 2,135,593,481	**$ 35,847,837**	**$ 15,131,510**	**$ 86,636,063**	**$ 9,391,466**	**$ 52,512,952**	**$ 2,335,113,309**

2022	Healthcare Services	Housing Services	Thrift Stores	Outreach	Fundraising	Administration	Total
Cost of pharmacy, pantry, and thrift stores sales	$ 1,315,977,665	$ -	$ 81,845	$ 580,357	$ -	$ -	$ 1,316,639,867
Salaries and benefits	263,949,447	4,767,472	9,477,749	29,371,178	2,688,890	16,948,981	327,203,717
Medical services, supplies and drugs	164,876,237	31,333	13,813	10,416,345	12,166	354,152	175,704,046
Rent and other facilities related expenses	44,473,480	5,623,993	2,387,682	3,386,373	220,750	11,038,119	67,130,397
Professional services	25,539,181	730,338	382,108	4,613,165	410,867	5,589,382	37,265,041
Depreciation and amortization	13,857,122	1,819,792	301,950	1,357,222	12,591	2,589,741	19,938,418
Charitable contributions	2,612,384	3,907	-	7,737,884	3,429,871	154,936	13,938,982
Insurance	2,847,655	679,284	138,813	299,265	295	888,567	4,853,879
Provision for bad debts	2,628,242	1,518,388	-	225	-	308,491	4,455,346
Interest expense	1,380,588	4,575	16,265	82,606	-	642,112	2,126,146
Other expenses	60,458,693	1,245,854	1,426,027	13,998,403	2,070,922	5,211,155	84,411,054
	$ 1,898,600,694	$ 16,424,936	$ 14,226,252	$ 71,843,023	$ 8,846,352	$ 43,725,636	$ 2,053,666,893

See notes to consolidated financial statements.

		Years ended December 31	
		2023	2022
Cash flows provided by operating activities			
Change in net assets		**$ 155,747,754**	$ 159,807,262
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization of property and equipment		**19,490,812**	17,502,593
(Gain) Loss on investment		**(30,921,683)**	23,226,409
(Gain) Loss on sale of property and equipment		**710,975**	(6,317,643)
Amortization of debt issuance costs		**48,426**	57,441
Amortization of intangible assets		**3,165,904**	2,435,825
Provision for bad debts		**4,573,237**	4,455,347
Unrealized loss (gain) on interest rate swap		**778,924**	(7,531,485)
Contributed in-kind assets		**(2,749,903)**	(27,540,046)
Changes in operating assets and liabilities:			
Accounts receivable - other		**(23,013,469)**	6,901,522
Premiums revenue receivable		**(61,800)**	15,830,250
Grant revenue receivable		**(224,281)**	(8,257,185)
Inventories		**(34,270,084)**	6,643,397
Prepaid expenses and other current assets		**(326,665)**	(1,571,306)
Accounts payable		**(1,365,957)**	13,506,981
Unearned premiums		**2,194,365**	12,180,001
Accrued expenses		**(14,144,981)**	17,344,015
Operating right-of-use leases		**(205,300)**	2,252,915
Claims payable		**(727,019)**	(1,249,462)
Deferred rent		**-**	(2,495,115)
	Net cash provided by operating activities	**78,699,255**	227,181,716
Cash flows used in investing activities			
Purchases of property and equipment		**(162,531,468)**	(104,451,200)
Proceeds from sale of property and equipment		**120,416**	15,595,106
Purchases of investments		**(29,178,822)**	(224,813,611)
Proceeds from sale of investments		**21,051,001**	38,292,421
	Net cash used in investing activities	**(170,538,873)**	(275,377,284)
Cash flows used in financing activities			
Principal payments on long-term debt		**(2,835,367)**	(2,257,544)
	Cash used in financing activities	**(2,835,367)**	(2,257,544)
	Net change in cash, cash equivalents and restricted cash	**(94,674,985)**	(50,453,112)
Cash, cash equivalents and restricted cash, beginning of year		**160,999,102**	211,452,214
Cash, cash equivalents and restricted cash, end of year		**$ 66,324,117**	$ 160,999,102
Supplemental disclosures of cash flow information			
Cash paid for interest during the year		**$ 2,098,989**	$ 2,126,146

(continued)

See notes to consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	Years ended December 31	
	2023	2022
Cash and cash equivalents	**$ 62,477,588**	$ 157,152,788
Restricted cash included in assets limited as to use	**3,846,529**	3,846,314
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	**$ 66,324,117**	$ 160,999,102

See notes to consolidated financial statements.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

AIDS Healthcare Foundation (the Foundation) headquartered in Los Angeles, California is a not-for-profit healthcare organization incorporated in 1987. The Foundation provides medical care for those affected by Human Immuno-deficiency Virus (HIV) or living with the Acquired Immune Deficiency Syndrome (AIDS). In addition, the Foundation participates in patient advocacy, housing, and scientific research for those in need. The mission of the Foundation is to provide "Cutting edge medicine and advocacy regardless of the ability to pay". The Foundation has a network of 70 outpatient healthcare centers and 62 pharmacies that are located in 17 states including California, Florida, Texas, Washington, New York, Pennsylvania, Georgia, Nevada, Louisiana, South Carolina, Mississippi, Maryland, Illinois, Virginia, Alabama, New Jersey and Ohio as well as Washington, DC and Puerto Rico. The Foundation operates 23 Out of the Closet Thrift Stores in 9 states. The Foundation also operates in 46 countries including 13 in Africa, 13 in the Americas, 10 in Asia and 10 in Europe. The Foundation owns 18 properties in California, Florida, Texas and New York to provide low income and transitional housing.

