



THE AMERICAN NATIONAL RED CROSS

Consolidated Financial Statements

June 30, 2025

(With summarized information for the year ended June 30, 2024)

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Auditors' Report

The Board of Governors
The American National Red Cross:

Opinion

We have audited the consolidated financial statements of The American National Red Cross (the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, 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 Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other 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 U.S. generally accepted accounting principles, 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 Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' 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 auditors' 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 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, 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 Organization'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 Organization'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 Organization's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 23, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

McLean, Virginia
October 21, 2025

THE AMERICAN NATIONAL RED CROSS
Consolidated Statement of Financial Position
June 30, 2025
(With comparative information as of June 30, 2024)
(In thousands)

	Assets	2025	2024
Current assets:			
Cash and cash equivalents	\$	208,720	174,016
Investments (note 4)		1,225,293	795,949
Trade receivables, including grants, net of allowance for doubtful accounts of \$8,039 in 2025 and \$4,917 in 2024		297,091	388,066
Contributions receivable (note 2)		33,973	35,001
Inventories, net of allowance for obsolescence of \$123 in 2025 and \$114 in 2024		60,190	58,397
Other current assets		<u>70,321</u>	<u>73,593</u>
Total current assets		<u>1,895,588</u>	<u>1,525,022</u>
Noncurrent assets:			
Investments (note 4)		1,858,090	1,732,722
Contributions receivable (note 2)		20,156	30,080
Right-of-use assets-operating leases (note 6)		144,145	149,779
Land, buildings, and other property, net (note 3)		844,761	798,558
Assets held for sale, net (note 3)		9,484	8,569
Prepaid pension assets (note 10)		165	59,039
Other assets (note 9)		<u>280,553</u>	<u>261,375</u>
Total noncurrent assets		<u>3,157,354</u>	<u>3,040,122</u>
Total assets	\$	<u><u>5,052,942</u></u>	<u><u>4,565,144</u></u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	\$	319,703	438,160
Current portion of debt (note 5)		20,000	68,000
Current portion of lease obligation-operating (note 6)		28,731	27,750
Postretirement benefits (note 10)		3,294	3,323
Other current liabilities (note 9)		<u>8,658</u>	<u>12,053</u>
Total current liabilities		<u>380,386</u>	<u>549,286</u>
Noncurrent liabilities:			
Debt (note 5)		277,100	297,100
Long-term lease obligation-operating (note 6)		132,690	138,324
Postretirement benefits (note 10)		31,540	32,244
Other liabilities (note 9)		<u>114,995</u>	<u>125,606</u>
Total noncurrent liabilities		<u>556,325</u>	<u>593,274</u>
Total liabilities		<u>936,711</u>	<u>1,142,560</u>
Net assets (notes 7 and 8):			
Without donor restrictions		2,056,178	1,718,748
With donor restrictions		<u>2,060,053</u>	<u>1,703,836</u>
Total net assets		<u>4,116,231</u>	<u>3,422,584</u>
Commitments and contingencies (notes 4, 5, 6, 10)			
Total liabilities and net assets	\$	<u><u>5,052,942</u></u>	<u><u>4,565,144</u></u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2025

(With summarized information for the year ended June 30, 2024)

(In thousands)

	Without donor restrictions	With donor restrictions	Totals	
			2025	2024
Operating revenues and gains:				
Contributions:				
Corporate, foundation and individual giving	\$ 272,757	806,861	1,079,618	639,728
United Way and other federated	5,665	8,311	13,976	15,441
Contracts, including federal government	4,995	68,327	73,322	544,593
Legacies and bequests	99,764	25,699	125,463	113,257
Services and materials	20,511	42,767	63,278	55,109
Products and services:				
Biomedical Services	2,305,215	—	2,305,215	2,158,876
Program materials	175,385	—	175,385	167,872
Investment return, net (note 4)	57,126	396	57,522	71,859
Other revenues	70,430	24	70,454	78,691
Net assets released from restrictions	717,688	(717,688)	—	—
Total operating revenues and gains	<u>3,729,536</u>	<u>234,697</u>	<u>3,964,233</u>	<u>3,845,426</u>
Operating expenses:				
Program services:				
Services to the Armed Forces	80,621	—	80,621	76,245
Biomedical Services	2,119,409	—	2,119,409	1,998,821
Community Services	14,977	—	14,977	14,585
Domestic Disaster Services	625,411	—	625,411	949,454
Training Services	143,102	—	143,102	138,917
International Relief and Development Services	48,839	—	48,839	82,217
Total program services	<u>3,032,359</u>	<u>—</u>	<u>3,032,359</u>	<u>3,260,239</u>
Supporting services:				
Fundraising	195,051	—	195,051	191,613
Management and general	105,697	—	105,697	119,686
Total supporting services	<u>300,748</u>	<u>—</u>	<u>300,748</u>	<u>311,299</u>
Total operating expenses	<u>3,333,107</u>	<u>—</u>	<u>3,333,107</u>	<u>3,571,538</u>
Change in net assets from operations	396,429	234,697	631,126	273,888
Nonoperating investment return, net (note 4)	(4,243)	121,520	117,277	145,677
Pension-related changes other than net periodic benefit cost (note 10)	(54,756)	—	(54,756)	(16,976)
Change in net assets	337,430	356,217	693,647	402,589
Net assets, beginning of year	<u>1,718,748</u>	<u>1,703,836</u>	<u>3,422,584</u>	<u>3,019,995</u>
Net assets, end of year	<u>\$ 2,056,178</u>	<u>2,060,053</u>	<u>4,116,231</u>	<u>3,422,584</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Functional Expenses

Year ended June 30, 2025

(With summarized information for the year ended June 30, 2024)

(In thousands)

	Program services					International Relief and Development Services	Total program services
	Services to the Armed Forces	Biomedical Services	Community Services	Domestic Disaster Services	Training Services		
Salaries and wages	\$ 41,042	906,553	6,462	164,520	65,141	12,278	1,195,996
Employee benefits	11,308	249,762	1,780	45,326	17,946	3,385	329,507
Subtotal	52,350	1,156,315	8,242	209,846	83,087	15,663	1,525,503
Travel and maintenance	2,081	26,583	117	50,182	2,754	2,034	83,751
Equipment maintenance and rental	599	52,691	307	14,076	279	186	68,138
Supplies and materials	1,717	335,272	128	6,949	17,546	48	361,660
Contractual services	7,874	488,741	2,731	68,164	35,983	3,448	606,941
Financial and material assistance	14,629	2,321	2,905	264,677	1,063	27,457	313,052
Depreciation and amortization	1,371	57,486	547	11,517	2,390	3	73,314
Total expenses	\$ 80,621	2,119,409	14,977	625,411	143,102	48,839	3,032,359

