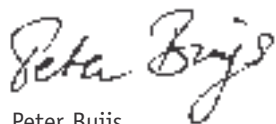


## report from management

**IN FISCAL YEAR 2001 (FY01), CARE USA DELIVERED ALMOST \$380 MILLION WORTH OF PROGRAM ACTIVITIES** in 58 countries around the world. While this is somewhat lower than in fiscal year 2000, this reduction was due entirely to a \$32 million decline in food shipments for distribution, used primarily in conjunction with nutrition support. In contrast, spending on CARE's other direct interventions and partnership activities continued to increase, with notable advancements in basic and girls' education, and water and sanitation programs, which experienced spending increases of 67 percent and 24 percent respectively. From a regional perspective, program expenditures in sub-Saharan Africa continued to increase, reaching almost \$100 million. Program spending in the region was boosted by the use of CARE's Africa Fund, designated by the board of directors in 1998 from CARE's accumulated net assets to support capacity building and innovation in the continent, and additional funds provided by institutional donors from around the world. CARE also reacted swiftly to emergencies in El Salvador and Gujarat, India, assisting survivors of the devastating earthquakes there. At the same time, we completed most of our rehabilitation programs in the aftermath of Hurricane Mitch and the Kosovo crisis, utilizing the remaining funds received from private donors for these purposes in prior years.

The continued high levels of program activity were possible because of support from both private and institutional donors. During FY01, total support and revenue amounted to more than \$422 million, with almost \$69 million coming from a combination of individuals, corporations and foundations, and another \$59 million from CARE International members. U.S. government support, though down slightly from the previous year, was almost \$239 million, and other government and institutional support exceeded \$48 million. Miscellaneous other revenue sources such as rent, interest and dividends added another \$5.5 million.

Entering fiscal 2002, CARE is well positioned to meet many of the formidable challenges we face. While maintaining a focus on the efficient and effective use of the donations we received – **CARE STILL SPENDS 90 PERCENT OF OUR FUNDS ON PROGRAMS** – the organization realizes that our most important asset is our 12,000 dedicated staff members around the world. Continuing investment in their capacity to innovate and apply lessons learned remains a priority. It is also critical that field staff have adequate resources to respond in an agile manner to quickly changing needs in volatile situations. That means keeping critical programs running when large-scale development assistance is temporarily reduced. To maintain this capacity and agility, the organization's "general purpose" or unrestricted funds are more important than ever. These funds, generally solicited for "wherever the need is greatest," have been instrumental in keeping CARE at the forefront of fighting poverty around the world, and in immediately deploying resources in the case of an emergency, even before the launch of an appeal. Contributing unrestricted funds is investing in CARE and CARE's capacity to achieve our mission.

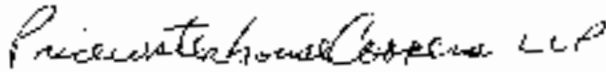


Peter Buijs,  
Senior Vice President,  
Finance and Administration

## report of independent accountants

To the board of directors of CARE USA:

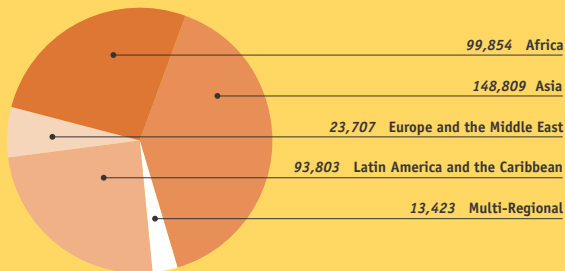
**IN OUR OPINION**, the accompanying balance sheets and the related statements of activities, cash flows and functional expenses present fairly, in all material respects, the financial position of CARE USA at June 30, 2001, and 2000, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of CARE USA's management; our responsibility is to express an opinion on these financial statements based on our audits. The prior-year summarized comparative information has been derived from CARE USA's June 30, 2000, financial statements, and in our report dated June 30, 2000, we expressed an unqualified opinion on those financial statements. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 audits provide a reasonable basis for our opinion.



