



AIDS Healthcare Foundation
Audited Consolidated Financial Statements
As of and For the Years Ended December 31, 2025 and 2024
with Independent Auditor's Report



	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
AUDITED CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	4
Consolidated Statements of Operations and Changes in Net Assets	5
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	10
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 <i>GOVERNMENT AUDITING STANDARDS</i>	50



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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, 2025 and 2024, 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, 2025 and 2024, 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.

Emphasis of Matter

As discussed in Note 1C to the financial statements, the 2024 financial statements have been restated to correct an error related to accounting for the change in reporting entity. Our opinion is not modified with respect to this matter.



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 30, 2026 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.

**Glendale, California
April 30, 2026**

**AIDS Healthcare Foundation
Consolidated Balance Sheets**

ASSETS	December 31	
	2025	2024 (As restated)
Current assets		
Cash and cash equivalents	\$ 130,906,938	\$ 51,867,930
Short-term investments	90,652,457	46,706,894
Pharmacy revenue receivable	128,359,803	128,419,482
Premiums revenue receivable	4,080,313	6,185,679
Grant revenue receivable, net	28,441,684	26,346,664
Accounts receivable - other, net	48,657,321	50,888,782
Inventories	96,414,606	105,450,231
Prepaid expenses and other current assets	33,517,012	16,771,211
Assets limited as to use - restricted cash, current	-	23,800,000
Total current assets	561,030,134	456,436,873
Noncurrent assets		
Property and equipment, net	556,439,118	503,133,676
Long-term investments	427,466,766	338,681,099
Mortgages receivable	205,000,000	205,000,000
Operating leases, right-of-use assets	80,451,060	76,784,505
Intangibles, deposits and other assets	22,056,039	24,374,448
Property held for sale	8,948,260	-
Interest rate swap	3,852,344	5,248,967
Assets limited as to use - restricted cash, net of current portion	18,910,802	2,851,369
Total noncurrent assets	1,323,124,389	1,156,074,064
Total assets	\$ 1,884,154,523	\$ 1,612,510,937
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 97,580,207	\$ 111,093,530
Accrued expenses	57,759,852	46,773,772
Liability for amounts held under uninsured plans	12,045,392	13,423,105
Health policy reserves	8,720,482	3,990,419
Claims payable	8,464,306	4,637,711
Deferred revenue	5,548,716	5,044,549
Current portion of operating lease liabilities	18,025,060	16,252,800
Current portion of long-term debt	2,813,145	2,719,186
Total current liabilities	210,957,160	203,935,072
Noncurrent liabilities		
Operating lease liabilities, net of current portion	66,241,420	64,000,436
Long-term debt, net of current portion	98,339,214	47,803,566
Total noncurrent liabilities	164,580,634	111,804,002
Total liabilities	375,537,794	315,739,074
Net assets		
Without donor restrictions:		
Controlling interest	1,513,312,407	1,301,467,869
Noncontrolling interests - Crate	(5,093,355)	(5,093,355)
Total without donor restrictions	1,508,219,052	1,296,374,514
With donor restrictions	397,677	397,349
Total net assets	1,508,616,729	1,296,771,863
Total liabilities and net assets	\$ 1,884,154,523	\$ 1,612,510,937

See notes to consolidated financial statements.

AIDS Healthcare Foundation
Consolidated Statements of Operations and Changes in Net Assets

	Years ended December 31	
	2025	2024 (As restated)
Net assets without donor restrictions:		
Operating revenues, unrestricted revenues, gains and other support:		
Pharmacy revenue, net	\$ 2,497,029,624	\$ 2,356,827,174
Grant revenue, net	109,343,607	106,722,399
Net patient service revenue	61,861,144	19,386,078
Premiums earned, net	61,361,080	61,792,679
Contributions:		
In-kind, thrift stores	18,395,322	16,928,399
Cash	5,011,354	7,333,787
In-kind, other	556,726	3,116,608
Other	19,131,171	60,356,002
Operating revenues before net assets released from restrictions for operations	2,772,690,028	2,632,463,126
Net assets released from restrictions for operations	115,200	448,116
Total operating revenues	2,772,805,228	2,632,911,242
Operating expenses:		
Cost of pharmacy, pantry, thrift stores and modular solutions sales	1,761,161,386	1,642,660,791
Salaries and benefits	445,679,063	403,333,526
Medical services and supplies	114,861,497	105,840,590
Rent and other facilities related expenses	93,356,022	88,760,732
Charitable contributions	43,891,528	20,347,876
Professional services	33,433,528	40,802,460
Depreciation and amortization	24,230,524	23,947,691
Insurance	8,533,439	7,711,828
Provision for credit losses	5,886,983	6,074,778
Interest expense	4,990,182	2,863,046
Other expenses	79,985,928	160,240,438
Total operating expenses	2,616,010,080	2,502,583,756
Operating income from continuing operations	156,795,148	130,327,486
Investment income	59,058,950	43,717,495
Net operating income before currency translation adjustment and discontinued operations	215,854,098	174,044,981
Currency translation adjustment	(4,183,132)	(11,512,591)
Net operating income before discontinued operations	\$ 211,670,966	\$ 162,532,390

(Continued)

See notes to consolidated financial statements.

AIDS Healthcare Foundation
Consolidated Statements of Operations and Changes in Net Assets (Continued)

	Years ended December 31	
	2025	2024 (As restated)
Net assets without donor restrictions (continued):		
Loss from discontinued operations		
Loss from discontinued operations of Crate Modular, Inc.	\$ -	\$ (1,654,940)
Increase in net assets without donor restrictions	211,670,966	160,877,450
Less: Net loss from discontinued operations		
attributable to noncontrolling interest	-	(717,748)
attributable to noncontrolling interests		
Increase in net assets attributable to controlling interest	211,670,966	161,595,198
Changes in net assets with donor restrictions		
Contributions	115,528	499,504
Net assets released from restrictions for operations	(115,200)	(448,116)
Increase in net assets with donor restrictions	328	51,388
Change in net assets	211,671,294	160,928,838
Net assets, beginning of year, as previously reported	1,296,771,863	1,148,642,218
Change in reporting entity (Note 1C)	173,572	-
Change in reporting entity, as restated (Note 1C)	-	(12,799,193)
Net assets, end of year	\$ 1,508,616,729	\$ 1,296,771,863

See notes to consolidated financial statements.

AIDS Healthcare Foundation
Consolidated Statements of Functional Expenses
Years ended December 31, 2025 and 2024