	Supporting services			Total expenses	
	Fundraising	Management and general	Total supporting services	2025	2024
Salaries and wages	\$ 96,806	55,363	152,169	1,348,165	1,265,144
Employee benefits	26,671	15,252	41,923	371,430	346,274
Subtotal	123,477	70,615	194,092	1,719,595	1,611,418
Travel and maintenance	3,075	1,591	4,666	88,417	75,594
Equipment maintenance and rental	1,197	1,077	2,274	70,412	67,066
Supplies and materials	2,050	718	2,768	364,428	337,144
Contractual services	60,899	30,269	91,168	698,109	707,444
Financial and material assistance	354	627	981	314,033	703,350
Depreciation and amortization	3,999	800	4,799	78,113	69,522
Total expenses	\$ 195,051	105,697	300,748	3,333,107	3,571,538

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Cash Flows

Year ended June 30, 2025

(With comparative information for the year ended June 30, 2024)

(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 693,647	402,589
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	78,113	69,522
Amortization of right-of-use assets-operating leases	21,979	22,100
Provision for doubtful accounts receivable	3,582	4,890
Provision for obsolete inventories	9	(111)
Net gains on sales of property	(12,728)	(7,297)
Net investment returns	(154,928)	(196,706)
Pension and postretirement-related changes other than net periodic benefit costs	54,756	16,976
Donor-restricted contributions	(5,776)	(16,181)
Changes in operating assets and liabilities:		
Receivables	98,345	(152,093)
Inventories	(1,802)	3,225
Other assets	(15,906)	(15,725)
Accounts payable and accrued expenses	(118,457)	120,563
Decrease in operating lease liability obligations	(20,998)	(19,481)
Other liabilities	(14,006)	(1,429)
Pension and postretirement benefits	3,385	24,666
Net cash provided by operating activities	<u>609,215</u>	<u>255,508</u>
Cash flows from investing activities:		
Purchases of property	(131,462)	(156,794)
Proceeds from sales of property	11,199	6,302
Proceeds from properties held for sale	7,760	8,499
Purchases of investments	(1,081,411)	(594,255)
Proceeds from sales of investments	681,627	584,666
Net cash used in investing activities	<u>(512,287)</u>	<u>(151,582)</u>
Cash flows from financing activities:		
Donor-restricted contributions	5,776	16,181
Repayment of debt	(68,000)	(8,000)
Net cash (used) / provided by financing activities	<u>(62,224)</u>	<u>8,181</u>
Net increase in cash and cash equivalents	34,704	112,107
Cash and cash equivalents, beginning of year	<u>174,016</u>	<u>61,909</u>
Cash and cash equivalents, end of year	\$ <u>208,720</u>	\$ <u>174,016</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 12,099	12,277

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2025

(With summarized information for the year ended June 30, 2024)

(1) Summary of Significant Accounting Policies

(a) Organization and Basis of Presentation

The American National Red Cross (the Organization) was established by an Act of the United States Congress on January 5, 1905 for the primary purposes of furnishing volunteer aid to the sick and wounded of the Armed Forces in time of war and to carry on a system of national and international relief in time of peace to mitigate the suffering caused by fire, famine, floods and other great natural calamities. The mission of the Organization has expanded since that time to help people prevent, prepare for, and respond to emergencies.

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets, functional expenses and cash flows of the Organization. The Organization has national and international programs that are conducted by its headquarters, Biomedical Services, and chartered local chapters. All significant intra-organizational accounts and transactions have been eliminated.

Program activities include Services to the Armed Forces, Biomedical Services, Community Services, Domestic Disaster Services, Training Services, and International Relief and Development Services. Biomedical Services include activities associated with the collection, processing, testing, and distribution of whole blood and components at 35 local blood services region operations, a biomedical research facility, and related national support functions.

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to any donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

(b) Measure of Operations

The Organization's measure of operations as presented in the consolidated statement of activities includes operating revenue from contributions, products and services, investment returns made available for current use, and other revenues. The measure of operations includes support for operating activities from both donor-restricted sources and those without donor restrictions. Nonoperating activities primarily include pension-related changes other than net periodic benefit cost and changes in the fair value of investments.

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Notes to Consolidated Financial Statements

June 30, 2025

(With summarized information for the year ended June 30, 2024)

(c) Summarized Comparative Information

The consolidated financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2024 from which the summarized information was derived.

(d) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the consolidated financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

(e) Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of money market mutual funds and overnight investments of approximately \$198 million and \$163 million as of June 30, 2025 and 2024, respectively. Cash and cash equivalents that are held as part of the investment portfolio purchased with donor-restricted contributions are reported within investments.

(f) Investments

Investments are reported at fair value except for certain alternative investment funds that, as a practical expedient, are reported at estimated fair value utilizing net asset values (NAVs). Net asset value in some instances, may not equal the fair value. The Organization does not intend to sell any of the funds at an amount different from net asset value per share at June 30, 2025. The Organization reviews and evaluates the net asset values provided by the general partners and fund managers and agrees with the valuation methods and assumptions used in determining net asset values of these funds.

Investment income classified as operating revenue consists of interest and dividend income on investments and spending approved for use in operations (note 4). All other realized and unrealized gains or losses are classified as nonoperating activities and are available to support operations in future years and to offset potential market declines.

Investments classified as current investments made by the Organization are expected to be converted into cash within one year.

Investment management fees are netted against investment returns.

(g) Derivative Financial Instruments

The Organization makes use of derivative financial instruments in order to invest in or mitigate certain risks. Derivative financial instruments are recorded at fair value (notes 4 and 10). Derivatives in an

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Notes to Consolidated Financial Statements

June 30, 2025

(With summarized information for the year ended June 30, 2024)

asset and liability position are offset against each other and reported net in investments in the consolidated statement of financial position.

(h) Endowment Fund

The Organization has maintained a national endowment fund since 1905. From 1910 until June 30, 2015, any gift to the American Red Cross National Headquarters from a will, trust, or similar instrument that did not direct the use of the funds was deposited into the endowment fund, recorded as net assets with donor restrictions to be kept and invested in perpetuity and, accordingly, reported as net assets with donor restrictions. In fiscal year 2015, the Organization adopted a new policy that gifts to the American Red Cross National Headquarters from a will, trust, or similar instrument dated on or after July 1, 2015 without a direction to the application or purpose of the funds shall be allocated at the discretion of senior management to where the need is greatest. Such amounts will be reported as increases to net assets without donor restrictions. All gifts to the American Red Cross National Headquarters that are designated to be invested in perpetuity shall continue to be deposited into the endowment fund regardless of the date of the gift instrument.

(i) Inventories

Inventories of supplies purchased for use in program and supporting services are valued using the average cost method. Whole blood and its components are valued at the lower of average cost or net realizable value.