PricewaterhouseCoopers LLP  
 Atlanta, Georgia  
 September 7, 2001

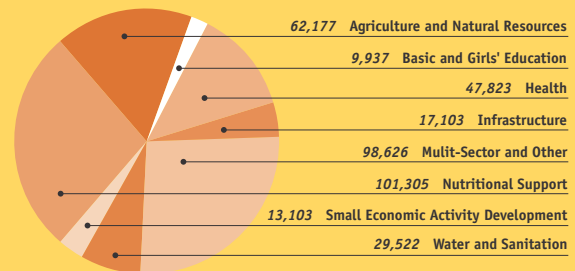
### Program Expense by Geographic Region

Total Program Expense for 2001 -- \$379,596 (in thousands)



### Program Expense by Sector

Total Program Expense by Sector for 2001 -- \$379,596 (in thousands)



## balance sheets

For the years ended June 30, 2001 and 2000    In Thousands

	2001	2000
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 102,306	\$ 75,922
Investments (Note 4)	115,096	120,986
Receivables, net (Note 2)	20,738	37,321
Deposits and other assets	37,102	25,375
Property and equipment, net (Notes 2 and 5)	9,307	8,728
Perpetual trust held by third party (Note 3)	102,103	101,711
<b>Total Assets</b>	<b>386,652</b>	<b>370,043</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	48,479	44,988
Program advances by government & nongovernment agencies	100,022	79,623
Annuities payable, pooled income fund, unitrusts (Note 2)	20,404	19,943
Benefits accrued for overseas national employees	13,398	12,309
Bonds payable (Note 5)	3,235	3,435
<b>Total Liabilities</b>	<b>185,538</b>	<b>160,298</b>
Commitments and contingencies (Notes 5 and 12)		
Net Assets (Note 3)		
Unrestricted	60,223	74,779
Temporarily restricted	33,549	28,098
Permanently restricted	107,342	106,868
<b>Total Net Assets</b>	<b>201,114</b>	<b>209,745</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 386,652</b>	<b>\$ 370,043</b>

## statement of activities

For the years ended June 30, 2001 and 2000    In Thousands

	Unrestricted	Temporarily Restricted	Permanently Restricted	2001	Summarized 2000
<b>Support</b>					
Public Support					
General purpose	\$ 42,697			\$ 42,697	\$ 42,121
Temporarily restricted		\$ 21,746		21,746	16,542
Addition to endowment			\$ 82	82	477
CARE International	59,538			59,538	67,714
Interest and dividends on restricted net assets	3,596	654		4,250	3,859
Net assets released from restrictions	16,797			16,797	18,324
Satisfaction of program restrictions		(16,797)		(16,797)	(18,324)
<b>Total Public Support</b>	<b>122,628</b>	<b>(5,603)</b>	<b>82</b>	<b>128,313</b>	<b>130,713</b>
<b>Government and Other Support</b>					
U.S. government	238,694			238,694	251,118
Host governments	23,165			23,165	27,907
Others	25,287			25,287	31,225
<b>Total Government and Other Support</b>	<b>287,146</b>	<b>-</b>	<b>-</b>	<b>287,146</b>	<b>310,250</b>
<b>Other Revenue</b>					
Interest and dividends on unrestricted net assets	4,282			4,282	4,494
Rent and miscellaneous	1,218			1,218	816
<b>Total Other Revenue</b>	<b>5,500</b>	<b>-</b>	<b>-</b>	<b>5,500</b>	<b>5,310</b>
<b>Total Support and Revenue (Note 8)</b>	<b>415,274</b>	<b>5,603</b>	<b>82</b>	<b>420,959</b>	<b>446,273</b>
<b>Expenses</b>					
Program (Notes 10 and 11)	379,596			379,596	409,289
Fund raising	18,322			18,322	17,085
Management and general	17,872			17,872	16,075
Public information	3,093			3,093	2,713
Grants to CARE International	3,623			3,623	3,107
<b>Total Expenses</b>	<b>422,506</b>	<b>-</b>	<b>-</b>	<b>422,506</b>	<b>448,269</b>
<b>Support and Revenue (under)/over Expenses</b>	<b>(7,232)</b>	<b>5,603</b>	<b>82</b>	<b>(1,547)</b>	<b>(1,996)</b>
<b>Other Changes in Net Assets</b>					
Foreign exchange gains	328			328	282
Actuarial loss on annuity obligations	(1,135)			(1,135)	(1,498)
Actuarial gain/(loss) on split interest agreements		464		464	(84)
Realized and unrealized (loss)/gain on investments (Note 4)	(6,517)	(616)		(7,133)	2,326
Increase/(decrease) in value of trust held by third party (Note 3)			392	392	(4,142)
<b>Total Change in Net Assets</b>	<b>(14,556)</b>	<b>5,451</b>	<b>474</b>	<b>(8,631)</b>	<b>(5,112)</b>
<b>Net Assets, Beginning of Year</b>	<b>74,779</b>	<b>28,098</b>	<b>106,868</b>	<b>209,745</b>	<b>214,857</b>
<b>Net Assets, End of Year</b>	<b>\$ 60,223</b>	<b>\$ 33,549</b>	<b>\$ 107,342</b>	<b>\$ 201,114</b>	<b>\$ 209,745</b>

