



AmeriCares[®]
A Passion to Help. The Ability to Deliver.

Consolidated Financial Statements
For the year ended June 30, 2008

AmeriCares Foundation, Inc.
Consolidated Financial Statements
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June 30, 2008

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Report of Independent Auditors

To the Board of Directors of
AmeriCares Foundation, Inc.:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities, cash flows and functional expenses present fairly, in all material respects, the financial position of AmeriCares Foundation, Inc. (the "Foundation") at June 30, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements, and in our report dated September 21, 2007, we expressed an unqualified opinion on those financial statements. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

September 26, 2008

AmeriCares Foundation, Inc.
Consolidated Statement of
Financial Position

As of June 30, 2008
(with summarized comparative
totals for 2007)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 4,067,739	\$ 4,340,545
Investments	32,464,331	49,680,037
Contributions receivable	2,040,776	1,627,048
Interest and miscellaneous receivables	105,070	217,914
Inventory	145,935,432	182,349,764
Prepaid expenses	555,528	847,118
Total current assets	<u>185,168,876</u>	<u>239,062,426</u>
Property and equipment		
Building	697,308	525,348
Furniture and equipment	1,333,074	1,036,964
Leasehold improvements	1,483,052	807,559
Construction-in-progress	483,859	332,120
Accumulated depreciation and amortization	(1,219,437)	(936,368)
Net property and equipment	<u>2,777,856</u>	<u>1,765,623</u>
Other assets		
Contributions receivable - net	671,257	303,808
Property held for investment	343,264	650,177
Beneficial interest in:		
Perpetual assets held in trust	1,969,542	496,153
Trust agreements	1,480,201	201,162
Total other assets	<u>4,464,264</u>	<u>1,651,300</u>
Total assets	<u>\$ 192,410,996</u>	<u>\$ 242,479,349</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,504,276	\$ 3,476,455
Committed grants and relief supplies	12,129,175	14,150,180
Total current liabilities	<u>16,633,451</u>	<u>17,626,635</u>
Noncurrent liabilities		
Liability under split-interest agreements	318,540	279,140
Loan payable, net	256,784	246,258
Committed grants and relief supplies	1,993,532	2,152,660
Total noncurrent liabilities	<u>2,568,856</u>	<u>2,678,058</u>
Total liabilities	<u>19,202,307</u>	<u>20,304,693</u>
Net assets		
Unrestricted	105,060,837	146,650,189
Temporarily restricted	64,951,904	73,801,908
Permanently restricted	3,195,948	1,722,559
Total net assets	<u>173,208,689</u>	<u>222,174,656</u>
Total liabilities and net assets	<u>\$ 192,410,996</u>	<u>\$ 242,479,349</u>

AmeriCares Foundation, Inc.
Consolidated Statement of Activities

For the year ended June 30, 2008
(with summarized comparative
totals for 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2008	2007
Support and revenue					
Public support					
Cash contributions	\$ 19,694,835	\$ 9,205,124	\$ -	\$ 28,899,959	\$ 22,265,286
Securities contributions	1,427,063	36,638		1,463,701	650,908
Contributions from split-interest agreements		1,303,895	1,615,155	2,919,050	
Donated medical and disaster supplies	762,983,858	217,548,866		980,532,724	853,528,608
Contributed services and other	4,469,125			4,469,125	4,098,646
Net assets released from restrictions	236,953,812	(236,953,812)			
Total public support	1,025,528,693	(8,859,289)	1,615,155	1,018,284,559	880,543,448
Revenue					
Interest and dividend income	2,194,920			2,194,920	2,608,927
Net gain on sale of securities	487,047			487,047	823,545
Unrealized gain (loss) on securities	(2,546,092)			(2,546,092)	1,605,374
Other	569,712			569,712	465,774
Change in value of split-interest agreements	(96,847)	9,285	(141,766)	(229,328)	(12,104)
Total revenue	608,740	9,285	(141,766)	476,259	5,491,516
Total support and revenue	1,026,137,433	(8,850,004)	1,473,389	1,018,760,818	886,034,964
Expenses					
Program services					
Program related expenses	22,018,009			22,018,009	18,409,359
Grants and awards	1,031,044,880			1,031,044,880	840,147,635
Total program services	1,053,062,889			1,053,062,889	858,556,994
Supporting services					
Management and general	5,213,998			5,213,998	4,237,912
Fund raising	9,449,898			9,449,898	7,486,601
Total supporting services	14,663,896			14,663,896	11,724,513
Total expenses	1,067,726,785			1,067,726,785	870,281,507
Change in net assets	(41,589,352)	(8,850,004)	1,473,389	(48,965,967)	15,753,457
Net assets - beginning of year	146,650,189	73,801,908	1,722,559	222,174,656	206,421,199
Net assets - end of year	\$105,060,837	\$ 64,951,904	\$ 3,195,948	\$173,208,689	\$222,174,656