	Healthcare Services	Housing Services	Thrift Stores	Outreach	Fundraising	Administration	Total
2025							
Cost of pharmacy, pantry, thrift stores and modular solutions sales	\$ 1,758,971,698	\$ -	\$ 16,586	\$ 2,173,102	\$ -	\$ -	\$ 1,761,161,386
Salaries and benefits	352,162,503	8,598,438	12,628,014	39,046,030	4,162,039	29,082,039	445,679,063
Medical services and supplies	100,407,676	181,925	27,133	13,852,465	7,953	384,345	114,861,497
Rent and other facilities related expenses	56,250,620	7,776,687	2,646,760	5,584,390	251,582	20,845,983	93,356,022
Charitable contributions	12,011,965	-	-	21,724,368	9,046,576	1,108,619	43,891,528
Professional services	21,992,470	523,374	184,301	3,589,836	753,889	6,389,658	33,433,528
Depreciation and amortization	14,194,122	3,704,383	461,161	1,668,935	6,214	4,195,709	24,230,524
Insurance	4,352,221	1,347,554	215,684	556,091	9,208	2,052,681	8,533,439
Provision for credit losses	3,875,488	1,494,627	14,924	407	-	501,537	5,886,983
Interest expense	3,079,310	-	44,253	224,861	-	1,641,758	4,990,182
Other expenses	29,272,512	1,209,276	699,872	35,088,697	830,692	12,884,879	79,985,928
Total operating expenses	\$ 2,356,570,585	\$ 24,836,264	\$ 16,938,688	\$ 123,509,182	\$ 15,068,153	\$ 79,087,208	\$ 2,616,010,080
2024 (As restated)							
Cost of pharmacy, pantry, thrift stores and modular solutions sales	\$ 1,640,618,437	\$ -	\$ 15,470	\$ 2,026,884	\$ -	\$ -	\$ 1,642,660,791
Salaries and benefits	318,702,304	7,781,470	11,428,182	35,336,129	3,766,589	26,318,852	403,333,526
Medical services and supplies	92,521,933	167,637	25,002	12,764,530	7,328	354,160	105,840,590
Rent and other facilities related expenses	53,481,780	7,393,893	2,516,478	5,309,508	239,198	19,819,875	88,760,732
Charitable contributions	5,568,682	-	-	10,071,300	4,193,944	513,950	20,347,876
Professional services	26,839,732	638,728	224,922	4,381,055	920,050	7,797,973	40,802,460
Depreciation and amortization	14,028,441	3,661,143	455,778	1,649,454	6,141	4,146,734	23,947,691
Insurance	3,933,183	1,217,810	194,918	502,550	8,321	1,855,046	7,711,828
Provision for credit losses	3,999,116	1,542,306	15,400	420	-	517,536	6,074,778
Interest expense	1,438,571	531,767	20,674	105,049	-	766,985	2,863,046
Other expenses	58,645,021	2,418,029	1,402,134	70,297,259	1,664,221	25,813,774	160,240,438
Total operating expenses	\$ 2,219,777,200	\$ 25,352,783	\$ 16,298,958	\$ 142,444,138	\$ 10,805,792	\$ 87,904,885	\$ 2,502,583,756

See notes to consolidated financial statements.

AIDS Healthcare Foundation
Consolidated Statements of Cash Flows

	Years ended December 31	
	2025	2024 (As restated)
Cash flows provided by operating activities		
Change in net assets	\$ 211,671,294	\$ 160,928,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	21,759,141	21,473,244
Gain on investment	(38,244,715)	(6,431,352)
Loss (gain) on sale of property and equipment	300,685	(30,876,698)
Amortization of debt issuance costs	85,584	48,426
Amortization of intangible assets	2,471,383	2,474,447
Provision for credit losses	5,886,983	6,074,778
Unrealized loss (gain) on interest rate swap	1,396,623	(809,396)
Contributed in-kind assets	(556,726)	(3,169,200)
Lease expense in accordance with ASC 842, net of cash paid	343,145	1,393,981
Loss from discontinued operations of Crate Modular, Inc.	-	1,654,940
Changes in operating assets and liabilities:		
Pharmacy revenue receivable	59,679	(2,499,805)
Premiums revenue receivable	2,105,366	(805,435)
Grant revenue receivable, net	(2,097,615)	(1,573,765)
Accounts receivable - other, net	(3,655,522)	(37,569,215)
Inventories	9,592,351	(5,786,156)
Prepaid expenses and other current assets	(16,723,719)	1,399,456
Accounts payable	(13,513,323)	23,561,078
Accrued expenses	10,996,334	3,574,971
Liability for amounts held under uninsured plans	(1,377,713)	717,351
Health policy reserves	4,730,063	(1,608,803)
Claims payable	3,826,595	(7,331,107)
Deferred revenue	504,167	3,160,744
Net cash provided by operating activities	199,560,060	128,001,322
Cash flows used in investing activities		
Purchases of property and equipment	(84,319,127)	(79,470,052)
Proceeds from sale of property and equipment	-	94,070
Issuance of mortgage loan funds	-	(5,000,000)
Purchases of investments	(226,301,392)	(129,905,083)
Proceeds from sale of investments	133,680,878	101,141,293
Net cash used in investing activities	(176,939,641)	(113,139,772)
Cash flows provided by (used in) financing activities		
Proceeds from issuance of long-term debt	52,868,999	-
Principal payments on long-term debt	(2,719,186)	(2,666,368)
Debt issuance costs	(1,471,791)	-
Cash provided by (used in) financing activities	48,678,022	(2,666,368)
Net change in cash, cash equivalents and restricted cash	71,298,441	12,195,182
Cash, cash equivalents and restricted cash, beginning of year	78,519,299	66,324,117
Cash, cash equivalents and restricted cash, end of year	\$ 149,817,740	\$ 78,519,299

(Continued)

See notes to consolidated financial statements.

AIDS Healthcare Foundation
Consolidated Statements of Cash Flows (Continued)

	Years ended December 31	
	2025	2024
Supplemental disclosures of cash flow information		
Cash paid for interest during the year	\$ <u>4,954,176</u>	\$ <u>2,375,401</u>
Supplemental schedule of non-cash investing activities:		
Sale of property and equipment through issuance of mortgage	\$ <u>-</u>	\$ <u>200,000,000</u>
Recognition of operating leases, right-of-use assets and operating lease liabilities in accordance with ASC 842	\$ <u>23,117,554</u>	\$ <u>32,516,937</u>

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 such amounts shown in the consolidated statements of cash flows.

	December 31	
	2025	2024 (As restated)
Cash and cash equivalents	\$ <u>130,906,938</u>	\$ 51,867,930
Assets limited as to use - restricted cash, current	-	23,800,000
Assets limited as to use - restricted cash, net of current portion	<u>18,910,802</u>	<u>2,851,369</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$ <u>149,817,740</u>	\$ <u>78,519,299</u>

See notes to consolidated financial statements.

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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, low-income 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 77 outpatient healthcare centers and 67 pharmacies that are located in 16 states including California, Florida, Texas, Washington, New York, New Jersey, Pennsylvania, Georgia, Nevada, Louisiana, South Carolina, Mississippi, Maryland, Illinois, Virginia and Ohio as well as Washington, DC and Puerto Rico. The Foundation operates 25 Out of the Closet Thrift Stores in 9 states. The Foundation also operates in 50 countries, including 15 in Africa, 13 in the Americas, 11 in Asia and 11 in Europe. The Foundation owns 7 properties in Florida, Georgia, Texas and New York to provide low income-housing.

B. Principles of Consolidation

The Foundation’s consolidated financial statements as of December 31, 2025 and 2024, include the following domestic entities:

- AIDS Healthcare Foundation
- AHF MCO of Florida, Inc.
- Surety Society, LLC (Surety)
- 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
- 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
- Siloam
- T. Douglas Gurley MD, LLC
- Crate Modular, Inc. (Crate) (discontinued) (see Note 1D)
- Long Beach Community Table (LBCT) (a)

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

B. Principles of Consolidation (Continued)

- (a) During the year ended December 31, 2025, the Foundation and LBCT terminated their affiliation agreement, resulting in the deconsolidation of LBCT (see Note 1D).

The financial statements also include the Foundation's related global entities. All significant inter-organization balances and transactions have been eliminated in consolidation.

