
Project HOPE - The People-to-People Health
Foundation, Inc. and Subsidiaries
(a nonprofit corporation)

Consolidated Financial Report
December 31, 2025

Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries

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Independent Auditor's Report

To the Audit and Compliance Committee
Project HOPE - The People-to-People Health
Foundation, Inc. and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2025 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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.

To the Audit and Compliance Committee
Project HOPE - The People-to-People Health
Foundation, Inc. and Subsidiaries

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

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

Report on Summarized Comparative Information

We have previously audited the Foundation's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 3, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 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, 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.

Plante & Moran, PLLC

June 3, 2026

Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries

Consolidated Statement of Financial Position

December 31, 2025
(With Summarized Comparative Totals for 2024)
(000s Omitted)

	2025	2024
Assets		
Cash and cash equivalents	\$ 14,885	\$ 17,634
Investments (Note 3)	37,776	35,472
Receivables - Net of allowances:		
Contributions and pledges receivable (Note 4)	12,192	13,556
Grants and contracts receivable	4,187	1,436
Other accounts receivable	1,023	1,803
Inventory	5,463	3,546
Prepaid expenses and other assets	2,045	2,539
Right-of-use operating lease assets (Note 7)	7,843	124
Land, buildings, and equipment - Net (Note 6)	326	345
	<u>\$ 85,740</u>	<u>\$ 76,455</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	\$ 5,540	\$ 7,440
Deferred revenue	2,604	4,754
Accrued compensation and benefits	4,627	4,231
Charitable gift annuities payable	381	485
Lease liabilities - Operating (Note 7)	8,213	174
Accrued pension liability (Note 9)	-	2,605
	<u>21,365</u>	<u>19,689</u>
Total liabilities		
Net Assets		
Without donor restrictions (Note 10)	18,103	12,955
With donor restrictions (Note 10)	46,272	43,811
	<u>64,375</u>	<u>56,766</u>
Total net assets		
	<u>\$ 85,740</u>	<u>\$ 76,455</u>
Total liabilities and net assets		

Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2025

(With Summarized Comparative Totals for 2024)

(000s Omitted)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue from Operations				
Individual giving	\$ 25,843	\$ 2,632	\$ 28,475	\$ 18,281
Foundations and corporate giving	2,180	27,871	30,051	39,351
Gifts in kind	286	53,083	53,369	79,198
Government grants	40,251	-	40,251	44,919
Subscription and other content-related revenue	3,195	-	3,195	2,864
Donated services	1,104	-	1,104	559
Other	69	-	69	25
Net assets released from restrictions	82,368	(82,368)	-	-
Total support and revenue from operations	155,296	1,218	156,514	185,197
Expenses				
Program services:				
Health education and assistance	120,239	-	120,239	153,331
Health policy	7,424	-	7,424	8,244
Total program services	127,663	-	127,663	161,575
Support services:				
Fundraising	17,254	-	17,254	13,143
Management and general	7,163	-	7,163	7,670
Total support services	24,417	-	24,417	20,813
Total expenses	152,080	-	152,080	182,388
Change in Net Assets from Operations	3,216	1,218	4,434	2,809
Nonoperating Income (Loss)				
Foreign currency gain	1	-	1	-
Net investment gain	2,044	1,243	3,287	2,345
Pension-related changes recognized (Note 9)	(113)	-	(113)	1,456
Loss on deconsolidation	-	-	-	(2,543)
Total nonoperating income	1,932	1,243	3,175	1,258
Change in Net Assets	5,148	2,461	7,609	4,067
Net Assets - Beginning of year	12,955	43,811	56,766	52,699
Net Assets - End of year	\$ 18,103	\$ 46,272	\$ 64,375	\$ 56,766

Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended December 31, 2025
(With Summarized Comparative Totals for 2024)
(000s Omitted)

