

“This ‘exceptional’ designation from Charity Navigator differentiates AmeriCares from its peers and demonstrates to the public it is worthy of their trust.”

*Trent Stamp, Executive Director, Charity Navigator*

## Dear Friends,

AmeriCares donors, partners, staff and volunteers created another year of excellent financial results in Fiscal Year 2006.

We experienced public support of more than \$891 million for our activities this past year, from a wide variety of private sources: generous individuals, corporations, foundations and employee groups. American corporate donors provided gift-in-kind donations of medicines, medical equipment and other relief supplies of \$839 million. Donations of cash and securities totaled \$49 million from more than 150,000 donors worldwide.

These expressions of unselfish kindness sustained our capacity to deliver huge volumes of medicines, medical supplies and grants to aid those in distress at home and abroad.

This past year, AmeriCares embarked on our largest domestic grant-making effort in our history in response to hurricanes that ravaged the Gulf Coast states, aiming to disburse \$13 million efficiently and effectively to support immediate needs and the long-term recovery. And we've kept putting to work the generous donations for the Southeast Asia tsunami received in the prior fiscal year. By June 30, 2006 we had committed \$24 million of the original \$46 million received for immediate relief and long-term rebuilding.

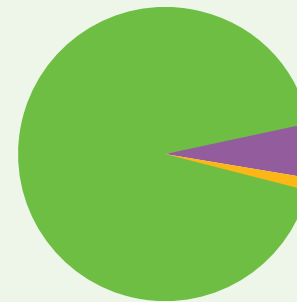
The total financial expense of these efforts is reflected in our 2006 program expenses of \$1 billion. In FY 2006 AmeriCares continued its tradition of efficiency with fundraising and management/general expenses below 2% of total expenses.

In order to gain a complete understanding of our financial information, we encourage you to read the 2006 Financial Statements which follow, audited by PricewaterhouseCoopers LLP.



Peter W. Farnsworth  
Chief Financial Officer

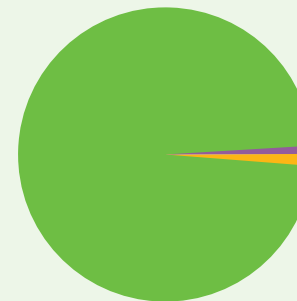
### Support and Revenue to AmeriCares in 2006 (in thousands)



- In-Kind \$839,059 (94%)
- Cash and Securities \$49,306 (5.5%)
- Other \$4,629 (0.5%)

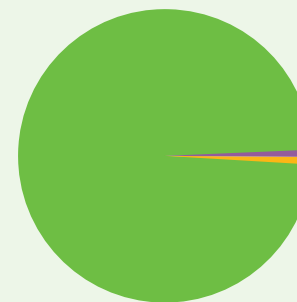


### How AmeriCares expenses were allocated in 2006 (in thousands)



- Program Services \$998,003 (99.2%)
- Fund Raising \$5,263 (0.5%)
- Management and General \$3,194 (0.3%)

### AmeriCares Program Expenses in 2006 (in thousands)



- AmeriCares Foundation \$993,350 (99.5%)
- AmeriCares Free Clinics \$3,188 (0.3%)
- AmeriCares HomeFront \$1,068 (0.1%)
- Camp AmeriKids \$397 (0.1%)

*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, 2006, 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 2005 financial statements, and in our report dated September 17, 2005, we expressed an unqualified opinion on those financial statements. We conducted our audit 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 audit provides a reasonable basis for our opinion.

