Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

AMERICARES FOUNDATION, INC. AND AFFILIATE

June 30, 2011 and 2010

AMERICARES FOUNDATION, INC. AND AFFILIATE

TABLE OF CONTENTS

Grant Thornton

Audit • Tax • Advisory

Grant Thornton LLP
666 Third Avenue, 13th Floor
New York, NY 10017-4011

T 212.599.0100
F 212.370.4520
www.GrantThornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated statement of financial position of AmeriCares Foundation, Inc. and Affiliate (collectively, "AmeriCares") as of June 30, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of AmeriCares' 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 AmeriCares' financial statements as of and for the year ended June 30, 2010 and, in our report dated October 28, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AmeriCares' internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriCares Foundation, Inc. and Affiliate as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
December 21, 2011

AMERICARES FOUNDATION, INC. AND AFFILIATE
Consolidated Statements of Financial Position
As of June 30, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 11,644,597	$ 6,735,894
Investments	29,699,714	27,659,146
Contributions receivable, net	2,148,562	791,892
Interest and miscellaneous receivables	88,998	40,446
Inventory, net	104,734,790	117,531,773
Prepaid expenses	549,122	561,235
Total current assets	148,865,783	153,320,386
NONCURRENT ASSETS		
Other assets-		
Contributions receivable, net	1,177,433	75,803
Property held for investment	550,806	299,690
Beneficial interest in split-interest agreements-		
Perpetual assets held in trust	3,371,144	2,951,153
Trust agreements	1,504,757	1,498,997
Total other assets	6,604,140	4,825,643
Property and equipment-		
Buildings	725,077	700,267
Furniture and equipment	1,469,618	1,396,604
Leasehold improvements	2,934,629	2,932,067
Accumulated depreciation and amortization	(2,216,308)	(1,819,771)
Net property and equipment	2,913,016	3,209,167
Total noncurrent assets	9,517,156	8,034,810
Total assets	$ 158,382,939	$ 161,355,196
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 4,821,747	$ 5,416,846
Committed grants and relief supplies	1,259,593	3,637,496
Total current liabilities	6,081,340	9,054,342
NONCURRENT LIABILITIES		
Liabilities under split-interest agreements	1,250,788	576,682
Loan payable	291,143	279,207
Total noncurrent liabilities	1,541,931	855,889
Total liabilities	7,623,271	9,910,231
NET ASSETS		
Unrestricted	101,900,581	85,525,149
Temporarily restricted	44,261,717	61,742,437
Permanently restricted	4,597,370	4,177,379
Total net assets	150,759,668	151,444,965
Total liabilities and net assets	$ 158,382,939	$ 161,355,196

The accompanying notes are an integral part of these consolidated statements.

AMERICARES FOUNDATION, INC. AND AFFILIATE
Consolidated Statement of Activities
For the year ended June 30, 2011, with summarized comparative totals for 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
SUPPORT AND REVENUE					
Public support -					
Cash contributions	$ 20,360,187	$ 17,459,140	$ -	$ 37,819,327	$ 40,695,379
Securities contributions	537,514	59,776	-	597,290	462,537
Donated medical and disaster supplies	355,088,750	270,988,818	-	626,077,568	755,068,085
Contributed services, facilities and other	4,792,863	-	-	4,792,863	4,817,760
Net assets released from restrictions	306,133,577	(306,133,577)	-	-	-
Total public support	686,912,891	(17,625,843)	-	669,287,048	801,043,761
Revenue -					
Interest and dividend income	975,401	113,950	-	1,089,351	707,762
Net realized loss on investments	(642,944)	-	-	(642,944)	(624,630)
Net unrealized gain in fair value of investments	838,814	-	-	838,814	2,357,107
Other revenue	715,837	-	-	715,837	681,738
Change in value of split-interest agreements	(121,645)	31,173	419,991	329,519	57,087
Total revenue	1,765,463	145,123	419,991	2,330,577	3,179,064
Total support and revenue	688,678,354	(17,480,720)	419,991	671,617,625	804,222,825
EXPENSES					
Program services - grants, awards and program related expenses	661,410,007	-	-	661,410,007	850,430,414
Supporting services-					
Management and general	3,079,229	-	-	3,079,229	3,530,918
Fundraising	7,813,686	-	-	7,813,686	7,185,450
Total supporting services	10,892,915	-	-	10,892,915	10,716,368
Total expenses	672,302,922	-	-	672,302,922	861,146,782
Increase (decrease) in net assets from operations	16,375,432	(17,480,720)	419,991	(685,297)	(56,923,957)
Discontinued operations	-	-	-	-	(326,140)
Changes in net assets	16,375,432	(17,480,720)	419,991	(685,297)	(57,250,097)
Net assets, beginning of year	85,525,149	61,742,437	4,177,379	151,444,965	208,695,062
Net assets, end of year	$ 101,900,581	$ 44,261,717	$ 4,597,370	$ 150,759,668	$ 151,444,965