C. Change in Reporting Entity

Long Beach Community Table

In January 2023, the Foundation entered into an Affiliation Agreement with LBCT, a California 501(c)(3) organization. LBCT is a cooperative that nourishes those who are struggling and provides resources that allow people to mutually sustain each other. The Foundation previously consolidated LBCT. In March 2025, the Foundation and LBCT terminated their affiliation agreement. As a result, the Foundation no longer had a controlling financial interest in LBCT. Accordingly, net assets, amounting to \$173,572, of the unaffiliated entity were removed from the consolidated balance sheets as of December 31, 2025.

Housing4Humanity (previously Healthy Housing Foundation)

The Foundation was the sole member of Healthy Housing Foundation (HHF), a California nonprofit public benefit corporation. In December 2024, HHF underwent an organizational change wherein the Foundation resigned as the sole member of HHF. Further, HHF updated its name to Housing4Humanity (H4H) and appointed its board members and officers. As a result, H4H was no longer consolidated. The 2024 financial statements have been restated to correct cash (\$1,175,481), accounts payable (\$12,091,297), interest and other expenses (\$527,114), and investment income (\$59,529).

D. Noncontrolling Interest

Crate Modular, Inc.

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 sheets within net assets, and its share of Crate's net loss is presented separately on the consolidated statements of operations and changes in net assets. As of December 31, 2025 and 2024, the Foundation holds a 56.63% equity interest in Crate, with the remaining 43.37% owned by the noncontrolling interest. Noncontrolling interests amounted to a net deficit of approximately \$5.1 million as of December 31, 2025 and 2024, while net loss attributable to noncontrolling interests amounted to approximately \$0 and \$0.7 million for the years ended December 31, 2025 and 2024.

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

D. Noncontrolling Interest (Continued)

Crate Modular, Inc. (Continued)

During 2024, the Foundation decided to discontinue the operations of Crate. The disposal meets the criteria for discontinued operations in accordance with ASC 205-20, and as such, the loss from discontinued operations have been separately presented in the consolidated statements of operations and changes in net assets in the amount of \$1,654,940. Assets and liabilities of the discontinued entity were removed from the consolidated statement of financial position as of December 31, 2024.

E. 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.

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, 2025 and 2024, net assets without donor restrictions include noncontrolling interests pertaining to Crate (see Note 1D) and the effects of currency translation adjustment.

F. 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, estimates for liabilities for amounts held under uninsured plans, health policy reserves, interest rate swap valuation, right-of-use assets (ROU assets) and related lease liabilities. Actual results could differ from those estimates.

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

G. Cash and Cash Equivalents

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

H. Assets Limited as to Use

Assets limited as to use primarily include deposits restricted by Computershare Trust Company, National Association, as trustee, in relation to the Foundation's Series 2019 A-F and Series 2025A bonds, until certain conditions specified in the related bond indentures are met. In addition, assets limited as to use also consists of deposits restricted by the States of Florida and California in connection with the Foundation's Medicare and Medicaid health maintenance organization (HMO) contracts, as required by Florida Office of Insurance Regulation (FLOIR), the Florida Agency for Healthcare Administration (FL AHCA) and the California Department of Managed Health Care (CA DMHC). As of December 31, 2024, a deposit was held by Wells Fargo for debt covenant requirements related to the Wells Fargo Series 2019 A-F loans (see Note 15). As of April 2025, this deposit was released back to the Foundation (see Note 4).

I. Accounts Receivable – Other

Pharmacy Revenue Receivable

Pharmacy revenue receivable is reported at the estimated net realizable amount from patients, third-party payors, and others for pharmacy drugs dispensed.

Patient Service Receivables

Patient service receivables are reported at the amount that reflects the consideration to which the Foundation expects to be entitled, in exchange for providing patient care services. Patient service receivables are recorded in the accompanying consolidated statements of financial position, net of contractual adjustments and implicit price concessions, which reflects management's estimate of the transaction price. The Foundation does not have a policy to charge interest on past due accounts.

Accounts Receivable Other Than Patient Service Receivables

Accounts receivable other than patient service receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. These receivables are reported at net realizable value, which represents the carrying amount net of an allowance for expected credit losses.

The Foundation recognizes and measures expected credit losses on these receivables in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 326, Financial Instruments — *Credit Losses*. Estimating expected credit losses requires significant judgment and includes consideration of historical loss experience, current conditions, and reasonable and supportable forecasts. The Foundation evaluates relevant risk characteristics, including the nature of the receivable, aging, and credit quality of counterparties, and pools receivables with similar risk characteristics for assessment.

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

I. Accounts Receivable – Other (Continued)

Accounts Receivable Other Than Patient Service Receivables (Continued)

The Foundation uses an aging method to estimate expected credit losses on these receivables. Historical loss rates are adjusted, as necessary, to reflect current economic conditions and reasonable and supportable forecasts. In periods when such conditions or forecasts are not expected to differ materially from historical experience, the Foundation relies on recent historical loss experience as the basis for estimating expected credit losses.

Certain receivables that do not share similar risk characteristics with pooled receivables, or that are considered individually significant, are evaluated on a specific identification basis. For these receivables, the allowance for expected credit losses is measured based on the Foundation's assessment of the counterparty's ability to pay, considering factors such as the financial condition of the counterparty, historical collection experience, aging, and other relevant information.

J. Mortgage Receivable and Related Interest

Mortgage receivable is stated at amortized cost, net of the allowance for credit losses. Amortized cost includes the unpaid principal balance, net of deferred origination fees and costs, and is reduced by principal payments, charge-offs, and prepayments. Mortgage receivables are evaluated for expected credit losses in accordance with ASC 326, Financial Instruments — *Credit Losses*.

The Foundation recognizes interest income on mortgage receivables when earned under the contractual terms of the related agreements. Accrued interest receivable is presented separately from the principal balance of the mortgage receivable when applicable.

The Foundation has elected to write off uncollectible accrued interest receivable by reversing previously recognized interest income. Under this policy, when management determines that accrued interest is not expected to be collected, the related accrued interest receivable is written off through a reduction of interest income rather than through credit loss expense. This policy is applied consistently to the applicable class of financing receivables.

K. Inventories

Inventories consist of pharmacy drugs, 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 net realizable value.

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

L. Property and Equipment and Property Held for Sale

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.

Property held for sale is reported at the lower of net book value or fair value.

M. 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, 2025 and 2024 that would impair the carrying amount of its long-lived assets.

N. 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, 2025 and 2024, goodwill of \$5,942,930 is recorded in the Foundation's consolidated balance sheets within intangibles, deposits and other assets.

The Foundation evaluates goodwill on an annual basis or more frequently if management believes indicators of impairment exist. Such indicators could include but are not limited to: (1) a significant adverse change in legal factors or in the business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator.

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

N. Goodwill and Intangible Assets (Continued)

The Foundation first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Foundation estimates the fair value of its reporting units using a combination of the income, or discounted cash flows approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, management performs the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss. There were no impairment losses reported in 2025 and 2024.

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, 2025, and 2024, net intangible assets amounted to \$13,004,863 and \$15,462,937, respectively, recorded in the Foundation's consolidated balance sheets within intangibles, deposits and other assets.

O. 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 loan agreements with Wells Fargo (see Note 15).

P. 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.

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

Q. Revenue Recognition

The Company recognizes revenues in accordance with FASB ASC No. 606, *Revenue from Contracts with Customers*. The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers.

The following represents the significant revenues of the Foundation:

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.
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.

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers participating in the Medicaid program to sell outpatient drugs at discounted prices to healthcare organizations that care for many uninsured and low-income patients. The Foundation participates in the 340B program, and pharmacy charges related to 340B drugs are reported in pharmacy revenue in the accompanying consolidated statements of operations and changes in net assets at the point in time when the pharmaceuticals are provided to patients. Related costs are included in the cost of pharmacy, pantry, thrift stores and modular solutions sales in the accompanying consolidated statements of operations and changes in net assets.

