FINANCIAL STATEMENTS

AFRICARE

FOR THE YEAR ENDED JUNE 30, 2009
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2008

AFRICARE

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Africare
Washington, D.C.

We have audited the accompanying statement of financial position of Africare as of June 30, 2009, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Africare'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 Africare's 2008 financial statements and, in our report dated May 22, 2009, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Africare as of June 30, 2009, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

March 30, 2010

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

AFRICARE

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	$ 9,613,844	$ 9,365,101
Investments (Notes 2 and 11)	2,733,678	3,510,927
Total cash, cash equivalents and investments	12,347,522	12,876,028
Accounts, employee and other receivables:		
Accounts receivable, Combined Federal Campaign	38,630	56,850
Employee receivables and advances, net of allowance for doubtful accounts of $10,000 in 2009 and 2008, respectively	27,774	49,368
Other receivables and advances, net of allowance for doubtful accounts of $480,000 and $412,000 in 2009 and 2008, respectively	538,110	452,800
Total accounts, employee and other receivables	604,514	559,018
Grants and support receivable:		
Federal grants receivable, net of allowance for doubtful accounts of $121,000 and $81,500, in 2009 and 2008, respectively	5,881,507	5,264,303
Foreign governments and international organizations, net of allowance for doubtful accounts of $228,000 and $151,500, in 2009 and 2008, respectively	386,210	492,032
Private and other, net of allowance for doubtful accounts of $0 and $8,100, in 2009 and 2008, respectively	323,475	148,322
Total grants and support receivable	6,591,192	5,904,657
Total current assets	19,543,228	19,339,703
PROPERTY AND EQUIPMENT		
Land	224,756	224,756
Buildings	2,266,872	2,253,222
Equipment (Note 3)	5,751,400	4,257,865
Donated artwork	579,135	579,135
Total cost of property and equipment	8,822,163	7,314,978
Less: Accumulated depreciation and amortization	(4,827,991)	(3,877,537)
Net property and equipment	3,994,172	3,437,441
OTHER ASSETS		
Investments - non-current (Notes 2 and 11)	3,018,063	3,018,063
Other assets	2,766,714	1,178,588
Total other assets	5,784,777	4,196,651
TOTAL ASSETS	**$ 29,322,177**	**$ 26,973,795**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES		
Capital leases payable, current portion (Note 3)	$ 74,827	$ 47,823
Accounts payable	4,140,147	2,919,230
Accrued salaries and related expenses	1,044,238	1,095,944
Refundable advances:		
U.S. Federal government	8,275,764	6,657,752
Foreign governments and international organizations	2,772,100	2,105,064
Private and other	1,446,045	2,433,310
Pension payable (Notes 8 and 11)	2,312,550	1,420,412
Total current liabilities	20,065,671	16,679,535
LONG-TERM LIABILITIES		
Capital leases payable, long-term portion (Note 3)	165,119	106,169
Total liabilities	20,230,790	16,785,704
NET ASSETS		
Unrestricted (Note 6)	5,586,931	6,104,514
Temporarily restricted (Note 4)	486,393	1,065,514
Permanently restricted (Note 6)	3,018,063	3,018,063
Total net assets	9,091,387	10,188,091
TOTAL LIABILITIES AND NET ASSETS	$ 29,322,177	$ 26,973,795

See accompanying notes to financial statements.

