

PATH Consolidated Financial Statements



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Independent Auditor's Report

To the Board of Directors
PATH

Opinion

We have audited the financial statements of PATH and its Subsidiaries (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Clark Nuber P.S.

Certified Public Accountants
May 27, 2026

PATH AND SUBSIDIARIES

Consolidated Statements of Financial Position As of December 31, 2025 and 2024 (In Thousands)

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and cash equivalents	\$ 66,108	\$ 65,009
Investments	222,678	239,814
Awards and contributions receivable, net	33,898	36,945
Prepaid expenses and other	7,926	8,786
Furniture, equipment, and leasehold improvements, net	19,524	19,436
Operating lease right-of-use assets	39,328	55,359
Total Assets	<u>\$ 389,462</u>	<u>\$ 425,349</u>
Liabilities and Net Assets:		
Accounts payable	\$ 23,268	\$ 34,293
Accrued expenses and other liabilities	13,793	16,162
Deferred revenue	231,453	249,013
Operating lease liabilities	44,088	61,400
Loan payable, net	13,832	6,815
Total Liabilities	326,434	367,683
Net Assets:		
Without donor restrictions	30,875	28,899
With donor restrictions	32,153	28,767
Total Net Assets	<u>63,028</u>	<u>57,666</u>
Total Liabilities and Net Assets	<u>\$ 389,462</u>	<u>\$ 425,349</u>

See accompanying notes to the consolidated financial statements.

PATH AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2025
(In Thousands)**

	Program Services				Support Services			Total		
	Global Health Programs	Product Development	Africa	AMEE	Other	Total Program Services	Management and General		Fundraising	Bid and Proposal
Salaries	\$ 32,770	\$ 35,998	\$ 9,483	\$ 8,896	\$ 2,401	\$ 89,548	\$ 15,288	\$ 828	\$ 1,172	\$ 106,836
Sub-agreements	16,766	30,015	3,248	4,469	-	54,498	-	-	-	54,498
Fringe benefits and payroll tax	11,662	11,505	4,138	3,362	800	31,467	4,298	255	442	36,462
Sub-contracts	14,427	14,034	844	1,655	184	31,144	-	-	-	31,144
Professional services	8,912	5,273	3,106	5,078	608	22,977	2,387	149	237	25,750
Occupancy	5,114	5,703	1,389	1,411	452	14,069	2,436	185	191	16,881
Travel	4,133	4,652	4,178	1,498	301	14,762	379	8	120	15,269
Meetings, education, and workshops	3,576	1,348	4,546	1,282	217	10,969	60	8	24	11,061
Temporary services	1,193	434	2,935	2,473	1	7,036	80	-	18	7,134
IT Services	1,938	1,607	1,254	936	158	5,893	543	36	56	6,528
Supplies and other	459	787	160	283	3	1,692	2,312	1	-	4,005
Project procurement	1,380	575	80	385	-	2,420	-	-	-	2,420
Donations, sponsorships, and memberships	434	200	9	106	18	767	369	28	2	1,166
Insurance	110	447	7	1	-	565	492	-	-	1,057
Direct aid to beneficiaries	-	-	-	1,048	-	1,048	-	-	-	1,048
Taxes, licenses, and fees	141	34	385	7	6	573	204	28	1	806
Postage and freight	80	580	37	27	-	724	11	18	-	753
Equipment rental and maintenance	306	203	146	59	-	714	18	-	-	732
Printing and copying	175	131	220	105	6	637	3	38	-	678
Telecommunications	222	55	260	16	7	560	26	-	-	586
In-kind contributions	-	-	-	-	-	-	505	-	-	505
Total Expenses	\$ 103,798	\$ 113,581	\$ 36,425	\$ 33,097	\$ 5,162	\$ 292,063	\$ 29,411	\$ 1,582	\$ 2,263	\$ 325,319

See accompanying notes to the consolidated financial statements.