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

Q. Revenue Recognition (Continued)

Net Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Foundation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers, health plans/health maintenance organizations and government payors), and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. The Foundation bills patients and third-party parties after services are performed or otherwise receives payment from payors in the month services would be expected to be provided to covered members. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Foundation. Revenue for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. The Foundation believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relates to patient service revenue.

The Foundation measures the performance obligation at the commencement of the outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time are recognized when goods are provided to patients and the Foundation is not required to provide additional goods or service.

The Foundation determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided by third-party payors, discounts provided to uninsured and under-insured patients in accordance with the Foundation's policy and/or implicit price concessions provided to uninsured and under-insured patients. The Foundation determines estimates of explicit price concessions based on contractual agreements, its discount policy, and historical experience. The Foundation determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

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

Q. Revenue Recognition (Continued)

Net Patient Service Revenue (Continued)

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 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.

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 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 (DHCS) 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 Medi-Cal 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, state and local 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.

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

Q. Revenue Recognition (Continued)

Grants Revenue (Continued)

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated balance sheets. For the years ended December 31, 2025 and 2024, the Foundation received no cost-reimbursable grant awards that were not recognized as revenue.

Advance payments of \$5,548,716 and \$5,044,549 were received that were required to be recorded in the consolidated balance sheets as deferred revenue as of December 31, 2025 and 2024, respectively.

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 18).

R. Liability For Amounts Held Under Uninsured Plans

CMS pays the Foundation and through its affiliate, AHF MCO of Florida, prospective monthly payments to cover the estimated cost of federal reinsurance, costs associated with the coverage gap discount and low-income cost-sharing subsidy under the Medicare Part D plan. The excess of the cumulative monthly payments received from CMS over the actual claims incurred is recorded as liability for amounts held under uninsured plans in the accompanying consolidated balance sheets.

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

S. Health Policy Reserves

Under the Medicare programs, the Foundation and through its affiliate, AHF MCO of Florida, receives premiums and cost sharing allocations that are subject to adjustment at the conclusion of the contract period. These adjustments have been estimated based on an actuarial analysis of membership, prescription drugs, and pricing data. These estimated liabilities are recorded in the accompanying consolidated balance sheets.

The health policy reserves include the premium deficiency reserve (PDR), if any, and the Medicare Part D risk corridor payable to CMS. There was no PDR required to be recorded as of December 31, 2025 and 2024.

T. 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).

U. Federal and State Income Taxes

The Foundation is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, the Foundation is generally exempt from federal income taxes on income derived from activities substantially related to its exempt purposes. The Foundation and its consolidated affiliates operate in multiple domestic and international jurisdictions and are subject to the respective tax laws and regulations of those jurisdictions. In general, many of these entities qualify for exemption from income taxes; however, certain subsidiaries or operations may be subject to income or other taxes, including foreign taxes, where applicable. Accordingly, provisions for such taxes are included in the accompanying consolidated financial statements when required.

To maintain tax-exempt status, the Foundation must continue to satisfy the organizational and operational requirements of IRC Section 501(c)(3), including operating exclusively for charitable purposes, refraining from prohibited political or lobbying activities, and ensuring that its resources are used to further its exempt purposes. Management monitors the organization's activities and financial operations and believes that the Foundation continues to meet all applicable conditions necessary to maintain its federal tax-exempt status.

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

U. Federal and State Income Taxes (Continued)

Notwithstanding its tax-exempt status, the Foundation is subject to federal, state, local, and foreign income taxes on net income generated from activities that constitute unrelated business taxable income (UBTI) under IRC Sections 511–514 and corresponding provisions of other applicable jurisdictions. Management has evaluated all significant revenue streams and assessed the potential for UBTI. Based on this evaluation, management has concluded that any UBTI, if present, would not result in a liability material to the accompanying consolidated financial statements. Accordingly, no provision for UBTI has been recorded.

The Foundation accounts for uncertainty in income taxes in accordance with FASB ASC Topic 740, Income Taxes. ASC 740 requires that a tax position be recognized in the financial statements only when it is more-likely-than-not, based on its technical merits, that the position will be sustained upon examination by the relevant taxing authorities. Tax positions that do not meet this threshold are considered uncertain tax positions and would give rise to a liability for unrecognized tax benefits, which represents the potential amount of tax benefit that could be disallowed.

Management has reviewed all significant tax positions, including the Foundation's ongoing qualification for tax-exempt status, compliance with the organizational and operational requirements of IRC Section 501(c)(3), and the tax positions of its consolidated affiliates in the various jurisdictions in which they operate. Based on this review, management has concluded that it is more-likely-than-not that all material tax positions would be sustained upon examination. Accordingly, no liability for unrecognized tax benefits has been recorded, and no interest or penalties have been accrued, as management believes any such amounts would not be material to the consolidated financial statements.

The Foundation's federal information returns are subject to examination by the Internal Revenue Service for a period of three years from the date of filing. State, local, and foreign jurisdictions have varying statutes of limitations for examination. Management is not aware of any ongoing or proposed examinations for periods still open under the applicable statutes of limitations.

V. 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.

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, 2025 and 2024 amounted to \$103,064,988 and \$91,985,435, respectively. Funds received from gifts and grants to subsidize charity services provided for the years ended December 31, 2025 and 2024 amounted to \$703,840 and \$752,108, respectively.

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

W. Transactions in Foreign Currencies

The Foundation operates in 50 countries and accordingly, transacts in the local currencies of most of those countries. For the years ended December 31, 2025 and 2024, there was a \$1,669,913 net gain and \$484,900 net loss, from foreign currency transactions, 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.

In 2024, the Foundation changed its method of accounting for foreign currency translation in accordance with ASC 830, *Foreign Currency Matters*, based on the determination that the functional currency of its foreign subsidiaries is different from the Foundation's functional currency. The change in translation method has been applied prospectively from December 31, 2024.

Assets and liabilities are translated into the reporting currency using the exchange rates in effect on the consolidated balance sheet dates. Equity accounts are translated at historical rates, except for the change in net assets during the year, which is the result of the statement of operations and change in net assets translation process. Revenue and expense accounts are translated using the average exchange rate during the period. The cumulative translation adjustments (CTA) associated with the net assets of foreign subsidiaries are recorded in net assets without donor restrictions in the accompanying consolidated statements of operations and changes in net assets. For the years ended December 31, 2025 and 2024, the Foundation recorded a \$4,183,132 and \$11,512,591 currency translation adjustment, respectively.

X. 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 21). In accordance with 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.

Y. Fair Value Measurement

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.

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

Y. Fair Value Measurement (Continued)

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.

Z. Leases

In March 2023, the FASB issued Accounting Standards Update (ASU) 2023-01, *Leases (ASC 842): Leases*, 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 was effective for the Foundation beginning on January 1, 2024.

The Foundation accounts for its leases in accordance with ASC 842, which requires lessees to recognize ROU assets, representing the right to use an underlying asset, and lease liabilities, representing the obligation to make lease payments over the lease term, measured on a discounted basis.

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 ASC 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.

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

Z. Leases (Continued)

The Foundation, in accordance with ASC 842, does 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 ASC 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.

As of December 31, 2025 and 2024 the Foundation recorded approximately \$80.5 million and \$76.8 million of ROU assets and approximately \$84.3 million and \$80.3 million of total operating lease liabilities, respectively.