(j) Land, Buildings, and Other Property

Purchases of land, buildings, and other property having a useful life of three or more years are capitalized at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Interest expense incurred during a period of construction, less related interest income earned on proceeds of tax-exempt borrowings, is capitalized.

Any gain or loss on the sale of land, buildings and other property is reported as other revenues on the consolidated statement of activities.

Application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. The costs incurred in cloud computing arrangements are capitalized and amortized over the term of the hosting arrangement. Activities that are considered application development include design of software configuration and interfaces, coding, installation of hardware, and testing. All other expenses incurred to develop internal use software are expensed as incurred.

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Notes to Consolidated Financial Statements

June 30, 2025

(With summarized information for the year ended June 30, 2024)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Class of property</u>	<u>Useful life in years</u>
Buildings	45
Building improvements	15–20
Equipment and software	3–15

(k) Long-lived Assets

Long-lived assets, such as land, building, and other property, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(l) Leases

The Organization determines if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For operating leases, the Organization uses the risk-free rate of return. The Organization recognizes operating lease expense for operating leases on a straight-line basis over the lease term.

The Organization leases office space and equipment under noncancelable operating leases which may include renewal or termination options. Renewal or termination options are not reasonably certain of exercise and are therefore not recognized in lease assets and liabilities until the date of exercise. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with office space and equipment leases.

(m) Property and Casualty Insurance

The Organization maintains various insurance policies under which it retains a portion of each insured loss, depending on the line of coverage. The liabilities for outstanding losses and incurred but not reported claims have been determined based on actuarial studies and are reported as other liabilities in the consolidated statement of financial position and were approximately \$78 million and \$88 million as of June 30, 2025 and 2024, respectively.

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Notes to Consolidated Financial Statements

June 30, 2025

(With summarized information for the year ended June 30, 2024)

(n) Revenue Recognition

(i) Contribution Revenue

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the consolidated statement of activities.

Donor-restricted contributions are initially reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period, except for conditional grants discussed in note (1)(n)(v).

(ii) Revenue from Contracts with Customers

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. Revenue from contracts with customers is disaggregated between Biomedical Services and Program materials on the consolidated statement of activities.

(iii) Biomedical Services

Biomedical Services provides goods (blood products for hospitals) and related services under single contracts with customers with multiple performance obligations. Blood products sold fall under two main categories – Whole Blood Derived Products, which include red cells, plasma, and cryoprecipitate; and Plateletpheresis Products, which include single donor platelets and plasma. Testing services are performed over all products prior to the sale and delivery of the products. Because the blood products and related blood testing services are not capable of being distinct, the products and services are treated as a bundled performance obligation.

For products, the performance obligation is satisfied when the customer gains control over the promised asset, which is generally at the time of shipment based on the contractual terms with the customers. Blood products have a limited shelf life; therefore, any associated refunds or discounts, which historically have not been material, are generally recognized in the same accounting period in which the initial revenue is recognized.

For services, the service has been substantially performed and the obligation met at the point in time at which the service is completed. Services are invoiced once the regulated process is complete and documentation is sent to the customer.

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(With summarized information for the year ended June 30, 2024)

Performance obligations for blood products and blood testing services are generally satisfied within 30 days, and therefore, there is no substantial difference in revenue recognition based on bundled performance obligations.

The expected length of time between when the Organization transfers the promised goods or services to the customer and when the customer pays for those goods or services is 30 days. Generally, there is no difference between the amount of consideration promised and the cash selling price of the blood products and services.

(iv) Program Materials Revenue

The organization provides various health and safety preparedness classes and certifications including CPR, first aid, AED skills, swimming and water safety, lifeguarding, caregiving skills, and other professional healthcare courses such as Basic Life Support. Revenue generated by these Training Services is included in Program materials on the consolidated statement of activities.

Program materials, which consist primarily of Training Services, performance obligations are satisfied at the point in time at which the training is complete, and certification is provided. Revenue is recognized upon completion of distinct performance obligations in the same accounting period in which each specific performance obligation is met. The transaction price is determined for each contract using the standalone selling price and applied to each performance obligation as completed.

(v) Other Revenue

Revenue from grants and contracts, including federal grants, that are considered to be conditional contributions are recorded in the consolidated statement of activities under Contracts, including federal government within the contribution section and are recognized as qualifying expenses are incurred under the agreement. The Organization adopted the simultaneous release option for donor-restricted conditional grants that are recognized and used within the same reporting period; therefore, these amounts are reported as without donor restriction.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law.

(o) Contributed Services and Materials

Contributed services reflect the important impact volunteers have in delivering the Organization's mission. Contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services, which would be typically purchased if not provided by donation.

The Organization engages more than 325,000 volunteers annually. A small percentage of these volunteers meet the above criteria and are reported in contributed services. Contributed services for the year ended June 30, 2025 include the services of approximately 12,397 volunteers. The Organization recorded contributed services revenue and related expense of approximately \$47 million

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June 30, 2025

(With summarized information for the year ended June 30, 2024)

and \$36 million in 2025 and 2024, respectively. These amounts primarily represent volunteer efforts in support of Disaster Services and Services to the Armed Forces.

Contributed materials are recorded at their fair value at the date of the gift. Gifts of long lived assets are recorded as restricted support. This restriction is released ratably over the useful life of the asset. For gifts that are not long lived assets, the restriction is released as the item is used. The Organization does not sell in-kind contributed materials.

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the consolidated statement of activities included (in thousands):

<u>Item</u>	<u>Program</u>	<u>Fair value technique</u>	<u>2025</u>	<u>2024</u>
Clothing and household goods	Domestic Disaster Services, Biomedical Services, and Services to the Armed Forces	Estimated based on US wholesale prices of identical or similar products	\$ 4,356	2,363
Food	Domestic Disaster Services and Biomedical Services	Estimated based on US wholesale prices of identical or similar products	6,050	4,986
Medical supplies	Domestic Disaster Services and Biomedical Services	Estimated based on US wholesale prices of identical or similar products	58	1,336
Various	All Programs	Estimated based on US wholesale prices of identical or similar products	6,282	10,385
Total			<u>\$ 16,746</u>	<u>19,070</u>

(p) Income Taxes

The American National Red Cross is a not-for-profit organization incorporated by the U.S. Congress through the issuance of a federal charter. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. At June 30, 2025 and 2024, the Organization has determined that no income taxes are due for such activities. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

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(With summarized information for the year ended June 30, 2024)

(2) Contributions Receivable

The Organization anticipates collection of outstanding contributions receivable as follows at June 30, 2025 and 2024 (in thousands):

	2025	2024
Amounts receivable within one year	\$ 39,072	39,639
Amounts receivable in 1 to 5 years (net of discount of \$3,361 and \$2,758 for 2025 and 2024, respectively)	20,156	30,080
Total contributions receivable before allowance for uncollectible amounts	59,228	69,719
Less allowance for uncollectible amounts	(5,099)	(4,638)
Contributions receivable, net	54,129	65,081
Less current portion	33,973	35,001
Contributions receivable, net, noncurrent	\$ 20,156	30,080

Amounts presented above have been discounted to present value using various discount rates ranging between 0.23% and 5.04%.