AFRICARE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE					
U.S. Government grants	$ 32,645,378	$ -	$ -	$ 32,645,378	$ 26,474,392
Foreign government grants	935,096	-	-	935,096	2,021,052
Foundations and trusts	1,943,492	2,330	-	1,945,822	2,045,414
Contributions and other grants	9,499,150	159,699	-	9,658,849	8,785,445
Donated services and materials (Note 7)	6,275,992	-	-	6,275,992	4,380,715
Special events	959,840	-	-	959,840	1,172,026
Combined Federal campaign	232,865	-	-	232,865	288,752
Investment income (Note 2)	170,936	66,172	-	237,108	309,022
Membership dues	7,740	-	-	7,740	11,462
Miscellaneous revenue	134,530	-	-	134,530	858,400
Net assets released from donor restrictions (Note 5)	380,107	(380,107)	-	-	-
Total revenue	53,185,126	(151,906)	-	53,033,220	46,346,680
EXPENSES					
Program Services:					
Health and Water Resources Development	19,327,373	-	-	19,327,373	19,954,275
Food Security, Relief and Refugee Assistance	12,825,817	-	-	12,825,817	8,719,408
Agriculture and Small Scale Irrigation	5,200,112	-	-	5,200,112	5,234,283
Integrated Rural Development	6,187,317	-	-	6,187,317	8,051,628
Other Development Programs	4,695,472	-	-	4,695,472	1,971,987
Total program services	48,236,091	-	-	48,236,091	43,931,581
Supporting Services:					
Management and General	2,836,792	-	-	2,836,792	1,897,965
Fundraising	1,220,940	-	-	1,220,940	1,178,619
Total supporting services	4,057,732	-	-	4,057,732	3,076,584
Total expenses	52,293,823	-	-	52,293,823	47,008,165

See accompanying notes to financial statements.

AFRICARE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009				2008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Change in net assets from operations	$ 891,303	$ (151,906)	$ -	$ 739,397	$ (661,485)
Non-operating minimum pension liability adjustment (Note 8)	(1,068,463)	-	-	(1,068,463)	(910,741)
Non-operating realized and unrealized loss on investments (Note 2)	(340,423)	(427,215)	-	(767,638)	(106,433)
Change in net assets	(517,583)	(579,121)	-	(1,096,704)	(1,678,659)
Net assets at beginning of year, as restated (Note 10)	6,104,514	1,065,514	3,018,063	10,188,091	11,866,750
NET ASSETS AT END OF YEAR	**$ 5,586,931**	**$ 486,393**	**$ 3,018,063**	**$ 9,091,387**	**$ 10,188,091**

AFRICARE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009			
	Program Services			
	Health and Water Resources Development	Food Security, Relief and Refugee Assistance	Agriculture and Small Scale Irrigation	Integrated Rural Development
Salaries, and fringe benefits (Note 8)	$ 8,011,687	$ 3,851,021	$ 1,739,329	$ 2,067,897
Freight	79,890	4,527,829	11,865	27,539
Travel, relocation and housing	997,302	442,682	265,305	269,735
Subcontracts and related services	2,406,738	471,780	74,844	1,711,969
Supplies and materials	1,939,802	1,701,491	1,721,805	827,987
Rent and occupancy charges	1,082,081	315,131	299,101	328,186
Conferences, conventions and meetings	1,894,379	337,628	204,687	266,049
Vehicle purchases, repair and maintenance	994,515	659,626	327,375	229,660
Professional and contractual services	431,447	111,390	86,986	95,057
Telephone, postage and delivery	442,756	144,123	95,095	96,361
Office equipment and furnishings	190,104	68,072	56,705	31,970
Insurance	93,307	43,047	52,428	26,033
Public and community relations	22,779	1,107	3,074	9,910
Office equipment rental	105,279	66,507	20,408	39,215
Legal and audit	9,807	1,347	3,808	2,123
Recruitment	42,337	6,627	2,996	11,595
Depreciation and amortization	308,277	40,935	151,114	87,268
Other	274,886	35,474	83,187	58,763
TOTAL	**$ 19,327,373**	**$ 12,825,817**	**$ 5,200,112**	**$ 6,187,317**

See accompanying notes to financial statements.