The accompanying notes are an integral part of this consolidated statement.

AMERICARES FOUNDATION, INC. AND AFFILIATE
Consolidated Statement of Functional Expenses
For the year ended June 30, 2011, with summarized comparative totals for 2010

	Grants, Awards and Program Related Expenses	Supporting Services			
		Management and General	Fundraising	2011 Total	2010 Total
FUNCTIONAL EXPENSES					
Salaries and related payroll expenses	$ 6,258,895	$ 2,054,214	$ 2,952,051	$ 11,265,160	$ 9,150,273
Rent and other occupancy costs	1,613,751	138,071	332,326	2,084,148	2,054,591
Grants and awards, relief supplies	622,312,530	-	-	622,312,530	808,133,247
Grants to other agencies	1,704,967	-	-	1,704,967	1,674,263
Inventory write-off	18,230,548	-	-	18,230,548	22,654,636
Professional fees and contract services	4,132,889	346,832	1,108,922	5,588,643	6,199,382
Office supplies and equipment	85,078	175,179	187,889	448,146	369,356
Telephone	72,914	58,194	24,513	155,621	150,897
Postage, shipping and warehousing	5,565,418	10,056	1,215,698	6,791,172	6,805,318
Equipment and software rental	145,220	18,782	21,678	185,680	233,865
Promotional expenses	112,039	8,026	1,509,620	1,629,685	1,584,385
Travel	667,488	37,397	131,158	836,043	390,789
Insurance and miscellaneous	238,284	185,493	249,076	672,853	1,351,238
Depreciation and amortization	269,986	46,985	80,755	397,726	394,542
Total functional expenses 2011	$ 661,410,007	$ 3,079,229	$ 7,813,686	$ 672,302,922	
Total functional expenses 2010	$ 850,430,414	$ 3,530,918	$ 7,185,450		$ 861,146,782

The accompanying notes are an integral part of this consolidated statement.

AMERICARES FOUNDATION, INC. AND AFFILIATE
Consolidated Statement of Cash Flows
For the years ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets from operations	$ (685,297)	$ (56,923,957)
Discontinued operations	-	(326,140)
Change in net assets	(685,297)	(57,250,097)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	397,726	394,542
Interest accretion on loan payable	11,936	11,447
Net realized loss in investments	642,944	624,630
Net unrealized (gain) in fair value of investments	(838,814)	(2,357,107)
Donated investments	(597,290)	(462,537)
Realized and unrealized (gain) loss on property held for investment	(1,116)	4,150
(Increase) in beneficial interest in split-interest agreements	(425,751)	(127,598)
Donated property	(250,000)	-
Changes in assets and liabilities:		
(Increase) decrease in interest and miscellaneous receivables	(48,552)	184,458
(Increase) decrease in contributions receivable	(2,458,300)	849,173
(Increase) decrease in inventory	12,796,983	73,556,273
(Increase) decrease in prepaid expenses	12,113	141,031
(Increase) decrease in discontinued operations - assets	-	676,312
(Decrease) increase in accounts payable and accrued expenses	(595,099)	882,700
(Decrease) increase in committed grants and relief supplies	(2,377,903)	(3,065,318)
(Decrease) increase in liabilities under split-interest agreements	674,106	(7,522)
(Decrease) increase in discontinued operations - liabilities	-	(350,172)
Net cash provided by operating activities	6,257,686	13,704,365
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(101,575)	(75,010)
Disposal of fixed assets	-	51,450
Proceeds from sale of investments	27,914,546	22,460,926
Purchases of investments	(29,161,954)	(34,465,243)
Proceeds from sale of property held for investment	-	116,394
Net cash (used in) investing activities	(1,348,983)	(11,911,483)
Net increase in cash and cash equivalents	4,908,703	1,792,882
Cash and cash equivalents, beginning of year	6,735,894	4,943,012
Cash and cash equivalents, end of year	$ 11,644,597	$ 6,735,894