As of June 30, 2025, the Organization received conditional grants totaling \$59 million. These grants are conditional based on incurring qualifying expenses and will be recognized as revenue in the periods in which the conditions are fulfilled.

(3) Land, Buildings, and Other Property

The cost and accumulated depreciation of land, buildings, and other property were as follows at June 30, 2025 and 2024 (in thousands):

	2025	2024
Land	\$ 90,318	93,007
Buildings and improvements	1,189,301	1,122,545
Equipment and software	537,026	522,633
Total cost of assets placed in service	1,816,645	1,738,185
Less accumulated depreciation	(1,034,331)	(1,002,882)
Construction in progress	62,447	63,255
Land, buildings, and other property, net	\$ 844,761	798,558

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(With summarized information for the year ended June 30, 2024)

Assets held for sale were as follows at June 30, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Land	\$ 2,089	1,662
Buildings and improvements	<u>30,471</u>	<u>35,929</u>
Total cost of assets held for sale	32,560	37,591
Less accumulated depreciation and amortization	<u>(23,076)</u>	<u>(29,022)</u>
Assets held for sale, net	<u>\$ 9,484</u>	<u>8,569</u>

These assets have been segregated from land, buildings, and other property and presented as assets held for sale within the accompanying consolidated financial statements. The Organization identified these assets as not critical to supporting its primary mission as part of ongoing assessment procedures. The Organization then evaluated the identified assets using the criteria for classification as held for sale included in ASC 360-10, *Impairment and Disposal of Long-Lived Assets*. Certain assets or portions of assets identified were determined to meet the criteria and have been classified as such. The carrying value of these assets has been compared to the current appraised values less cost to sell and determined not to be impaired. During fiscal years ended June 30, 2025, and June 30, 2024, the gain on the buildings and improvements assets held for sale were approximately \$6 million and \$5 million, respectively, which is included in other revenue on the consolidated statement of activities.

(4) Investments and Fair Value Measurements

The Organization applies the provisions of ASC Topic 820, *Fair Value Measurements*, for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value 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 on the measurement date. ASC Topic 820 also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market-corroborated inputs
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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(With summarized information for the year ended June 30, 2024)

In certain cases, the inputs to measure fair value may result in an asset or liability falling into more than one level of the fair value hierarchy. In such cases, the determination of the classification of an asset or liability within the fair value hierarchy is based on the least determinate input that is significant to the fair value measurement.

For the years ended June 30, 2025 and 2024, there were no transfers between levels.

The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

As of January 1, 2018, the Organization acquired 40% interest in Creative Testing Solutions. As of February 13, 2020, the Organization acquired 50% interest in ARC-One Solutions, LLC. These investments are accounted for using the equity method and are reflected in long-term investments on the Organization's consolidated statement of financial position. The balance at June 30, 2025 reflects the original contribution, any subsequent distributions received and contributions made, as well as the Organization's share of the earnings of the investee. Earnings were approximately \$15 million for the period ended June 30, 2025 and are reflected in other revenue on the consolidated statement of activities.

The following table represents investments that are measured at fair value on a recurring basis and other investments at June 30, 2025 (in thousands):

	June 30, 2025	Level 1	Level 2	Level 3	Measured at NAV⁽¹⁾
Fixed-income commingled funds	\$ 23,477	—	23,477	—	—
U.S. government and sovereign securities	408,183	—	408,183	—	—
Common and preferred stocks	381	381	—	—	—
Exchange-Traded Funds	77,173	77,173	—	—	—
Hedge funds	52,100	—	—	—	52,100
Private equity and debt	358,160	—	—	—	358,160
Real estate and real assets	5,691	—	—	—	5,691
Derivative contracts	(15,042)	—	(15,042)	—	—
Cash equivalents	2,079,608	16,153	2,063,455	—	—
Investments stated at fair value	2,989,731	93,707	2,480,073	—	415,951
Equity method investments	93,652				
Total investments	\$ 3,083,383				

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(With summarized information for the year ended June 30, 2024)

The following table represents investments that are measured at fair value on a recurring basis and other investments at June 30, 2024 (in thousands):

	June 30, 2024	Level 1	Level 2	Level 3	Measured at NAV⁽¹⁾
Fixed-income commingled funds	\$ 22,124	—	22,124	—	—
U.S. government and sovereign securities	496,987	—	496,987	—	—
Common and preferred stocks	781	781	—	—	—
Hedge funds	46,032	—	—	—	46,032
Private equity and debt	393,079	—	—	—	393,079
Real estate and real assets	6,053	—	—	—	6,053
Derivative contracts	43,431	—	43,431	—	—
Cash equivalents	<u>1,425,580</u>	<u>3,844</u>	<u>1,421,736</u>	<u>—</u>	<u>—</u>
Investments stated at fair value	2,434,067	<u>4,625</u>	<u>1,984,278</u>	<u>—</u>	<u>445,164</u>
Equity method investments	<u>94,604</u>				
Total investments	\$ <u>2,528,671</u>				

(1) Certain investments are measured at fair value using NAV as a practical expedient and have not been classified in the fair value hierarchy. The NAV amounts have been presented to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The Organization used quoted prices in principal active markets for identical assets as of the valuation date (Level 1) to value certain cash equivalents at June 30, 2025 and 2024.

For the valuation of certain cash equivalents, U.S. government and sovereign securities, and fixed income commingled funds at June 30, 2025 and 2024, the Organization used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2). The Level 2 commingled funds have a readily determinable fair value.

For the most part, the valuation of hedge funds, private equity and debt funds, private real estate and private real assets funds, at June 30, 2025 and 2024, are reported at estimated fair value utilizing the net asset values provided by fund managers as a practical expedient. In a few instances, additional supplemental information provided by the fund manager has been utilized to evaluate fund values and level the investments. Reported fund values utilize significant unobservable inputs; the Organization reviews and evaluates the values provided by fund managers and general partners and agrees with the valuation methods and assumptions used in determining the reported fair values of the alternative investments.

The Organization had no Level 3 reportable transactions for both fiscal years ended June 30, 2025 and 2024, respectively.