AA. Recently Adopted Accounting Pronouncements

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. This ASU was effective for fiscal years beginning after December 15, 2022, with the exception of the amendment on roll forward information, which was effective for fiscal years beginning after December 15, 2023. The adoption of ASU 2022-04 did not have a significant impact on the Foundation's consolidated financial statements.

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

AA. Recently Adopted Accounting Pronouncements (Continued)

In December 2023, the FASB issued ASU 2023-08, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, which requires a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets) as of the beginning of the annual reporting period in which an entity adopts the amendments. The adoption of ASU 2023-08 did not have a significant impact on the Foundation's consolidated financial statements.

In March 2023, the FASB issued ASU 2023-02, *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*, which allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. The adoption of ASU 2023-02 did not have a significant impact on the Foundation's consolidated financial statements.

In March 2023, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which (1) to clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The adoption of ASU 2022-03 did not have a significant impact on the Foundation's consolidated financial statements.

AB. New Accounting Pronouncements

During 2025, the following new accounting pronouncements were issued:

In May 2025, FASB issued ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*. This update clarifies guidance for identifying the accounting acquirer in business combinations involving variable interest entities.

In July 2025, FASB issued ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This ASU provides targeted improvements to the measurement and application of expected credit losses for accounts receivable and contract assets.

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

AB. New Accounting Pronouncements (Continued)

In September 2025, FASB issued ASU 2025-06, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This ASU updates and simplifies guidance related to the capitalization and accounting for costs associated with internal-use software.

In September 2025, FASB issued ASU 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract*. This update refines the scope of derivative accounting and clarifies revenue recognition guidance for share-based noncash consideration from customers.

In November 2025, FASB issued ASU 2025-09, *Derivatives and Hedging (Topic 815): Hedge Accounting Improvements*. This ASU improves the application and clarity of hedge accounting guidance, including documentation and effectiveness assessment requirements.

In December 2025, FASB issued ASU 2025-12, *Codification Improvements*. This update makes technical corrections and clarifications to the Codification to improve consistency and eliminate unintended application issues

The Foundation is currently evaluating the impact of the above pronouncements on its consolidated financial statements.

AC. 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.

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 2 AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

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

Financial assets:	<u>2025</u>	<u>2024</u> (As restated)
Cash and cash equivalents	\$ 130,906,938	\$ 51,867,930
Pharmacy revenue receivable	128,359,803	128,419,482
Premium revenue receivable	4,080,313	6,185,679
Grant revenue receivable, net	28,441,684	26,346,664
Accounts receivable - other, net	48,657,321	50,888,782
Investments	518,119,223	385,387,993
Assets limited as to use - restricted cash, current portion	-	23,800,000
Assets limited as to use - restricted cash, net of current portion	<u>18,910,802</u>	<u>2,851,369</u>
Total financial assets	877,476,084	675,747,899
Less amounts not available to be used within one year:		
Long-term investments	(427,466,766)	(338,681,099)
Assets limited as to use - restricted cash, net of current portion	(18,910,802)	(2,851,369)
Net assets with donor restrictions	397,677	397,349
Less net assets with donor restrictions to be met in less than a year	<u>(397,677)</u>	<u>(397,349)</u>
Financial assets available to meet general expenditures over the next twelve months	\$ 431,098,516	\$ 334,215,431

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 3 INVESTMENTS

At December 31, investments consist of:

	<u>2025</u>	<u>2024</u>
Fixed income	\$ 273,818,586	\$ 191,292,573
Public equity	208,101,164	167,862,387
Private equity	33,449,968	23,314,688
Venture capital	<u>2,749,505</u>	<u>2,918,345</u>
Total investments	<u>518,119,223</u>	<u>385,387,993</u>
Less: short-term portion	<u>(90,652,457)</u>	<u>(46,706,894)</u>
Long-term investments	\$ 427,466,766	\$ 338,681,099

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 3 INVESTMENTS (CONTINUED)

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

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2025 and 2024:

Fair Value Measurement at December 31, 2025 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	\$ 273,818,586	\$ -	\$ -	\$ 273,818,586
Public equity	208,101,164	-	-	208,101,164
Private equity	-	-	33,449,968	33,449,968
Venture capital	-	-	2,749,505	2,749,505
Total	\$ 481,919,750	\$ -	\$ 36,199,473	\$ 518,119,223

Fair Value Measurement at December 31, 2024 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	\$ 191,292,573	\$ -	\$ -	\$ 191,292,573
Public equity	167,862,387	-	-	167,862,387
Private equity	-	-	23,314,688	23,314,688
Venture capital	-	124,174	2,794,171	2,918,345
Total	\$ 359,154,960	\$ 124,174	\$ 26,108,859	\$ 385,387,993

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.

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 3 INVESTMENTS (CONTINUED)

The following tables present changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 assets) attributable to purchases and sales/ settlements of Level 3 investments of the fair value hierarchy.

	Year Ended December 31, 2025			
	Private Equity	Hedge Funds	Venture Capital	Total
Beginning Balance	\$ 23,314,688	\$ -	\$ 2,794,171	\$ 26,108,859
Purchases	10,135,280	-	-	10,135,280
Sales / Settlements	-	-	(44,666)	(44,666)
Ending Balance	\$ 33,449,968	\$ -	\$ 2,749,505	\$ 36,199,473

	Year Ended December 31, 2024			
	Private Equity	Hedge Funds	Venture Capital	Total
Beginning Balance	\$ 9,630,057	\$ 9,614,236	\$ 5,131,365	\$ 24,375,658
Purchases	13,684,631	-	-	13,684,631
Sales / Settlements	-	(9,614,236)	(2,337,194)	(11,951,430)
Ending Balance	\$ 23,314,688	\$ -	\$ 2,794,171	\$ 26,108,859

NOTE 4 ASSETS LIMITED AS TO USE – RESTRICTED CASH

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

	2025	2024
Restricted deposits:		
Deposits held by Computershare related to Series 2019 A-F and Series 2025A bonds	\$ 16,052,088	\$ -
Money market account restricted for Florida Medicaid HMO contract	2,187,753	2,187,753
Money market mutual funds restricted for California Medicare HMO contract	370,961	363,616
Cash deposits held by the State of Florida for Florida Medicare HMO contract	300,000	300,000
Cash deposit held by Wells Fargo for debt covenant requirements (see Note 15)	-	23,800,000
Total assets limited as to use - restricted cash	\$ 18,910,802	\$ 26,651,369

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 4 ASSETS LIMITED AS TO USE – RESTRICTED CASH (CONTINUED)

	2025	2024
Assets limited as to use - restricted cash, current portion	\$ -	\$ 23,800,000
Assets limited as to use - restricted cash, net of current portion	18,910,802	2,851,369
Total assets limited as to use - restricted cash	\$ 18,910,802	\$ 26,651,369

At December 31, assets limited as to use – restricted cash consist of:

NOTE 5 PROPERTY AND EQUIPMENT

At December 31, property and equipment is comprised of:

	2025	2024
Property and equipment, not being depreciated:		
Land	\$ 171,152,002	\$ 166,533,973
Assets under construction	68,609,946	70,452,365
Total property and equipment, not being depreciated	239,761,948	236,986,338
Property and equipment, being depreciated:		
Buildings	287,454,905	258,803,815
Leasehold improvements	48,323,013	33,298,340
General equipment	31,610,409	23,213,635
Computer equipment	22,901,701	21,492,921
Computer software	40,201,864	30,980,788
Vehicles	17,038,896	14,526,251
Furniture and fixtures	13,773,158	11,382,225
Low value assets	2,396,230	2,053,063
Total property and equipment, being depreciated	463,700,176	395,751,038
Less: Accumulated depreciation and amortization	(147,023,006)	(129,603,700)
Property and equipment, being depreciated, net	316,677,170	266,147,338
Property and equipment, net	\$ 556,439,118	\$ 503,133,676

Provision for depreciation and amortization of property and equipment amounted to \$21,759,141 and \$21,473,244 for the years ended December 31, 2025 and 2024, respectively.