Principles of Consolidation

The Foundation's consolidated financial statements include the accounts of AIDS Healthcare Foundation, AHF Healthcare Centers, AHF MCO of Florida, Inc., AHF MCO of Georgia, Inc., AIDS Healthcare Foundation Disease Management of Florida, Inc., Pharmacy4Humanity(formerly HIV Immunotherapeutic Institute), AIDS Healthcare Foundation Texas, Inc., MVP Medical Practice PC (formerly AJS Brooklyn Medical Practice, P.C.), AHF China LLC., Coalition to Preserve LA, AIDS Task Force of Greater Cleveland, Women Organized to Respond to Life-threatening Diseases (WORLD), AIDS Center of Queens County, Inc. (ACQC), South Side Help Center, Inc. (SSHC), AID Atlanta, Incorporated, AIDS Outreach Center (AOC), IRIS House, AIDS Interfaith Network, Inc.(AIN), Thursday's Child, Inc., Broward House Inc., SunServe, Long Beach Community Table (LBCT) and Crate Modular, Inc. (Crate). All significant inter-organization balances and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Foundation to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets.

As of December 31, 2023, net assets without donor restrictions include noncontrolling interests pertaining to the Crate acquisition (see Note 16).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 items subject to such estimation include: retroactive adjustments on premium revenues, valuation allowances on receivables, useful lives for property and equipment, estimates of the liability for claims incurred but not reported, interest rate swap valuation, right-of-use assets and related lease liability. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less.

Assets Limited as to Use

Assets limited as to use primarily include deposits restricted by the States of Florida, California and Georgia in connection with the Foundation's Medicare and Medicaid health maintenance organization (HMO) contracts. Assets limited as to use include deposits as required by Florida Office of Insurance Regulation (FLOIR), the Florida Agency for Healthcare Administration (FL AHCA), the California Department of Managed Health Care (CA DMHC) and the Georgia Office of Insurance and Safety Fire Commissioner. These assets consist primarily of cash deposits and investments in money market funds which are reported at fair value based on quoted market prices.

Inventories

Inventories consist of pharmacy drugs, Crate inventory, thrift store merchandise, test kits, and condoms. Thrift store inventory consists primarily of donated goods held for resale. Contributions of thrift store inventory are recorded in the period received at estimated fair value. All inventories other than thrift store inventory are determined on the first-in, first-out (FIFO) method and are stated at the lower of cost or market.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment
Property and equipment acquisitions are recorded at cost or, if donated, at the estimated fair value at the date of donation. The provision for depreciation and amortization is computed using the straight-line method over the estimated useful life of each class of depreciable assets, except for leasehold improvements, for which amortization is expensed over the shorter of the estimated useful life or remaining lease term, as follows:

Buildings and fixed equipment	5 to 50 years
Furniture and movable equipment	3 to 15 years
Software	3 to 10 years

The Foundation's policy is to capitalize acquisitions of property and equipment with a cost of $1,000 or more. Maintenance, repairs and investments in minor equipment are charged to operations. Expenditures that will increase the value of properties or extend useful lives are capitalized.

Impairment of Long-lived Assets
The Foundation reviews the carrying amount of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The measurement of possible impairment is based primarily on the undiscounted future operating cash flows without interest charges generated through the use of these assets during their remaining estimated useful life. The assessed recoverability of long-lived assets will be impacted if estimated future operating cash flows are not achieved. Based upon its most recent analysis, the Foundation believes that no events occurred during the years ended December 31, 2023 and 2022 that would impair the carrying amount of its long-lived assets.

Goodwill and Intangible Assets
Goodwill represents the excess cost of an acquired entity over the net of the amounts assigned to the fair value of assets acquired and liabilities assumed less fair value of assets and businesses acquired. As of December 31, 2023, and 2022, goodwill of $13,804,991 and $5,972,930, respectively is recorded in the Foundation's consolidated balance sheets within intangibles, deposits and other assets. Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that the carrying value of an asset may not be recoverable. In accordance with GAAP, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to the determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, after assessing the totality of events and circumstances, an entity determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and Intangible Assets (Continued)
Intangible assets primarily represent the customer relationships acquired in the MOMs and Hillcrest Pharmacies business acquisitions. The intangibles were measured at fair value using Level 3 inputs. The income approach was utilized in valuing the customer relationships, whereby the Foundation capitalized the future cash flows attributable to the customers based upon their expected future mortality dispersion function. The value of the customer relationships is amortized, to reflect the pattern of economic benefits consumed, on a straight-line basis over its useful life of 15 years.

As of December 31, 2023, and 2022, net intangible assets amounted to $17,921,013 and $20,379,088, respectively.

Debt Issuance Costs
Debt issuance costs are deferred and amortized to interest expense using a method that approximates the effective-level-interest method over the term of the related debt. The debt issuance costs are related to the notes and loan agreements with Wells Fargo and City National Bank as further described in Note 13.

Claims Payable
Claims payable includes the liability for claims and medical services incurred but not paid and the estimated liability for claims incurred but not reported as of year-end. The liability for claims incurred but not reported is determined based on historical evaluations and statistical analysis of paid claims. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims is adequate. The estimate is continually reviewed and adjusted, as necessary, based on claims experience or as new information becomes known; such adjustments are included in current operations.

Pharmacy Revenue
The Foundation has agreements with third-party payers that provide payments to the Foundation at amounts different from its established rates. Payment arrangements include contracted calculations based upon Average Wholesale Price or Acquisition Cost. Pharmacy revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for pharmacy drugs dispensed.

The Foundation recognizes revenue when control of the prescription drugs is transferred to customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those prescription drugs. The following revenue recognition policies have been established:

1. Revenues generated from prescription drugs sold in the pharmacies are recognized at the Foundation’s point-of-sale, which is when the claim is adjudicated by the Foundation’s online claims processing system and the Foundation has transferred control of the prescription drug to the customer and performed all of its performance obligations.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pharmacy Revenue (Continued)

2. Revenues generated from prescription drugs sold by mail service are recognized when the prescription drug is delivered to the customer. At the time of delivery, the Foundation has performed substantially all of its performance obligations under its client contracts and does not experience a significant level of returns or reshipments.

Premiums

The Foundation has agreements with publicly funded payers including Medi-Cal and Medicare to provide medical services to subscribing participants. Under these agreements, the Foundation receives monthly capitation payments based on the number of each payer’s participants, regardless of services actually provided by the Foundation.