SUPPLEMENTAL CASH FLOW INFORMATION

Noncash items included approximately $626 and $755 million of donated medical and disaster relief supplies, and $4.5 and $4.8 million of contributed services and facilities in fiscal 2011 and 2010, respectively. Cash used in operating activities included payments for interest on gift annuities of approximately $163 and $123 thousand in fiscal 2011 and 2010, respectively.

The accompanying notes are an integral part of these consolidated statement.

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. Effective September 30, 2009, AmeriCares discontinued its sponsorship of Camp AmeriKids, Inc., an affiliated organization, which operates a summer camp in New York for children affected by or infected with HIV/AIDS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include AmeriCares Foundation, Inc. and its affiliated organization as described in Note 1 and have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. All inter-company amounts have been eliminated in consolidation.

Net Assets

AmeriCares' net assets and related revenues and support are classified based upon the existence or absence of donor-imposed stipulations, as follows:

Unrestricted Net Assets
Includes all resources of AmeriCares that are expendable for carrying on AmeriCares' mission.

Temporarily Restricted Net Assets
Net assets whose use by AmeriCares is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of AmeriCares pursuant to those stipulations.

Permanently Restricted Net Assets
Net assets whose use by AmeriCares is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income there from utilized for operating or other donor-restricted purposes.

AmeriCares receives gifts of cash and other assets with donor stipulations that limit the use of the donated assets. For those donor-restricted cash contributions whose restrictions are met in the same fiscal year as the receipts, the contributions are reported as unrestricted contributions. Donor-restricted contributions not met in the same fiscal year are recorded as temporarily restricted. When the donor-restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

AmeriCares classifies short-term highly liquid investments with original maturities of three months or less as cash equivalents.

Contributions

AmeriCares records contributions, including unconditional promises to give, in the period received. Contributions are recorded at the fair value of the assets received and are classified as either unrestricted, temporarily restricted or permanently restricted, depending on whether the donor has imposed a restriction on the use of such assets.

Contributions not expected to be received within one year are recognized as temporarily restricted support and are discounted using a credit-adjusted discount rate assigned in the year the pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fund-raising activity. AmeriCares writes-off contributions receivable when they become uncollectible, and payments subsequently received are recorded as income in the period received.

Contributions that are permanently restricted by donors for use as endowments are invested in perpetuity. The income is used for operating purposes when expenditures satisfy the donors' restrictions and such amounts are appropriated for expenditure by the Board of Trustees. Income amounts that exceed related expenditures during a fiscal period remain as temporarily restricted net assets.

AmeriCares' policy is to report gifts of property, plant and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire assets are reported as restricted support. Absent explicit donor stipulations about how long such assets must be maintained, AmeriCares reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Medical and Disaster Supplies

Upon receipt, AmeriCares reports gifts of donated inventory and 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 temporarily restricted support. Donated supplies are recognized on the date received at wholesale value, which approximates fair value, as estimated by AmeriCares using published industry information or provided by the donor.

AmeriCares periodically reviews its basis for determining the fair value of donated medical and disaster supplies. Effective July 1, 2010, AmeriCares changed its basis for determining the fair value of certain donated pharmaceuticals, from the average wholesale price method ("AWP") to the wholesale acquisition cost method ("WAC"), as AmeriCares has determined the use of WAC to be a more appropriate estimate of the fair value of donated medical and disaster supplies. If the previous basis for determining fair value of donated medical and disaster supplies had been continued, the value of donated medical and disaster supplies would have been approximately $760 million and the grants and awards expense would have been approximately $730 million for the year ended June 30, 2011. This change in estimate was not applied to items received prior to July 1, 2010. The WAC and AWP methods are both published by Thomson Reuters in their" Red Book", which is an industry recognized drug and pricing reference guide for pharmaceuticals in the United States. For products not available in the Red Book, the wholesale value is provided by the donor or estimated using publicly available pricing sources.