The corresponding Notes are an integral part of these financial statements. A printed copy of the Notes may be obtained by contacting CARE.

## statements of functional expenses

For the years ended June 30, 2001 and 2000 In Thousands

	Program Activities	Fund Raising	Management & General	Public Information	CARE International	2001	Summarized 2000
Personnel costs	\$ 107,623	\$ 6,271	\$ 11,101	\$ 1,835	\$ 24	\$ 126,854	\$ 118,373
Professional services	13,114	825	1,772	352	-	16,063	14,443
Equipment	8,199	489	1,054	63	-	9,805	9,422
Materials and services	73,268	8,763	587	487	5	83,110	99,752
Travel and transportation	33,236	619	1,320	181	15	35,371	36,273
Occupancy	11,503	518	1,210	14	1	13,246	14,660
Financing/Depn/Misc.	2,816	719	784	64	15	4,398	6,698
Grants/Subgrants	38,917	-	-	73	3,560	42,550	24,820
AgCommodities/CIKs	90,920	118	44	24	3	91,109	123,828
<b>Total Operating Expenses for 2001</b>	<b>\$ 379,596</b>	<b>\$ 18,322</b>	<b>\$ 17,872</b>	<b>\$ 3,093</b>	<b>\$ 3,623</b>	<b>\$ 422,506</b>	
<b>Total Operating Expenses for 2000</b>	<b>\$ 409,289</b>	<b>\$ 17,085</b>	<b>\$ 16,075</b>	<b>\$ 2,713</b>	<b>\$ 3,107</b>		<b>\$ 448,269</b>

## statements of cash flows

For the years ended June 30, 2001 and 2000    In Thousands

	2001	2000
<b>Cash Flows Provided by Operating Activities:</b>		
Change in net assets	\$ (8,631)	\$ (5,112)
Adjustments to reconcile change in net assets to cash flows		
Depreciation and amortization	1,241	748
Contributions restricted for investment in endowment	(82)	(477)
Realized and unrealized loss/(gain) on investments	7,133	(2,326)
Actuarial loss on annuity obligations	1,135	1,498
Actuarial (gain)/loss on split interest agreements	(464)	84
(Increase)/decrease in value of perpetual trust held by third party	(392)	4,142
Changes in assets and liabilities		
Decrease in receivables	16,583	1,951
Increase in deposits and other assets	(11,727)	(68)
Increase/(decrease) in accounts payable and accrued expenses	3,491	(1,850)
Increase in program advances	20,399	19,070
Increase in benefits accrued for overseas national employees	1,089	901
<b>Net Cash and Cash Equivalents Provided by Operating Activities</b>	<b>29,775</b>	<b>18,561</b>
<b>Cash Flows Provided by (Used For) Investing Activities:</b>		
Net purchases and sales of investments	(1,243)	9,268
Net purchases and sales of property and equipment	(1,820)	(1,195)
<b>Net Cash and Cash Equivalents Provided by (Used For) Investing Activities</b>	<b>(3,063)</b>	<b>8,073</b>
<b>Cash Flows Provided by (Used For) Financing Activities:</b>		
Proceeds from contributions restricted for investment in endowment	82	477
Principal payments on bonds payable	(200)	(200)
Net (decrease)/increase in annuities payable, split interest agreements	(210)	656
<b>Net Cash and Cash Equivalents Provided by (Used For) Financing Activities</b>	<b>(328)</b>	<b>933</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>26,384</b>	<b>27,567</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>75,922</b>	<b>48,355</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 102,306</b>	<b>\$ 75,922</b>

Cash paid for interest in fiscal years ended June 30, 2001 and 2000, respectively was \$47 and \$166.