Premiums are billed monthly and are recognized as revenue over the period in which the Foundation is obligated to provide services to its members. Premiums collected in advance are recorded as unearned premiums liability. Premiums are a predetermined amount on a per member per month (PMPM) basis. For the Medicare Plans, the Center for Medicare and Medicaid Services (CMS) determines the amount based on the county in which the member resides and other factors.

For the Medi-Cal Plan, the California Department of Health Care Services determines the amount based on the county in which the member resides and other factors. Member census is subject to audit and retroactive adjustment and such adjustments when determinable are included in current operations. Retroactive adjustments are accrued on an estimated basis in the period the related services are provided and adjusted in future periods as final settlements are determined.

Contracts, laws and regulations governing Medicare and Medicaid are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

Grant Revenue

A portion of the Foundation’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in accordance with specific contract or grant provisions. For other types of grants, revenue is recognized when the service has been performed.

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated balance sheets. For the years ended December 31, 2023 and 2022, the Foundation received no cost-reimbursable grant awards that were not recognized as revenue.

No advance payments were received that were required to be recorded in the consolidated balance sheets as a refundable advance as of December 31, 2023 and 2022.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue

The Foundation has agreements with third-party payers that provide for payments to the Foundation at amounts different from its established rates. Payment arrangements include individually contracted rates determined between the Foundation and the third-party payers as well as charges determined by publicly funded payers including Medi-Cal, Medicaid and Medicare. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments that are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Patient service revenues are recognized as performance obligations are satisfied. Outpatient services are performance obligations satisfied at a point in time and revenue is recognized when goods or services are provided. Inpatient rounding services are performance obligations satisfied over time and revenue is recognized based on actual charges incurred in relation to total expected or actual charges. The performance obligations for these contracts are generally completed when the patients are discharged. The Foundation uses the portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for outpatient and inpatient rounding service revenues. Based on historical trends, the Foundation believes that the revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach had been used.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. Other contributions of non-cash financial assets are measured at fair value at the date of donation (see Note 22).

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among program services, fundraising and administration.

Such allocations are determined by management on an equitable basis. The expenses are primarily allocated using the time and effort method (salaries, benefits, and other expenses), usage (supplies), and full-time equivalents (rent and other facilities related expenses).

Federal and State Income Taxes

The Foundation is exempt from taxation under Section 501which (3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation code and is generally not subject to federal or state income taxes. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

U.S. GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the years ended December 31, 2023 and 2022, the Foundation had no material unrecognized tax benefits or tax penalties or interest.

The Foundation’s federal and state income tax returns for the years 2019 through 2023 are subject to examination by regulatory agencies. Tax returns are subject to examination generally for three and four years after they were filed for federal and state, respectively.

Charity Care

The Foundation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Foundation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions in Foreign Currencies
The Foundation operates in 46 countries and accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed. For the years ended December 31, 2023 and 2022 there was a net gain from foreign currency transactions of $155,524 and net loss of $1,048,361, respectively, included in other expenses in the accompanying consolidated statements of operations and changes in net assets. The U.S. dollar is considered to be the functional and reporting currency of the Foundation.

Interest Rate Swap
The Foundation entered into interest rate swap agreements as a hedge against the variability in future interest payments due on certain long-term debts. The terms of the swap agreements effectively convert the variable rate interest payments due on the term notes to fixed rates through maturity (see Note 14). In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 815 (ASC 815), *Accounting for Derivative Instruments and Hedging Activities*, the interest rate swap is measured at fair value and recognized as either an asset or a liability in the consolidated balance sheets. The change in fair value of the swap is recognized as a gain or loss in the period of change.

Fair Value Measurements
U.S. GAAP, which defines fair value, establishes a framework for measuring fair value and disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities are measured at fair value using a three-level fair value hierarchy that ranks the quality and reliability of the information used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

An asset’s or liability’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases
In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. Topic 842 requires lessees to recognize lease assets representing the right to use an underlying asset (ROU asset) and lease liabilities representing the obligation to make lease payments over the lease term, measured on a discounted basis, and requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Topic 842 retains a distinction between finance leases and operating leases using classification criteria that is substantially similar to the previous lease guidance. The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method of the modified retrospective approach, which requires the Foundation to apply Topic 842 to reporting periods beginning on January 1, 2022.

The Foundation elected the “package of practical expedients”, which permitted the Foundation to retain legacy lease classifications and initial direct costs treatment at transition. The Foundation did not elect the “hindsight” practical expedient, and therefore measured the ROU assets and lease liabilities using the remaining lease terms upon the adoption of Topic 842 on January 1, 2022.

The Foundation, in accordance with Topic 842, did not recognize ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). For all other leases, the initial measurement is based on the present value of future lease payments over the remaining lease term as of the commencement date. Lease payments may include future escalations based on an index or other rate (such as the consumer price index), which the Foundation initially measures using the index or rate at lease commencement. Subsequent changes or other periodic market-rate adjustments to base rent are recorded as variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease liability only when it is probable they will be incurred. The Foundation further adjusts the ROU asset for both lease payments made at or before the commencement date and lease incentives received.

To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). The Foundation accounts for lease and non-lease components in its contracts as a single lease component for all asset classes. The non-lease components represent additional services transferred to the Foundation, which are typically variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Foundation’s operating leases of approximately $47.7 million and $50.1 million, respectively, at January 1, 2022. As of December 31, 2023 and 2022 the Foundation recorded approximately $61.4 million and $53.6 million of ROU assets and approximately $63.5 million and $55.9 million in operating lease liabilities, respectively.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which created a new credit impairment standard for financial instruments and changed how entities account for credit losses for most financial assets and instruments not measured at fair value and requires entities to estimate an expected lifetime credit loss on financial assets. The ASU was effective for the Foundation as of January 1, 2023. The adoption of ASU as of January 1, 2023, did not have a material impact on the Foundation's consolidated financial statements.

New Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This ASU is effective for the Foundation beginning on January 1, 2026. The Foundation is currently evaluating the impact of this new guidance on its consolidated financial statements.

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*, which addresses the terms and conditions to be considered when classifying and accounting for leases and leasehold improvements in leases between entities under common control. This ASU is effective for the Foundation beginning on January 1, 2024. The Foundation is currently evaluating the impact of this new guidance on its consolidated financial statements.

