Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

AMERICARES FOUNDATION, INC. AND AFFILIATE

June 30, 2014 and 2013

AMERICARES FOUNDATION, INC. AND AFFILIATE

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Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of AmeriCares Foundation, Inc. and affiliate (collectively, "AmeriCares"), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Report on 2013 summarized comparative information

We have previously audited AmeriCares' consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 30, 2013. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
October 15, 2014

AMERICARES FOUNDATION, INC. AND AFFILIATE

Consolidated Statement of Financial Position

As of June 30, 2014, with summarized comparative totals for 2013

ASSETS	**2014**	**2013**
CURRENT ASSETS		
Cash and cash equivalents	$ 7,951,738	$ 5,139,469
Investments	18,957,947	23,750,171
Contributions receivable, net	1,825,281	1,067,870
Interest and miscellaneous receivables	78,440	89,604
Inventory, net	86,868,102	89,200,312
Prepaid expenses	841,478	595,475
Total current assets	116,522,986	119,842,901
NONCURRENT ASSETS		
Other assets:		
Contributions receivable, net	1,805,781	265,196
Property held for investment	447,049	447,529
Beneficial interest in split-interest agreements -		
Perpetual assets held in trust	3,398,908	3,186,824
Trust agreements	93,791	92,528
Total other assets	5,745,529	3,992,077
Property and equipment:		
Buildings	1,071,536	822,902
Furniture and equipment	2,840,507	2,826,346
Leasehold improvements	2,952,085	2,936,969
Accumulated depreciation and amortization	(3,565,101)	(3,064,117)
Net property and equipment	3,299,027	3,522,100
Total noncurrent assets	9,044,556	7,514,177
Total assets	$ 125,567,542	$ 127,357,078
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 5,323,432	$ 5,233,032
Committed grants	2,339,539	3,342,743
Deferred revenue	439,963	-
Total current liabilities	8,102,934	8,575,775
NONCURRENT LIABILITIES		
Liabilities under split-interest agreements	2,228,729	1,808,798
Loan payable	300,000	300,000
Total noncurrent liabilities	2,528,729	2,108,798
Total liabilities	10,631,663	10,684,573
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	69,104,898	71,167,582
Temporarily restricted	41,205,847	41,091,873
Permanently restricted	4,625,134	4,413,050
Total net assets	114,935,879	116,672,505
Total liabilities and net assets	$ 125,567,542	$ 127,357,078

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

AMERICARES FOUNDATION, INC. AND AFFILIATE

Consolidated Statement of Activities

For the year ended June 30, 2014, with summarized comparative totals for 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
SUPPORT AND REVENUE					
Public support:					
Cash contributions	$ 24,238,814	$ 9,900,041	$ -	$ 34,138,855	$ 28,388,526
Securities contributions	1,195,999	70,415	-	1,266,414	667,916
Donated medical and disaster supplies	502,376,183	24,674,870	-	527,051,053	592,917,426
Contributed services, facilities and other	6,011,881	-	-	6,011,881	5,069,404
Net assets released from restrictions	34,771,307	(34,771,307)	-	-	-
Total public support	568,594,184	(125,981)	-	568,468,203	627,043,272
Revenue:					
Interest and dividend income	609,974	60,760	-	670,734	985,301
Net realized (loss) gain on investments	(24,864)	13,808	-	(11,056)	18,918
Net unrealized gain in fair value of investments	595,997	163,856	-	759,853	253,164
Other revenue	1,871,114	-	-	1,871,114	1,529,694
Change in value of split-interest agreements	(194,119)	1,531	212,084	19,496	(133,888)
Total revenue	2,858,102	239,955	212,084	3,310,141	2,653,189
Total support and revenue	571,452,286	113,974	212,084	571,778,344	629,696,461
EXPENSES					
Program services - grants, awards and program related expenses	558,922,846	-	-	558,922,846	655,020,162
Supporting services -					
Management and general	4,409,704	-	-	4,409,704	3,796,777
Fundraising	10,182,420	-	-	10,182,420	8,562,735
Total supporting services	14,592,124	-	-	14,592,124	12,359,512
Total expenses	573,514,970	-	-	573,514,970	667,379,674
Change in net assets	(2,062,684)	113,974	212,084	(1,736,626)	(37,683,213)
Net assets, beginning of year	71,167,582	41,091,873	4,413,050	116,672,505	154,355,718
Net assets, end of year	$ 69,104,898	$ 41,205,847	$ 4,625,134	$ 114,935,879	$ 116,672,505