NOTE 6 PROPERTY HELD FOR SALE

The Foundation had one property located in Florida, with a net book value of approximately \$8.9 million as of December 31, 2025 that is classified held for sale. The future sale of this asset does not represent a discontinued operation.

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 7 PHARMACY REVENUE AND RECEIVABLE

Pharmacy revenue

The following is the mix of pharmacy revenues from patients and third parties, for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Private	\$ 1,954,576,146	\$ 1,824,374,892
Medicaid	415,628,774	297,358,020
Contract pharmacies	103,035,897	93,520,532
AIDS Drug Assistance Program	19,944,396	136,447,135
Patient	3,532,839	4,805,182
Others	311,572	321,413
Total pharmacy revenue	\$ 2,497,029,624	\$ 2,356,827,174

Pharmacy receivable

At December 31, the following is the mix of pharmacy receivables from patients and third parties:

	<u>2025</u>	<u>2024</u>
Private	\$ 70,908,969	\$ 79,291,783
Medicaid	24,601,664	20,741,537
Patient	17,311,003	14,993,564
AIDS Drug Assistance Program	9,142,010	7,967,936
Contract pharmacies	6,396,157	5,424,662
Total pharmacy revenue receivable	\$ 128,359,803	\$ 128,419,482

NOTE 8 PREMIUMS

The net premiums earned under the below programs for the years ended December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
PHC - Medicaid (California)	\$ 13,247,674	\$ 13,984,422
PHP - Medicare (California)	47,504,992	47,737,582
PHP - Medicare (Florida)	608,414	70,675
Net premiums earned	\$ 61,361,080	\$ 61,792,679

NOTE 8 PREMIUMS (CONTINUED)

Positive Healthcare (PHC)

In April 1995, the Foundation contracted with the DHCS to provide capitated HIV healthcare to Medi-Cal beneficiaries. The capitated plan is known as Positive Healthcare (the PHC Plan). DHCS compensates the Foundation on a per member per month (PMPM) capitated basis. Acute inpatient services for members of the plan have remained the fiscal responsibility of CA DHCS. The PHC Plan is licensed and regulated as a health care service plan under the Knox-Keene Health Care Service Plan Act of 1975 (the Act) and is subject to regulatory oversight by the California Department of Managed Health Care (CA DMHC). The Act requires licensed health care service plans to meet certain financial viability standards, including tangible net equity and liquidity requirements, and to submit audited financial statements for regulatory review.

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 the PHC Plan is obligated to provide services to members. The premium rates are determined annually by DHCS.

The Foundation's 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 now include hospital inpatient and removal of prescription drug 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 accrual for medical services provided but not yet reported to the Foundation as of year-end.

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.

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.

As of January 1, 2024, the Foundation did not renew its Medicare contract with CMS and the Florida Medicare HMO contract was discontinued. This plan and the HMO license remain active as management continues to wind-down the plan's activities. Management anticipates completing these in 2026. The Foundation does not expect the discontinuance to have a material financial impact.

NOTE 8 PREMIUMS (CONTINUED)

Positive Healthcare Partners (PHP) (Continued)

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. This plan began operations on January 1, 2018. As of January 1, 2022, the Georgia Medicare HMO was discontinued. On October 1, 2024, the Georgia Medicare HMO entity was formally dissolved.

NOTE 9 GRANT REVENUE AND RECEIVABLE

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 grant revenue, net by state for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
New York	27.2%	27.5%
Florida	26.7%	26.8%
Texas	14.6%	13.4%
California	10.3%	11.4%
Georgia	9.4%	8.8%
Other states	11.8%	12.1%
Total	100.0%	100.0%

As of December 31, grant revenue receivable, net of allowance for credit losses are as follows:

	2025	2024
Grant revenue receivable	\$ 28,889,970	\$ 27,062,805
Less: allowance for estimated credit losses	(448,286)	(716,141)
Grant revenue receivable, net \$	28,441,684	\$ 26,346,664

NOTE 10 NET PATIENT SERVICE REVENUE AND RECEIVABLE

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 following is the mix of patient service revenue for the years ended December 31, 2025 and 2024:

	2025	2024
Other third party payers	\$ 52,969,038	\$ 11,455,461
Medi-Cal and Medicaid	3,745,333	2,664,661
Medicare	3,359,156	2,511,417
Self pay	1,787,617	2,754,539
Net patient service revenue	\$ 61,861,144	\$ 19,386,078

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 6% and 14% of consolidated net patient service revenue in 2025 and 2024, 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 5% and 13% of consolidated net patient service revenue in 2025 and 2024, 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 and Self Pay

The Foundation also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. These payers, including self-pay individuals, accounted for approximately 92% and 73% of consolidated net patient service revenue in 2025 and 2024, respectively. The basis for payment to the Foundation under these agreements includes, among others, discounts from established charges, and prospectively determined daily rates.

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 10 NET PATIENT SERVICE REVENUE AND RECEIVABLE (CONTINUED)

Patient service receivables

At December 31, the following is the mix of receivables from patients and third parties:

	<u>2025</u>	<u>2024</u>
Other third party payers	\$ 4,198,702	\$ 2,489,574
Medi-Cal and Medicaid	960,301	766,572
Medicare	537,088	383,129
Self pay	809,474	1,287,695
Patient service receivables \$	<u>6,505,565</u>	<u>\$ 4,926,970</u>

Patient service receivables are included as a component of accounts receivable – other, net in the accompanying consolidated statements of balance sheets (see Note 11).

NOTE 11 ACCOUNTS RECEIVABLE – OTHER, NET

Accounts receivable – other, net consisted of the following as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accounts receivable other than patient service receivables:		
Pharmacy receivable - other	\$ 22,576,827	\$ 24,875,578
Housing receivable	2,265,783	151,357
Research receivable	728,717	381,954
Other receivable	24,472,286	27,301,291
Total accounts receivable other than patient service receivables	<u>50,043,613</u>	<u>52,710,180</u>
Less: allowance for credit losses	<u>(7,891,857)</u>	<u>(6,748,368)</u>
Accounts receivable other than patient service receivables, net	<u>42,151,756</u>	<u>45,961,812</u>
Patient service receivables	6,505,565	4,926,970
Total accounts receivable - other, net \$	<u>48,657,321</u>	<u>\$ 50,888,782</u>

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 12 MORTGAGES RECEIVABLE

At December 31, the mortgages receivable is composed of the following:

	2025	2024
Housing4Humanity mortgage receivable bearing annual interest rate of 4.5% due as a balloon payment in December 2054	\$ 200,000,000	\$ 200,000,000
Urban League of Broward County mortgage receivable bearing annual rate interest of 4.5% due in December 2034	5,000,000	5,000,000
Mortgages receivable \$	<u>205,000,000</u>	<u>205,000,000</u>

In December 2024, the Foundation sold thirteen (13) affordable housing properties in the greater Los Angeles area to H4H for an aggregate purchase price of \$200 million, in consideration for a 30-year balloon mortgage in the same amount bearing annual interest rate of 4.5%. Under the terms of the sale, H4H assumed all the existing contracts for each transferred property. For the year ended December 31, 2025, the Foundation accrued interest income of approximately \$9.0 million, which the Foundation fully reserved. (see Note 22).