PATH AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2024
(In Thousands)**

	Program Services				Support Services			Total		
	Global Health Programs	Product Development	Africa	AMEE	Other	Total Program Services	Management and General		Fundraising	Bid and Proposal
Salaries	\$ 35,962	\$ 35,770	\$ 11,028	\$ 11,239	\$ 2,337	\$ 96,336	\$ 18,080	\$ 747	\$ 1,558	\$ 116,721
Sub-agreements	26,859	25,273	8,081	6,176	-	66,389	-	-	-	66,389
Fringe benefits and payroll tax	11,871	10,689	5,431	4,058	780	32,829	4,937	218	554	38,538
Sub-contracts	13,121	15,777	219	1,470	188	30,775	-	-	-	30,775
Professional services	9,410	4,030	4,140	6,182	594	24,356	3,530	190	428	28,504
Travel	5,825	3,609	7,312	2,612	392	19,750	1,435	8	229	21,422
Occupancy	5,899	5,660	1,808	1,747	421	15,535	2,757	172	250	18,714
Meetings, education, and workshops	3,873	801	6,558	1,965	223	13,420	476	21	26	13,943
Temporary services	1,176	292	3,950	3,256	2	8,676	115	-	17	8,808
IT Services	1,816	1,391	1,627	1,206	131	6,171	604	31	64	6,870
Supplies and other	490	882	629	350	8	2,359	973	92	1	3,425
Project procurement	-	-	1,260	1,882	-	3,142	-	-	-	3,142
Direct aid to beneficiaries	672	188	1,161	232	4	2,257	95	2	-	2,354
Equipment rental and maintenance	307	309	746	171	26	1,559	14	60	1	1,634
Donations, sponsorships, and memberships	104	362	70	880	-	1,416	-	-	-	1,416
Printing and copying	475	220	29	153	17	894	292	82	1	1,269
In-kind contributions	229	24	506	7	7	773	27	-	-	800
Insurance	64	445	185	43	-	737	15	28	-	780
Telecommunications	42	202	26	1	-	271	344	-	-	615
Taxes, licenses, and fees	102	30	188	11	6	337	178	28	1	544
Postage and freight	-	15	-	-	-	15	505	-	-	520
Total Expenses	\$ 118,297	\$ 105,969	\$ 54,954	\$ 43,641	\$ 5,136	\$ 327,997	\$ 34,377	\$ 1,679	\$ 3,130	\$ 367,183

See accompanying notes to the consolidated financial statements.

PATH AND SUBSIDIARIES

Consolidated Statements of Cash Flows For the Years Ended December 31, 2025 and 2024 (In Thousands)

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,362	\$ 4,069
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Depreciation and amortization	2,384	2,185
Unrealized gain and accrued interest on investments	(4,557)	(3,065)
Loss on sale and disposal of equipment	167	9
Changes in assets and liabilities:		
Contributions and awards receivable	3,047	(659)
Prepaid expenses and other	860	(1,278)
Lease liabilities, net of right-of-use assets	(1,281)	(969)
Accounts payable	(4,398)	9,139
Accrued expenses and other liabilities	(2,369)	426
Deferred revenue	(17,560)	18,166
Net Cash (Used in) Provided by Operating Activities	(18,345)	28,023
Cash Flows From Investing Activities:		
Purchases of furniture, equipment, and leasehold improvements	(9,323)	(7,320)
Proceeds from sale of equipment	74	39
Purchases of investments	(49,302)	(48,439)
Proceeds from maturity/sales of investments	70,995	309
Net Cash Provided by (Used in) Investing Activities	12,444	(55,411)
Cash Flows From Financing Activities:		
Proceeds from loan payable	7,000	7,000
Payment of debt issuance costs	-	(185)
Net Cash Provided by Financing Activities	7,000	6,815
Net Change in Cash and Cash Equivalents	1,099	(20,573)
Cash and cash equivalents, beginning of year	65,009	85,582
Cash and Cash Equivalents, End of Year	\$ 66,108	\$ 65,009
Supplementary Disclosure of Noncash Investing Activities:		
Leasehold improvement costs included in accounts payable	\$ -	\$ 6,627

See accompanying notes to the consolidated financial statements.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Organization and Summary of Accounting Policies

Organization - PATH, along with its controlled entities (collectively, the Organization) is a global nonprofit accelerating health equity and access to good health so people and communities can thrive. PATH advises and partners with public institutions, businesses, grassroots groups, and investors and is headquartered in Seattle. PATH delivers through a model that is both global and local, with a presence in Africa, Asia-Pacific, Americas, and Europe working in more than 70 countries and offices in 25 countries.