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, 2014, with summarized comparative totals for 2013

	Grants, Awards and Program Related Expenses	Supporting Services: Management and General	Supporting Services: Fundraising	2014 Total	2013 Total
EXPENSES					
Salaries and related payroll expenses	$ 8,655,943	$ 2,910,040	$ 3,808,410	$ 15,374,393	$ 14,372,097
Rent and other occupancy costs	1,622,170	388,701	353,595	2,364,466	2,054,376
Grants and awards, relief supplies	530,806,467	-	-	530,806,467	626,659,169
Grants to other agencies	5,564,672	-	-	5,564,672	7,160,454
Professional fees and contract services	6,131,763	349,652	1,394,331	7,875,746	7,077,942
Office supplies and equipment	116,259	182,867	510,786	809,912	582,456
Telephone	113,458	48,455	171,264	333,177	324,680
Postage, shipping and warehousing	4,161,440	9,501	1,046,754	5,217,695	5,148,418
Equipment and software rental	155,458	19,212	20,728	195,398	197,711
Promotional expenses	97,486	845	2,235,000	2,333,331	1,383,907
Travel	809,258	74,715	246,231	1,130,204	1,139,764
Insurance and miscellaneous	304,883	353,385	263,543	921,811	833,772
Depreciation and amortization	383,589	72,331	131,778	587,698	444,928
Total functional expenses 2014	$ 558,922,846	$ 4,409,704	$ 10,182,420	$ 573,514,970	
Total functional expenses 2013	$ 655,020,162	$ 3,796,777	$ 8,562,735		$ 667,379,674

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

AMERICARES FOUNDATION, INC. AND AFFILIATE
Consolidated Statement of Cash Flows
For the year ended June 30, 2014, with summarized comparative totals for 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,736,626)	$ (37,683,213)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	587,698	444,928
Net realized loss (gain) on investments	11,056	(18,918)
Net unrealized gain on fair value of investments	(759,853)	(253,164)
Donated investments	(1,266,414)	(667,916)
Realized and unrealized loss (gain) on property held for investment	480	(3,948)
(Increase) in beneficial interest in split-interest agreements	(213,347)	(38,682)
Changes in assets and liabilities:		
Decrease in interest and miscellaneous receivables	11,164	9,536
(Increase) decrease in contributions receivable	(2,297,996)	692,196
Decrease in inventory	2,332,210	31,979,873
Increase in prepaid expenses	(246,003)	(70,039)
Increase in accounts payable and accrued expenses	90,400	1,042,046
(Decrease) increase in committed grants and relief supplies	(1,003,204)	453,020
Increase in deferred revenue	439,963	-
Increase (decrease) in liabilities under split-interest agreements	419,931	(78,829)
Net cash used in operating activities	(3,630,541)	(4,193,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(364,625)	(992,456)
Proceeds from sale of investments	13,238,510	7,896,934
Purchases of investments	(6,431,075)	(2,969,889)
Net cash provided by investing activities	6,442,810	3,934,589
Net increase (decrease) in cash and cash equivalents	2,812,269	(258,521)
Cash and cash equivalents, beginning of year	5,139,469	5,397,990
Cash and cash equivalents, end of year	$ 7,951,738	$ 5,139,469

SUPPLEMENTAL CASH FLOW INFORMATION

Noncash items included approximately $527 million and $593 million of donated medical and disaster relief supplies, $6 million and $5 million of contributed serivices and facilities in fiscal 2014 and 2013, respectively. Cash used in operating activities included payments for interest on gift annuities of approximately $292 thousand and $268 thousand in fiscal 2014 and 2013, respectively.

The accompanying notes are an integral part of this 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.

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 ("US GAAP") 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 or pledged. 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 fundraising 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 Directors. 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 primarily Thomson Reuter's "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 has determined that the wholesale acquisition cost ("WAC") is the most appropriate estimate of fair value for its donated medical and disaster supplies.