September 26, 2006

*PricewaterhouseCoopers LLP*

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,843,440	\$ 20,515,010
Investments	63,433,218	36,444,500
Contributions receivable	1,496,678	3,180,884
Interest and miscellaneous receivables	353,240	251,982
Inventory	150,373,343	261,210,461
Prepaid expenses	483,256	298,171
<b>Total current assets</b>	<u>223,983,175</u>	<u>321,901,008</u>
<b>Property and equipment</b>		
Building	525,348	500,521
Furniture and equipment	948,435	857,033
Leasehold improvements	803,916	796,324
Accumulated depreciation and amortization	(756,381)	(551,554)
<b>Net property and equipment</b>	<u>1,521,318</u>	<u>1,602,324</u>
<b>Other assets</b>		
Contributions receivable — net	314,437	—
Property held for investment	725,000	725,000
Perpetual assets held in trust	469,855	430,288
Total other assets	<u>1,509,292</u>	<u>1,155,288</u>
<b>Total assets</b>	<u>\$ 227,013,785</u>	<u>\$ 324,658,620</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,964,896	\$ 3,988,439
Committed grants and relief supplies	15,142,911	400,264
<b>Total current liabilities</b>	<u>18,107,807</u>	<u>4,388,703</u>
<b>Noncurrent liabilities</b>		
Liability under split-interest agreements	320,391	381,809
Committed grants and relief supplies	2,164,388	—
<b>Total noncurrent liabilities</b>	<u>2,484,779</u>	<u>381,809</u>
<b>Total liabilities</b>	<u>20,592,586</u>	<u>4,770,512</u>
<b>Net assets</b>		
Unrestricted	128,959,919	244,991,546
Temporarily restricted	76,096,777	74,466,274
Permanently restricted	1,364,503	430,288
<b>Total net assets</b>	<u>206,421,199</u>	<u>319,888,108</u>
<b>Total liabilities and net assets</b>	<u>\$ 227,013,785</u>	<u>\$ 324,658,620</u>

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

## AmeriCares Foundation, Inc.

### Consolidated Statement of Financial Position

As of June 30, 2006  
(with summarized comparative  
totals for 2005)

**AmeriCares Foundation, Inc.**

**Consolidated Statement  
of Activities**

For the year ended June 30, 2006  
(with summarized comparative  
totals for 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2006</u>	<u>2005</u>
<b>Support and Revenue</b>					
<b>Public support</b>					
Cash contributions	\$ 13,004,801	\$ 34,609,339	\$ 894,468	\$ 48,508,608	\$ 74,131,280
Securities contributions	326,384	470,521	-	796,905	908,868
Donated medical and disaster supplies	553,857,932	285,201,316	-	839,059,248	1,241,606,089
Contributed services and facilities	2,358,204	-	-	2,358,204	3,182,341
Net assets released from restrictions	318,667,783	(318,667,783)	-	-	-
<b>Total public support</b>	<u>888,215,104</u>	<u>1,613,393</u>	<u>894,468</u>	<u>890,722,965</u>	<u>1,319,828,578</u>
<b>Revenue</b>					
Government grants	-	-	-	-	278,417
Interest and dividend income	2,867,348	-	-	2,867,348	943,844
Net gain on sale of securities	321,467	-	-	321,467	34,089
Unrealized gain (loss) on securities	(1,293,882)	-	-	(1,293,882)	409,397
Other	305,439	-	-	305,439	169,052
Change in value of split- interest agreements	13,590	17,110	39,747	70,447	160,211
<b>Total revenue</b>	<u>2,213,962</u>	<u>17,110</u>	<u>39,747</u>	<u>2,270,819</u>	<u>1,995,010</u>
<b>Total support and revenue</b>	<u>890,429,066</u>	<u>1,630,503</u>	<u>934,215</u>	<u>892,993,784</u>	<u>1,321,823,588</u>
<b>Expenses</b>					
Program services					
Program related expenses	18,956,716	-	-	18,956,716	25,819,616
Grants and awards	979,046,503	-	-	979,046,503	1,047,929,246
<b>Total program services</b>	<u>998,003,219</u>	<u>-</u>	<u>-</u>	<u>998,003,219</u>	<u>1,073,748,862</u>
Supporting services					
Management and general	3,194,309	-	-	3,194,309	3,426,499
Fundraising	5,263,165	-	-	5,263,165	4,414,302
<b>Total supporting services</b>	<u>8,457,474</u>	<u>-</u>	<u>-</u>	<u>8,457,474</u>	<u>7,840,801</u>
<b>Total expenses</b>	<u>1,006,460,693</u>	<u>-</u>	<u>-</u>	<u>1,006,460,693</u>	<u>1,081,589,663</u>
<b>Change in net assets</b>	(116,031,627)	1,630,503	934,215	(113,466,909)	240,233,925
<b>Net assets — beginning of year</b>	244,991,546	74,466,274	430,288	319,888,108	79,654,183
<b>Net assets — end of year</b>	<u>\$ 128,959,919</u>	<u>\$ 76,096,777</u>	<u>\$ 1,364,503</u>	<u>\$ 206,421,199</u>	<u>\$ 319,888,108</u>