AmeriCares Foundation, Inc.
Consolidated Statement of
Cash Flows

For the year ended June 30, 2008
(with summarized comparative
totals for 2007)

Supplemental cash flow information

Noncash items included \$980,532,724 and \$853,528,608 of donated medical and other disaster relief supplies, and \$4,179,125, and \$4,098,646 of contributed services and facilities in 2008 and 2007, respectively. Cash used in operating activities included payments for interest on gift annuities of \$79,310 and \$85,770 in 2008 and 2007, respectively.

	2008	2007
Cash flows from operating activities		
Change in net assets	\$ (48,965,967)	\$ 15,753,457
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	298,625	247,813
Net (gain) on sale of securities	(487,047)	(823,545)
Unrealized (gain) loss on investments	2,546,092	(1,605,374)
Cash received for endowment		(331,758)
Unrealized loss on property held for investment		134,560
Property held for investment	(269,397)	(59,737)
Changes in assets and liabilities		
Interest and miscellaneous receivables	112,844	135,326
Contributions receivable	(781,177)	(304,002)
Inventory	36,414,332	(31,976,421)
Prepaid expenses	291,590	(363,862)
Beneficial interest in trusts	(2,752,427)	(43,198)
Accounts payable and accrued expenses	1,027,819	511,559
Committed grants and relief supplies	(2,180,133)	(1,004,459)
Liability under split-interest agreements	39,400	(41,251)
Net cash (used in) operating activities	(14,705,446)	(19,770,892)
Cash flows from investing activities		
Purchase of fixed assets	(1,329,233)	(510,314)
Disposal of fixed assets, net	18,375	18,195
Proceeds from sale of investments	22,863,393	24,708,587
Purchase of investments	(7,706,733)	(8,526,487)
Proceeds from sale of property held for investment	576,311	
Net cash provided by investing activities	14,422,113	15,689,981
Cash flows from financing activities		
Cash received for endowment		331,758
Increase in loan payable	10,526	246,258
Net cash provided by financing activities	10,526	578,016
Net (decrease) in cash and cash equivalents	(272,806)	(3,502,895)
Cash and cash equivalents at beginning of year	4,340,545	7,843,440
Cash and cash equivalents at end of year	\$ 4,067,739	\$ 4,340,545

AmeriCares Foundation, Inc.
Consolidated Statement of
Functional Expenses

For the year ended June 30, 2008
(with summarized comparative
totals for 2007)

	Program	Supporting Services		Total Expenses 2008	Total Expenses 2007
		Management and General	Fund Raising		
Functional expenses					
Salaries and related payroll expenses	\$ 6,746,228	\$3,322,859	\$3,289,954	\$ 13,359,041	\$ 11,219,768
Rent and other occupancy costs	1,403,645	241,661	214,945	1,860,251	1,430,975
Grants and awards, relief supplies	1,014,882,204			1,014,882,204	816,483,805
Grants to other agencies	13,968,880			13,968,880	17,722,741
Inventory write-off	2,238,008			2,238,008	6,041,733
Professional fees and contract services	3,801,056	863,326	1,887,194	6,551,576	5,619,346
Office supplies and equipment	119,245	130,656	350,974	600,875	547,638
Telephone	136,276	38,451	22,266	196,993	164,394
Postage, shipping and warehousing	7,625,919	23,698	968,845	8,618,462	6,730,048
Equipment and software rental	145,108	48,598	39,011	232,717	175,392
Promotional expenses	160,300	13,639	2,393,882	2,567,821	1,813,844
Travel	754,588	112,552	72,997	940,137	866,475
Insurance and miscellaneous	379,243	384,861	171,788	935,892	891,715
Building materials	473,303		2,000	475,303	325,820
Depreciation and amortization	228,886	33,697	36,042	298,625	247,813
Total functional expenses 2008	\$1,053,062,889	\$5,213,998	\$9,449,898	\$1,067,726,785	
Total functional expenses 2007	\$ 858,556,994	\$4,237,912	\$7,486,601		\$ 870,281,507

AmeriCares Foundation, Inc.