AmeriCares operates a Patient Assistance Program through which it receives gifts in kind of donated medical supplies, which totaled approximately $129.3 million and $207.1 million for the years ended June 30, 2011 and 2010, respectively. Additionally, AmeriCares received gifts of cash to assist with the funding of program costs totaling approximately $2.9 million and $3.9 million for the years ended June 30, 2011 and 2010, 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 approximately $0.5 million and $0.6 million at June 30, 2011 and 2010, respectively.

In fiscal year 2011, AmeriCares received total cash of approximately $8.1 million restricted for the Earthquake and Tsunami disaster relief in Japan. AmeriCares has incurred expenses for this disaster relief program, including shipments of unrestricted gifts in kind, of $1.0 million for the year end June 30, 2011. At June 30, 2011, AmeriCares had approximately $7.6 million remaining in cash in this fund.

For the period from January 12, 2010 through June 30, 2011, AmeriCares received total cash and gifts in kind of approximately $34.4 million restricted for the Earthquake disaster relief in Haiti. AmeriCares has incurred expenses for this disaster relief program, including shipments of restricted and unrestricted gifts in kind, in excess of $19.3 million and $32.2 million for the years end June 30, 2011 and 2010. At June 30, 2011, AmeriCares had approximately $10.6 million remaining in cash and restricted gifts in kind in the fund.

For the period from December 27, 2004 through June 30, 2011, AmeriCares received total cash and gifts in kind of approximately $46.5 million 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, in excess of $45.5 million. At both June 30, 2011 and 2010, AmeriCares had approximately $1.0 million remaining uncommitted in the fund.

Inventory

Purchased inventory is carried at cost. Donated inventory is carried at wholesale value, which approximates fair value, as determined on the date of receipt. Inventory balances as of June 30, 2011 and 2010, were composed of the following:

	2011	2010
Unrestricted	$ 95,585,103	$ 78,084,261
Restricted	14,149,687	39,447,512
Total inventory	109,734,790	117,531,773
Less: allowance for obsolence	5,000,000	-
Total inventory, net	$ 104,734,790	$ 117,531,773

As described in Donated Medical and Disaster Relief Supplies, AmeriCares changed its basis for determining the fair value of certain donated pharmaceuticals, from AWP to WAC. If the previous basis of determining the fair value had been continued, the inventory, net balance at June 30, 2011 would have been approximately $129 million.

AmeriCares monitors its inventory throughout the year and writes-off amounts that have expired, or records an allowance for items that may expire before distribution can be made or are known to have become damaged.

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) in fair value of investments. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned on the 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 (losses) are reflected in the accompanying consolidated statement of activities.

Fair Value Measurements

AmeriCares follows the guidance that established a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument.

The three levels are based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but trade less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to AmeriCares' perceived risk of that investment.

Split-Interest Agreements

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

Liabilities from split-interest agreements result from annuity contracts whereby donors receive life-time income in exchange for a payment to AmeriCares that constitutes part charitable contribution and part purchase of an annuity. Under the terms of the agreements, the assets associated with these investments are 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 on the present value discount are reflected in the accompanying consolidated statement of activities as change in value of split-interest agreements.

Perpetual Assets Held in Trust

Donors have established and funded trusts which are administered by organizations other than AmeriCares. Under the terms of these trusts, AmeriCares has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. AmeriCares does not control the assets held by outside trusts. AmeriCares recognizes its interest in the trusts, based on the fair value of the assets contributed to the trusts, as permanently restricted contributions. Fluctuations in the fair value of these assets are recorded as changes in permanently restricted net assets in the accompanying consolidated statement of activities.

Property and Equipment

Property and equipment is recorded at cost for assets purchased and at fair 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 economic life of the assets or the terms of the related leases. Buildings are depreciated over 20 years.