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(With summarized information for the year ended June 30, 2024)

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of June 30, 2025 (in thousands):

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Hedge funds (a),(c)	\$ 2,222	—	None	Fully redeemed
Hedge funds (a)	49,878	—	Quarterly to triennially	60-90 days
Private equity and debt (b)	358,160	41,841	None	None
Real estate and real assets (b)	5,691	1,999	None	None
Total	\$ <u>415,951</u>	<u>43,840</u>		

- (a) Hedge Fund Investments. Hedge fund strategies include: relative value, event driven, and arbitrage strategies. Underlying hedge fund holdings can consist of the full spectrum of global equity, fixed income, commodity and currency instruments. Positions may be long and short; leverage may also be used. Some funds may invest in side pockets, which are a separate share class and are not available for redemption until the investment is liquidated by the manager.
- (b) Non Marketable Investment Strategies. Private equity and debt strategies include: leveraged buyout, growth equity, venture capital, and distressed debt. Real estate and real assets strategies include natural resources such as oil and gas or minerals and mining. Non marketable funds do not permit redemptions; capital is returned to investors at the discretion of the investment manager and in accordance with limited partnership terms. Interim distributions of interest and dividends can be made; however, capital and realized gains are generally distributed when underlying investments are liquidated. Funds are able to recall distributions. It is expected that the majority of the non marketable investments will be liquidated over the next ten years.
- (c) Represents expected redemptions related to audit holdbacks, where funds retain a portion of requested redemptions until the fund's annual audit is complete in order to accommodate potential final NAV adjustments.

The following table lists the notional/contractual amount of derivatives by contract type included in the Organization's investments at June 30, 2025 and 2024 (in thousands):

<u>Derivative type</u>	<u>2025</u>	<u>2024</u>
Currency contracts	\$ 83,566	—
Interest rate contracts	248,711	209,488
Commodity contracts	1,280,805	1,488,667
Equity contracts	2,654,968	2,356,663

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(With summarized information for the year ended June 30, 2024)

The following table lists fair value of derivatives by contract type included in the Organization's investments as of June 30, 2025 and 2024 (in thousands):

Derivative type	Derivative assets		Derivative liabilities	
	2025	2024	2025	2024
Currency contracts	\$ 449	—	(48)	—
Interest rate contracts	—	—	(227)	(35)
Commodity contracts	896	41,485	(6,397)	(11,719)
Equity contracts	9,946	14,831	(19,661)	(1,131)
Fair value of derivatives included in investments	\$ 11,291	56,316	(26,333)	(12,885)

The following table lists gains and losses on derivatives by contract type included in actual return on Organization investments as of June 30, 2025 and 2024 (in thousands):

Derivative type	Realized gains/(losses)		Change in unrealized gains/(losses)	
	2025	2024	2025	2024
Currency contracts	\$ 2,165	—	400	—
Interest rate contracts	(10,586)	1,810	(192)	(677)
Commodity contracts	122,662	62,034	(35,266)	21,776
Equity contracts	(5,369)	8,432	(23,415)	(3,002)
Total	\$ 108,872	72,276	(58,473)	18,097

The Organization transacts in a variety of derivative instruments, including swaps and options, to take or mitigate certain exposures. Each instrument's primary underlying exposure could be equities, commodities, interest rates, credit, or currencies. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. In the case of over-the-counter derivatives, collateralization and daily marks-to-market mitigate counterparty risk. The Organization also invests in highly liquid, exchange-traded contracts to achieve exposure to U.S. Treasury securities; these contracts are also marked-to-market daily, with daily exchanges of variation margin, which generally offers higher protection against counterparty risk than collateralization. Foreign exchange derivatives can be used to facilitate trade purchases and sales as well as for hedging purposes.

Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the consolidated statement of financial position as of June 30, 2025. However, the diversification of the Organization's invested assets among these various asset classes and the risk reduction purpose in the case of hedging assets is management's strategy to mitigate the impact of any dramatic change on any one asset class.

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(With summarized information for the year ended June 30, 2024)

The following schedule summarizes the composition of investment return for the years ended June 30, 2025 and 2024 (in thousands):

	<u>2025</u>		<u>2024</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Investment returns available for operations:			<u>Total</u>
Other investment returns	\$ 57,126	396	71,859
	57,126	396	71,859
Net nonoperating investment returns	(4,243)	121,520	145,677
Total return on investments, net	\$ <u>52,883</u>	<u>121,916</u>	<u>174,799</u>
			<u>217,536</u>

(5) Debt

Debt consists of the following at June 30, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Fixed rate debt bearing interest rates ranging from 0% to 3.83%, due calendar year 2025 through 2044	\$ 297,100	365,100
Total bonds and notes payable	297,100	365,100
Less current portion	20,000	68,000
Debt, noncurrent portion	\$ <u>277,100</u>	<u>297,100</u>

The Organization's debt is generally backed only by the full faith and credit of the Organization. Certain bonds are subject to redemption prior to their maturity at the option of the Organization. The repayment terms of the variable rate debt generally require monthly payments of interest and annual principal reduction. The registered owners of the bonds and notes with demand repayment rights may demand repurchase of the bonds and notes for an amount equal to the principal plus accrued interest. The organization had no outstanding debt with demand repayment rights as of June 30, 2025 and 2024.

Certain of the Organization's debt agreements include covenants that require the Organization to maintain certain levels of financial ratios. The Organization was in compliance with its covenant requirements as of and for the years ended June 30, 2025 and 2024.

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Scheduled maturities and sinking fund requirements of the debt and credit agreements as of June 30, 2025 are as follows (in thousands):

2026	\$	20,000
2027		31,000
2028		30,000
2029		25,000
2030		15,000
Thereafter		<u>176,100</u>
	\$	<u>297,100</u>

Interest expense was approximately \$12 million for both fiscal years ended June 30, 2025 and 2024, respectively, which is included in contractual services on the statement of functional expenses.

The Organization maintained several committed lines of credit with various banks for its working capital requirements. There were no borrowings outstanding under lines of credit as of June 30, 2025 and 2024. The Organization had unused lines of credit outstanding of approximately \$200 million at both June 30, 2025 and June 30, 2024. The amounts available to be borrowed on the lines of credit are subject to the limitations of the Organization's debt covenants.

The Organization had unused letters of credit outstanding of approximately \$52 million at both June 30, 2025 and June 30, 2024.

(6) Leases

The Organization has operating leases for real estate and equipment. The Organization determines if an arrangement is a lease at the inception of a contract and recognizes operating lease expense on a straight-line basis over the lease term.

The Organization has lease agreements which require payments for lease and non-lease components and has elected to account for these as a single lease component, with any variable elements being recorded as variable lease expense.