In November 2024, the Foundation issued a \$5 million mortgage note bearing annual interest rate of 4.5% to the Urban League of Broward County. This balloon mortgage is payable in full ten years from the issuance date and is intended to support the development of affordable housing in Broward County, Florida.

NOTE 13 INVENTORIES

At December 31, inventories consist of:

	2025	2024
Pharmacy drugs	\$ 93,112,784	\$ 101,631,168
Thrift store inventory	2,173,042	1,992,118
Condoms	587,883	1,056,677
Test kits inventory	297,752	640,551
Food inventory	243,145	129,717
Total inventories \$	<u>96,414,606</u>	<u>105,450,231</u>

NOTE 14 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, 2025 and 2024 are as follows:

	2025	2024
Claims payable at beginning of year	\$ 4,637,711	\$ 11,968,818
Incurred hospital and medical services claims:		
Current year	91,818,143	96,952,244
Prior years	(1,784,557)	(5,291,234)
Total incurred	90,033,586	91,661,010
Paid hospital and medical services claims:		
Current year	(83,241,452)	(91,163,864)
Prior years	(2,965,539)	(7,828,253)
Total paid	(86,206,991)	(98,992,117)
Claims payable at end of year	\$ 8,464,306	\$ 4,637,711

As of December 31, 2025 and 2024, the liability for unpaid claims and claims adjustment expenses was \$8,464,306 and \$4,637,711, respectively. In 2025 and 2024, the estimated ultimate claims and claims adjustment expenses incurred related to prior years decreased by approximately \$1.8 million and \$5.3 million, respectively. 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.

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 15 LONG-TERM DEBT

At December 31, long-term debt consists of:

	2025	2024
<p>Wells Fargo Series 2019 A-F Loans totaling \$63,600,000 bearing variable interest rates ranging from 4.82% to 5.89% 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.</p>	\$ 48,382,000	\$ 51,070,000
<p>In April 2025, the Foundation issued Public Finance Bonds Series 2025A totaling \$54,700,000 bearing variable interest rates ranging from 5.25% to 5.55% per annum compounded monthly on the outstanding balance. Principal payments will be made annually on December 1st, starting in December 2028 with the final installment consisting of all remaining unpaid principal due and payable in full on December 1, 2054.</p>	54,735,000	-
<p>Broward House mortgage payable</p>	140,536	171,721
Subtotal	103,257,536	51,241,721
Less: debt issuance costs	(2,105,177)	(718,969)
Total long-term debt, net of debt issuance costs	101,152,359	50,522,752
Less: current portion	(2,813,145)	(2,719,186)
Long-term debt, net of current portion \$	98,339,214	\$ 47,803,566

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

Year ending December 31	Amount
2026	\$ 2,813,145
2027	2,878,578
2028	3,948,250
2029	4,094,250
2030	4,216,250
Thereafter	85,307,063
Total \$	103,257,536

NOTE 15 LONG-TERM DEBT (CONTINUED)

Interest on long-term debt charged to expense amounted to \$4,119,303 and \$3,174,426 for the years ended December 31, 2025 and 2024, 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 Series 2019 A-F Loans

On December 30, 2019, the Foundation entered into syndicated loan agreements with Wells Fargo and City National Bank 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. In October 2024, Wells Fargo assumed the outstanding remaining loan balance that was held by City National Bank.

The Foundation used 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. As of December 31, 2025 and 2024, the remaining outstanding balance of the loans were \$ 48.4 million and \$51.1 million, respectively.

As of December 31, 2024, there was a \$23.8 million deposit held by Wells Fargo that is recorded under assets limited as to use (see Note 4) for debt covenant requirements that was used to replace the previous collateral (a property sold to H4H in December 2024; see Note 22). In April 2025, the \$23.8 million deposit was released back to the Foundation and replaced by the \$16.1 million deposit held by Computershare (see Note 4).

Public Finance Authority Revenue Bonds Series 2025A

In April 2025, the Foundation issued \$54.7 million of Public Finance Bonds Series 2025A bearing variable interest rates ranging from 5.25% to 5.55% per annum. Principal payments will be made annually on December 1st, starting in December 2028 with the final installment consisting of all remaining unpaid principal due and payable in full on December 1, 2054.

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.

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 provided the buildings are used for the purpose prescribed. The debt is noninterest-bearing and collateralized by the underlying property.

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 16 LINE OF CREDIT

The Foundation, in connection with its Broward House affiliation, has an available \$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% (7.40107% at December 31, 2025). This line of credit is secured by certain investments held by Broward House. As of December 31, 2025 and 2024, the line of credit had an outstanding balance of \$0 and \$270,000, respectively, recorded as a component of accrued expenses on the accompanying consolidated balance sheets.

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

NOTE 17 NET ASSETS WITH DONOR RESTRICTIONS

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

	2025	2024
Program support	\$ 378,269	\$ 377,941
Housing	9,596	9,596
Other	9,812	9,812
Net assets with donor restrictions	\$ <u>397,677</u>	\$ <u>397,349</u>

NOTE 18 IN-KIND CONTRIBUTIONS

In-kind contributions for the years ended December 31 are comprised of the following:

	2025	2024
In-kind, thrift stores:		
Donated clothes and other goods	\$ 18,395,322	\$ 16,928,399
In-kind, other:		
Inherent contributions	-	99,215
Prescription drugs	245,404	219,210
Food, medical and other supplies	311,322	2,798,183
	556,726	3,116,608
Total in-kind contributions	\$ <u>18,952,048</u>	\$ <u>20,045,007</u>

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.

NOTE 18 IN-KIND CONTRIBUTIONS (CONTINUED)

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.

The Foundation recognizes inherent contributions for business acquisitions entered into without consideration.

NOTE 19 OTHER EXPENSES

Other expenses for the years ended December 31 are as follows:

	2025	2024 (As restated)
Other administrative	\$ 37,419,779	\$ 50,644,244
Patient outreach	18,647,144	17,802,873
Advocacy	903,525	55,811,566
Miscellaneous	23,015,480	35,981,755
Total other expenses	\$ 79,985,928	\$ 160,240,438

NOTE 20 LEASES

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.

AIDS Healthcare Foundation
Notes to the Consolidated Financial Statements
Years ended December 31, 2025 and 2024

NOTE 20 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, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 24,471,246	\$ 19,548,212
Short-term lease cost	11,484,757	14,833,012
Variable lease cost	3,808,871	4,033,383
Total \$	<u>39,764,874</u>	<u>38,414,607</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	\$ 20,150,417	\$ 18,795,970
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 23,117,554	\$ 32,516,937
Weighted-average remaining lease term - operating leases:	6.08 years	6.90 years
Weighted-average discount rate - operating leases:	3.50%	3.45%

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, 2025:

<u>Year ending December 31</u>	<u>Amount</u>
2025	\$ 20,599,949
2026	17,329,000
2027	14,162,852
2028	11,552,839
2029	8,357,125
Thereafter	21,591,237
Total future lease payments	93,593,002
Less: imputed interest	(9,326,522)
Total present value of lease liabilities	84,266,480
Less: current portion	(18,025,060)
Long-term portion of operating lease liabilities \$	<u>66,241,420</u>

NOTE 21 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 as of December 31, 2025 are as follows:

	Amended Series 2018A Loan	Series 2019A&B Loan
Outstanding notional amount	\$ 16,440,042	\$ 31,941,958
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	1/8/2020	1/8/2020
Effective date	1/1/2020	1/1/2020
Termination date	12/1/2028	1/1/2040

At December 31, 2025 and 2024, the fair value of the swap asset amounted to \$3,852,344 and \$5,248,967, respectively. The fair values were the quoted market prices at December 31 of each year. The change in the swap asset reflects an unrealized loss of \$1,396,623 in 2025 and an unrealized gain of \$809,396 in 2024, resulting from lower interest rates during the year ended December 31, 2025 and higher interest rates during the year ended December 31, 2024, included investment income in the accompanying consolidated statements of operations and changes in net assets. The swap counterparty was rated A+ by Standard & Poor's as of December 31 of each year.