AmeriCares operates a Patient Assistance Program through which it receives gifts in kind of donated medical supplies, which totaled approximately $130 million and $136 million for the years ended June 30, 2014 and 2013, respectively. Additionally, AmeriCares received gifts of cash to assist with the funding of program costs totaling approximately $2.2 million for both years ended June 30, 2014 and 2013. 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 $0.2 million at June 30, 2014 and 2013.

During fiscal year 2014, AmeriCares received total cash and gifts in kind of approximately $19.6 million restricted to the November 2014 Typhoon Haiyan disaster. AmeriCares has incurred expenses for this disaster relief program, including shipments of unrestricted gifts in kind of $21.1 million for the year ended June 30, 2014. At June 30, 2014, AmeriCares had approximately $2.9 million remaining in cash in this fund.

For the period October, 2013 through June 2014, AmeriCares received total cash and gifts in kind of approximately $8.0 million restricted to the October 2012 Sandy Hurricane disaster relief. AmeriCares has incurred expenses for this disaster relief program, including shipments of unrestricted gifts in kind, of $1.4 million and $7.5 million for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014, AmeriCares had approximately $0.2 million remaining in cash in this fund.

For the period from January 2011 through June 30, 2014, AmeriCares received total cash of approximately $8.9 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 $1.7 million and $2.4 million for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, AmeriCares had approximately $0.6 million and $2.2 million remaining in cash in the fund, respectively.

For the period from January 2010 through June 30, 2014, AmeriCares received total cash and gifts in-kind of approximately $36.2 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 $90.7 million, including $13.9 million and $12.6 million for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, AmeriCares had approximately $1.2 million and $4.0 million remaining in cash and restricted gifts in kind in the fund, respectively.

Inventory

Purchased inventory is carried at cost. Donated inventory is valued at WAC, which approximates fair value, as determined on the date of receipt. Inventory balances as of June 30, 2014 and 2013, were composed of the following:

	2014	2013
Medicines	$ 83,705,673	$ 86,697,596
Medical devices and consumables	3,968,871	4,845,170
Other assorted	3,693,558	3,657,546
Total inventory	91,368,102	95,200,312
Less: allowance for obsolescence	(4,500,000)	(6,000,000)
Total inventory, net	$ 86,868,102	$ 89,200,312

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 based on the quoted market values of the securities; 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. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which AmeriCares has generally considered to be within 90 days.

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. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

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. 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

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 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, 2014 and 2013, AmeriCares had outstanding liabilities for these purposes of approximately $2.3 million and $3.3 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:

	2014	2013
Professional services	$ 5,262,821	$ 4,553,000
Other contributed services	521,196	227,000
No-charge freight	227,864	289,404
	$ 6,011,881	$ 5,069,404

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.

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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 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 U.S. GAAP. Accordingly, such information should be read in conjunction with AmeriCares' audited consolidated financial statements as of and for the year ended June 30, 2013 from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the fiscal 2013 consolidated financial statements to conform to the current year's presentation. Such reclassifications had no impact on total assets, liabilities, revenues, expenses or changes in net assets as reflected in the fiscal 2013 consolidated financial statements.

Subsequent Events

Management evaluated events occurring subsequent to June 30, 2014 through October 15, 2014, the date the consolidated financial statements were available for issuance.

3. INVESTMENTS

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

	2014			2013		
	Level 1	**Level 3**	**Total**	**Level 1**	**Level 3**	**Total**
Fixed income	$ 14,098,395	$ -	$ 14,098,395	$ 18,909,014	$ -	$ 18,909,014
Equity securities	4,538,269	10,280	4,548,549	4,639,445	26,155	4,665,600
Other	311,003	-	311,003	175,557	-	175,557
	18,947,667	10,280	18,957,947	23,724,016	26,155	23,750,171
Beneficial interest in split-interest agreements -						
Perpetual assets held in trust	-	3,398,908	3,398,908	-	3,186,824	3,186,824
Trust agreements	-	93,791	93,791	-	92,528	92,528
	-	3,492,699	3,492,699	-	3,279,352	3,279,352
Total	$ 18,947,667	$ 3,502,979	$ 22,450,646	$ 23,724,016	$ 3,305,507	$ 27,029,523