*The accompanying notes are an integral part of these financial statements.*

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (113,466,909)	\$ 240,233,925
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	218,200	206,898
Net (gain) loss on sale of securities	(321,467)	(34,089)
Unrealized (gain) loss on investments	1,293,882	(409,397)
Cash received from endowment	(894,468)	–
Unrealized (gain) loss on property held for investment	–	(425,000)
Changes in assets and liabilities		
Interest and miscellaneous receivables	(101,258)	(119,038)
Contributions receivable	1,369,769	(495,186)
Inventory	110,837,118	(194,923,740)
Prepaid expenses	(185,085)	21,654
Perpetual assets held in trust	(39,567)	(430,288)
Accounts payable and accrued expenses	(1,023,543)	(989,628)
Committed grants and relief supplies	16,907,035	–
Liability under split-interest agreements	(61,418)	313,338
<b>Net cash provided by operating activities</b>	<u>14,532,289</u>	<u>42,949,449</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(157,255)	(161,592)
Disposal of fixed assets, net	20,060	–
Proceeds from sale of investments	16,224,483	6,125,527
Purchase of investments	(44,185,615)	(31,244,035)
<b>Net cash used in investing activities</b>	<u>(28,098,327)</u>	<u>(25,280,100)</u>
<b>Cash flows from financing activities</b>		
Cash received from endowment	<u>894,468</u>	<u>–</u>
Net (decrease) increase in cash and cash equivalents	(12,671,570)	17,669,349
Cash and cash equivalents at beginning of year	20,515,010	2,845,661
Cash and cash equivalents at end of year	<u>\$ 7,843,440</u>	<u>\$ 20,515,010</u>

#### Supplemental cash flow information

Noncash items included \$839,059,248 and \$1,241,606,089 of donated medical and other disaster relief supplies, and \$2,358,204 and \$3,182,341 of contributed services and facilities in 2006 and 2005, respectively.

Cash used in operating activities included payments for interest on gift annuities of \$74,496 and \$80,787 in 2006 and 2005, respectively.

*The accompanying notes are an integral part of these financial statements.*

## AmeriCares Foundation, Inc.

### Consolidated Statement of Cash Flows

For the year ended June 30, 2006  
(with summarized comparative  
totals for 2005)

AmeriCares Foundation, Inc.

**Consolidated Statement  
of Functional Expenses**

For the year ended June 30, 2006  
(with summarized comparative  
totals for 2005)