NOTE 22 TRANSACTIONS WITH HOUSING4HUMANITY

As discussed in Note 1C, H4H was removed from the Foundation's reporting entity in 2024. The Foundation continues to have certain financial and operational contractual arrangements with H4H, including financing arrangements, contributions, and management services.

In December 2024, the Foundation sold 13 affordable housing properties in the greater Los Angeles area to H4H for an aggregate purchase price of \$200.0 million. The purchase price was financed through a 30-year balloon mortgage bearing interest at 4.5% annually. Accrued interest is due and payable at maturity.

NOTE 22 TRANSACTIONS WITH HOUSING4HUMANITY (CONTINUED)

In December 2025, the Foundation made a restricted gift to H4H in the amount of \$30.0 million, which is recorded as a component of charitable contributions in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2025. Under the terms of the related restricted gift agreement, the Foundation authorized gifts with a maximum aggregate amount of \$50.0 million. As of December 31, 2025, the remaining \$20.0 million had not been contributed and represents a discretionary amount subject to the Foundation's future funding decisions.

The Foundation also provides general management and property management services to H4H under a management services agreement. Management fees and other amounts recognized from, charged to, or allocated with H4H are summarized below:

Description of Transactions	2025	2024
Balance sheets:		
Mortgage receivable due from H4H	\$ 200,000,000	\$ 200,000,000
Restricted charitable contribution made to H4H	30,000,000	-
Revenues (expenses):		
Expenses paid on behalf of H4H, net of rent collected	(222,888)	-
Management fees earned	180,000	-
Premiums earned (note 25)	1,785,342	-

NOTE 23 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, 2025 and 2024 amounted to \$10,401,158 and \$9,514,875, respectively, and is recorded as a component of salaries and benefits in the accompanying consolidated statements of operations and changes in net assets.

NOTE 24 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:

	2025	2024
Private Insurance	44.07%	45.44%
Other Grants	37.17%	37.55%
Medi-Cal/Medicaid	12.20%	10.15%
AIDS Drug Assistance Program	4.36%	3.76%
Department of Health and Human Services	1.69%	1.95%
Centers for Medicare and Medicaid Services	0.26%	0.97%
Medicare (Fee for Service)	0.25%	0.18%
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 25 COMMITMENTS AND CONTINGENCIES

Insurance Coverages

The Foundation maintains claims-made medical malpractice insurance for up to \$3,000,000 per medical incident and \$7,000,000 annual aggregate limit and occurrence based general liability insurance for up to \$1,000,000 per occurrence with a \$3,000,000 annual aggregate limit. The Foundation also maintains other insurance policies as management has deemed prudent and necessary, including property, automobile liability, excess liability, directors' and officers' liability, employment practices liability, fiduciary liability, flood insurance, errors and omissions, cyber security, and crime.

Since 2017, the Foundation has maintained commercial third party residential rental property insurance coverage.

NOTE 25 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Captive Insurance Program

The Foundation formed Surety on August 27, 2024 for the purpose of operating as a captive insurance company for the Foundation and its affiliates. The Arizona Department Insurance and Financial Institutions issued a certificate of authority to Surety effective November 24, 2024. Surety is a single-member Arizona limited liability company and is a wholly owned subsidiary of the Foundation. Surety provides property and casualty insurance coverages, excluding workers' compensation, to the Foundation, its affiliates and H4H (see Note 22), as it meets the classification of "controlled unaffiliated business", as defined by Arizona law as an individual or business that is not affiliated with the captive, who has a contractual relationship with an affiliate of the captive providing coverage or reinsurance and whose risk management services are controlled by an affiliate of the captive providing coverage or reinsurance.

Litigation

The Foundation is involved in litigations 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 25 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction

The Foundation has entered into a guaranteed maximum price construction contract for the development of the Little River Plaza project, a multi-story residential facility, with an estimated total construction cost of approximately \$56.6 million. As of December 31, 2025, construction was in progress, and approximately \$8.9 million of costs incurred related to the project were capitalized and included in assets under construction included within property and equipment, net in the accompanying consolidated balance sheets.

NOTE 26 HEALTHCARE INDUSTRY

Healthcare reform

Recent reform initiatives and proposals at the federal and state level include those focused on reduced healthcare funding and out-of-network charges, which will impact cost of care, our competitive position, and the relationships between hospitals, insurers, patients and ancillary providers.

Economic issues

The healthcare industry has to adapt to various economic issues. Wages and other expenses increase during periods of inflation and when labor shortages occur in the marketplace. In addition, suppliers pass along rising costs in the form of higher prices. The Foundation has experienced higher prices in connection with supply chain, capital and other expenditures in the current inflationary environment and have also experienced higher labor costs in connection with the current competitive labor market. The Foundation has implemented cost containment and other measures to try to counteract these increases.

Additionally, the healthcare industry is facing unprecedented workforce challenges, and this has become a significant operating issue for healthcare providers. An area that has been particularly challenging for the Foundation is registered nurse recruitment, healthcare providers and retention. The Foundation has implemented several initiatives to improve retention, recruiting, compensation programs and productivity among registered nurses, physicians, advanced practice providers and all caregivers. The Foundation will continue to incur certain contract, overtime and other premium rate labor costs to support staff and patients.

NOTE 26 HEALTHCARE INDUSTRY (CONTINUED)

Cybersecurity

Due to the information technology systems used by the Foundation and/or our third-party vendors, the Foundation may often be the target of cyber-attacks and other security threats which could cause significant disruption in the Foundation's business. Programs are in place which are intended to detect, contain, and respond to data security incidents and provide employee awareness training regarding phishing, malware and other cyber risks to protect against cyber risks and security breaches. However, because the techniques used to obtain unauthorized access, disable, or degrade service, or sabotage systems change frequently and are increasing in sophistication, the Foundation may be unable to anticipate these techniques, detect breaches or implement adequate preventive measures and may be subject to breaches of our information technology systems or business interruption. As such, the Foundation is continually reviewing vulnerabilities and opportunities to work with new vendors or leverage technology to make the Foundation more secure.

NOTE 27 SUBSEQUENT EVENTS

Subsequent to the year end, in February 2026, the Foundation issued \$90.0 million of Public Finance Bond (Capital Trust Authority) Series 2026A bearing variable interests ranging from 4.75% to 5.25% per annum. Principal payments will be made annually on December 1st, starting in December 2029 with the final installment consisting of all remaining unpaid principal due and payable in full on December 1, 2055.

The Foundation intends to use the loan proceeds for the financing and refinancing of its low-income housing projects and other property purchases used for its operating activities.

Other than the preceding matter, the Foundation has evaluated events subsequent to December 31, 2025 to assess the need for the potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through April 30, 2026, 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.



**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, 2025, 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 30, 2026.

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 were not 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Glendale, California

April 30, 2026



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