With leading capabilities in primary health care, malaria, vaccines, and data and digital solution development, its team of professionals includes scientists, health professionals, business leaders, advocates, and experts from dozens of specialties, to transform bold ideas into sustainable solutions that improve health and well-being. PATH solution areas focus on product development and access; health and disease management, and health systems strengthening.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting under accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements include the accounts of PATH and PATH's controlled entities, including:

- Foundation for Appropriate Technologies in Health - Switzerland (FATH), a Swiss Foundation.
- Program for Appropriate Technology in Health (PATH), an organization registered under the Nongovernmental Organizations Co-ordination Act, 1990 in Kenya.
- Organization for Innovation in Public Health Limited by Guarantee (OIPT-NG), a private company in Nigeria.

All inter-entity accounts and transactions have been eliminated in consolidation.

For the purposes of financial reporting, the Organization classifies resources into two net asset categories pursuant to any donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

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

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations to be invested in perpetuity, restricted for specific purposes, or that may or will be met by actions of the Organization and/or the passage of time.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Continued

Award and contribution revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Donor stipulated restrictions expire when the stipulated purpose has been fulfilled and/or the stipulated time period has elapsed. Expirations of restrictions related to the passage of time result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

The Organization has elected to report donor-restricted contributions whose restrictions are met in the same period that the condition is met as revenue within net assets without donor restriction.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less, other than those held in the Organization's investment portfolio, to be cash equivalents.

Investments - Investments in equity securities with readily determinable market values and all debt securities are recorded at fair value. Unrealized and realized gains and losses on these investments are reported in the consolidated statements of activities and changes in net assets. Securities are generally held in custodial investment accounts administered by certain financial institutions.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Investment return consists primarily of income and gains and losses earned on cash, cash equivalents, and investments. Where directed by the donor or grantor, investment return on award advances is credited to deferred revenue for future use as specified in the award agreement. All other investment return is credited to net assets with or without donor restrictions as is appropriate.

Awards and Contributions Revenue Recognition - Awards and contributions from United States and foreign government agencies, foundations, and public and private funders are recognized as revenue when the donor-imposed conditions, if any, have been met. Revenue from contracts with customers are recognized at the time the service or good is provided. Funding received in advance of incurring project expenditures is recorded as a deferred revenue obligation.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Continued

Contributions and awards receivable are stated at the amount management expects to collect from outstanding balances. Awards receivable represents expenditures made in accordance with the terms of the awards not yet reimbursed in cash. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to awards contributions receivable.

Furniture, Equipment, and Leasehold Improvements - The Organization capitalizes furniture and equipment with a cost of \$5,000 or greater and leasehold improvements with a cost of \$25,000 or greater. The cost of furniture and equipment is depreciated over the estimated useful life of the asset and is computed using the straight-line method. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Maintenance and repairs are charged to expense as incurred. Initial technology application implementations of \$150,000 or greater are capitalized and depreciated. Internally developed software and internally developed enhancements and modifications to existing or purchased software that result in additional functionality with a total development cost in excess of \$150,000 are capitalized and depreciated.

Vulnerability From Certain Concentrations - Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and investments. Cash and cash equivalents and investments held by financial institutions in the U.S. at times exceed Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insured limits. Cash and cash equivalents held in foreign countries are generally uninsured.

For the year ended December 31, 2025, total operating revenues of 46% were from one private foundation and 20% were from agencies of the United States government (41% and 34%, respectively in 2024). Management is aware of the related vulnerabilities but does not anticipate material losses in connection with these concentrations. The Organization actively pursues a broad base of donors and funding sources.