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(With summarized information for the year ended June 30, 2024)

Operating lease right-of-use assets and lease liabilities as of June 30, 2025, and 2024, were as follows (in thousands):

Operating leases	2025	2024
Right-of-use assets:		
Operating lease assets	\$ 144,145	149,779
Lease liabilities:		
Current operating lease liabilities	\$ 28,731	27,750
Noncurrent operating lease liabilities	132,690	138,324
Total operating lease liabilities	\$ <u>161,421</u>	<u>166,074</u>

Operating expenses for the leasing activity of the Organization as lessee for the years ended June 30, 2025, and 2024, respectively, are as follows (in thousands):

Lease type	2025	2024
Operating lease costs	\$ <u>40,270</u>	<u>38,289</u>
Total lease cost	\$ <u>40,270</u>	<u>38,289</u>

Total rent expense was approximately \$53 million and \$46 million for the years ended June 30, 2025 and 2024, respectively, and is included in contractual services on the consolidated statement of functional expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2025, and a reconciliation to operating lease liabilities reported on the consolidated statement of financial position:

2026	\$ 33,550
2027	30,758
2028	26,880
2029	21,770
2030	14,403
Thereafter	<u>62,272</u>
Total lease payments	189,633
Less interest	<u>(28,212)</u>
Present value of lease liability	\$ <u>161,421</u>

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Average operating lease terms and discount rate at June 30, 2025, and 2024, were as follows:

	2025	2024
Weighted average remaining lease term (years)	9.75	10.10
Weighted average discount rate	3.29 %	3.04 %

The following summarizes cash paid for operating lease liabilities and other non-cash information as of June 30, 2025 and 2024:

	2025	2024
Cash paid for amounts included in the measurement of operating lease liability	\$ 40,799	37,514
Right-of-use assets obtained in exchange for operating lease obligations	22,161	50,980

Future minimum rental payments to be received by the Organization for office space leased at the National Headquarters building as of June 30, 2025 are as follows (in thousands):

2026	\$	21,247
2027		21,461
2028		21,680
2029		21,903
2030		22,131
Thereafter		—
Total minimum lease payments to be received	\$	108,422

The rental income was approximately \$21 million for both years ended June 30, 2025, and 2024, respectively, and is included in other revenue on the consolidated statement of activities.

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(7) Net Assets and Liquidity

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2025 and 2024 (in thousands):

	2025	2024
Disaster and Humanitarian Services	\$ 358,494	107,022
International Relief and Development Services	45,431	64,279
Endowment fund	1,461,923	1,349,072
Other net assets with restrictions to be held in perpetuity	194,205	183,463
Total net assets with donor restrictions	\$ 2,060,053	1,703,836

Endowment fund at June 30, 2025 and 2024 consists primarily of endowed contributions, the income from which is available principally to fund general operations. Other net assets with donor restrictions to be held in perpetuity consist of beneficial interests in perpetual trusts and other split-interest agreements (note 9).

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its operating expenditures and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The restricted portion of its financial assets are excluded from the liquidity disclosure as they are used for restricted purposes.

As of June 30, 2025, and 2024, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and scheduled principal payments on debt, were as follows (in thousands):

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 208,720	174,016
Short-term investments, net	1,225,293	795,949
Trade receivable, including grants, net of allowance for doubtful accounts	297,091	388,066
Contributions receivable	35,296	36,586
Total financial assets available within one year	1,766,400	1,394,617
Liquidity resources:		
Letters of credit and other credit facilities	252,000	252,000
Total financial assets and liquidity resources available within one year	\$ 2,018,400	1,646,617

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(8) Endowments

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so to consider a number of factors, including the duration and preservation of its donor-restricted endowment funds. The Organization classifies as net assets with donor restrictions the original value of gifts donated to be held in perpetuity. The appreciation of the donor-restricted endowment fund is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted, and the Governing Board has approved, the Statement of Investment Policies and Objectives for the endowment fund. This policy has identified an appropriate risk posture for the fund, stated expectations and objectives for the fund, provides asset allocation guidelines, and establishes criteria to monitor and evaluate the performance results of the fund managers.

To satisfy its long-term rate of return objectives, the Organization 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 Organization makes distributions from income earned on the endowment fund for current operations using the total return method. In establishing this method, the Organization considered the long-term expected return on its funds. To the extent that distributions exceed net investment income, they are made from accumulated gains. The Board of Governors approves the spending rate, calculated based on the prior fiscal year-end market value.

In February 2024, the Board of Governors revised the fiscal year 2024 spending distribution by cancelling the remaining disbursements from February 2024 through June 2024. The spending distribution for fiscal year ending June 30, 2025, was cancelled. A spending rate of 1% was approved for the fiscal year ending June 30, 2026.

Changes in endowment net assets, comprised only of balances with donor restrictions, for the years ended June 30, 2025, and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Endowment net assets, beginning of year	\$ 1,349,072	1,224,404
Total investment return, net	107,455	136,062
Contributions	5,776	16,181
Appropriation of endowment assets for expenditure	<u>(380)</u>	<u>(27,575)</u>
Endowment net assets, end of year	<u>\$ 1,461,923</u>	<u>1,349,072</u>

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(9) Split-Interest Agreements

The Organization is a beneficiary of split-interest agreements in the form of charitable gift annuities, perpetual trusts held by third parties, charitable remainder trusts, and pooled income funds. The value of split-interest agreements is measured as the Organization's share of fair value of the assets. Of the \$280 million and \$261 million in assets under these agreements as of June 30, 2025 and 2024, respectively, which are included in other assets on the consolidated statement of financial position, \$50 million and \$44 million, respectively, are charitable gift annuities and the remainder are assets for which the Organization is not the trustee. Liabilities associated with these agreements are \$35 million and \$32 million for the years ended June 30, 2025 and 2024, respectively, of which \$8 million in 2025 and \$7 million in 2024 other current liabilities, respectively, and \$27 million and \$25 million for the years ended June 30, 2025 and 2024, respectively, are included in other noncurrent liabilities on the consolidated statement of financial position.

(10) Benefit Plans

(a) The Retirement System of the American National Red Cross and The American Red Cross Life and Health Benefits Plan

Before July 1, 2009, employees of the American National Red Cross, including employees of participating local chapters, were covered by the Retirement System of the American National Red Cross (the Plan) after one year of employment and completion of 1,000 hours of service during any consecutive 12-month period. The Plan was closed to employees hired after June 30, 2009.

Subject to provisions contained in collective bargaining agreements where applicable, the Plan was frozen on December 31, 2012 (the freeze date). Employees who were participating in the Plan as of that date keep vested benefits earned but stop earning additional pension benefits.

Prior to the freeze date, the benefit formula was based on years of service and the employees' final average compensation. Final average compensation was calculated using the highest consecutive 48 months of the last 120 months of service before the earlier of retirement or the freeze date.