		Supporting Services				2008
Other Development Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
$ 1,623,317	$ 17,293,251	$ 1,228,817	$ 665,755	$ 1,894,572	$ 19,187,823	$ 16,488,711
200	4,647,323	1,385	-	1,385	4,648,708	2,501,691
296,459	2,271,483	131,760	2,848	134,608	2,406,091	2,208,602
277,354	4,942,685	6,378	345,929	352,307	5,294,992	5,380,937
546,332	6,737,417	40,043	74,347	114,390	6,851,807	8,239,299
213,141	2,237,640	178,362	269	178,631	2,416,271	1,859,831
328,841	3,031,584	33,832	7,362	41,194	3,072,778	3,145,119
262,572	2,473,748	27,370	6,011	33,381	2,507,129	3,154,059
138,974	863,854	152,912	37,897	190,809	1,054,663	386,401
80,846	859,181	50,061	21,099	71,160	930,341	880,083
41,818	388,669	12,741	-	12,741	401,410	363,759
40,706	255,521	22,621	-	22,621	278,142	223,218
2,185	39,055	5,935	46,318	52,253	91,308	66,778
17,695	249,104	35,479	3,998	39,477	288,581	212,943
10,674	27,759	190,283	-	190,283	218,042	137,641
11,835	75,390	12,613	2,977	15,590	90,980	42,069
198,984	786,578	163,876	-	163,876	950,454	686,125
603,539	1,055,849	542,324	6,130	548,454	1,604,303	1,030,899
$ 4,695,472	**$ 48,236,091**	**$ 2,836,792**	**$ 1,220,940**	**$ 4,057,732**	**$ 52,293,823**	**$ 47,008,165**

See accompanying notes to financial statements.

AFRICARE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,096,704)	$ (1,678,659)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	950,454	686,125
Net realized and unrealized loss on investments	767,638	106,433
Provision for allowance for doubtful accounts	487,787	648,716
Loss on disposal of equipment	-	17,278
(Increase) decrease in:		
Accounts, employee and other receivables	(117,418)	111,475
Grants and support receivable	(1,102,400)	(571,004)
Other assets	(1,588,126)	(339,778)
Increase (decrease) in:		
Accounts payable	1,220,917	(1,485,468)
Accrued salaries and related expenses	(51,706)	64,758
Refundable advances	1,297,783	2,707,118
Pension payable	892,138	584,546
Net cash provided by operating activities	1,660,363	851,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,361,010)	(849,886)
Purchase of investments	(1,082,585)	(1,992,792)
Sale of investments	1,092,196	2,540,934
Net cash used by investing activities	(1,351,399)	(301,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(60,221)	(40,466)
Net cash used by financing activities	(60,221)	(40,466)
Net increase in cash and cash equivalents	248,743	509,330
Cash and cash equivalents at beginning of year	9,365,101	8,855,771
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 9,613,844**	**$ 9,365,101**

See accompanying notes to financial statements.

AFRICARE

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008**

	2009	2008
SUPPLEMENTAL INFORMATION:		
Interest Paid	$ 15,049	$ 14,834
SCHEDULE OF NONCASH FINANCING TRANSACTIONS:		
Capital Lease Obligation Incurred for Use of Equipment	$ 146,175	$ 75,218

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Founded in 1970, Africare is a private, non-profit organization, dedicated to improving the quality of life in Africa. Africare provides assistance in three principal areas - food security, agriculture and health. Africare's financial support comes from charitable foundations, corporations, the religious community, other private organizations, the U.S. Government, local agencies, foreign institutions, and individuals. Its headquarters is in Washington, D.C. During fiscal year 2009, Africare had operations in twenty-two African countries.

Africare has five core programs which are:

Health and Water Resources Development – includes activities to establish and strengthen rural health clinics and primary health services networks where basic medical care is limited or non-existent and activities to increase water supplies, improve water distribution systems and water portability/sanitation throughout Africa. Specific work includes well construction and village level sanitation infrastructure.

Food Security, Relief and Refugee Assistance – includes activities that use a combination of food resources, aimed at improving food access, availability, and utilization to promote active and healthy lives. Refugee assistance involves providing emergency aid to victims of natural and man-made disasters.

Agriculture and Small Scale Irrigation – includes services that focus on all aspects of food production and utilization, from improved cultivation of crops, livestock, agricultural irrigation and natural resource management, to farm infrastructure and farmer credit and training in agribusiness practices.

Integrated Rural Development – provides services to support rural areas needing help in water resources, irrigation, agriculture, and health clinics, to reduce shortages of essential food, water and services caused by drought and large influxes of immigrants.

Other Development Programs – includes activities such as literacy and vocational training, microenterprise, civil-society development and governance and emergency humanitarian aid that are outside of and compliment Africare’s principal program areas.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Africare's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Cash and cash equivalents -

Africare considers all cash and other highly liquid investments, with initial maturities of three months or less, to be cash equivalents.