## Note 1 – Organization

The Cooperative for Assistance and Relief Everywhere Inc. (“CARE USA”) is a not-for-profit organization formed in 1945 under the laws of the District of Columbia. CARE USA is a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code (“IRC”) and therefore is exempt from federal income taxation under Section 501(a) of the IRC. In addition, under IRC Section 509(a)(1), CARE USA is a public charity and, thus, donations to CARE USA qualify for the maximum allowable charitable deduction. CARE USA is a member of CARE International, an umbrella organization that coordinates the program activities of the CARE International member organizations. In the regular course of its operations, CARE USA makes certain grants to CARE International and its member organizations and receives certain funding from members of CARE International.

### CARE’s Vision Statement

We seek a world of hope, tolerance and social justice, where poverty has been overcome and people live in dignity and security.

CARE International will be a global force and a partner of choice within a worldwide movement dedicated to ending poverty. We will be known everywhere for our unshakable commitment to the dignity of people.

### CARE’s Mission Statement

CARE International’s mission is to serve individuals and families in the poorest communities in the world. Drawing strength from our global diversity, resources and experience, we promote innovative solutions and are advocates for global responsibility. We facilitate lasting change by:

*Strengthening capacity for self-help;  
Providing economic opportunity;  
Delivering relief in emergencies;  
Influencing policy decisions at all levels;  
Addressing discrimination in all its forms.*

Guided by the aspirations of local communities, we pursue our mission with both excellence and compassion, because the people whom we serve deserve nothing less.

### CARE Program Sectors

CARE USA classifies its program activities into three major types: (1) emergency relief, (2) rehabilitation and (3) development. CARE USA also classifies its program activities by technical sectors (refer to Note 11 for expenses per sector and per type). The classification of a program activity (called a project) into a sector is based on the dominant sector of the project. The technical sectors are:

#### Agriculture and Natural Resources (ANR)

Includes, but is not limited to: sustainable agricultural and natural-resource management techniques such as: bio-intensive crop and production technology, livestock practices, post-harvest practices (storage/processing), agriculture-based income generation activities, recuperation/more environmentally sound use and/or conservation of natural resources, planting trees on private and community lands, integrated conservation and development, and the supply of seeds and tools (usually in relief situations).

#### Basic and Girls’ Education

Includes formal education, literacy and other forms of non-formal education activities, including school construction.

#### Children’s Health

Includes, but is not limited to: disease prevention (e.g., malaria and pneumonia), immunization, control of diarrheal disease, integrated management of childhood illness, nutrition education, breast feeding, addressing micronutrients deficiencies, and home gardening.

#### Reproductive Health

Includes, but is not limited to: family planning, prevention of STD/HIV/AIDS, maternal health and newborn care.

#### Water and Sanitation

Includes, but is not limited to: water supply, institutional arrangements for operation and management of water and/or sanitation systems, watershed management, environmental sanitation, hygiene education, sanitation, solid-waste management, surface water and drainage.

#### Integrated and Other Health

Includes a combination of the above health sectors, with none predominant, and/or other health interventions not covered above, such as prevention of chronic and other infectious diseases.

#### Nutritional Support

Includes feeding of children under age 5, food distribution and on-site feeding, feeding of pregnant or lactating women, feeding of school children, and general feeding (such as in relief situations), including distribution and on-site dry rations.

#### Infrastructure

Includes roads, bridges, buildings, shelters and other construction or maintenance (commonly done through food-for-work or cash-for-work).

#### Small Economic Activity Development

Includes, but is not limited to: finance-related services such as loans to individuals, loans to solidarity or other community groups, savings programs, business development, business-management training, technical training, and marketing.

#### Multi-Sector and Other

Multi-sector projects include activities related to three or more sectors, none of which is predominant. Other includes certain activities that cannot be classified in any of the sectors described above. Examples are logistical support, not related to infrastructure or nutrition programs during emergencies, and land mine awareness and removal activities.

## Note 2 – Summary of Significant Accounting Policies

### Basis of Accounting

The accounts of CARE USA are maintained in accordance with accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. 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 the organization's financial statements for the year ended June 30, 2000, from which the summarized information was derived.

The following is a summary of CARE USA's significant accounting policies.

### Cash and Cash Equivalents

Cash and cash equivalents include demand deposits plus all time deposits and highly liquid investments with an original maturity of three months or less.