The following table summarizes the changes in the AmeriCares' Level 3 investments for the year ended June 30, 2014 and 2013:

	2014	**2013**
Balance at beginning of year	$ 3,305,507	$ 3,264,507
Realized depreciation	(19,869)	-
Net unrealized gain (loss)	217,341	41,000
Balance at end of year	$ 3,502,979	$ 3,305,507

4. CONTRIBUTIONS RECEIVABLE

Contributions expected to be collected after one year have been discounted using a discount rate of 2.5% and are reflected on the accompanying consolidated financial statements at net present value. Contributions receivable, net at June 30, 2014 and 2013, are due as follows:

	2014	**2013**
Less than one year	$ 1,825,281	$ 1,067,870
One to five years	1,882,041	280,000
Total contributions receivable	3,707,322	1,347,870
Less: discount to present value	(76,260)	(14,804)
Total contributions receivable, net	$ 3,631,062	$ 1,333,066

5. ENDOWMENTS

AmeriCares has 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. AmeriCares follows guidance which, among other things, addresses 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 this guidance 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, 2014 and 2013, AmeriCares did not maintain any board-designated (quasi) endowment funds.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, July 1, 2012	$ -	$ 67,308	$ 1,226,226	$ 1,293,534
Investment return:				
Investment income	-	38,822	-	38,822
Realized loss on sales	-	10,521	-	10,521
Unrealized gain in fair value of investments	-	120,648	-	120,648
Endowment assets, June 30, 2013	-	237,299	1,226,226	1,463,525
Investment return:				
Investment income	-	60,760	-	60,760
Realized gain on sales	-	13,808	-	13,808
Unrealized gain in fair value of investments	-	163,856	-	163,856
Endowment assets, June 30, 2014	$ -	$ 475,723	$ 1,226,226	$ 1,701,949

As of June 30, 2014 and 2013, perpetual assets held in trusts totaling $3,398,908 and $3,186,824, respectively, have been excluded from the above permanently restricted endowment assets. During fiscal year 2014 and 2013, AmeriCares did not appropriate amounts from its endowment for expenditure.

6. LOAN PAYABLE

In March 2012, AmeriCares Free Clinics, Inc. renewed a $300,000 five-year uncollaterialized loan from Royal Bank of Scotland at an 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. Interest expense of $6 thousand has been reflected on the accompanying consolidated statement of activities for both years ended June 30, 2014 and 2013. Payment is due in full in March 2017.

7. INCOME TAXES

AmeriCares recognizes a tax position based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. During fiscal 2014 and 2013, AmeriCares evaluated its tax positions and concluded that it does not have any uncertain tax positions that meet the criteria under this standard. The tax years ending 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes.

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.

8. 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, 2014 and 2013, the largest contributor accounted for 15% and 16%, respectively, of total merchandise contributions. The three largest contributors accounted for 38% and 39% of total merchandise contributions for the years ended June 30, 2014 and 2013, 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 include a company matching program in which AmeriCares would match each employee’s contribution to the 401(k) savings 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 both years ended June 30, 2014 and 2013 approximated $0.5 million.

10. LEASE COMMITMENTS

AmeriCares leases real estate and certain equipment under operating leases. The leases for office and warehouse space provide for rent escalations. Future minimum lease commitments under non-cancelable operating leases are as follows:

Fiscal Year Ending	Minimum Lease Commitments
2015	$ 1,427,078
2016	1,434,829
2017	1,548,301
2018	1,582,575
2019	1,546,132
2020 and beyond	6,822,673
Total lease commitments	$ 14,361,588

Rent expense for both the years ended June 30, 2014 and 2013 approximated $1.5 million.

11. TEMPORARILY RESTRICTED NET ASSETS

AmeriCares' temporarily restricted net assets are available for the following purposes as of June 30:

	2014	2013
Purpose restricted:		
Disaster relief:		
Donated inventory	$ 25,168,417	$ 27,150,230
Donated cash and pledges	14,016,341	12,652,431
Clinics	1,941,089	594,212
	41,125,847	40,396,873
Time restricted	80,000	695,000
Total	$ 41,205,847	$ 41,091,873