The Plan provides a defined-benefit pension, funded entirely by the employer. Prior to July 1, 2005, voluntary after-tax contributions could be made by active members to fund an optional annuity benefit. The Organization's funding policy is set to comply with the funding requirements established under the Pension Protection Act of 2006 and to meet the requirements of Employee Retirement Income Security Act of 1974. During fiscal year 2024, the Organization contributed the required amount for the plan year.

The Organization also provides medical and dental benefits to retirees and their eligible dependents under The American Red Cross Life and Health Benefits Plan. Generally, retirees and the Organization each pay a portion of the premium costs. The medical and dental plans pay a stated percentage of expenses reduced by deductibles and other coverages. The Organization has the right to modify cost-sharing provisions at any time. In addition, life insurance benefits of \$5,000 are provided with no contributions required from the retirees. The Organization's postretirement benefit plans are unfunded.

Effective January 1, 2009, the Organization eliminated plan coverage (retiree medical and life benefits) for all future retirees that did not meet eligibility conditions as of that date. In addition, the plan was

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amended to transition Medicare eligible retirees to a private fee-for-service plan and to change the premium supplement tables and indexing effective July 1, 2009. Beginning in calendar year 2011, most Medicare eligible retirees were offered a Healthcare Reimbursement Account to utilize in purchasing individual coverage through an external exchange program. Plans can vary from Medicare Advantage, Part D Prescription Drug, and Medicare Supplement Plans.

The Organization completed an annuity purchase for all participants in Puerto Rico on April 23, 2024. \$8.7 million was transferred to the insurer and the first payment to participants occurred on June 30, 2024.

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the consolidated statements of financial position for the years ended June 30, 2025 and 2024 (in thousands):

	Pension benefits		Postretirement benefits	
	2025	2024	2025	2024
Changes in benefit obligations:				
Benefit obligations at beginning of year	\$ 1,057,648	1,090,623	35,567	38,932
Service cost	—	—	1	2
Interest cost	59,204	59,812	1,913	2,084
Actuarial (gain)	19,768	(6,913)	248	(2,334)
Benefits paid	(80,920)	(77,216)	(2,895)	(3,117)
Annuity purchase and reimbursements from insurance carriers	65	(8,658)	—	—
Benefit obligations at end of year	1,055,765	1,057,648	34,834	35,567
Changes in plan assets:				
Fair value of plan assets at beginning of year	\$ 1,116,686	1,194,669	—	—
Actual return on plan assets	20,099	7,892	—	—
Benefits paid	(80,920)	(77,216)	—	—
Annuity purchase and reimbursements from insurance carriers	65	(8,658)	—	—
Fair value of plan assets at end of year	1,055,930	1,116,687	—	—
Funded status-accrued benefit costs	\$ 165	59,039	(34,834)	(35,567)

The benefit obligations were remeasured as of June 30, 2025 to reflect economic conditions at that time. The actuarial losses in fiscal year ended June 30, 2025 were mainly due to decreases in the

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discount rates. The actuarial gains in fiscal year ended June 30, 2024 were mainly due to increases in the discount rates.

Pension-related changes other than net periodic benefit cost for 2025:

	<u>Pension benefits</u>	<u>Postretirement benefits</u>	<u>Total</u>
Prior service benefit	\$ (2,727)	—	(2,727)
Amortized net loss (gain)	5,074	(3,502)	1,572
Net actuarial (loss)/gain	<u>(57,836)</u>	<u>4,235</u>	<u>(53,601)</u>
	\$ <u>(55,489)</u>	<u>733</u>	<u>(54,756)</u>

Pension-related changes other than net periodic benefit cost for 2024:

	<u>Pension benefits</u>	<u>Postretirement benefits</u>	<u>Total</u>
Prior service benefit	\$ (2,727)	—	(2,727)
Amortized net loss (gain)	4,700	(3,691)	1,009
Net actuarial (loss)/gain	<u>(22,314)</u>	<u>7,056</u>	<u>(15,258)</u>
	\$ <u>(20,341)</u>	<u>3,365</u>	<u>(16,976)</u>

Items not yet recognized as a component of net periodic benefit cost for 2025:

	<u>Pension benefits</u>	<u>Postretirement benefits</u>	<u>Total</u>
Unrecognized prior service credit	\$ (4,697)	—	(4,697)
Unrecognized net actuarial loss (gain)	424,556	(10,487)	414,069
	\$ <u>419,859</u>	<u>(10,487)</u>	<u>409,372</u>

Items not yet recognized as a component of net periodic benefit cost for 2024:

	<u>Pension benefits</u>	<u>Postretirement benefits</u>	<u>Total</u>
Unrecognized prior service credit	\$ (7,424)	—	(7,424)
Unrecognized net actuarial loss (gain)	371,794	(14,237)	357,557
	\$ <u>364,370</u>	<u>(14,237)</u>	<u>350,133</u>

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The accumulated benefit obligation for the pension plan was approximately \$1.1 billion as of June 30, 2025 and 2024.

The weighted average assumptions used to determine benefit obligations for 2025 and 2024 were as follows:

	Pension benefits		Postretirement benefits	
	2025	2024	2025	2024
Discount rate	5.86 %	6.02 %	5.45 %	5.65 %

The weighted average assumptions used to determine net benefit cost for 2025 and 2024 were as follows:

	Pension benefits		Postretirement benefits	
	2025	2024	2025	2024
Discount rate	6.02 %	5.86 %	5.65 %	5.60 %
Expected return on plan assets	5.05 %	3.05 %	—	—

The expected rate of return assumption on Plan assets was determined by considering current economic and market conditions and by reviewing asset class allocations, historical return analysis, and forward-looking capital market expectations. Asset class allocations were established by considering each class's risk premium commensurate for the level of risk, duration that matches the Plan's liabilities, and incremental diversification benefits. Historical returns and forward-looking capital market expectations were gathered from and compared among the Plan's investment managers and a sampling of the consultant community.

For measurement purposes, approximately an 7.50% and 7.75% annual rate of increase in the per capita cost of covered healthcare benefit was assumed for fiscal years 2025 and 2024, respectively. The rate was assumed to decrease gradually to 4.5% through 2037 and remain at that level thereafter.