### Investments

Investments are carried at fair values. Investment securities are valued based upon quoted market prices or dealer quotes. For financial reporting and budgetary purposes, interest and dividends are considered operating support and revenue. Interest and dividends on restricted net assets are reflected in public support and interest dividends on unrestricted net assets are reflected in other revenue in the statements of activities. Realized and unrealized gains and losses are considered non-operating and are classified as other changes in net assets in the statements of activities.

CARE USA maintains certain investments on behalf of others, including the U.S. federal government. Investment income related to these investments results in an increase in a liability to the other entity and is not reflected in the total return.

(See Note 4 for further discussion.)

### Receivables

The receivables on the balance sheets are net of allowances of \$1.1 million and \$1.2 million as of June 30, 2001, and 2000, respectively.

### Property and Equipment

Property and equipment are recorded at cost if purchased or, if donated, at the fair value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are 15 years for building and building improvements, 5 years for equipment, and the life of the lease, if less, for leasehold improvements. Equipment acquired for direct use in programs is expensed in the year of acquisition.

### Internal Use Software

CARE USA capitalizes the costs of software licenses and associated consulting costs, installation costs and the payroll costs of employees directly associated with the project. The costs of software maintenance, training and data conversion are expensed in the period incurred. CARE amortizes information system costs over a 5-year life once the asset is placed in service.

Capitalization costs related to internal-use software amounted to \$697,687 and \$1,007,168 for the years ended June 30, 2001, and 2000, respectively. Amortization expense for internal-use software

amounted to \$655,255 and \$154,801 for the years ended June 30, 2001, and 2000, respectively.

### Gift Annuities

CARE USA enters into agreements with donors in which the donor contributes assets to the organization in exchange for an annuity to be paid to the donor or their designee for a specified period of time. The assets received for an annuity are recorded at fair value at the date of the gift. The liability associated with these annuities is recorded at the present value based on IRS mortality tables and prevailing interest rates. The difference constitutes revenue and is recorded as unrestricted support in the statements of activities.

### Bequests

Contributions obtained via bequests are recorded as contribution revenue when the amounts are determinable and collection is reasonably assured.

### Pooled Income Fund

CARE USA has formed and manages a pooled income fund divided into units in which contributions from many donors are combined. Donors are assigned a specific number of units based on the proportion of the fair value of the contribution to the fair value of the fund at the date the gift is received. Until a donor's death, the donor or their designated beneficiary is paid the actual interest and dividends earned on the donor's assigned units. CARE USA recognizes the remainder interest in the assets received as temporarily restricted contribution revenue in the period in which the assets are received from the donor. As of the date of the donor's or the designated beneficiary's death, the net assets are released from restriction.

### Unitrusts

CARE USA enters into agreements with donors in which the donor contributes assets to create trusts which provide income to designated beneficiaries for the remainder of their lives. The income streams may be defined amounts to be paid periodically or amounts determined based on the investment performance of the assets in the trust. The assets received for a trust are recorded at fair value at the date of the contribution. The liability associated with these trusts is recorded at the present value of the anticipated income stream based on IRS mortality tables and prevailing interest rates. CARE USA recognizes the remainder interest in the assets received as temporarily restricted contribution revenue in the period in which the assets are received from the donor. As of the date of the designated beneficiary's death, the net assets are released from restriction.

### Revolving Loan Fund

Revolving funds contributed by donors are expensed when initially loaned out to project participants, and revenue is recognized. A contract payable equivalent to the amount of the principal is set up to establish a revolving fund that will be made available for use in the project.

### Agricultural Commodities

CARE USA receives agricultural commodities ("commodities") from agencies of the U.S. government, the United Nations and others for the following: distribution via CARE USA projects, monetization with the cash proceeds to be used in CARE USA projects, or monetization with the proceeds to be distributed to other non-profit organizations.

Commodities received for distribution are recorded at an amount approximating fair value. These commodities are recorded as revenue and expense upon receipt. Commodities received in the United States are considered received when shipped. Commodities for distribution

received outside the United States are recorded as revenue and expense when title is obtained.

Commodities received that are to be sold (monetized), where the related proceeds are designated for CARE USA project activities, are recorded as a liability when the cash proceeds are received. Revenue and expense 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 the other organizations. CARE USA usually receives a management fee for facilitating the shipping and sale of such commodities.

(See Note 9 for the tonnage and value of agricultural commodities received during fiscal 2001 and 2000.)