Notes to Consolidated Financial Statements

June 30, 2008

1. Organization

AmeriCares Foundation, Inc. (“AmeriCares”), a not-for-profit organization which was established in 1979, principally provides medicine, emergency medical supplies and other disaster relief aid to those in need throughout the world. In addition, AmeriCares sponsors AmeriCares Free Clinics, Inc., an affiliated organization which operates three free health clinics in Connecticut, Camp AmeriKids, Inc., an affiliated organization which operates a summer camp in New York for children affected by or infected with HIV/AIDS, and AmeriCares HomeFront, Inc., an affiliated organization which mobilizes volunteers and goods to perform repair services for needy homeowners and community centers.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying consolidated financial statements include AmeriCares Foundation, Inc. and its affiliated organizations as described in Note 1 and have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net asset accounting

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

- Unrestricted net assets are utilized to account for public support and program revenues that can be used at AmeriCares’ discretion.
- Temporarily restricted net assets are utilized to account for contributions that are donor restricted for uses which have not yet been fulfilled either in time or by purpose.
- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but generally permit AmeriCares to use all or part of the income earned on these assets for either specified or unspecified purposes.

AmeriCares Foundation, Inc.**Notes to Consolidated Financial Statements continued****June 30, 2008**

AmeriCares reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at net present value.

Donated medical and disaster supplies

AmeriCares reports gifts of donated supplies as unrestricted support unless explicit donor stipulations specify how or where the donated supplies must be used. Gifts of donated supplies with explicit restrictions that specify how or where the assets are to be used are reported as restricted support. Donated supplies are recognized at wholesale value, which approximates fair value, as provided by the donor or, in the absence of donors' valuations, at wholesale values estimated by AmeriCares using published industry information. While it is the policy of AmeriCares to distribute all donated supplies as promptly as feasible, donated supplies which remain at year end are recorded as inventory, generally at wholesale value. Unrestricted donated supplies not yet distributed had approximate wholesale values of \$93,679,602 and \$132,034,891 at June 30, 2008 and 2007, respectively. Restricted donated supplies not yet distributed had approximate wholesale values of \$52,006,653 and \$50,167,170 at June 30, 2008 and 2007, respectively.

AmeriCares operates a Patient Assistance Program through which it receives gifts in kind of donated medical supplies which totaled \$184,377,314 and \$157,873,132 for the years ended June 30, 2008 and 2007, respectively. Additionally, AmeriCares received gifts of cash to assist with the funding of program costs totaling \$3,713,596 and \$3,818,870 for the years ended June 30, 2008 and 2007, respectively. These donations are used to provide drugs to needy patients in the United States of America that have met various eligibility criteria and who would not otherwise be able to afford them. In addition, contributions receivable have been recorded for cash amounts pledged by donors to the program of \$817,941 and \$610,837 at June 30, 2008 and 2007, respectively.

AmeriCares Foundation, Inc.

Notes to Consolidated Financial Statements continued

June 30, 2008

For the period including the year ended June 30, 2005 through the year ended June 30, 2008, AmeriCares received total cash and gifts in kind of \$46,351,366 restricted to the December 26, 2004 South East Asia tsunami disaster relief. AmeriCares has incurred total expenses for this disaster relief program, including shipments of gifts in kind, of \$44,533,956 including \$11,123,064 and \$9,274,604 for the years ended June 30, 2008 and 2007, respectively. At June 30, 2008 AmeriCares had \$1,817,410 remaining uncommitted in the fund.

For the period including the year ended June 30, 2006 through the year ended June 30, 2008, AmeriCares received total cash and gifts in kind of \$14,122,546 restricted to the Hurricane Katrina disaster relief. AmeriCares has incurred total expenses for this disaster relief program, including shipments of gifts in kind, of \$13,824,363 including \$1,287,856 and \$8,196,594 for the years ended June 30, 2008 and 2007, respectively. At June 30, 2008 AmeriCares had \$298,183 remaining uncommitted in the fund.