At times during the year, Africare maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Cash and cash equivalents (continued) -

Africare maintains numerous bank accounts in foreign countries which are largely uninsured. Total cash and cash equivalents held overseas was $6,907,994 as of June 30, 2009.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included as non-operating activity in the Statement of Activities and Change in Net Assets. Investment income is reported as unrestricted revenue unless stipulated for a specific purpose by a donor.

Property and equipment -

Property and equipment in excess of $5,000 are capitalized and stated at cost if purchased or, if donated, at the fair market value at the date of the gift. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three years for furniture and equipment and vehicles, and fifty years for buildings. The cost of maintenance and repairs is recorded as expenses are incurred.

Agricultural commodities -

Africare receives agricultural commodities at no cost from agencies of the U.S. Government, for distribution under contracts related to specific relief programs, monetization with the cash proceeds to be used for Africare projects, or monetization with the proceeds distributed to other non-profit organization partners.

Commodities received for distribution are recorded at an amount approximating fair market value. Commodities held in inventory or in-transit are recorded as an asset and liability until distributed. Upon distribution, they are recorded as revenue and expense. Commodity inventories are included in other assets, with the related liability in accounts payable, totaling $2,403,395 for 2009.

Commodities received that are to be sold (monetized), where the related proceeds are designated for Africare project activities, are recorded as deferred revenue when the cash proceeds are received. Revenue and expenses are recognized when the proceeds are utilized for project activities.

Commodities received that are to be sold (monetized), where the related proceeds are designated for other non-profit organizations, are recorded as a liability until the funds are distributed to those other organizations.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Africare and include both internally designated and undesignated resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Africare and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by Africare. There are no restrictions placed on the use of investment earnings.

Contributions and grants -

Contributions are recorded as revenue in the year notification is received from the donor. Contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Africare receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Refundable advances represent grant funding in advance of incurring the related expenses.

Donated services, materials, furniture, and equipment -

Donated services, materials, furniture, and equipment are recorded at the fair value of the donated items.

Foreign currency -

The U.S. dollar is the functional currency of Africare. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the month of the transaction. Property and equipment purchases with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of purchase. Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the balance sheet. The net exchange losses from foreign currency of $384,399 for the year ended June 30, 2009 is included in other expenses on the Statement of Functional Expenses.

Income taxes -

Africare is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Africare is not a private foundation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, Africare is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, Africare has not implemented those provisions in the 2009 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, Africare continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of June 30, 2009, Africare has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

Africare invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurements -

Effective July 1, 2008, Africare adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurements (continued) -

Africare accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. INVESTMENTS

Investments are presented at market value and consisted of the following at June 30, 2009:

U.S. Government bonds	$ 1,725,140
Corporate bonds	709,945
Common stocks	3,263,969
Mutual funds	52,687
TOTAL INVESTMENTS	**$ 5,751,741**

Included in investment returns are the following:

Interest and dividends available for operations	$ 237,108
Non-operating realized and unrealized loss on investments	(767,638)
	$ (530,530)

3. CAPITAL LEASES PAYABLE

Africare has capital lease obligations for equipment which expire at various times through 2013. As of June 30, 2009, the cost and related accumulated depreciation of the equipment were $359,067 and $123,036, respectively. Future minimum lease payments are as follows:

Year Ended June 30,	
2010	$ 92,544
2011	92,543
2012	64,723
2013	25,763
Total minimum lease payments	275,573
Less interest	(35,627)
Present value of minimum lease payments	239,946
Less: Current portion	(74,827)
LONG-TERM PORTION	**$ 165,119**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2009:

Health and Water Resources Development	$ 192,912
Food Security, Relief and Refugee Assistance	15,227
Agriculture and Small Scale Irrigation	150
Integrated Rural Development	26,030
Other Development Programs	41,391
Time restricted - accumulated endowment earnings	210,683
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 486,393**