In September 2022, the FASB issued ASU 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which requires additional disclosures for a buyer in a supplier finance program related to the program's nature, activity during the period, changes from period to period, and potential magnitude. The ASU is effective for fiscal years beginning after December 15, 2022, with the exception of the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. The adoption of ASU 2022-04 is not expected to have a significant impact on the Foundation's consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. A reclassification has been made to the consolidated balance sheet as of December 31, 2022 to reclassify property held for sale in the amount of $5.8 million to property and equipment (See Note 10). Another reclassification was made to the consolidated statement of operations for the year ended December 31, 2022, to reclassify approximately $12.2 million from pharmacy revenue to cost of pharmacy and professional fees in the amounts of $8.1 million and $4.1 million, respectively.

NOTE 2 NET PATIENT SERVICE REVENUE

The Foundation has agreements with third party payers that provide payments to the Foundation at amounts that vary from its established rates. The difference between patient charges and the related contractual payment amount for the years ended December 31 are as follows:

		2023		2022
Gross patient service revenue	**$**	**87,436,803**	$	77,337,582
Contractual discounts and provision for bad debts		**(60,172,558)**		(57,699,902)
Net patient service revenue	**$**	**27,264,245**	$	19,637,680

A summary of the payment arrangements with major third-party payers follows:

Medi-Cal and Medicaid
The Medi-Cal and Medicaid programs accounted for approximately 5% and 11% of consolidated net patient service revenue in 2023 and 2022, respectively. Outpatient services rendered to Medi-Cal and Medicaid program beneficiaries are paid at prospectively determined rates for outpatient care.

Medicare
The Medicare program accounted for approximately 7% and 8% of consolidated net patient service revenue in 2023 and 2022, respectively. Healthcare services rendered to Medicare program beneficiaries are paid at prospectively determined rates for outpatient care. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Other Third-party Payers
The Foundation also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. These payers accounted for approximately 88% and 81% of consolidated net patient service revenue in 2023 and 2022, respectively. The basis for payment to the Foundation under these agreements includes, among others, discounts from established charges, and prospectively determined daily rates.

NOTE 3 PREMIUMS

Positive Healthcare (PHC)
In April 1995, the Foundation contracted with the California Department of Health Care Services (DHCS) to provide capitated HIV healthcare to Medi-Cal beneficiaries. The capitated plan is known as Positive Healthcare (the plan). DHCS compensates the Foundation on a per member per month (PMPM) capitated basis. Acute inpatient services for members of the plan were the fiscal responsibility of DHCS.

NOTE 3 PREMIUMS (CONTINUED)

Membership contracts with DHCS are on a monthly basis subject to cancellation by DHCS or the member based on loss of Medi-Cal benefits, death, relocation, dissatisfaction with the program or incarceration. Premiums are due monthly and are recognized as revenue during the period in which Positive Healthcare is obligated to provide services to members. The premium rates are determined annually by DHCS.

The contract with DHCS as a Primary Care Case Management (PCCM) entity ended on June 30, 2019.

In July 2019, the Foundation entered a new contract with DHCS to provide capitated HIV healthcare to Medi-Cal beneficiaries. The contract is similar to the terminated contract with specific changes in services, which includes hospital inpatient and removal of prescription coverage.

The cost of health care services provided or contracted for is accrued in the period in which it is provided to a member based in part on estimates, including an accrual for medical services provided but not yet reported to the Foundation as of year-end.

Positive Healthcare - Florida Medicaid HMO
In May 2010, AHF MCO of Florida, Inc. (AHF MCO) contracted with the State of Florida Agency for Health Care Administration (FL AHCA) to provide Medicaid managed care services as Positive Healthcare to Medicaid beneficiaries living with a diagnosis of HIV/AIDS in Broward County. In September 2012, AHF MCO contracted with FL AHCA to provide similar services in Dade County. In January 2014, FL AHCA and AHF MCO entered into a new contract to provide similar HMO services to Medicaid beneficiaries. Beginning on July 1, 2014, Positive Healthcare began serving Medicaid beneficiaries in Broward, Dade, and Monroe counties. Positive Healthcare has a comprehensive network of contracted providers and offers the full range of Medicaid benefits, including contracted services: primary medical care, specialty consultation, outpatient services, pharmaceuticals and hospitalization. FL AHCA compensates the Foundation on a per member per month (PMPM) capitated basis, based on each member's diagnosis.

The cost of health care services provided or contracted for is accrued in the period in which it is provided to a member based in part on estimates, including an accrual for medical services provided but not yet reported to the Foundation as of year-end.

As of February 2019, the Florida Medicaid HMO was discontinued. The Foundation will continue to pay claims on a run-off basis. The Foundation does not expect the discontinuance to have a material financial impact.

Positive Healthcare Partners (PHP)

California Medicare HMO
In January 2006, the Foundation contracted with the Centers for Medicare and Medicaid Services (CMS) to provide a Medicare Advantage Part D Special Needs Plan to Medicare beneficiaries living with a diagnosis of HIV/AIDS in Los Angeles County. The Foundation established a California HMO to provide these services known as Positive Healthcare Partners.

NOTE 3 PREMIUMS (CONTINUED)

Positive Healthcare Partners (PHP) (Continued)

Florida Medicare HMO

In January 2008, the Foundation contracted with CMS to provide a Medicare Advantage Part D Special Needs Plan to Medicare beneficiaries living with a diagnosis of HIV/AIDS in Broward, Dade and Duval counties. The Foundation established a Florida HMO to provide these services known as Positive Healthcare Partners.

Effective January 1, 2024, the Foundation did not renew its Medicare contract with CMS and the Florida Medicare HMO was discontinued. The Foundation will continue to pay claims on a run-off basis but does not anticipate any future claims payments. The Foundation does not expect the discontinuance to have a material financial impact.

Georgia Medicare HMO

In April 2017, the Foundation received an HMO Certificate of Authority from the State of Georgia Office of Commissioner of Insurance. In August 2017, the Foundation contracted with CMS to provide a Medicare Advantage Part D Special Needs Plan to Medicare beneficiaries living with a diagnosis of HIV/AIDS in Fulton County. The Plan began operations on January 1, 2018.