	Program Services			Support Services				
	Health Education and Assistance	Health Policy	Total	Fundraising	Management and General	Total	2025	2024
Salaries and wages	\$ 20,305	\$ 4,643	\$ 24,948	\$ 3,130	\$ 5,141	\$ 8,271	\$ 33,219	\$ 31,654
Employee benefits	5,952	861	6,813	573	945	1,518	8,331	8,080
Payroll taxes	721	371	1,092	247	336	583	1,675	1,848
Total compensation and benefits	26,978	5,875	32,853	3,950	6,422	10,372	43,225	41,582
Gifts in kind	51,392	-	51,392	-	-	-	51,392	79,293
Supplies and equipment	6,553	86	6,639	4	64	68	6,707	13,499
Awards and grants	11,828	38	11,866	-	5	5	11,871	12,815
Professional services	5,046	547	5,593	5,242	1,102	6,344	11,937	10,553
Travel and conferences	2,325	47	2,372	49	119	168	2,540	5,307
Publication and printing	196	170	366	4,826	25	4,851	5,217	3,023
Freight and postage	1,379	10	1,389	1,827	10	1,837	3,226	2,803
Occupancy and insurance	4,775	6	4,781	-	1,186	1,186	5,967	5,202
Donated services	32	11	43	61	1,000	1,061	1,104	559
Training	4,342	-	4,342	-	4	4	4,346	2,855
Information technology and services	300	329	629	127	970	1,097	1,726	1,485
Other business expenses	1,843	31	1,874	555	94	649	2,523	2,760
Temporary staff	208	-	208	12	23	35	243	619
Depreciation	-	-	-	54	2	56	56	33
Direct allocation - IT and facility	3,042	274	3,316	547	(3,863)	(3,316)	-	-
Total functional expenses	<u>\$ 120,239</u>	<u>\$ 7,424</u>	<u>\$ 127,663</u>	<u>\$ 17,254</u>	<u>\$ 7,163</u>	<u>\$ 24,417</u>	<u>\$ 152,080</u>	<u>\$ 182,388</u>

Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended December 31, 2025
(With Summarized Comparative Totals for 2024)
(000s Omitted)

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ 7,609	\$ 4,067
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	56	33
Change in market value of investments	(1,767)	(816)
Net periodic benefit cost - Accrued pension liability	6,421	388
Other changes in accrued pension liability	(6,308)	(1,844)
Donated inventory - Net	(1,917)	95
Change in charitable gift annuities payable	105	85
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Contributions receivable - Net	1,364	(8,794)
Grants and contracts receivable - Net	(2,751)	1,102
Other receivables	780	(23)
Prepaid expenses and other assets	494	(328)
Accounts payable and accrued expenses	(1,900)	2,707
Deferred revenue	(2,150)	1,886
Accrued pension liability	(2,718)	(633)
Accrued compensation and benefits	396	384
Net lease activity	320	(138)
Net cash and cash equivalents used in operating activities	(1,966)	(1,829)
Cash Flows from Investing Activities		
Purchase of land, buildings, and equipment	(37)	(330)
Purchases of investments	(8,844)	(2,944)
Proceeds from sales of investments	8,307	3,372
Net cash and cash equivalents (used in) provided by investing activities	(574)	98
Cash Flows from Financing Activities		
Payments on annuity obligations	(62)	(70)
Interest and dividends restricted for reinvestment	(147)	(85)
Net cash and cash equivalents used in financing activities	(209)	(155)
Net Decrease in Cash and Cash Equivalents	(2,749)	(1,886)
Cash and Cash Equivalents - Beginning of year	17,634	19,520
Cash and Cash Equivalents - End of year	\$ 14,885	\$ 17,634
Significant Noncash Transactions - Right-of-use asset obtained in exchange for lease liability	\$ 8,227	\$ -

Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025

Note 1 - Nature of Activities

Project HOPE - The People-to-People Health Foundation, Inc. (Project HOPE), a United States entity, is a nonprofit organization that provides humanitarian assistance, health services, medical supplies, and health education programs to developing countries. Project HOPE also performs national and international health policy research.

Project HOPE receives support in the form of donations, grants, and contracts from both the private sector and United States government agencies. Donated materials and supplies, which constitute approximately 34 percent of the Foundation's operating revenue, are derived from a number of corporate sponsors each year. Federal funding, which is derived primarily from United States Agency for International Development (USAID), approximated \$40 million for the year ended December 31, 2025 and is recorded in the government grants line on the consolidated statement of activities and changes in net assets.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the entities listed below (collectively, the "Foundation"). These entities are consolidated on the basis of being controlled and directed by Project HOPE. All material intercompany accounts and transactions have been eliminated in consolidation.