### Non-Food Contributions in Kind

Contributions in kind received for use in assistance programs that meet the criteria for recognition are recorded at fair value.

In countries where CARE USA operates, government and local communities supply labor, technical services, materials, transportation and storage facilities to the programs in which they participate. In addition, various media for public information and fundraising campaigns are provided at no charge to CARE USA. The value of these contributions is generally not recorded in the financial statements, as the fair value of these contributions is not readily determinable.

### Foreign Currency Translation

The U.S. dollar ("dollars") is the functional currency for CARE USA's operations worldwide. 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 purchased with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of purchase. Current 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 sheets.

### 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 certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Fair Value of Financial Instruments

The carrying amounts of CARE USA's cash and cash equivalents approximate fair value because of the short maturity of those investments. (See Notes 4 and 5 for fair-value information related to CARE USA's other financial instruments.)

### Classification of Changes in Net Assets

All public support related to general purpose and CARE International, all government and other support, and all other revenue is unrestricted. All other changes in net assets related to foreign exchange gains and the actuarial gain or loss on annuity obligations are unrestricted. All other changes in net assets related to the actuarial gain or loss on split interest agreements are temporarily restricted. All public support related to addition to endowment and all other changes in net assets

related to increase in value of trust held by third party are permanently restricted. (See Note 4 for classification of public support related to interest and dividends on restricted and unrestricted net assets, and other changes in net assets related to realized and unrealized gains on investments.)

### Adoption of New Accounting Standards

During fiscal 2000, CARE USA elected early adoption of SFAS No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others ("SFAS 136"). Adoption of SFAS 136 did not have a material effect on the financial position or changes in net assets of CARE USA as of and for the years ended June 30, 2000 and 2001.

During fiscal 2001, CARE USA adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). Adoption of SFAS 133 did not have a material effect on the financial position or changes in net assets of CARE USA as of and for the year ended June 30, 2001.

### Note 3 – Description of Net Asset Designations and Restrictions

The donor-imposed restrictions (listed under Temporarily Restricted and Permanently Restricted) and the board-designated uses (listed under Unrestricted) of Net Assets as of June 30, 2001, are listed below (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Fund	\$ 20,019	\$ 24,041	\$ -	\$ 44,060
Emergency Response Fund	5,000	6,193	1,008	12,201
CARE International Support Fund	6,264	-	-	6,264
Africa Fund	4,906	371	501	5,778
Central America Transformation Fund	2,000	-	-	2,000
Program Innovations and Development Fund	7,475	-	-	7,475
New Revenue Streams	1,800	-	-	1,800
CARE Academy	2,000	200	0	2,200
Donor Restricted Endowment Fund	-	2,744	105,833	108,577
Fixed Assets Fund	10,759	-	-	10,759
<b>Total at June 30, 2001</b>	<b>\$ 60,223</b>	<b>\$ 33,549</b>	<b>\$ 107,342</b>	<b>\$ 201,114</b>
<b>Total at June 30, 2001</b>	<b>\$ 74,779</b>	<b>\$ 28,098</b>	<b>\$ 106,868</b>	<b>\$ 209,745</b>

#### The Operating Fund

**Unrestricted** – A board-designated fund intended to facilitate day-to-day operations and to protect against short-term unrestricted-revenue shortfalls. The board of directors has authorized an unrestricted operating fund of \$20 million in support of the next fiscal year unrestricted-expense budget.

**Temporarily restricted** – CARE USA receives various donations for non-emergency operations that also have donor-imposed restrictions. In addition, CARE USA's endowment funds generate revenue that can be used for operations but are also subject to donor-imposed restrictions. The restrictions may be time restrictions, purpose restrictions (the donation may only be used for a specific purpose), or both time and purpose restrictions.

#### The Emergency Response Fund

**Unrestricted** -- A board-designated fund to provide resources to enable the organization to mount significant and timely responses to major humanitarian disasters. This fund is replenished each year from results of operations or from the net assets operating fund reserve.

**Temporarily restricted** – Contributions and revenue from other sources that are restricted for emergency response or preparedness.

**Permanently restricted** – Contributions that require permanent maintenance of the gift and allow use of the related investment income for emergencies.

#### The CARE International Support Fund

A board-designated unrestricted fund intended to increase the institutional capacity of the CARE International federation and its members to achieve CARE's mission. This includes a revolving fund to start up implementation of program activities before the receipt of donor funds.