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Health and Water Resources Development	$ 205,082
Food Security, Relief and Refugee Assistance	25,767
Other Development Programs	50,994
Time restricted - appropriation of endowment assets for expenditure	98,264
TOTAL NET ASSETS RELEASED	**$ 380,107**

6. ENDOWMENT

Africare's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, Africare classifies 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 the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Africare considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization

6. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 210,683	$ 3,018,063	$ 3,228,746
Board-Designated Endowment Funds	2,535,411	-	-	2,535,411
TOTAL FUNDS	**$ 2,535,411**	**$ 210,683**	**$ 3,018,063**	**$ 5,764,157**

Changes in endowment net assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year, as restated (Note 10)	$ 2,896,087	$ 669,990	$ 3,018,063	$ 6,584,140
Investment return:				
Investment income	51,962	66,172	-	118,134
Net depreciation (realized and unrealized)	(335,475)	(427,215)	-	(762,690)
Total investment return	(283,513)	(361,043)	-	(644,556)
Appropriation of endowment assets for expenditure	(77,163)	(98,264)	-	(175,427)
ENDOWMENT NET ASSETS, END OF YEAR	**$ 2,535,411**	**$ 210,683**	**$ 3,018,063**	**$ 5,764,157**

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. As of June 30, 2009, there were no deficiencies in Africare's unrestricted net assets.

Return Objectives and Risk Parameters -

Africare has adopted and the Board of Directors has approved an Investment Policy Statement for the Endowment Fund. The policy identifies the appropriate risk exposure for the fund, provides asset allocation and rebalancing guidelines, and establishes criteria to monitor and evaluate the performance results of the fund managers. Africare expects the Endowment Fund to provide an average real rate of return of 5% annually.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, Africare relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

6. ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Africare makes distributions from income earned on the endowment fund for current operations using the total return method, up to 4% of the average ending market value over the previous four quarters.

7. DONATED SERVICES AND MATERIALS

During the year ended June 30, 2009, Africare was the beneficiary of donated goods and services which allow Africare to provide greater resources towards various programs. The following programs have benefited from these donated services:

Health and Water Resources Development	$ 378,105
Food Security, Relief and Refugee Assistance	4,463,334
Agriculture and Small Scale Irrigation	1,020,633
Integrated Rural Development	413,920
TOTAL DONATED SERVICES AND MATERIALS	**$ 6,275,992**

8. EMPLOYEE BENEFIT PLANS

Pension Plan:

Africare has a noncontributory defined benefit pension plan (the "Plan") that covers all employees after one year of employment. The benefits are based on years of service and the employees' average compensation during the three highest consecutive years of participation. Africare makes actuarially determined contributions to satisfy minimum funding requirements.

Africare's Investment Committee (the "Committee") monitors Plan assets to ensure that portfolio income and liquidity is adequate to meet Plan benefit payments and other costs. In addition, the Committee ensures adequate capital growth over an extended period of time while considering market risks and changes in the actuarial present value of the liability. The Plan assets are required to be diversified to ensure no disproportionate risks are taken with any single assets class or industry sector and to guard against inflation. The Plan asset allocation is reviewed periodically with current market assumptions to ensure that the long-term goals of the plan are met.

Plan assets were invested in the following asset classes at June 30, 2009:

Money market funds	1.8 %
U.S. Government securities	13.3 %
Domestic equity	68.3 %
Fixed income	14.4 %
Mortgage and asset backed	2.2 %
TOTAL	**100.0 %**

8. EMPLOYEE BENEFIT PLANS (Continued)

Pension Plan (continued):

The following table sets forth the Plan's funded status as of June 30, 2009:

Fair value of plan assets at end of year	$ 5,593,017
Projected benefit obligation at end of year	7,905,567
Funded status	(2,312,550)
Unrecognized net loss	2,910,445
NET AMOUNT RECOGNIZED	**$ 597,895**
Amount recognized consists of:	
Accrued pension liability	$ (2,312,550)
Accumulated other non-operating expense	2,910,445
NET AMOUNT RECOGNIZED	**$ 597,895**

At June 30, 2009, the accumulated benefit obligation exceeded the fair value of plan assets by $2,312,550. Based on changes in actuarial assumptions and the Board's action to freeze accrual of benefits as of June 30, 2006, a minimum pension liability adjustment of $1,068,463 was recorded. This adjustment was reported as a non-operating loss on the accompanying Statement of Activities and Change in Net Assets.