Donated Goods and Services - Donations of goods, including property and equipment and software licenses, are recorded as support at their estimated fair values at the date of donation. Such donations are reported as support without restrictions unless the donor has restricted the donated asset to a specific purpose. Donated services are recognized if the services received (i) create or enhance nonfinancial assets or (ii) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Continued

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include service center costs, fringe benefits, payroll taxes, occupancy, and overhead expenses. Service centers perform specific technical or administrative services and include graphic design, human resources operations and talent acquisition, donor reporting, information systems, country specific facilities and administration, and lab and shop. Service center costs are direct charged based on usage. Fringe benefits, payroll taxes, and occupancy expenses are allocated to program and supporting services categories based on salary expense. Overhead expenses are allocated to program and supporting services categories based on modified direct costs.

Operating and Nonoperating Activities - Operating activities represent all sources of revenue and expenses except those designated as nonoperating. Nonoperating activities include gains and losses related to foreign currency exchange.

Sub-Agreements and Sub-Contracts - In connection with projects funded through awards and contributions, the Organization enters into funding agreements and cooperative agreements with collaborating partners including international agencies, ministries of health, nongovernmental organizations, commercial entities, and universities. Subagreements and subcontracts awarded from these projects are funded by contributions with conditions from other organizations and recorded as expense, which totaled \$85.6 million and \$97.2 million for the years ended December 31, 2025 and 2024, respectively.

Tax-Exempt Status - The Internal Revenue Service has determined that PATH is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). It is classified as an organization that is not a private foundation under Section 501(a) of the IRC.

PATH Kenya is a nonprofit organization registered in Kenya under Section 10 of Non-Governmental Organizations Co-ordination Act, Cap 134 (NGO Act). The NGO Act was repealed by the Public Benefits Organizations Act No. 18 of 2013 (PBO Act) which came into effect on 14 May 2024. PATH Kenya is now deemed a Public Benefits Organization (PBO), pending formal re-registration under the PBO Act. PATH Kenya qualifies for exemption from income tax under Paragraph 1 (a) of the Second Schedule of the PBO Act and Paragraph 10 of the First Schedule of the Income Tax Act, Cap 470.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 1 - Continued

FATH, as an independent nonprofit foundation within the meaning of Article 80 et seq of the Swiss Civil Code, has been granted certain exemptions from tax by the Switzerland Department of Finance, Cantonal Tax Administration.

OIPT-NG is a nonprofit organization which is registered as a private company limited by guarantee in Nigeria under the Companies and Allied Matters Act 2020. OIPT-NG qualifies for exemption from income tax under Section 23(1)(c) of the Companies Income Tax Act, Cap C21, laws of Nigeria.

Foreign Currency Translation - Assets and liabilities of the Organization that are held in foreign currencies are translated at year end exchange rates. Revenues and expenses are translated using a rate based upon the funding rate the Organization receives from banks when transferring money between currencies, which approximates the exchange rate at the transaction date. Gains and losses from foreign currency translation for the year are included in the consolidated statements of activities and changes in net assets.

Operating Leases - PATH has entered into a variety of operating leases for office space and equipment whereby the Organization receives substantially all the economic benefits from and has the ability to direct its use. Operating leases are recorded as an operating lease right of use asset, together with the corresponding lease liability in the Consolidated Statement of Financial Position, unless the term of the lease is 12 months or less.

A right of use asset represents the right to use the underlying assets for the lease term and operating lease liabilities represent the obligations to make lease payment arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses the risk-free rate at lease commencement to perform a lease classification test and to measure the lease liability and right of use asset. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The Organization has evaluated subsequent events through May 27, 2026, the date on which the financial statements were available to be issued.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31:

	(In Thousands)	
	2025	2024
Cash	\$ 23,442	\$ 17,545
Money market accounts and other cash equivalents	42,666	47,464
Total Cash and Cash Equivalents	\$ 66,108	\$ 65,009

Cash and cash equivalents held in bank accounts outside of the United States totaled \$13.1 million and \$14.7 million at December 31, 2025 and 2024, respectively. When required, the Organization holds project-related funds in separate bank accounts.

Cash and cash equivalents totaling \$3.2 million and \$7.0 million at December 31, 2025 and 2024, respectively, are proceeds from the loan payable described in Note 7 and are held in a separate bank account.