As of January 1, 2022, the Georgia Medicare HMO was discontinued. The Georgia Medicare HMO continues to pay claims on a run-off basis. It received the results of the Medicare Part D Payment Reconciliation from CMS in November 2023, settled its outstanding liabilities and submitted an application to the Georgia Office of Insurance and Safety Fire Commissioner (Office) for dissolution. It is currently awaiting approval from the Office. The Foundation does not expect the discontinuance to have a material financial impact.

These HMOs have a comprehensive network of contracted providers and offer the full range of traditional Medicare Parts A, B, and D benefits, including the following contracted services: primary medical care, specialty consultation, outpatient services, pharmaceuticals, hospice, hospitalization, rehabilitation services, behavioral health and skilled nursing facility care to voluntary members of the plan. CMS compensates the Foundation on a per member per month (PMPM) capitated basis, based on each member’s risk scoring as outlined in Medicare Advantage Risk Adjustment Policies.

Enrollment in these HMOs is voluntary and subject to cancellation by CMS or the member based on loss of Medicare benefits, dissatisfaction with the program, death, relocation or incarceration. Premiums are due monthly and are recognized as revenue during the period in which Positive Healthcare Partners is obligated to provide services to members.

The cost of health care services provided or contracted for is accrued in the period in which it is provided to a member based in part on estimates, including an accrual for medical services provided but not yet reported to the Foundation as of year-end.

NOTE 3 PREMIUMS (CONTINUED)

The net premiums earned under the above programs for the years ended December 31 are as follows:

		2023		2022
PHP - Medicare (Florida/Georgia)	$	86,436,077	$	92,971,191
PHP - Medicare (California)		46,637,732		46,688,030
PHC - Medicaid (California/Florida)		12,761,124		11,322,520
Net premiums earned	$	**145,834,933**	$	150,981,741

NOTE 4 GRANT REVENUE

The Foundation earns grant revenue from cost-reimbursable federal grants and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses.

The distribution of net grant revenue by state for the years ended December 31, are as follows:

	2023	2022
New York	**25.3%**	25.6%
Florida	**24.6%**	26.9%
Georgia	**18.6%**	9.7%
Texas	**13.0%**	15.9%
California	**9.7%**	13.1%
Other states	**8.8%**	8.8%
Total	**100.0%**	100.0%

NOTE 5 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

At December 31, the following represents the Foundation's financial assets:

Financial assets:	**2023**	2022
Cash and cash equivalents	**$ 62,477,588**	$ 157,152,788
Pharmacy revenue receivable, net	**125,919,677**	110,823,942
Premium revenue receivable	**5,380,244**	5,318,444
Grant revenue receivable, net	**24,772,899**	24,548,618
Accounts receivable - other, net	**19,331,743**	15,727,052
Investments	**350,192,851**	311,143,345
Restricted cash included in assets limited as to use	**3,846,529**	3,846,314
Total financial assets	**591,921,531**	628,560,503
Less amounts not available to be used within one year:		
Long-term investments	**(313,045,684)**	(176,718,848)
Restricted cash included in assets limited as to use	**(3,846,529)**	(3,846,314)
Net assets with donor restrictions	**345,961**	353,263
Less net assets with donor restrictions to be met in less than a year	**(345,961)**	(353,263)
Financial assets available to meet general expenditures over the next twelve months	**$ 275,029,318**	$ 447,995,341

As part of the Foundation's liquidity plan, the Foundation invests excess cash in short and long-term investments, including money market accounts, fixed income and equity securities.

NOTE 6 INVENTORIES

At December 31, inventories consist of:

		2023		2022
Pharmacy drugs	$	**95,873,164**	$	59,119,957
Crate inventory (Note 16)		**3,149,293**		-
Thrift store inventory		**2,009,449**		2,018,072
Condoms		**959,227**		1,124,108
Test kits inventory		**737,699**		571,197
Food inventory		**117,222**		42,836
Total inventories	$	**102,846,054**	$	62,876,170

NOTE 7 ASSETS LIMITED AS TO USE

At December 31, the composition of assets limited as to use is as follows:

		2023		2022
Restricted deposits:				
Cash deposit held by the State of Georgia for Georgia Medicare HMO contract	$	**1,000,000**	$	1,000,000
Money market account restricted for Florida Medicaid HMO contract		**2,187,753**		2,187,753
Cash deposits held by the State of Florida for Florida Medicare HMO contract		**300,000**		300,000
Money market mutual funds restricted for California Medicare HMO contract		**358,776**		358,561
Total assets limited as to use	$	**3,846,529**	$	3,846,314

NOTE 8 INVESTMENTS

At December 31, investments consist of:

		2023		2022
Fixed income	$	**169,095,443**	$	181,064,211
Public equity		**156,481,923**		117,828,679
Private equity		**9,773,071**		2,902,626
Hedge funds		**9,614,236**		3,889,912
Venture capital		**5,228,178**		5,457,917
Total investments		**350,192,851**		311,143,345
Less short-term portion		**(37,147,167)**		(134,424,497)
Long-term investments	$	**313,045,684**	$	176,718,848

The Foundation classifies those investments that it intends to hold for more than a year to be long-term investments.

NOTE 8 INVESTMENTS (CONTINUED)

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2023:

	Fair Value Measurements at December 31, 2023 Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Fixed income	**$ 5,246,828**	**$ 163,848,615**	**$ -**	**$ 169,095,443**
Public equity	**156,389,267**	**92,656**	**-**	**156,481,923**
Private equity	**143,014**	**-**	**9,630,057**	**9,773,071**
Hedge funds	**-**	**-**	**9,614,236**	**9,614,236**
Venture capital	**-**	**96,813**	**5,131,365**	**5,228,178**
Total	**$ 161,779,109**	**$ 164,038,084**	**$ 24,375,658**	**$ 350,192,851**

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2022:

	Fair Value Measurements at December 31, 2022 Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fixed income	$ 25,632,654	$ 155,431,557	$ -	$ 181,064,211
Public equity	116,923,774	904,905	-	117,828,679
Private equity	-	11,302	2,891,324	2,902,626
Hedge funds	-	-	3,889,912	3,889,912
Venture capital	-	98,786	5,359,131	5,457,917
Total	$ 142,556,428	$ 156,446,550	$ 12,140,367	$ 311,143,345

The Foundation utilizes an external investment advisor to oversee the valuation process of the Foundation's Level 2 and 3 investments. The advisor is responsible for approving the valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies. These valuations are required to be supported by market data, third-party pricing sources, industry accepted pricing models, counterparty prices, or other methods the advisor deems to be appropriate, including the use of internal proprietary pricing models.

