



DEAR FRIENDS,

Fiscal Year 2005 was an unprecedented year of milestones for AmeriCares. We experienced an increase of more than \$500 million in support for our work. Total public support and revenue for this past year was more than \$1.3 billion, a new record for AmeriCares, up 64% from fiscal year 2004. This rise was largely the result of increases in gift-in-kind donations of medicines, medical equipment and other relief supplies, as our pharmaceutical partners furthered their commitment to supporting AmeriCares global humanitarian lifeline.

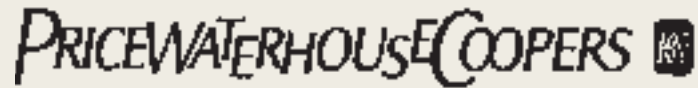
Donations of cash and securities totaled \$74 million, an increase of \$50 million over the prior year. This increase in donations expanded our capacity for delivering more medicines and medical supplies to those in crisis. Working with our local partners around the world, we provided rapid-response to significant humanitarian disasters such as the ongoing situation in Darfur, a rotavirus epidemic in El Salvador, the deadly tsunami that affected much of Southeast Asia, and a string of devastating hurricanes throughout the Caribbean and the U.S. The financial cost of this support is reflected in our 2005 program expenses of \$1.1 million, a record increase of \$265 million (33%) over last year.

In FY 2005 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 2005 Financial Statements which follow, audited by PricewaterhouseCoopers LLP.

Peter W. Farnsworth
Chief Financial Officer

AmeriCares CFO Peter Farnsworth (*center*) with tsunami fundraisers (and former presidents) Bill Clinton and George H.W. Bush



PricewaterhouseCoopers LLP
300 Atlantic Street
Stamford CT 06901
Telephone (203) 539-3000
Facsimile (203) 207-3999

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, 2005, 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 2004 financial statements, and in our report dated August 24, 2004, 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 17, 2005
Stamford, CT

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

	<u>2005</u>	<u>2004</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 20,515,010	\$ 2,845,661
Investments	36,444,500	10,882,506
Interest and miscellaneous receivables	251,982	132,944
Pledges receivable	3,180,884	2,685,698
Inventory	261,210,461	66,286,721
Prepaid expenses	292,929	287,925
Total current assets	<u>321,895,766</u>	<u>83,121,455</u>
Property and equipment		
Building	500,521	500,521
Furniture and equipment	857,033	699,832
Leasehold improvements	796,324	791,933
Accumulated depreciation and amortization	(551,554)	(344,656)
Net property and equipment	<u>1,602,324</u>	<u>1,647,630</u>
Deposits	5,241	31,900
Property held for investment	725,000	300,000
Beneficial interest in perpetual trust	430,288	-
Total noncurrent assets	<u>2,762,853</u>	<u>1,979,530</u>
Total assets	<u>\$ 324,658,619</u>	<u>\$ 85,100,985</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,388,703	\$ 5,378,331
Total current liabilities	<u>4,388,703</u>	<u>5,378,331</u>
Noncurrent liabilities		
Liability under split interest agreements	381,809	68,471
Total noncurrent liabilities	<u>381,809</u>	<u>68,471</u>
Total liabilities	<u>4,770,512</u>	<u>5,446,802</u>
Net assets		
Unrestricted	244,991,545	43,271,280
Temporarily restricted	74,466,274	36,382,903
Permanently restricted	430,288	-
Total net assets	<u>319,888,107</u>	<u>79,654,183</u>
Total liabilities and net assets	<u>\$ 324,658,619</u>	<u>\$ 85,100,985</u>

AmeriCares Foundation, Inc.

Consolidated Statement of Financial Position

As of June 30, 2005
(with summarized comparative
totals for 2004)

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

AmeriCares Foundation, Inc.