Entity Name	Location
Project HOPE - The People-to-People Health Foundation, Inc.	United States
Project HOPE - The People-to-People Health Foundation Nigeria Ltd./Gte	Nigeria
Project HOPE - The People-To-People Health Foundation (Namibia) Inc.	Namibia
PROJECT HOPE MEXICO A.C.	Mexico
PROYECTO ESPERANZA A.C.	Venezuela
Project HOPE Polska	Poland

During 2025, the Foundation formed a new entity, Health Affairs Publishing, LLC. Project HOPE - The People-to-People Health Foundation, Inc. is the sole member of the entity. Health Affairs Publishing, LLC had no operating activities during 2025.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended December 31, 2024 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's 2024 financial statements, from which the summarized information was derived.

Notes to Consolidated Financial Statements

December 31, 2025

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents. For reporting purposes, cash or securities received with donor-imposed restrictions that limit their use to long-term purposes are not classified as cash equivalents. The Foundation has classified any cash or money market accounts held by external investment managers as investments, as the intent is to hold and reinvest these amounts in the long-term investment portfolio.

The Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Investments

Investments are reported at management's estimate of fair value in the consolidated statement of financial position.

The Foundation's investments, in general, are exposed to various risks, such as interest risk, credit risk, and overall market volatility risks. In addition, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect the amounts reported in the consolidated statement of financial position.

Purchased investments are initially recorded at cost, and contributed investments are initially recorded at fair value on the date received; any net appreciation, or loss arising thereafter, is reported annually in the consolidated statement of activities and changes in net assets. Gains and losses on investments, including changes in market value, are reported in the consolidated statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions or net assets with donor restrictions.

Inventory

Inventory consists primarily of donated pharmaceuticals and medical supplies and is recorded at cost or fair value on the date of donation, and subsequent declines in fair value, if any, are recognized at year end. Pharmaceutical inventory that must be discarded upon reaching its regulatory expiration date is recognized as a reduction of inventory. An allowance for obsolete inventory is provided based upon management's judgment of discards. There was no allowance as of December 31, 2025.

Leases

The Foundation has long-term operating leases for office space. The Foundation recognizes expense for operating leases on a straight-line basis over the lease term. The Foundation made a policy election not to separate lease and nonlease components for the office space. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Foundation has other various operating leases primarily at its field offices for vehicles, equipment, and office space, primarily with a lease term of one year or less that the Foundation elected to account for as short-term leases. These leases are not included in the right-of-use asset and lease liability, and total expense related to these leases was approximately \$2,100,000 for 2025.

The Foundation elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for its office space.

Notes to Consolidated Financial Statements

December 31, 2025

Note 2 - Significant Accounting Policies (Continued)

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost or, if donated, at fair value at the date of the gift. Depreciation of buildings and other property is computed using the straight-line method over their estimated useful lives, ranging from 3 to 45 years. The Foundation capitalizes all property and equipment with a cost of \$5,000 or more. Costs of maintenance and repairs are charged to expense when incurred.

Property acquired exclusively for certain current health programs for which title does not rest with the Foundation is expensed to program services upon purchase.

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Foundation had no impairment of long-lived assets during the year ended December 31, 2025.

Deferred Compensation Plan

The Foundation has adopted an eligible deferred compensation plan for key employees under the provisions of Section 457(b) of the Internal Revenue Code. This plan permits the employees to defer a portion of their compensation until future years and also allows for employer contributions. The plan assets had a value of approximately \$1,072,000 at December 31, 2025 and are recorded within the investments and accounts payable and other accrued expenses lines of the consolidated statement of financial position.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets 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 the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Income earned from contributions is classified as either net assets with donor restrictions or net assets without donor restrictions in accordance with donor stipulations.

Endowment Funds

Gifts with donor restrictions, where the principal cannot be expended, are classified as net assets with donor restrictions. Income in excess of the original principal gift amount (including net appreciation or depreciation) is recorded as a change in net assets with donor restrictions. Such amounts are released to net assets without donor restrictions to the extent allocated endowment earnings are appropriated for the donor-stipulated purpose.

Notes to Consolidated Financial Statements

December 31, 2025

Note 2 - Significant Accounting Policies (Continued)

Contributions - Individual, Foundation, and Corporate Giving

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Prior to 2025, all restricted gifts (including government grants and donated materials) were reported as net assets with donor restrictions and when purposes were met they were released. During 2025, the Foundation changed its accounting policy and now reports donor-restricted conditional, cost-reimbursement, contributions, and grants (such as government grants) whose restrictions and conditions are simultaneously met in the year as revenue without donor restrictions in the accompanying consolidated financial statements. Donor promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions and pledges receivable is provided based upon management's judgment of potential defaults.