NOTE 9 PROPERTY AND EQUIPMENT

At December 31, property and equipment is comprised of:

		2023		2022
Land	**$**	**210,563,882**	$	146,040,937
Buildings		**329,613,885**		235,300,053
Leasehold improvements		**34,559,877**		31,278,077
General equipment		**30,799,712**		29,197,312
Computer equipment		**34,710,321**		32,230,418
Computer software		**32,248,666**		28,999,336
Vehicles		**15,652,000**		14,217,579
Furniture and fixtures		**16,096,364**		15,298,663
Low value assets		**3,101,398**		2,952,817
Assets under construction		**68,561,511**		82,181,109
Total		**775,907,616**		617,696,301
Accumulated depreciation and amortization		**(161,818,740)**		(144,392,242)
Property and equipment, net	**$**	**614,088,876**	$	473,304,059

Provision for depreciation and amortization of property and equipment amounted to $19,490,812 and $17,502,593 in 2023 and 2022, respectively.

NOTE 10 PROPERTY HELD FOR SALE

As of December 31, 2023, the Foundation classified one of its properties located in Philadelphia, with a net book value of approximately $2.9 million, as held for sale. This decision aligned with management's assessment that the assets' carrying amounts would be primarily recovered through a sale transaction rather than through continuing use.

In addition, the Foundation also determined that one of its properties in California, with a net book value of approximately $6.2 million and $5.8 million as of December 31, 2023 and 2022, respectively, would be used in operations rather than be held for sale. As such, as of December 31, 2023 and 2022, this asset was reclassified back to property and equipment.

NOTE 11 CLAIMS PAYABLE

Claims payable are reviewed periodically, with any necessary adjustments reflected during the current period in the results of operations. While the ultimate amount of claims payable and related expenses is dependent on future developments, it is management's opinion that the liability that has been established is adequate to cover such costs.

The summary of changes in claims payable for the years ended December 31, 2023 and 2022 are as follows:

		2023		2022
Claims payable at beginning of year	$	**12,695,837**	$	13,945,299
Incurred hospital and medical services claims:				
Current year		**172,130,367**		172,733,579
Prior years		**(4,601,759)**		(5,496,702)
Total incurred		**167,528,608**		167,236,877
Paid hospital and medical services claims:				
Current year		**(159,223,958)**		(159,653,986)
Prior years		**(9,031,669)**		(8,832,353)
Total paid		**(168,255,627)**		(168,486,339)
Claims payable at end of year	**$**	**11,968,818**	$	12,695,837

As of December 31, 2023 and 2022, the liability for unpaid claims and claims adjustment expenses was $11,968,818 and $12,695,837, respectively. The estimated ultimate claims and claims adjustment expenses incurred related to prior years decreased by approximately $4.6 million. This favorable development is generally the result of ongoing analysis of recent claim payments and claim development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

NOTE 12 LINE OF CREDIT

The Foundation in connection with its Broward House affiliation has available a $816,000 revolving line of credit with a financial institution for temporary working capital needs, maturing on demand. Borrowing against this line of credit bears interest at the corresponding variable liquidity access line index plus 3.50% (8.958% at December 31, 2023). This line of credit is secured by certain investments held by Broward House with a fair value of approximately $1.9 million as of December 31, 2023. At December 31, 2023, there was no outstanding balance on the line of credit.

The Foundation maintains nominal standby letters of credit related to certain of its lease contracts.

NOTE 13 LONG-TERM DEBT

At December 31, long-term debt consists of:

		2023		2022
Wells Fargo and City National Syndicated Series 2019 A-F Loans totaling $63,600,000 bearing variable interest rates ranging from 4.82% to 5.87% per annum compounded monthly on the outstanding balance. Principal is payable on the 1st of each month commencing in February 2020, with the final installment consisting of all remaining unpaid principal due and payable in full on January 1, 2040.	**$**	**53,686,000**	$	56,476,000
Broward House mortgage payable		**217,089**		262,457
Subtotal		**53,903,089**		56,738,457
Less debt issuance costs		**(762,395)**		(810,822)
Total long-term debt, net of debt issuance costs		**53,140,694**		55,927,635
Less current portion		**(2,661,367)**		(2,790,000)
Long-term debt, net of current portion	**$**	**50,479,327**	$	53,137,635

Scheduled annual principal maturities of long-term debt, are as follows:

Year ending December 31		**Amount**
2024	$	2,661,367
2025		2,719,187
2026		2,813,145
2027		2,878,578
2028		2,988,250
Thereafter		39,842,562
Total	**$**	**53,903,089**

Interest on long-term debt charged as expense amounted to $3,053,969 and $1,527,649 for the years ended December 31, 2023 and 2022, respectively.

Effective May 1, 2023, the floating USD-Libor interest rate was replaced by the SOFR equivalent. This change had an immaterial financial impact.

Wells Fargo and City National Syndicated Series 2019 A-F Loans
On December 30, 2019, the Foundation entered into syndicated loan agreements with Wells Fargo and City National for the issuance of Series A-F loans totaling $63.6 million, of which $21.4 million represented refinancing of its outstanding Series 2018 A and Series B bonds and $42.2 million in new debt. The Foundation intends to use the loan proceeds for the financing and refinancing of the acquisition, construction, improvement and operation of its low-income housing projects and other property purchases used for its operating activities.