Consolidated Statement
of Activities

For the year ended June 30, 2005
(with summarized comparative
totals for 2004)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2005	2004
Support and Revenue					
Public Support					
Cash contributions	\$ 15,114,879	\$ 58,586,112	\$ -	\$ 73,700,991	\$ 23,687,515
Securities contributions	424,852	348,532	-	773,384	243,436
Donated medical and disaster supplies	873,748,812	367,857,277	-	1,241,606,089	777,687,541
Contributed services and facilities	3,182,341	-	-	3,182,341	3,322,470
Contributions from split-interest agreements	135,484	-	430,288	565,772	-
Net assets released from restrictions	388,708,550	(388,708,550)	-	-	-
Total public support	<u>1,281,314,918</u>	<u>38,083,371</u>	<u>430,288</u>	<u>1,319,828,577</u>	<u>804,940,962</u>
Revenue					
Government grants	278,417	-	-	278,417	2,708,018
Interest and dividend income	943,844	-	-	943,844	304,772
Net gain (loss) on sale of securities	34,089	-	-	34,089	(1,690,296)
Unrealized gain on securities	409,397	-	-	409,397	2,330,040
Unrealized gain on property held for investment	425,000	-	-	425,000	-
Other	169,052	-	-	169,052	31,776
Change in value of split interest agreements	(264,789)	-	-	(264,789)	-
Total revenue	<u>1,995,010</u>	<u>-</u>	<u>-</u>	<u>1,995,010</u>	<u>3,684,310</u>
Total support and revenue	<u>1,283,309,928</u>	<u>38,083,371</u>	<u>430,288</u>	<u>1,321,823,587</u>	<u>808,625,272</u>
Expenses					
Program services					
Program related expenses	25,819,616	-	-	25,819,616	18,531,373
Grants and awards	1,047,929,246	-	-	1,047,929,246	790,097,575
Total program services	<u>1,073,748,862</u>	<u>-</u>	<u>-</u>	<u>1,073,748,862</u>	<u>808,628,948</u>
Supporting services					
Management and general	3,426,499	-	-	3,426,499	4,084,622
Fund raising	4,414,302	-	-	4,414,302	5,929,582
Total supporting services	<u>7,840,801</u>	<u>-</u>	<u>-</u>	<u>7,840,801</u>	<u>10,014,204</u>
Total expenses	<u>1,081,589,663</u>	<u>-</u>	<u>-</u>	<u>1,081,589,663</u>	<u>818,643,152</u>
Change in net assets	201,720,265	38,083,371	430,288	240,233,924	(10,017,880)
Net assets—beginning of year	43,271,280	36,382,903	-	79,654,183	89,672,063
Net assets—end of year	<u>\$ 244,991,545</u>	<u>\$ 74,466,274</u>	<u>\$ 430,288</u>	<u>\$ 319,888,107</u>	<u>\$ 79,654,183</u>

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

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Change in net assets	\$ 240,233,924	\$ (10,017,880)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	206,898	201,252
Net (gain) loss on sale of securities	(34,089)	1,690,296
Unrealized gain on investments	(409,397)	(2,330,040)
Unrealized gain on property held for investment	(425,000)	-
Changes in assets and liabilities		
Interest and miscellaneous receivables	(119,038)	(41,022)
Contributions receivable	(495,186)	(218,815)
Inventory	(194,923,740)	20,100,727
Prepaid expenses	(5,005)	274,734
Deposits	26,659	71,240
Assets held in trust	(430,288)	-
Accounts payable and accrued expenses	(989,628)	1,732,835
Relief supplies committed	-	(13,334,223)
Long-term portion of annuity payable	313,338	(6,108)
Net cash provided by (used in) operating activities	<u>42,949,448</u>	<u>(1,877,004)</u>
Cash flows from investing activities		
Purchase of fixed assets	(161,592)	(846,458)
Proceeds from sale of investments	6,125,527	13,504,419
Purchase of investments	(31,244,035)	(10,410,863)
Net cash (used in) provided by investing activities	<u>(25,280,100)</u>	<u>2,247,098</u>
Net increase in cash and cash equivalents	17,669,349	370,094
Cash and cash equivalents at beginning of year	2,845,661	2,475,567
Cash and cash equivalents at end of year	<u>\$ 20,515,010</u>	<u>\$ 2,845,661</u>

Supplemental cash flow information

Noncash items included \$1,241,606,089 and \$777,687,541 of donated medical and other disaster relief supplies, and \$3,182,341 and \$3,322,470 of contributed services and facilities in 2005 and 2004, respectively.

Cash used in operating activities included payments for interest on gift annuities of \$80,787 and \$56,107 in 2005 and 2004, respectively.

AmeriCares Foundation, Inc.

Consolidated Statement of Cash Flows

For the year ended June 30, 2005
(with summarized comparative totals for 2004)

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

AmeriCares Foundation, Inc.

Consolidated Statement
of Functional Expenses

For the year ended June 30, 2005
(with summarized comparative
totals for 2004)