Conditional promises to give are not recognized as revenue until barriers prescribed by the grant agreements/pledge agreements are overcome. As of December 31, 2025, these conditional promises to give totaled approximately \$650,000 and will be recognized as revenue as the conditions are met upon incurring eligible expenditures or achieving specified milestones.

Government Grants

The Foundation receives grants and enters into contracts with the U.S. government, foreign governments, and multilateral organizations that support various foundation programs on a cost-reimbursement basis. Support and revenue related to government and other grants are recognized when donor-imposed conditions are met. This revenue is subject to right of return if funds are not spent and also has other performance and/or measurable barriers that must be met for the Foundation to be entitled to the funds. For this reason, the Foundation's grant revenue is considered to be conditional, and revenue is recognized as funds are utilized for programmatic activities specified in the grant agreement.

For government grants, amounts received but not recognized as revenue are classified in the consolidated statement of financial position as deferred revenue and total approximately \$1.5 million at December 31, 2025. As of December 31, 2025, government grants initially categorized as conditional contributions and not yet recognized as revenue totaled approximately \$18 million and will be recognized as revenue in the future when qualifying expenditures have been incurred. Amounts earned but not yet collected are classified in the consolidated statement of financial position as grants and contracts receivable. An allowance for uncollectible contributions and pledges receivable is provided based upon management's judgment of potential defaults. It is the opinion of management that these receivables are collectible in full as of December 31, 2025.

Planned Giving Programs

The Foundation provides charitable annuity trusts under which contributors receive an agreed-upon return on their contributions for specified periods or during the lifetime of one or more beneficiaries. Contributions received in the form of annuity trusts are generally recorded as contributions without donor restrictions in the year received, net of the present value of annuities payable to the named income beneficiary. The Foundation invests in the charitable gift annuities in accordance with limitations imposed by relevant state laws.

Notes to Consolidated Financial Statements

December 31, 2025

Note 2 - Significant Accounting Policies (Continued)

Donated Services, Materials, and Properties

Donated services: Donated services of medical and nonmedical personnel and vendors provided to foundation programs are reported as contribution revenue without donor restrictions and program expense in the period received. Such services are valued at medical industry published estimated median hourly rates of compensation for such personnel. Consistent with GAAP, services of volunteers who have donated their time to the Foundation for various efforts but who do not possess specialized skills related to these efforts are not recognized as revenue and expense.

Donated materials: Donated materials for use in the Foundation's operations are recorded as contribution revenue and as inventory on the date received. Donated materials have explicit or implied donor restrictions that such items be used exclusively for the Foundation's humanitarian assistance program and the year end inventory carries a donor restriction.

Gifts-in-kind revenue is recognized in circumstances in which the Foundation has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with GAAP. Accordingly, the recognition of gifts-in-kind revenue is limited to circumstances in which the Foundation takes constructive possession of the gifts in kind and the Foundation is the recipient of the gift rather than an agent or intermediary (as defined by generally accepted accounting principles).

The Foundation receives donated medicines and medical supplies from donors (pharmaceutical companies) for distribution in developing countries or areas where disasters have occurred. Management has concluded that the geographical areas do not represent its principal market and, therefore, considers the United States or European regions its principal markets for determining the fair value of these donated products. The principal market is the market in which the Foundation would sell the asset with the greatest volume and level of activity for the asset.

For the majority of pharmaceuticals donated to the Foundation, they are recorded at the wholesale acquisition cost (WAC), as published by Thomson Reuters in the Red Book. The Red Book is an industry-recognized drug pricing reference guide for pharmaceuticals in the United States and is used by various similar organizations to value donated pharmaceuticals. For certain European pharmaceutical donations, the Foundation utilizes Medicines Complete as a pricing reference to determine fair value based on market prices in the European markets. The Foundation, like many other organizations that receive donations of pharmaceutical products, is regularly assessing its valuation methodology. Management follows the industry updates very closely and ensures the value used is in accordance with these. The Foundation receives donated drugs, and, in those cases, the exit market valuation meets the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU), *Fair Value Measurement (Topic 820)*, definition of fair value because it is the price that would be paid to sell an asset in an orderly transaction in the principal market at the measurement date under current market conditions using a directly observable valuation technique. The Foundation may choose to accept and distribute donations from other countries and will value these donations from sources used in the exit countries for those markets. Contributions of medical equipment and supplies are recorded also at estimated fair market value based upon appropriate price guides or other online pricing sources as applicable.