The accumulated benefit obligation for the Plan was $7,905,567 as of June 30, 2009.

The net periodic pension cost for the year ended June 30, 2009 included the following components:

Interest cost	$ 468,934
Expected return on plan assets	(447,524)
Net amortization of prior service cost	124,265
NET PERIODIC PENSION COST	**$ 145,675**

Assumptions used in the pension accounting for June 30, 2009 were as follows:

Weighted-average assumptions used to determine benefit obligations:	
Discount rate	6.20%
Rate of compensation increase	0.00%
Weighted-average assumptions used to determine net periodic benefit cost:	
Discount rate	6.10%
Expected return on plan assets	7.00%
Rate of compensation increase	0.00%

Employer contributions to the Plan during the year ended June 30, 2009 were $322,000. Africare expects to contribute approximately $390,000 to the plan for the year ended June 30, 2010. During the year ended June 30, 2009, benefits of $315,778 were paid to eligible participants.

8. EMPLOYEE BENEFIT PLANS (Continued)

Pension Plan (continued):

On December 2, 2005, the Board of Directors approved an amendment to freeze the accrual of benefits under the plan as of June 30, 2006. This plan curtailment does not affect the benefits of current retirees or terminated vested participants in the Plan.

Considering the plan curtailment described above, the following benefit payments, reflecting past service, are expected to be paid as of June 30, 2009:

Year Ended June 30,	
2010	$ 421,195
2011	422,632
2012	478,951
2013	485,446
2014	479,987
Thereafter	2,586,493
TOTAL BENEFIT PAYMENTS	**$ 4,874,704**

Savings Plan:

Africare participates in the Africare, Inc. 401(k) Savings Plan (the "Savings Plan"), a defined contribution plan, which was adopted on July 1, 2006. Employees are eligible to participate after six months of service and are fully vested in amounts attributable to salary deferrals and non-elective contributions.

For discretionary employer contributions, vesting occurs in 20% increments up to six years of service when 100% vesting occurs. There are 18 investment options that employees can choose from. Africare made non-elective contributions to the Savings Plan of $153,696 during the year ended June 30, 2009.

9. CONTINGENCY

Africare receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2009. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

10. PRIOR PERIOD ADJUSTMENT

Due to implementation of UPMIFA (see Note 6), accumulated earnings on donor-restricted endowment funds have been reclassified from unrestricted to temporarily restricted net assets.

10. PRIOR PERIOD ADJUSTMENT (Continued)

Net assets as of June 30, 2008 have been restated as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at beginning of year	$ 6,774,504	$ 395,524	$ 3,018,063	$10,188,091
Restatement:				
Accumulated investment earnings associated with endowment funds	(669,990)	669,990	-	-
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	**$ 6,104,514**	**$ 1,065,514**	**$ 3,018,063**	**$10,188,091**

11. FAIR VALUE MEASUREMENTS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, Africare has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Africare has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded on the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended June 30, 2009:

	Level 1	Level 2	Level 3	Total June 30, 2009
Asset Category:				
Investments	$ 5,751,741	$ -	$ -	$ 5,751,741
Liability Category:				
Pension Payable	-	-	2,312,550	2,312,550
TOTAL	**$ 5,751,741**	**$ -**	**$ 2,312,550**	**$ 8,064,291**

11. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Financial Liability

The following table provides a summary of changes in fair value of Africare's level 3 financial liabilities for the year ended June 30, 2009:

	Pension Payable
Beginning balance as of July 1, 2008	$ 1,420,412
Less: Pension contributions	(322,000)
Add: Net periodic pension costs	145,675
Add: Additional minimum pension liability	1,068,463
BALANCE AS OF JUNE 30, 2009	**$ 2,312,550**

12. SUBSEQUENT EVENTS

In preparing these financial statements, Africare has evaluated events and transactions for potential recognition or disclosure through March 30, 2010, the date the financial statements were issued.