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The components of net periodic benefit cost (credit) for the years ended June 30, 2025 and 2024 were as follows (in thousands):

	Pension benefits		Postretirement benefits	
	2025	2024	2025	2024
Service cost	\$ —	—	1	2
Interest cost	59,204	59,812	1,913	2,084
Expected return on plan assets	(58,166)	(37,119)	—	—
Amortization of prior service credit	(2,727)	(2,727)	—	—
Net amortization loss (gain)	5,073	4,700	(3,502)	(3,691)
Net periodic benefit cost/(credit)	\$ <u>3,384</u>	<u>24,666</u>	<u>(1,588)</u>	<u>(1,605)</u>

The Organization expects to make a \$10M contribution during the fiscal year ending June 30, 2026.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid, as of June 30, 2025 (in thousands):

	Pension benefits	Postretirement benefits
2026	\$ 156,706	3,384
2027	93,469	3,290
2028	89,421	3,209
2029	89,171	3,125
2030	89,322	3,036
2031–2035	392,120	13,777
	\$ <u>910,209</u>	<u>29,821</u>

The Organization has investment guidelines for the Retirement System (the Plan) assets. The overall objective is to ensure the Plan's assets appropriately hedge the liability risks, considering other market risks, while ensuring that the portfolio income and liquidity are appropriate to meet the Plan's benefit payments and other expenses. The Plan's investments are designed in such manner that no single investment would have a disproportionate net impact on the plan funded status. The Plan's asset allocation is reviewed regularly with current market assumptions to realign the asset mix with the long-term investment goals for the Plan. (See note 4 for descriptions of the methodologies used to value Plan's assets, including discounted cash flow analysis, comparable analysis, or third-party appraisals. See note 4 for the definitions of Levels 1, 2, and 3.)

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The Plan's assets were invested in the following categories at June 30, 2025 and 2024:

	Pension assets	
	2025	2024
Cash and short-term investments	23 %	71 %
Equity	—	1
Fixed income	77	28
	<u>100 %</u>	<u>100 %</u>

The Plan's assets were within authorized asset allocation ranges at June 30, 2025 and 2024.

The following table represents pension plan assets that are measured at fair value on a recurring basis at June 30, 2025 (in thousands):

	June 30, 2025	Level 1	Level 2	Level 3	Measured at NAV⁽¹⁾
U.S. government and sovereign securities	\$ 228,453	—	228,453	—	—
Hedge funds	172	—	—	—	172
Private equity and debt	229	—	—	—	229
Derivative contracts	4,113	177	3,936	—	—
Cash and cash equivalents	822,963	343	822,620	—	—
Total plan assets	<u>\$ 1,055,930</u>	<u>520</u>	<u>1,055,009</u>	<u>—</u>	<u>401</u>

The following table represents pension plan assets that are measured at fair value on a recurring basis at June 30, 2024 (in thousands):

	June 30, 2024	Level 1	Level 2	Level 3	Measured at NAV⁽¹⁾
U.S. government and sovereign securities	\$ 280,781	—	280,781	—	—
Hedge funds	203	—	—	—	203
Private equity and debt	1,153	—	—	—	1,153
Derivative contracts	45,756	714	45,042	—	—
Cash and cash equivalents	788,794	3,090	785,704	—	—
Total plan assets	<u>\$ 1,116,687</u>	<u>3,804</u>	<u>1,111,527</u>	<u>—</u>	<u>1,356</u>

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- (1) Certain investments are measured at fair value using NAV as a practical expedient and have not been classified in the fair value hierarchy. The NAV amounts have been presented to permit reconciliation of the fair value hierarchy to the amounts presented as total plan assets.

The Organization had no reportable Level 3 transactions for its defined-benefit plan for both fiscal years ended June 30, 2025 and 2024, respectively.

On behalf of the Plan, the Organization transacts in a variety of derivative instruments, including exchange-traded products (ETNs and ETFs), forwards, swaps, options, and futures. Derivatives are used for investment purposes, such as hedging, replication, completion, diversification, and tail-risk reduction. Each instrument's primary underlying exposure is generally interest rates, equities, commodities, or currencies. Such contracts could involve counterparty risk to varying degrees (i.e., risk of loss from the possible inability of counterparties to meet the terms of their contracts). In the case of over-the-counter derivatives, collateralization and daily marks-to-market mitigate counterparty risk.

The Plan makes special use of derivatives to hedge (partially or fully) the interest rate exposure and credit risk of its pension liabilities. The liabilities are valued via a "discount rate" of investment grade corporate bonds. Uncertainty of future discount rates adds variability to the Plan's funded status as liability valuations shift with rates. Hedging looks to reduce that risk. During the fiscal year ended June 30, 2025, the Plan used interest rate futures and treasury contracts to manage interest rate exposure and credit default swaps to manage the credit spread exposure. Management of interest rate exposure may change over time based upon a variety of factors, such as market conditions, perceived investment opportunities and risks, and investment goals and objectives.

The following table lists the notional/contractual amount of derivatives by contract type included in pension plan assets at June 30, 2025 and 2024 (in thousands):

Derivative type	2025	2024
Treasury contracts	\$ 145,624	277,207
Interest rate contracts	2,465,523	2,147,585
Credit default contracts	553,531	1,387,000
Equity contracts	1,228,060	1,485,519

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The following table lists fair value of derivatives by contract type included in pension plan assets as of June 30, 2025 and 2024 (in thousands):

Derivative type	Derivative assets		Derivative liabilities	
	2025	2024	2025	2024
Treasury contracts	\$ 177	726	—	(284)
Interest rate contracts	10,584	12,000	(7,183)	(3,853)
Credit default contracts	4,850	—	—	28,561
Equity contracts	4,585	9,186	(8,900)	(580)
Fair value of derivatives included in investments	\$ <u>20,196</u>	<u>21,912</u>	<u>(16,083)</u>	<u>23,844</u>

The following table lists gains and losses on derivatives by contract type included in actual return on plan assets available for plan benefits as of June 30, 2025 and 2024 (in thousands):

Derivative type	Realized gains/(losses)		Change in unrealized gains/(losses)	
	2025	2024	2025	2024
Treasury contracts	\$ 2,775	32,451	(537)	(909)
Interest rate contracts	(12,781)	(73,128)	(5,426)	(2,690)
Credit default contracts	304	24,622	6,359	(16,288)
Equity contracts	(13,477)	8,292	(11,968)	2,060
Total	\$ <u>(23,179)</u>	<u>(7,763)</u>	<u>(11,572)</u>	<u>(17,827)</u>

(b) American National Red Cross Savings Plan – 401(k) Plan

The Organization sponsors the American Red Cross Savings Plan (the Savings Plan), a defined-contribution plan. In general, employees are eligible to participate upon hire and vest in employer contributions on a two-year cliff schedule. Employer contributions include Red Cross match only. There were \$56 million and \$46 million in Red Cross employer contributions to the Savings Plan in 2025 and 2024, respectively.

(11) Commitments and Contingencies

(a) Litigation

The Organization is a party to various litigation, investigations and regulatory inquiries incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a materially adverse effect on the Organization's financial position or future results of operations.

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(b) Government Grants

Costs charged to the federal government under cost-reimbursement grants and contracts are subject to government audit. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the consolidated financial statements.

(12) Subsequent Events

The Organization has evaluated subsequent events through the date the consolidated financial statements were issued, October 21, 2025.