NOTE 13 LONG-TERM DEBT (CONTINUED)

Broward House Mortgage Payable
The mortgage payable represents debt obligations funded by local city, county and state agencies in connection with several properties owned by Broward House, an affiliate of the Foundation. Each year, the respective debt obligations are forgivable at a rate of 5% of the principal balance providing the buildings are used for the purpose prescribed. The debt is noninterest bearing and collateralized by the underlying property.

NOTE 14 INTEREST RATE SWAP AGREEMENTS

The Foundation executed interest rate swap agreements with Wells Fargo Bank to manage debt service costs on its variable rate long-term debt by achieving a synthetic fixed rate payment to the swap counterparty and receiving a variable rate payment from the swap counterparty that effectively offsets the payment on the underlying variable rate debt.

The details of the swap agreements for the year ended December 31, 2023 are as follows:

	Amended Series 2018A Loan	Series 2019A&B Loan
Outstanding notional amount	$ 18,202,959	$ 35,483,041
Fixed interest rate	2.132%	1.84%
Floating rate option	80.375% of USD-Libor-BBA	80.375% of USD-Libor-BBA
Floating rate day count fraction	Actual/360	Actual/360
Trade date	12/20/2018	1/8/2020
Effective date	12/20/2018	1/1/2020
Termination date	12/1/2028	1/1/2040

At December 31, 2023 and December 31, 2022, the fair value of the swap asset amounted to $4,439,571 and $5,218,495, respectively. The fair values were the quoted market prices at December 31 of each year. The decrease in the swap asset and corresponding $778,924 unrealized loss resulted from the relatively lower interest rate on December 31, 2023. The swap counterparty was rated A+ by Standard & Poor’s as of December 31 of each year.

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

At December 31, net assets with donor restrictions that are available for future periods are as follows:

		2023		2022
Program support	$	**283,648**		278,263
Housing		**45,000**	$	45,000
Other		**17,313**		30,000
Net assets with donor restrictions	$	**345,961**	$	353,263

NOTE 16 BUSINESS AND ASSET ACQUISITIONS

Broward House, Inc.

In March 2022, the Foundation entered into an Affiliation Agreement with Broward House, Inc., a Florida 501(c)(3) organization. The organization's mission is to develop, coordinate, and provide services for people living with and affected by HIV/AIDS, serving approximately 900 patients/clients in Broward County, Florida. The Foundation acquired assets with fair value amounting to approximately $28.9 million, which consisted primarily of property and equipment with fair value of approximately $24.2 million and assumed liabilities amounting to approximately $1.1 million for no consideration. The Foundation recognized an inherent contribution amounting to approximately $27.8 million (See Note 22).

Gurley Medical Practice

In April 2022, the Foundation executed an Asset Purchase Agreement with a medical practice engaged in the business of providing medical services to the LGBTQ community in Georgia. The services include preventative care and specialty medical services to people living with HIV/AIDS. Per the agreement, the Foundation acquired all of the trade names and other proprietary rights and agreements that are used in the business, along with the property and equipment of the medical practice.

Sunshine Social Services, Inc.

In January 2023, the Foundation entered into an Affiliation Agreement with Sunshine Social Services, Inc. dba SunServe, a Florida 501(c)(3) organization. The organization's mission is to provide critical life assistance and professional mental health services with an emphasis on economically disadvantaged people in greater South Florida, serving approximately 4,000 community members in South Florida. The Foundation recognized an inherent contribution amounting to approximately $0.3 million (See Note 22).

Long Beach Community Table

In January 2023, the Foundation entered into an Affiliation Agreement with Long Beach Community Table, a California 501(c)(3) organization. The organization is a cooperative that nourishes those who are struggling and provides resources that allow people to mutually sustain each other.

NOTE 16 BUSINESS AND ASSET ACQUISITIONS (CONTINUED)

Crate Modular, Inc.

In May 2023, the Foundation entered into Series A Preferred Purchase Agreement (Agreement) with Crate Modular, Inc. (Crate). Crate is a corporation established and operating under the General Corporation Law of the State of Delaware and specializes in steel modular construction for multifamily, supportive housing, educational, residential, and commercial construction sectors. Under the terms of the Agreement, the Foundation will acquire 60% total interest in Crate through a series of payments starting in May 2023 through 2024 for a total purchase price of $10.0 million. At the time of the initial acquisition, the Foundation obtained control of the voting interest. As a result of the acquisition, the Foundation recognized goodwill amounting to approximately $7.8 million. As of December 31, 2023, the Foundation had acquired 48% with the remaining 12% interest to be fully paid in 2024.

Noncontrolling Interest

The Foundation consolidates the financial statements of Crate in which it has a controlling interest. Noncontrolling interest represents the portion of ownership in Crate not attributable to the Foundation. Noncontrolling interest is reported separately in the consolidated balance sheet within net assets, and its share of Crate's net loss is presented separately on the consolidated statements of operations. As of December 31, 2023, the Foundation holds a 48% equity interest in Crate, with the remaining 52% owned by the noncontrolling interest. Noncontrolling interests amounted to a deficit of approximately $4.4 million as of December 31, 2023 while net loss attributable to noncontrolling interests amounted to approximately $5.1 million for the year ended December 31, 2023.

NOTE 17 EMPLOYEE RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code: AHF Savings and Investment Plan (the Plan). All classes of employees, except for per diem and temporary employees, are eligible to participate in the Plan. An employee is eligible for participation in the months following 30 days from the date of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is administered by the employer and all contributions are held in accounts maintained by the Plan custodian.

Each year, participants may contribute pre-tax annual compensation as defined in the Plan, subject to certain limitations, with the contributions and earnings thereon being nontaxable until withdrawn from the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans.

The Foundation may contribute up to $6,000 annually per participant depending on the number of years of service. The Foundation's matching contribution expense for the years ended December 31, 2023 and 2022 amounted to $8,926,569 and $7,611,208, respectively.