	Program	Supporting Services		Total Expenses 2005	Total Expenses 2004
		Management and General	Fund Raising		
Functional expenses					
Salaries and related payroll expenses	\$ 3,441,694	\$ 1,539,777	\$ 1,502,402	\$ 6,483,873	\$ 5,539,425
Rent and other occupancy costs	434,779	415,101	110,189	960,069	908,048
Grants and awards, relief supplies	1,045,039,564	-	-	1,045,039,564	785,098,075
Grants to other agencies	796,503	-	-	796,503	306,901
Inventory write-off	5,597,390	-	-	5,597,390	3,265,089
Professional fees and contract services	2,230,903	868,059	488,760	3,587,722	3,198,101
Other office supplies and equipment	230,097	84,122	38,451	352,670	233,049
Telephone	161,083	39,421	20,383	220,887	128,437
Postage, shipping and warehousing	13,812,417	46,168	996,711	14,855,296	14,830,021
Equipment rental and programming	116,863	44,789	54,723	216,375	188,287
Promotional expenses	24,360	1,787	723,516	749,663	2,195,140
Travel	637,226	106,043	49,804	793,073	602,350
Insurance and miscellaneous	374,981	246,855	406,302	1,028,138	1,256,188
Building materials	701,542	-	-	701,542	692,789
Depreciation and amortization	149,460	34,377	23,061	206,898	201,252
Total functional expenses 2005	\$1,073,748,862	\$ 3,426,499	\$ 4,414,302	\$1,081,589,663	
Total functional expenses 2004	\$ 808,628,948	\$ 4,084,622	\$ 5,929,582		\$ 818,643,152

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, 2005

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

June 30, 2005

Pledges receivable

Unconditional promises to give are included in the financial statements as pledges 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.

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 \$230,294,197 and \$34,074,337 at June 30, 2005 and 2004, respectively. Restricted donated supplies not yet distributed had approximate wholesale values of \$30,916,264 and \$32,212,384, at June 30, 2005 and 2004, respectively.

AmeriCares operates a Patient Assistance Program through which it receives gifts in kind of donated medical supplies which totaled \$364,857,635 and \$330,519,910 for the years ended June 30, 2005 and 2004, respectively. Additionally, AmeriCares received gifts of cash to assist with the funding of the program costs totaling \$10,461,214 and \$10,901,544 for the years ended June 30, 2005 and 2004, 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 \$1,582,973 and \$2,685,698 at June 30, 2005 and 2004, respectively.

For the year ended June 30, 2005, AmeriCares received gifts of cash and gifts in kind of \$44,803,173 and \$189,022, respectively, restricted to the December 26, 2004 South East Asia tsunami disaster relief. AmeriCares had expenses of \$5,135,878 in cash and \$84,733 in gifts in-kind in the year ended June 30, 2005 related to the tsunami disaster. At June 30, 2005 AmeriCares had \$39,675,295 in cash and \$84,752 in gifts in-kind remaining in the fund.

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>2005</u>	<u>2004</u>
No-charge freight	\$ 423,960	\$ 359,168
Other donated supplies	284,191	529,141
Professional services	2,309,194	2,239,994
Other	<u>164,996</u>	<u>194,167</u>
Total contributed services and facilities	\$ 3,182,341	\$ 3,322,470

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, 2005

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

June 30, 2005

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, 2004, from which the summarized information was derived.

Reclassification

Certain amounts for 2004 have been reclassified to conform with the 2005 financial statement presentation.

3. Income Taxes

The Internal Revenue Service has completed an audit of AmeriCares' Forms 990 for the tax years ended December 31, 1985 and 1986 and, as a result, has issued a determination letter dated November 18, 1992 recognizing AmeriCares' tax exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC).

Accordingly, AmeriCares is not subject to income taxes and donors of money and/or property are entitled to a charitable contribution deduction as defined in the IRC. Continued qualification of AmeriCares' tax exempt status is contingent upon AmeriCares' continued compliance with the requirements of the IRC.

An affiliated organization, AmeriCares HomeFront, Inc., was incorporated as its own entity on October 28, 2004. The application for tax exempt status under Section 501(c)(3) has been completed and is currently pending review.

4. Investments

Investments consist of the following at June 30:

	Cost		Market	
	2005	2004	2005	2004
Fixed income	\$ 32,094,683	\$ 4,551,082	\$ 32,430,340	\$ 4,534,404
Equity securities	3,838,938	6,222,230	4,014,160	6,348,102
Total investments	\$ 35,933,621	\$ 10,773,312	\$ 36,444,500	\$ 10,882,506

5. 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, 2005 and 2004, the largest contributor accounted for 10% and 19% of total merchandise contributions, respectively. The three largest contributors accounted for 27% and 43% of total merchandise contributions for the years ended June 30, 2005 and 2004, respectively.

6. 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 employees 401K tax sheltered savings plan. If an employee elects to participate in a 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, 2005 and 2004 was \$214,841 and \$182,558, 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 \$767,567 and \$628,470 for the years ended June 30, 2005 and 2004, respectively.

7. 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>
2006	\$ 918,180
2007	995,249
2008	969,062
2009	1,012,431
2010	1,004,153

Office rent expense for the years ended June 30, 2005 and 2004 was \$477,707 and \$543,052, respectively.

Warehouse rent expense for the years ended June 30, 2005 and 2004 was \$492,335 and \$491,603, respectively.

AmeriCares Foundation, Inc.

Notes to Consolidated Financial Statements

June 30, 2005