Donated property: The Foundation reports gifts of land, buildings, and equipment without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Notes to Consolidated Financial Statements

December 31, 2025

Note 2 - Significant Accounting Policies (Continued)

Subscription Revenue and Other Content-related Sales

Subscriptions are on a rolling renewal basis. Subscribers are generally invoiced, and payment is due, at the beginning of the subscription term. Some subscribers have multiyear subscriptions. Subscription revenue is recognized as the issue is pulled from the fulfillment database. Other content-related sales relate primarily to content reuse, open access revenue, sponsorships, and advertising.

Revenue from subscriptions to the Health Affairs journal is deferred and recognized over the period of the subscription, generally one year. Subscription revenue totaled approximately \$1,600,000 for the year ended December 31, 2025. The deferred revenue balance at December 31, 2025 and January 1, 2025 totaled approximately \$940,000 and \$970,000, respectively, and, for the same dates, the amount due from customers was trivial.

Foreign Currency Translation

The functional currency of the Foundation is the U.S. dollar. The financial statements and transactions of the Foundation's foreign operations are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities of the Foundation are translated into U.S. dollars at the rate of exchange in effect at the close of the period. Gains and losses from foreign currency translation are included in change in net assets. Monthly expenses that are incurred by project field office operations in foreign countries are translated using the adjusted monthly average exchange rate in effect at the end of each month.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various program and support services based on estimates determined by management. Salaries and benefits are allocated to programs on a basis of time and effort based on timesheets. Facility and IT expenses are allocated to programs based on an expense percentage allocation method. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

Project HOPE is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is made in these consolidated financial statements. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business taxable income. There was no significant unrelated business taxable income for the year ended December 31, 2025.

All consolidated entities were formed as not-for-profit entities in their respective jurisdictions and are not subject to income tax under the laws of their respective countries.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including June 3, 2026, which is the date the consolidated financial statements were available to be issued.

Project HOPE - The People-to-People Health Foundation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2025

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following table presents information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2025 and the valuation techniques used by the Foundation to determine those fair values (dollars in thousands):

Assets Measured at Fair Value on a Recurring Basis at December 31, 2025 (Dollars in Thousands)				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2025
Assets				
Investments:				
Multistrategy equity funds	\$ 11,835	\$ -	\$ -	\$ 11,835
Multistrategy bond funds	9,866	-	-	9,866
Structured market-linked notes	-	414	-	414
Money market funds	10,214	-	-	10,214
Real estate investment trusts	654	-	-	654
Exchange-traded funds	1,345	-	-	1,345
Total assets	<u>\$ 33,914</u>	<u>\$ 414</u>	<u>\$ -</u>	<u>\$ 34,328</u>

As of December 31, 2025, cash and cash equivalents of approximately \$3,448,000 are included in investments on the consolidated statement of financial position.

The Foundation's deferred compensation plan assets, with a value of approximately \$1,065,000, are measured at fair value and are included in the investments noted above.

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Notes to Consolidated Financial Statements

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Note 3 - Fair Value Measurements (Continued)

Structured market linked notes are classified within Level 2 of the fair value hierarchy. These investments do not have quoted prices in active markets for identical instruments; however, fair value is determined using model based valuation techniques that incorporate observable market inputs, including equity index levels, interest rates, market volatility, time to maturity, and issuer credit spreads. Pricing information is obtained from the issuing financial institution or third-party pricing services and represents an estimated exit price at the measurement date.

Note 4 - Contributions and Pledges Receivable

As of December 31, 2025, contributors to the Foundation have made unconditional promises to give as follows (dollars in thousands):

Gross promises to give before unamortized discount	\$ 12,374
Less net present value discount at rate of 3.55 percent	(182)
Net contributions receivable	<u>\$ 12,192</u>
Amounts due in:	
Less than one year	\$ 9,734
One to five years	<u>2,640</u>
Total	<u>\$ 12,374</u>

Approximately \$455,000 of cash contributions was recognized from members of the Foundation's board during the year ended December 31, 2025. In addition, board members' employers also contributed cash and gifts in kind to the Foundation.