NOTE 18 CONCENTRATIONS OF CREDIT RISK

a) The Foundation grants credit without collateral to its patients and patients insured under third-party agreements. At December 31, the mix of receivables from patients, third-party payers and grants are as follows:

	2023	2022
Private Insurance	**55.02%**	55.36%
Other Grants	**26.21%**	25.71%
Medi-Cal/Medicaid	**11.42%**	11.31%
AIDS Drug Assistance Program	**3.96%**	3.87%
Department of Health and Human Services	**2.39%**	2.62%
Centers for Medicare and Medicaid Services	**0.70%**	0.78%
Medicare (Fee for Service)	**0.30%**	0.35%
Total	**100.00%**	100.00%

b) The Foundation maintains its cash accounts at banks and financial institutions located in the United States and other countries. Bank accounts in other countries are subject to rules and regulations in the respective countries and amounts insured vary accordingly. At times, cash and cash equivalent balances at certain banks and financial institutions may exceed insurable amounts. The Foundation believes it mitigates this risk by monitoring the financial stability of institutions holding material cash balances.

NOTE 19 LEASES

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation leases real estate and equipment under operating lease agreements that have initial terms ranging from 1 to 20 years. Most leases include one or more options to exercise renewal terms that can extend the lease term, generally at the Foundation's sole discretion. Some leases may contain rights to terminate whereby those termination options are held by either the Foundation, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms only when it is reasonably certain that the Foundation will exercise that option. The Foundation's leases generally do not contain any material residual value guarantees or restrictive covenants.

NOTE 19 LEASES (CONTINUED)

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Operating lease cost	**$ 20,186,788**	$ 18,526,550
Short-term lease cost	**10,642,942**	5,125,439
Variable lease cost	**3,615,026**	2,825,130
Sublease income, gross	**-**	(76,915)
Total	**$ 34,444,756**	$ 26,400,204

Supplemental cash flow and other information related to leases are as follows for the years ended December 31:

	2023	2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	**$ 18,923,682**	$ 18,809,594
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**$ 20,450,615**	$ 24,341,982
Weighted-average remaining lease term - operating leases:	**6.31 years**	6.31 years
Weighted-average discount rate - operating leases:	**2.49%**	1.71%

The future undiscounted cash flows for each of the next five years and thereafter, and reconciliation to the lease liabilities recognized on the consolidated balance sheets are as follows as of December 31, 2023:

Year ending December 31	**Amount**
2024	$ 16,733,932
2025	13,259,463
2026	9,713,070
2027	7,261,550
2028	4,765,057
Thereafter	16,739,303
Total future lease payments	$ 68,472,375
Less: Imputed Interest	(4,963,459)
Total present value of lease liabilities	**$ 63,508,916**

NOTE 20 COMMITMENTS AND CONTINGENCIES

Insurance Coverages

The Foundation maintains claims-made medical malpractice insurance for up to $3,000,000 per occurrence and general liability insurance for up to $1,000,000 per occurrence and $3,000,000 annual aggregate limit. The Foundation also maintains such other insurance policies as management has deemed prudent and necessary, including property, directors' and officers' liability, employment practices liability, flood insurance, errors and omissions, cyber security and crime.

Litigation

The Foundation is involved in litigation arising from the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material impact on the Foundation's financial position.

Government Regulation

The Foundation is subject to extensive regulation by numerous governmental authorities, including federal, state, and local jurisdictions. Although the Foundation believes that it is currently in compliance with applicable laws, regulations, and rules, some of such laws are broadly written and subject to interpretation by courts or administrative authorities. Specifically, in the health care industry, government agencies have recently focused considerable attention and resources to the detection and prosecution of fraudulent activities under Medicare and Medicaid program regulations.

While the Foundation believes that it is in compliance with applicable regulations, there can be no assurance that a third party, government agency, or private party will not contend that certain aspects of the Foundation's operations or procedures are subject to, or are not in compliance with such laws, regulations, or rules or that the state or federal regulatory agencies or courts would interpret such laws, regulations, and rules in the Foundation's favor. The sanctions for failure to comply with such laws, regulations, or rules could include exclusion from the Medicare and Medicaid programs, significant fines, and criminal penalties.

The Foundation participates in a number of federally funded grant programs. These programs are subject to program compliance audits by the grantors or their representatives.

NOTE 21 CHARITY CARE

The Foundation determines costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies and other operating expenses based on data from its accounting system. The costs of caring for charity care patients for the years ended December 31, 2023 and 2022 amounted to $90,199,135 and $87,421,211, respectively. Funds received from gifts and grants to subsidize charity services provided for the years ended December 31, 2023 and 2022 amounted to $780,827 and $689,022, respectively.

NOTE 22 IN-KIND CONTRIBUTIONS

In-kind contributions for the years ended December 31 are as follows:

	2023	2022
In-kind, thrift stores:		
Donated clothes and other goods	**$ 16,737,798**	$ 16,684,096
In-kind, other:		
Inherent contributions (see Note 16)	**303,338**	27,643,404
Prescription drugs	**354,929**	381,960
Food, medical and other supplies	**1,892,240**	182,795
	2,550,507	28,208,159
Total	**$ 19,288,305**	$ 44,892,255

The Foundation recognized contributed nonfinancial assets within revenue, including contributed clothes and other goods, pharmaceutical drugs, food, medical and other program supplies. Unless otherwise noted, the contributed nonfinancial assets did not have donor-imposed restrictions.

The donated clothes and other goods at the Foundation's thrift stores are immediately sold and valued according to the actual cash proceeds from their disposition.

The donated pharmaceutical drugs were restricted by donors to use outside the United States and utilized in international health services. In valuing the contributed pharmaceuticals drugs, the Foundation used the average manufacturer prices that approximate wholesale prices in the United States at the time of the donation.

Donated food, medical and other supplies were utilized in the Foundation's programs. In valuing the donated food, medical and other supplies, the Foundation estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

As discussed in Note 16, the Foundation recognizes inherent contributions for business acquisitions entered into without consideration.

NOTE 23 SUBSEQUENT EVENTS

The Foundation has evaluated events subsequent to December 31, 2023 to assess the need for the potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through April 29, 2024, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements except for the discontinued operations in Florida as discussed in Note 3 and the recognition of property held for sale in Note 10.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
AIDS Healthcare Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of AIDS Healthcare Foundation (the Foundation), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated. April 29, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Vasquez & Company LLP

Glendale, California
April 29, 2024

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