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 a 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. Committed grants beyond one year are recorded at net present value using a risk free rate of return. At June 30, 2011 and 2010, AmeriCares had outstanding liabilities for these purposes of approximately $1.3 million and $3.6 million, respectively expected to be distributed in the next fiscal year.

Contributed Services, Facilities and Other

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. AmeriCares records as revenue the fair value of the contributed services and supplies, with an equivalent amount recorded as expense. These gifts include the following:

	2011	2010
Professional services	$ 3,747,441	$ 4,168,789
Other contributed services	195,514	101,274
No-charge freight	599,908	547,697
	$ 4,542,863	$ 4,817,760

Additionally, during fiscal 2011, AmeriCares received a property valued at $250,000, which is also included as revenue as part of contributed services, facilities and other, with an equivalent amount capitalized and included within property held for investment, 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 and operate free health clinics.

Concentration of Credit Risk

Cash and investments are exposed to various risks, such as interest rate, market, and credit risks. To minimize such risks, AmeriCares maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits, and in a diversified investment portfolio. AmeriCares' cash and investments were placed with high credit quality financial institutions and, accordingly, AmeriCares does not expect nonperformance.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, interest and miscellaneous receivables, prepaid expenses, and accounts payable and accrued expenses approximate fair value due to the short maturity of these financial instruments.

The carrying value of contributions receivable is believed to approximate the amounts which will ultimately be realized and is calculated at the net present value of anticipated future cash flows.

The fair values of investments are based on the quoted market values of the underlying securities.

Use of 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 consolidated 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 consolidated statement of activities and functional expenses 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 consolidated financial statements as of and for the year ended June 30, 2010 from which the summarized information was derived.

3. INVESTMENTS

Investments, at fair value, consisted of and are classified as follows within the fair value hierarchy:

	2011			2010		
	Level 1	**Level 3**	**Total**	**Level 1**	**Level 3**	**Total**
Fixed income	$ 24,801,261	$ -	$ 24,801,261	$ 26,888,131	$ -	$ 26,888,131
Equity securities	4,377,273	25,820	4,403,093	771,015	-	771,015
Other	495,360	-	495,360	-	-	-
	29,673,894	25,820	29,699,714	27,659,146	-	27,659,146
Beneficial interest in split-interest agreements-						
Perpetual assets held in trust	-	3,371,144	3,371,144	-	2,951,153	2,951,153
Trust agreements	-	1,504,757	1,504,757	-	1,498,997	1,498,997
	-	4,875,901	4,875,901	-	4,450,150	4,450,150
Total	$ 29,673,894	$ 4,901,721	$ 34,575,615	$ 27,659,146	$ 4,450,150	$ 32,109,296

The following table summarizes the changes in the AmeriCares' Level 3 investments for the year ended June 30, 2011 and 2010:

	2011	**2010**
Balance at beginning of year	$ 4,450,150	$ 4,322,552
Net unrealized gain	425,751	127,598
Contributions	25,820	-
Balance at end of year	$ 4,901,721	$ 4,450,150

4. CONTRIBUTIONS RECEIVABLE

Contributions expected to be collected after one year have been discounted using discount rates between 2.8% and 4.68% and are reflected in the accompanying consolidated financial statements at net present value. Contributions receivable, net at June 30, 2011 and 2010, are due as follows:

	2011	2010
Less than one year	$ 2,214,562	$ 857,892
One to five years	1,221,297	80,000
Total contributions receivable	3,435,859	937,892
Less: allowance for doubtful accounts	(66,000)	(66,000)
Less: discount to present value	(43,864)	(4,197)
Total contributions receivable, net	$ 3,325,995	$ 867,695

5. ENDOWMENTS

During the years ended June 30, 2007 and 2006, AmeriCares received donor-restricted endowment contributions of perpetual duration and classified these funds as permanently restricted net assets, with the appreciation available for the general purposes of AmeriCares.