Note 3 - Investments

Investments consisted of the following at December 31:

	(In Thousands)	
	2025	2024
Fixed income mutual funds and securities	\$ 188,128	\$ 184,842
Equity mutual funds	20,313	14,202
Money market investment funds	14,237	40,770
Total Investments	\$ 222,678	\$ 239,814

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 3 - Continued

Where directed by the donor or grantor, investment return on award advances is credited to deferred revenue for future use as specified in the award agreement. Investment return utilized for specific awards is included in investment return on the consolidated statement of activities and changes in net assets. A reconciliation of investment return earned for the year and investment return reported on the consolidated statement of activities and changes in net assets for the years ended December 31 is presented below:

	(In Thousands)	
	2025	2024
Interest and dividends	\$ 8,745	\$ 10,084
Unrealized gains	5,615	2,626
Realized gains	33	21
Investment management services	(238)	(309)
Investment return	14,155	12,422
Investment return added to deferred revenues	(5,194)	(7,746)
Use of investment return from deferred revenues	4,699	3,522
Income and Funding from Invested Funds Reported on the Consolidated Statement of Activities and Changes in Net Assets	\$ 13,660	\$ 8,198

Valuation Techniques - U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

The framework uses a three-level valuation hierarchy based on observable and nonobservable inputs. Observable inputs consist of data obtained from independent sources. Nonobservable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, or model-derived valuations whose inputs are observable. Assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 3 - Continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024.

Debt Securities - Valued using bid evaluations from similar instruments in actively traded markets.

Equity and Debt Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Organization at year end.

Money Market Investment Funds - Valued at cost plus accrued interest, which approximates fair value.

As of December 31, 2025 and 2024, all investments were considered Level 1 investments.

Note 4 - Awards and Contributions Receivable

Awards and contributions receivable consisted of amounts due in less than one year and are recorded net of an allowance for doubtful accounts of \$2,862,000 and \$983,000, respectively, at December 31, 2025 and 2024.

Note 5 - Furniture, Equipment, and Leasehold Improvements

The Organization funds purchases of furniture, equipment, and leasehold improvements from two sources: net assets without donor restriction, or project funds with donor restrictions.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 6 - Continued

Additionally, the leases may include payments for common area maintenance, utilities, taxes, and insurance that are considered variable lease payments and are excluded from determining the lease liability.

The components of lease expense for the years ended December 31 were as follows:

	(In Thousands)	
	2025	2024
Operating lease cost	\$ 8,280	\$ 8,725
Variable lease cost	2,629	2,245
Short-term and other lease costs	1,505	814
Total Lease Expense	\$ 12,414	\$ 11,784

Supplemental cash flow information related to leases as of December 31 was as follows:

	(In Thousands)	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities- Operating cash flows for operating leases	\$ 9,700	\$ 10,614
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,346	\$ 34,445
Weighted-average remaining lease term	11.3 years	11.2 years
Weighted-average discount rate	4.0%	3.0%

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 6 - Continued

Future minimum payments required under operating leases are as follows:

For the Year Ending December 31,	<u>(In Thousands)</u>
2026	\$ 7,986
2027	6,992
2028	3,451
2029	3,252
2030	3,200
Thereafter	<u>30,740</u>
Total undiscounted cash flows	55,621
Less present value discount	<u>(11,533)</u>
Total Lease Liabilities	<u>\$ 44,088</u>

Note 7 - Loans Payable

Loans payable include conduit tax-exempt debt and a line of credit.

Conduit Tax-Exempt Debt - In July 2024, PATH entered into a financing arrangement with the Washington State Housing Finance Commission and DNT Asset Trust, a subsidiary of JP Morgan Chase Bank, National Association for tax-exempt lending in the aggregate principal amount of \$14,000,000. The proceeds from the Nonprofit Revenue Bonds (PATH West Dock Project), Series 2024 are to be used to finance the build-out of PATH's new headquarters facility in Seattle, Washington, encompassing laboratory, shop, and office space and may only be used on eligible expenditures for tax-exempt public financing. As the facility is tax exempt financed, PATH also must comply with private business use limitations set by the IRS for this form of financing.

Although the bonds were issued in the name of the Washington State Housing Finance Commission, PATH is the conduit obligor and is solely responsible for the repayment of the debt. The financing arrangement is structured such that PATH makes semiannual loan payments to a trustee, which in turn services the bondholders. The bond agreement requires PATH to make principal and interest payments on the loan payable through January 1, 2035, at a fixed interest rate of 4.19%.