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>	
		<u>Management and General</u>	<u>Fund Raising</u>	<u>2006</u>	<u>2005</u>
<b>Functional expenses</b>					
Salaries and related payroll expenses	\$ 4,796,289	\$ 1,842,183	\$ 1,865,123	\$ 8,503,595	\$ 6,483,873
Rent and other occupancy costs	588,595	222,468	211,998	1,023,061	960,069
Grants and awards, relief supplies	950,729,287	–	–	950,729,287	1,045,039,564
Grants to other agencies	23,931,115	–	–	23,931,115	796,503
Inventory write-off	2,362,773	–	–	2,362,773	5,597,390
Professional fees and contract services	2,730,692	532,250	676,933	3,939,875	3,587,723
Office supplies and equipment	170,964	64,848	31,492	267,304	352,671
Telephone	154,929	22,524	16,961	194,414	220,887
Postage, shipping and warehousing	10,320,977	39,290	565,179	10,925,446	14,855,296
Equipment and software rental	168,221	44,928	205,843	418,992	216,375
Promotional expenses	55,210	1,780	1,311,335	1,368,325	749,663
Travel	809,591	62,660	97,669	969,920	793,073
Insurance and miscellaneous	309,351	325,128	252,930	887,409	1,028,137
Building materials	720,977	–	–	720,977	701,541
Depreciation and amortization	154,248	36,250	27,702	218,200	206,898
<b>Total functional expenses</b>					
<b>2006</b>	<u>\$ 998,003,219</u>	<u>\$ 3,194,309</u>	<u>\$ 5,263,165</u>	<u>\$ 1,006,460,693</u>	
<b>Total functional expenses</b>					
<b>2005</b>	<u>\$ 1,073,748,862</u>	<u>\$ 3,426,499</u>	<u>\$ 4,414,302</u>		<u>\$ 1,081,589,663</u>

*The accompanying notes are an integral part of these financial statements.*

## 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 wholly owned affiliated organizations 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 the Foundation to use all or part of the income earned on these assets for either specified or unspecified purposes.

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 statement of activities as net assets released from restrictions.

## AmeriCares Foundation, Inc.

### Notes to Consolidated Financial Statements

June 30, 2006

## AmeriCares Foundation, Inc.

### Notes to Consolidated Financial Statements

June 30, 2006

#### 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 are not shipped by year end are recorded as inventory at wholesale value. Unrestricted donated supplies not yet distributed had approximate wholesale values of \$114,952,301 and \$230,294,197 at June 30, 2006 and 2005, respectively. Restricted donated supplies not yet distributed had approximate wholesale values of \$34,921,690 and \$30,916,264 at June 30, 2006 and 2005, respectively.

AmeriCares operates a Patient Assistance Program through which it receives gifts in kind of donated medical supplies which totaled \$276,597,024 and \$364,857,635 for the years ended June 30, 2006 and 2005, respectively. Additionally, AmeriCares received gifts of cash to assist with the funding of program costs totaling \$7,621,081 and \$10,461,214 for the years ended June 30, 2006 and 2005, 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 \$900,670 and \$1,582,973 at June 30, 2006 and 2005, respectively.

For the years ended June 30, 2006 and 2005, AmeriCares received cash of \$1,319,360 and \$44,803,173, respectively, and gifts in kind of \$189,022 in 2005, restricted to the December 26, 2004 South East Asia tsunami disaster relief. AmeriCares incurred expenses for this disaster relief program, including shipments of gifts in kind, of \$18,912,280 and \$5,220,611 for the years ended June 30, 2006 and 2005, respectively. At June 30, 2006 AmeriCares had \$22,160,035 remaining in the fund.

For the year ended June 30, 2006, AmeriCares received cash of \$13,756,203 and gifts in kind of \$265,254, restricted to the Hurricane Katrina disaster relief. AmeriCares incurred expenses, including shipments of gifts in kind, of \$4,349,913 for the year ended June 30, 2006. At June 30, 2006 AmeriCares had \$9,671,544 remaining in the fund.

#### Committed grants and relief supplies

The Foundation 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. These areas include, but are not limited to, the countries affected by the December 2004 tsunami and 2005 hurricane season. A liability for cash grants is recorded when the steering committee approves the cash grant. A liability for relief supplies is recorded when acceptance for the shipment of the relief supplies is received from the recipient. At June 30, 2006 and 2005, the Foundation had outstanding liabilities of \$17,307,299 and \$400,264, respectively.