Committed grants and relief supplies

AmeriCares makes grants and awards to organizations that help in the rehabilitation, rebuilding and recovery efforts of areas suffering as the result of natural or manmade disasters, as well as complex humanitarian situations. A liability for cash grants or grants of both cash and materials is recorded when AmeriCares has approved the grant. A liability for relief supplies is recorded when acceptance for the shipment of the relief supplies is received from the donee. Committed grants beyond one year are reported at the present value of their estimated cash flows using a discount rate of 4.95% which approximates the Foundation's rate of return on bank deposits. At June 30, 2008 and 2007 the Foundation had outstanding liabilities for these purposes of \$14,122,707 and \$16,302,840, respectively.

Split-interest agreements

Receivables from split-interest agreements represent the net present value of an estimate of the funds to be received from various irrevocable lead trusts held by third party trustees. The net present value of these receivables was determined by using an estimate of the funds to be received from these portfolios, the specified number of periods the funds will be received and a discount rate determined at the time of the gift.

AmeriCares Foundation, Inc.**Notes to Consolidated Financial Statements continued****June 30, 2008**

Liabilities from split-interest agreements result from annuity contracts whereby donors receive life-time income in exchange for a payment that constitutes part charitable contribution and part purchase of an annuity. Under the terms of the agreements, the assets, which are included in investments, are temporarily restricted. The liability is recorded at the present value of the payments to be made based on the donor's life expectancy. Actuarial gains and losses of the present value discount are reflected in the consolidated statement of activities as changes in split-interest agreements.

Contributed services and facilities

AmeriCares receives services and supplies provided by a wide variety of organizations and professionals who receive no fees or salaries, except for reimbursement of certain travel and related expenses or other form of compensation. These gifts include the following:

	2008	2007
Professional services	\$2,862,595	\$3,052,888
Other contributed services	251,244	160,021
No-charge freight	1,000,153	818,889
Other donated supplies	65,133	66,848
Total contributed services and facilities	<u>\$4,179,125</u>	<u>\$4,098,646</u>

AmeriCares records as revenue the market value of the contributed services and supplies, with an equivalent amount recorded as expense. AmeriCares received a property valued at \$290,000 during the year ended June 30, 2008, which is included as revenue as part of contributed services and other, but not reflected in the above table.

Allocation of expenses

Amounts for salaries, office supplies, occupancy and other similar items are allocated to program or supporting services based on allocation factors which are representative of cost consumption. Program services include expenses incurred to provide medicines, emergency medical supplies and other disaster relief aid to those in need throughout the world, to operate free health clinics, perform home repairs for needy homeowners and operate a summer camp for children affected by or infected with HIV/AIDS.

AmeriCares Foundation, Inc.

Notes to Consolidated Financial Statements continued

June 30, 2008

Cash and cash equivalents

AmeriCares classifies short-term highly liquid investments with original maturities of three months or less as cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments

Investments are recorded at fair value; accordingly, the accompanying consolidated statement of activities reflects changes in fair value as increases or decreases in unrealized gain (loss) on securities. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned on an accrual basis. Security transactions are recorded on a trade date basis. The cost of marketable securities sold is determined by the specific identification method and realized gains or losses are reflected in the consolidated statement of activities.

Property and equipment

Property and equipment is recorded at cost for assets purchased and at fair market value on the date of donation for assets donated to AmeriCares. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment are depreciated over five years. Leasehold improvements are amortized over the lesser of the life of the asset or the terms of the related leases. Buildings are depreciated over 20 years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AmeriCares' audited financial statements for the year ended June 30, 2007 from which the summarized information was derived.

AmeriCares Foundation, Inc.**Notes to Consolidated Financial Statements continued****June 30, 2008****Reclassification**

Certain amounts for 2007 have been reclassified to conform with the 2008 financial statement presentation.