The outstanding principal balance on the conduit debt was \$14 million and \$7 million at December 31, 2025 and 2024, respectively. The debt is secured by PATH's unrestricted domestic cash and investment, chattel paper, all equipment, inventory, goods and removable trade fixtures located at the Leased Premises (other than Donor Restricted Assets, general intangibles and intellectual property).

The Organization has recognized the full amount of the obligation as a liability in its statement of financial position in accordance with U.S. GAAP, as it is the party responsible for repayment.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 7 - Continued

Loan payable consisted of the following at December 31:

	(In Thousands)	
	<u>2025</u>	<u>2024</u>
Principal outstanding	\$ 14,000	\$ 7,000
Less debt issuance costs	<u>(168)</u>	<u>(185)</u>
Total Loan Payable, Net	<u>\$ 13,832</u>	<u>\$ 6,815</u>

Future principal maturities of long-term debt are as follows:

For the Year Ending December 31,	(In Thousands)
2026	\$ -
2027	1,313
2028	1,368
2029	1,425
2030	1,485
Thereafter	<u>8,409</u>
Total Loan Payable Principal Maturities	<u>\$ 14,000</u>

The bond is subject to mandatory tender on July 23, 2029, whereby the Organization will be required to purchase the bonds from the bank at par plus accrued interest. Upon mandatory tender, the Organization may attempt to remarket the bond to the bank or to new investors for a new term; however, the bank is not obligated to purchase the bond for that additional term.

Line of Credit - The Organization has a revolving line of credit effective July 23, 2024 with a maximum borrowing amount of \$3 million. The line of credit is secured by collateral including property owned, leased, or operated by PATH. The loan document includes certain restrictive covenants, including the requirement for the Organization to maintain certain financial ratios. The interest rate is the adjusted term SOFR rate plus 1.60% for SOFR borrowings or the greater of the prime rate or 2.50% for CBFR borrowings. The line of credit matures on July 23, 2026. There were no draws on the line of credit during the years ending December 31, 2025 and 2024, respectively.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 8 - Net Assets

Net assets consisted of the following at December 31:

	(In Thousands)	
	2025	2024
Net Assets Without Donor Restrictions:		
Board designations-		
Contingency reserve	\$ 10,000	\$ 10,000
Capital fund	2,000	5,000
Self-insured retention reserve	1,364	1,503
	<hr/>	<hr/>
Total board designated	13,364	16,503
Undesignated	17,511	12,396
	<hr/>	<hr/>
Total Net Assets Without Donor Restrictions	30,875	28,899
Net Assets With Donor Restrictions:		
Private campaign - donor-restricted	23,073	19,820
Donor-restricted endowment funds	8,347	7,393
Project equipment	733	1,049
Prepaid licenses	-	505
	<hr/>	<hr/>
Total Net Assets With Donor Restrictions	32,153	28,767
	<hr/>	<hr/>
Total Net Assets	\$ 63,028	\$ 57,666

The following is a description of board-designated net assets without donor restrictions:

Contingency Reserve - A board established reserve to help ensure PATH's long-term financial stability and position the Organization to respond to varying economic conditions and changes that affect its financial position and ability to continuously carry out its mission.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 8 - Continued

The main objectives of this reserve are to protect against sudden and significant disruptions to the Organization's business continuity and operative capital requirements, and to promote public and funder confidence in the long-term stability of the Organization. This reserve is comprised of:

	(In Thousands)	
	2025	2024
Quasi-endowment*	\$ 4,628	\$ 4,099
Contingency reserve	5,372	5,901
Total Contingency Reserve	\$ 10,000	\$ 10,000

* Quasi-Endowment - Amounts designated to function as an endowment which provide general support for the Organization (Note 9).

Capital Fund - A reserve amount set aside for furniture, equipment or leasehold improvements generally set not less than the anticipated net book value of the Organization's assets, less tenant improvement allowances.