**Contributed services and facilities**

AmeriCares receives services and equipment 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:

	<u>2006</u>	<u>2005</u>
No-charge freight	\$ 29,956	\$ 423,960
Other donated supplies	42,631	284,191
Professional services	2,125,802	2,309,194
Other	159,815	164,996
Total contributed services and facilities	<u>\$ 2,358,204</u>	<u>\$ 3,182,341</u>

AmeriCares records as revenue the market value of the contributed service/equipment, with an equivalent amount recorded as expense.

**Allocation of expenses**

Amounts for salaries, office supplies, rent 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.

**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.

**Government grants**

Revenues from government grants are recognized when the related costs have been incurred.

**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 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.

**AmeriCares Foundation, Inc.****Notes to Consolidated  
Financial Statements**

June 30, 2006

## AmeriCares Foundation, Inc.

### Notes to Consolidated Financial Statements

June 30, 2006

#### 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, 2005 from which the summarized information was derived.

#### Reclassification

Certain amounts for 2005 have been reclassified to conform with the 2006 financial statement presentation.

#### 3. Contributions Receivable

Contributions which are expected to be collected after one year have been discounted at 4.28% and are reflected in the financial statements at the net present value. Contributions receivable are due as follows:

	<u>2006</u>	<u>2005</u>
Less than one year	\$ 1,496,678	\$3,180,884
One to five years (net of \$35,563 present value discount)	314,437	-
Total contributions receivable	<u>1,811,115</u>	<u>\$3,180,884</u>

The discount will be recognized as contribution income in fiscal years 2007 through 2010 as the discount is amortized over the duration of the pledge.

#### 4. Income Taxes

AmeriCares Foundation, Inc., AmeriCares Free Clinics, Inc. and Camp AmeriKids, 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.

An affiliated organization, AmeriCares HomeFront, Inc., was incorporated as its own entity on October 28, 2004. The IRS reviewed its application for tax-exempt status and issued a determination letter dated June 4, 2006 recognizing AmeriCares HomeFront, Inc. as tax-exempt under section 501(c)(3) of the IRC.

## 5. Investments

Investments consist of the following at June 30:

	Market		Cost	
	2006	2005	2006	2005
Fixed income	\$ 52,907,640	\$ 32,430,340	\$ 54,111,363	\$ 32,094,683
Equity securities	10,525,578	4,014,160	10,082,473	3,838,938
Total investments	\$ 63,433,218	\$ 36,444,500	\$ 64,193,836	\$ 35,933,621

## 6. 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, 2006 and 2005, the largest contributor accounted for 19% and 10% of total merchandise contributions, respectively. The three largest contributors accounted for 28% and 27% of total merchandise contributions for the years ended June 30, 2006 and 2005, respectively.

## 7. Employee Benefits

AmeriCares established a defined contribution plan (the AmeriCares Discretionary Contribution Plan) for all eligible employees effective January 1, 1992. Employees who have completed one year of service and have attained the age of 21 are eligible for participation. Contributions are discretionary as determined by the Board of Directors. The contributions are allocated based on an equal percentage of each participant's compensation. A participant becomes fully vested in employer contributions after five years of service.

As of December 31, 2002, AmeriCares modified this Discretionary Pension 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, 2006 and 2005 was \$282,935 and \$214,841, respectively.

AmeriCares provides certain healthcare, dental and life insurance benefits for substantially all active employees. These benefits are provided through insurance companies, and include deductibles, and other limitations, and may be amended or changed periodically. The company recognizes the cost of providing these benefits for the employees by expensing monthly premiums and actual monthly health care payments. The cost of providing these benefits was \$900,677 and \$767,567 for the years ended June 30, 2006 and 2005, respectively.

## 8. 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>
2007	\$ 1,004,897
2008	972,535
2009	1,015,904
2010	1,007,627
2011	989,249
2012-2019	7,879,369

Rent expense for the years ended June 30, 2006 and 2005 was \$935,252 and \$970,042, respectively.

## AmeriCares Foundation, Inc.

### Notes to Consolidated Financial Statements

June 30, 2006