Note 5 - Inventory

During the year ended December 31, 2025, the Foundation received donated inventory of health-related publications, pharmaceuticals, medical equipment, and supplies with an estimated fair value of \$53,080,000, which was recorded as gifts-in-kind revenue. During the same year, donated supplies, publications, pharmaceuticals, and medical equipment totaling approximately \$47,930,000 were used in the Foundation's program operations. Additionally, the Foundation recorded inventory adjustments of approximately \$3,230,000 related to expired, obsolete, or damaged items identified during the year. These adjustments are recorded as gifts-in-kind program services.

Approximately 49 percent of the Foundation's gifts-in-kind revenue was provided by one company during the year ended December 31, 2025.

Note 6 - Land, Buildings, and Equipment

Land, buildings, and equipment as of December 31, 2025 are summarized as follows (dollars in thousands):

Vehicles	\$ 257
Furniture and fixtures	12
Computer software	<u>876</u>
Total cost	1,145
Accumulated depreciation	<u>819</u>
Net land, buildings, and equipment	<u>\$ 326</u>

Depreciation expense for 2025 was approximately \$56,000.

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Notes to Consolidated Financial Statements

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Note 7 - Leases

The Foundation is obligated under operating leases primarily for the headquarters office space. The Foundation's prior office space lease expired in April 2025. The Foundation entered into an operating lease agreement for a new headquarters office space. The lease commencement date is May 2025 for a term of 12 years. The right-of-use asset and related lease liability have been calculated using a discount rate of 4.25 percent. The leases require the Foundation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases, included in occupancy and insurance on the consolidated statement of functional expenses, was approximately \$738,000 for 2025. Note 2 describes short-term and other leases that are not included within the right-of-use asset and lease liability, along with their total rent expense during 2025.

Future minimum annual commitments under operating leases are as follows (dollars in thousands):

Years Ending December 31	Amount
2026	\$ -
2027	582
2028	956
2029	1,013
2030	1,039
Thereafter	7,207
Total	10,797
Less amount representing interest	2,584
Long-term obligations under leases	<u>\$ 8,213</u>

Note 8 - Line of Credit

The Foundation had access to a \$2,000,000 line of credit, collateralized by certain securities, at a rate of the one-month SOFR plus an applicable margin (an effective rate of 5.19 percent at December 31, 2025). There was no amount outstanding at December 31, 2025.

Note 9 - Retirement Plans

The Foundation has a defined contribution plan that provides for employee salary deferral contributions up to a maximum of 100 percent of annual compensation subject to maximum tax-deferred limitations established by the Internal Revenue Code. Employees are automatically enrolled to defer 5 percent of their eligible compensation upon meeting eligibility requirements unless they elect otherwise. Additionally, employee deferrals increase each first day of the defined contribution plan year by 1 percent, up to a maximum of 10 percent, unless the employee elects otherwise. The Foundation provides a safe harbor match in the amount of 100 percent of the first 3 percent of compensation deferred by the participant and 50 percent of the next 2 percent of compensation deferred by the participant. Matching contributions for the year ended December 31, 2025 were approximately \$694,000. The Foundation may also make annual discretionary contributions to the defined contribution plan, and, for the year ended December 31, 2025, these discretionary contributions totaled approximately \$583,000.

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Note 9 - Retirement Plans (Continued)

The Foundation also maintained a defined benefit pension plan (the "Plan") extended generally to all full-time employees of the Foundation hired on or before October 31, 2007 who have at least 1,000 hours of service and have reached age 21. Employees hired after October 31, 2007 are not eligible to participate in the Plan. The Plan was subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan provided for normal retirement benefits upon reaching age 65 and has provisions for early retirement at age 55, as well as specified death benefits. Benefits under the Plan are determined based upon years of credited service and average compensation (the highest five consecutive annual rates of compensation during the 10 plan years before the earlier of the date of the participant's retirement or December 31, 2009) and are payable in the form of a joint and survivor annuity. Effective December 31, 2009, no further years of credited service are accrued under the Plan. Plan participants who were not vested in their benefit as of December 31, 2009 will continue to receive service for plan vesting purposes for continued employment. Years of service after December 31, 2009 are counted for eligibility for early retirement. The Plan's funding policy was for the Foundation to contribute an amount that will meet or exceed the annual ERISA minimum funding requirement.