Self-Insurance Retention Reserve - A reserve set aside for uninsured portion of claims resulting from settlement of judgment of actions related to clinical trials. The Organization maintains a research insurance program made up of a Self-Insured Retention (SIR) reserve fund and an excess insurance policy. The Organization's SIR program covers claims up to \$125,000 per incident and is funded by allocations to programs that are conducting clinical trials involving human subjects. As of December 31, 2025 and 2024, \$1.4 million and \$1.5 million has been funded and set aside in the reserve, respectively. It is anticipated that additional planned annual allocations and interest income will add to the reserve going forward. Additionally, the Organization carries an excess insurance policy to cover any potential claims from \$125,000 to \$10 million.

Net assets with donor restrictions are available primarily for global health initiatives.

Note 9 - Endowment

The Organization's endowment includes both donor-restricted endowment funds and Board designated quasi-endowment funds which provide general support for the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 9 - Continued

The Board of Directors of the Organization has interpreted the Washington Prudent Management of Institutional Funds Act (PMIFA) as making it advisable for the Organization to track fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization considers the value of a fund to be deficient if the fair value of the fund is less than the sum of (a) the original value of gifts donated to the endowment, and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no deficient endowment funds at December 31, 2025 or 2024.

The remaining portion of the donor-restricted endowment fund is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Organization 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, other resources of the Organization and the investment policies of the Organization.

Changes to endowment net assets were as follows for the years ended December 31, 2025 and 2024:

	(In Thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2024	\$ 3,759	\$ 6,780	\$ 10,539
Endowment investment return	510	915	1,425
Earnings appropriated for expenditure	<u>(170)</u>	<u>(302)</u>	<u>(472)</u>
Endowment Net Assets, December 31, 2024	4,099	7,393	11,492
Endowment investment return	719	1,291	2,010
Earnings appropriated for expenditure	<u>(190)</u>	<u>(337)</u>	<u>(527)</u>
Endowment Net Assets, December 31, 2025	<u>\$ 4,628</u>	<u>\$ 8,347</u>	<u>\$ 12,975</u>

The Organization adopted an investment policy that encompasses investment of endowment assets in a manner to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 9 - Continued

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a long-term investment portfolio, together with PATH's other reserves, that includes fixed income debt securities, equity and other securities or funds, traded in active markets to ensure a broad diversification among investment styles, sectors, industries, market capitalizations and credit quality. These vehicles offer the advantages of economies of scale, greater liquidity, broader diversification, cost efficiency, lower transaction costs and low minimum investment requirements not available through separate account management.

The Organization has established an endowment spending policy for appropriating a maximum distribution in support of PATH's programs each year. Each year, PATH distributes up to 5% of the market value of the endowment investment portfolio, calculated based on the prior year's ending balance to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Note 10 - Awards From the Foreign, Commonwealth, and Development Office

The Organization has received several awards from the Foreign, Commonwealth, and Development Office (FCDO), United Kingdom of Great Britain and Northern Ireland, to support specific projects. FCDO requires separate disclosure of revenue recognized in the Organization's financial statements. Revenue recognized, for each of these projects was as follows for the years ended December 31:

	(In Thousands)	
	<u>2025</u>	<u>2024</u>
FCDO Innovation Strategy	\$ 954	\$ -
Reproductive Health Supplies Coalition - COF MHS Program	228	44
FCDO Global Nutritional Report (GNR) (2025-2026)	86	-
Global Nutrition Report	80	1,220
Mother-Baby Friendly Initiative-Plus Model for Human Milk Banking-County Innovation Challenge Fund	13	-
Product Development Partnership Programme 2017 to 2021	-	(111)
Reproductive Health Supplies Coalition (2020-2025)	(6)	1,514
Total Awards From FCDO	<u>\$ 1,355</u>	<u>\$ 2,667</u>

As disclosed in Note 1, revenue for these awards is recognized as related allowable project costs are incurred and is included in award and contribution revenue on the consolidated statements of activities and changes in net assets.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 11 - Employee Benefits

The Organization sponsors a defined contribution 401(k) plan (the Plan) for US employees. Under the Plan, eligible PATH employees may elect to contribute up to 75% of their pre-tax compensation, subject to certain limits under the IRC. The Organization will match the employee's contribution monthly at a ratio of 1:1 for the first 2%, and 1:2 for the next 4%, with a maximum employer contribution equal to 4% of pre-tax salary. Employer matching contributions to the Plan are fully vested after one year of completed service. Employee optional contributions in the Plan vest immediately. In addition, the Organization may make a voluntary employer contribution of up to 8% of employees' base compensation. Voluntary employer contributions to the Plan vest at a rate of 20% for each completed year of service. All regular U.S. hire employees are eligible to enter the Plan on the first of the month after completing three months of employment. The Organization also offers an optional Roth 401(k) plan.