3. Investments

Investments consist of the following at June 30:

	Market		Cost	
	2008	2007	2008	2007
Fixed income	\$25,020,540	\$36,675,442	\$26,420,331	\$37,423,930
Equity securities	7,443,791	13,004,595	7,729,440	11,394,614
Total investments	\$32,464,331	\$49,680,037	\$34,149,771	\$48,818,544

4. Contributions Receivable

Contributions which are expected to be collected after one year have been discounted at rates between 4.3% and 4.95% and are reflected in the financial statements at the net present value. Contributions receivable are due as follows:

	2008	2007
Less than one year	\$2,440,776	\$1,627,048
One to five years (net of present value discounts of \$18,743 and \$31,193, respectively)	271,257	303,808
Total contributions receivable	\$2,712,033	\$1,930,856

AmeriCares Foundation, Inc.

Notes to Consolidated Financial Statements continued

June 30, 2008

Contributions due in less than one year include a \$400,000 amount for the renovation of space in the new Boehringer Ingelham AmeriCares Free Clinic of Danbury which has been classified in Other Assets. Discounts on contributions will be recognized as contribution income in fiscal years 2009 through 2011 as the discount is amortized over the duration of the pledges.

5. Loan Payable

In March 2007, AmeriCares received a \$300,000 five-year loan from Royal Bank of Scotland at a below market annual interest rate of 2%. The purpose of the loan was to provide funds towards the renovation of space in the Wheeler Community Center in Bridgeport, Connecticut for a free medical clinic for uninsured low- and moderate- income individuals. The contribution inherent in the loan has been recorded at fair value, based on an imputed interest rate of 6.2 %, which was the organization's assumed bank borrowing rate in 2007. Contribution revenue of \$56,736 was recognized for the year ended June 30, 2007 and interest expense of \$16,526 and \$4,743 has been reflected on the consolidated statement of activities for the years ended June 30, 2008 and 2007, respectively.

6. Contingent Liability

AmeriCares has a strategic association with AmeriCares India Foundation (AIF), an independent trust registered in India. In October 2006, AmeriCares provided an indemnity to AIF and its trustees ensuring the repayment of a loan AIF obtained from an Indian lender of 25 Lakhs, valued at \$61,600 as of June 30, 2007. In March 2008, AIF completed their payment of this loan.

7. Income Taxes

AmeriCares Foundation, Inc., AmeriCares Free Clinics, Inc., Camp AmeriKids, Inc. and AmeriCares HomeFront, Inc. qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) and are not subject to federal income taxes. Donors of money and/or property are entitled to a charitable contribution deduction as defined in the IRC. Continued qualification of tax exempt status is contingent upon compliance with the requirements of the IRC.

The Internal Revenue Service (IRS) completed an audit of AmeriCares Foundation, Inc.'s Form 990 for the tax year ended June 30, 2002 and, as a result, determined that the organization continues to qualify for exemption from federal income taxes.

AmeriCares Foundation, Inc.**Notes to Consolidated Financial Statements continued****June 30, 2008****8. Significant Donors**

Most of AmeriCares' medical, food and other disaster relief supplies ("merchandise") contributions are received from companies in the pharmaceutical industry. For the years ended June 30, 2008 and 2007, the largest contributor accounted for 31% and 30% of total merchandise contributions, respectively. The three largest contributors accounted for 46% and 45% of total merchandise contributions for the years ended June 30, 2008 and 2007, respectively.

9. Employee Benefits

AmeriCares established a defined contribution plan for all eligible employees effective January 1, 1992. As of December 31, 2002, AmeriCares modified the plan to reflect a company matching program to the employees' 401k tax sheltered savings plan. If an employee elects to participate in the 401k savings plan, AmeriCares will match, on a quarterly basis, up to 6% of the employee's salary to the 401k plan. Employees enrolling in the 401k savings plan after January 1, 2003 will become 50% vested in the company match after one year of enrollment and 100% vested after two years. AmeriCares' contribution for the years ended June 30, 2008 and 2007 was \$401,850 and \$378,834, respectively.

10. Lease Commitments

Future minimum lease commitments under various noncancelable operating leases, primarily for office and warehouse space occupied, are as follows:

<u>Fiscal Year Ending</u>	<u>Minimum Lease Commitments</u>
2009	\$1,251,125
2010	1,294,319
2011	1,287,504
2012	1,364,657
2013	1,336,046
2014 and beyond	14,660,900

Rent expense for the years ended June 30, 2008 and June 30, 2007 was \$1,116,157 and \$1,009,109, respectively.