Effective June 30, 2025, the Foundation terminated the defined benefit pension plan. In November 2025, the Foundation irrevocably transferred all remaining future obligations to a third-party insurance company through the purchase of a group annuity contract, with a single premium amount of approximately \$24,500,000 paid by the Plan. Following the completion of the termination, there are no projected benefit obligation and plan assets as of December 31, 2025.

Pension benefits paid during the year ended December 31, 2025 were approximately \$1,804,000.

Components of net periodic benefit cost and other amounts recognized are in the following table (dollars in thousands):

Interest cost	\$ 1,506
Expected return on plan assets	(1,299)
Amortization of net loss	176
Effect of settlement	<u>6,038</u>
Net periodic benefit cost	6,421
Other pension-related charges	(270)
Amount recognized due to settlement	<u>(6,038)</u>
Total pension costs recognized in the consolidated statement of activities and changes in net assets	<u>\$ 113</u>

Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31, 2025 are as follows:

Discount rate	5.40%
Expected long-term return on plan assets	6.50%
Rate of compensation increase	N/A

Cash Flow - Contributions

Contributions due and paid to the Plan during the year ended December 31, 2025 were approximately \$2,848,000, which includes cash paid in connection with the Plan's termination.

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Notes to Consolidated Financial Statements

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Note 10 - Net Assets

Net assets without donor restrictions consist of the following as of December 31 (dollars in thousands):

Board designated (Note 11)	\$ 9,200
General	8,903
Total net assets without donor restrictions	<u>\$ 18,103</u>

Net assets with donor restrictions as of December 31 are available for the following purposes (dollars in thousands):

Subject to expenditures for a specified purpose:	
Health education and assistance	\$ 26,250
Health policy	2,715
Materials for international and U.S. health programs	5,463
Total subject to expenditures for a specified purpose	34,428
Subject to the Foundation's spending policy and appropriation (Note 11)	11,844
Total	<u>\$ 46,272</u>

Included in the above purpose-restricted amount is approximately \$12,192,000 of time-restricted contributions and pledges receivable as of December 31, 2025.

Note 11 - Board and Donor-restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments

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Note 11 - Board and Donor-restricted Endowments (Continued)

- Other resources of the Foundation
- The investment policies of the Foundation

	Without Donor Restrictions	With Donor Restrictions
Board-designated endowment funds	\$ 9,200	\$ -
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	9,122
Accumulated investment gains	-	2,722
Total	<u>\$ 9,200</u>	<u>\$ 11,844</u>

For the year ended December 31, 2025, the Foundation had the following endowment-related activities (dollars in thousands):

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	\$ 8,364	\$ 11,025
Net appreciation	836	1,081
Appropriation of endowment assets for expenditure	-	(262)
Endowment net assets - End of year	<u>\$ 9,200</u>	<u>\$ 11,844</u>

Underwater Endowment Funds

As of December 31, 2025, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve a return of 6 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 3 percent of its endowment fund's average market value over the trailing three years as of the end of the most recent calendar year. In establishing this policy, the Foundation considered the long-term expected rate of return on its endowment.

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Notes to Consolidated Financial Statements

December 31, 2025

Note 12 - Liquidity and Availability of Resources

The following reflects the Foundation's financial assets as of December 31, 2025, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date (dollars in thousands):

Total assets at December 31, 2025	\$ 85,740
Less nonliquid assets:	
Land, buildings, and equipment	(326)
Right-of-use operating lease assets	(7,843)
Prepaid expenses and other assets	(2,045)
Inventory	<u>(5,463)</u>
Financial assets at December 31, 2025	70,063
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Endowment funds	11,844
Annuity investment	1,701
Deferred compensation plan assets	1,065
Contributions receivable due greater than one year	2,640
Board designations	<u>9,200</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 43,613</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditures within one year. In the event of an unanticipated liquidity need, the Foundation could draw upon its line of credit, described in Note 8, or its quasi-endowment fund. The Foundation also maintains available cash and short-term investments to meet 90 days of normal operating expenses.

The Foundation also realizes there could be unanticipated liquidity needs.