Within the various countries in which PATH operates outside the United States, most employees are citizens of the host country. These employees are eligible for plans, including local government sponsored plans, appropriate for that country.

Employer contributions for US-based plans totaled \$6.8 million and \$8.9 million for the years ended December 31, 2025 and 2024, respectively. Total global pension contributions totaled \$10.9 million and \$13.5 million for the years ended December 31, 2025 and 2024, respectively.

Note 12 - Contributions

Contributions consist of cash gifts and pledges both with and without donor restrictions. Donor restricted contributions and pledges are to be used for specific purposes and/or will be paid over a period of time. Contribution revenue for the years ended December 31 consisted of:

	(In Thousands)	
	2025	2024
Contributions without donor restrictions	\$ 2,099	\$ 2,278
Contributions with donor restrictions-		
Time restricted	224	32
Purpose restricted	5,182	955
Total contributions with donor restrictions	5,406	987
Total Contributions	\$ 7,505	\$ 3,265

Note 13 - Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 13 - Continued

The Organization has board designated funds within its net assets without donor restrictions which serve as operating reserves with a balance of \$13.4 million and \$16.5 million at December 31, 2025 and 2024 respectively. These funds can be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

The total amount of unrecognized revenue associated with awards for active and future projects at December 31, 2025 and 2024, was \$1.2 billion and \$934 million, respectively. At December 31, 2025, 46%, or \$544 million, of the Organization's unrecognized revenue from these awards were from one private foundation and 28%, or \$323 million, were from agencies of the United States government (59% and 18%, respectively at December 31, 2024). The amounts from United States government represent remaining unearned revenue for obligated amounts under federal awards.

The Organization also maintains a \$3 million line of credit available to meet seasonal cash flow needs (Note 7).

The following reflects the Organization's financial assets as of the date of the consolidated statement of financial position, reduced by amounts not available for general use within one year of the date of the consolidated statement of financial position because of contractual or donor-imposed restrictions.

	(In Thousands)	
	<u>2025</u>	<u>2024</u>
Financial assets, at year end-		
Cash and cash equivalents	\$ 66,108	\$ 65,009
Investments	222,678	239,814
Contributions and awards receivable	<u>33,898</u>	<u>36,945</u>
Total financial assets	322,684	341,768
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions-		
Restricted by donor with time or purpose restrictions	(31,420)	(27,213)
Loan proceeds to be spent on leasehold improvements		(7,000)
Deferred revenue subject to meeting award conditions	<u>(231,453)</u>	<u>(249,013)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 59,811</u>	<u>\$ 58,542</u>

PATH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Years Ended December 31, 2025 and 2024

Note 14 - Commitments and Contingencies

Awards - PATH participates in several United States government and other grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that PATH has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2025 and 2024 may be impaired. Liabilities are accrued for any amounts where management assesses a probability of adjustment or refund to funders.

Conditional Grants and Contracts - PATH has awarded conditional grants and contracts to subrecipients related to performance of these sponsored projects, which have outstanding commitments of up to \$178 million and \$214 million as of December 31, 2025 and 2024, respectively.

Contingencies - In the normal course of business, the Organization has various claims in process, matters in litigation, and other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

Note 15 - Subsequent Events

In April 2026, the Organization received an assessment from the taxing authority in one of the countries the Organization operates in upon conclusion of a tax audit relating to 2025 and certain prior years. The Organization is appealing the assessment. Given the contingent nature of the assessment, no liability has been recorded on the accompanying financial statements as of December 31, 2025. Management estimates that the range of possible loss associated with this matter is from \$0 to \$1,000,000. The ultimate resolution of this matter may differ from the Organization's current assessment.