AmeriCares' investment policy requires that endowment funds be invested in Level 1 assets and provides management with an asset allocation guideline, which provides flexibility for management of the portfolio to achieve long term growth, without excessive risk. In August 2008, the FASB issued *Endowments of Not-for-Profit Organizations* which, among other things, addressed the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of FSP 117-1 is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. This standard requires new disclosures about an organization's donor-restricted and board-designated (quasi) endowment funds. During 2008, Connecticut enacted UPMIFA into law. Management of AmeriCares has interpreted the Connecticut law as requiring the preservation of the 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, AmeriCares would classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AmeriCares in a manner consistent with the standard of prudence prescribed by UPMIFA. At June 30, 2011 and 2010, AmeriCares did not maintain any board-designated (quasi) endowment funds.

The fair value of assets associated with donor-restricted endowment funds may fall below the level that UPMIFA requires to retain as a fund of perpetual duration. In accordance with US GAAP, a deficiency of this nature that is reported in unrestricted net assets approximated $50 thousand as of June 30 2010.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, July 1, 2009	$ (197,960)	$ -	$ 1,226,226	$ 1,028,266
Investment return:				
Investment income	26,873	-	-	26,873
Unrealized gain in fair value of investments	122,098	-	-	122,098
Endowment assets, June 30, 2010	(48,989)	-	1,226,226	1,177,237
Investment return:				
Unrealized gain in fair value of investments	48,989	113,950	-	162,939
Endowment assets, June 30, 2011	$ -	$ 113,950	$ 1,226,226	$ 1,340,176

6. 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 toward 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 AmeriCares' assumed bank borrowing rate in 2007. Interest expense of approximately $18 thousand and $17 thousand has been reflected in the accompanying consolidated statement of activities for the years ended June 30, 2011 and 2010, respectively.

7. DISCONTINUED OPERATIONS

In June 2009, in an effort to focus more closely on its core work of medical and disaster relief aid, AmeriCares decided to discontinue its sponsorship of Camp AmeriKids, Inc. AmeriCares continued its sponsorship of Camp AmeriKids, Inc. through the 2009 summer camp season and incurred $0.3 million of expenses in fiscal year 2010 to support these activities.

8. INCOME TAXES

Accounting for Uncertainty in Income Taxes requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. During fiscal 2011 and 2010, AmeriCares evaluated its tax positions and concluded that it does not have any uncertain tax positions that meet the criteria under this standard.

AmeriCares Foundation, Inc. and AmeriCares Free Clinics, 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.

9. SIGNIFICANT DONORS

Most of AmeriCares' medical, food and other disaster relief supplies ("merchandise") contributions are received from companies in the pharmaceutical industry. For years ended June 30, 2011 and 2010, the largest contributor accounted for 19% and 23%, respectively, of total merchandise contributions. The three largest contributors accounted for 45% and 49% of total merchandise contributions for the years ended June 30, 2011 and 2010, respectively.

10. 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 include a company matching program in which AmeriCares would match, on a quarterly basis, each employee's contribution to the 401(k) savings plan up to a maximum of 6% of each employee's salary. Effective January 1, 2009, after modifying the plan, AmeriCares suspended its quarterly match of the employees' contribution to the 401(k) plan. Effective January 1, 2010, AmeriCares restored its match of the employees' contribution to the 401(k) plan up to a 50% employer match up to 6% of each employee's salary (maximum AmeriCares contribution of 3%). Effective January 1, 2011 AmeriCares restored its match of employees' contribution to the 401(k) plan up to a maximum of 6% of each employee's salary. Employees enrolling in the 401(k) savings plan after January 1, 2003 become 50% vested in the company match after one year of service and 100% vested after two years. AmeriCares' contributions for the years ended June 30, 2011 and 2010 were $0.2 million and $0.1 million, respectively.

11. LEASE COMMITMENTS

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

Fiscal Year Ending	**Minimum Lease Commitments**
2012	$ 1,407,000
2013	1,358,000
2014	1,364,000
2015	1,376,000
2016	1,382,000
2017 and beyond	11,404,000
Total lease commitments	$ 18,291,000

Rent expense for the years ended June 30, 2011 and 2010 approximated $1.5 million and 1.6 million, respectively.

12. SUBSEQUENT EVENTS

AmeriCares evaluated its June 30, 2011 consolidated financial statements for subsequent events through December 21, 2011, the date the consolidated financial statements were available to be issued. AmeriCares is not aware of any subsequent events, which would require recognition or disclosure in the consolidated financial statements.

.