#### The Africa Fund

**Unrestricted** – A board-designated fund to be utilized during fiscal years 1999 through 2003 to increase CARE USA's programming in Africa. CARE USA has an existing, strong and relevant program in Africa that has adapted to the changing social and political environment on the continent. The fund's purpose is to increase CARE USA's involvement in response to the changing environment and the enormous challenges due to chronic food insecurity, conflict and infectious diseases.

**Temporarily restricted** – Investment income generated from permanently restricted funds that are restricted to use for Africa in general.

**Permanently restricted** – Contributions that require permanent maintenance of the gift and require use of the related investment income for Africa.

#### The Central America Transformation Fund

A board-designated fund to advance Central America's transformation through CARE USA's programming and through the policies and strategies of national and international policymakers. This fund will provide grants to increase CARE USA's programming in a region recovering from the effects of Hurricane Mitch.

#### The Program Innovations and Development Fund

A board-designated fund to improve CARE USA's programming and advocacy activities. The fund's purpose is to strengthen CARE USA's capacity to impact the household livelihood security of poor people through expanded and improved programming. The fund is also used to develop CARE USA's intellectual and financial capacity to create high-impact and innovative programming and to increase and improve CARE USA's policy-intervention activities.

#### The New Revenue Streams Fund

A board-designated fund for developing new, innovative fundraising initiatives and the introduction of a new global brand.

#### The CARE Academy Fund

A board-designated fund to advance the training and learning capacity of CARE.

#### The Donor Restricted Endowment Fund (non-emergency, non-Africa)

**Temporarily restricted** – CARE USA receives contributions for which the principal must be temporarily maintained. The income generated from donor-restricted endowment funds is generally restricted to specific uses. This related income is listed above under Operating Fund in the temporarily restricted column.

**Permanently restricted** – CARE USA receives donations for which the principal must be permanently maintained. This includes permanent endowments other than the Emergency Response Fund and Africa Fund.

**Williams Trust** – A component of the permanently restricted donor endowment fund that includes \$102.1 million and \$101.7 million at June 30, 2001, and 2000, respectively, relating to a trust created under the will of Thomas Lyle Williams (the "Trust"). These amounts represent two-thirds of the fair value of the investments of the Trust. CARE USA is an income beneficiary, but not a trustee, of the Trust. The corpus of the Trust is to be maintained in perpetuity. Two-thirds of the annual income of the Trust is distributed to CARE USA. The distributions to CARE USA are not to be less than \$2 million in a calendar year. CARE USA received distributions of \$3.6 million and \$3.3 million for the years ended June 30, 2001, and 2000, respectively. These amounts are included in the statements of activities as interest and dividends on restricted net assets. A fair value increase of \$0.4 million and a decrease of \$4.1 million for the years ended June 30, 2001, and 2000, respectively, are reflected in the statements of activities under other changes in permanently restricted net assets.

### The Fixed Assets Fund

A portion of unrestricted net assets is segregated for use in the purchase of fixed assets. The fixed assets authorized by the board of directors on June 30, 2001, is reported below (in thousands):

Fixed assets, net of depreciation (see Note 5)	\$ 9,307
Capital expenditures authorized from net assets	1,016
Related operating expenses authorized from net assets	<u>436</u>
	<u>\$ 10,759</u>

### Note 4 – Investments

Investments at June 30, 2001, and 2000 were composed of the following (in thousands):

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury obligations	\$ 7,672	\$ 7,706	\$ 8,105	\$ 7,810
Mutual funds	13,834	14,517	12,384	14,298
Marketable equity securities	52,403	49,488	40,277	48,2001
Marketable debt securities	40,213	40,631	48,239	46,806
Overseas investments	\$ 2,754	\$ 2,754	4,071	4,071
	<u>\$ 113,026</u>	<u>\$ 115,096</u>	<u>\$ 113,026</u>	<u>\$ 120,986</u>

Total return on cash balances, investments and the trust held by a third party was as follows for the years ended June 30, 2001, and 2000 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2001	2000
Dividends and interest					
Unrestricted	\$ 4,282			\$ 4,282	\$ 4,492
Temporarily restricted		\$ 654		654	565
Unrestricted support from trust help by third party	\$ 3,596			\$ 3,596	\$ 3,257
Investment income included in operating revenue	7,878	654		8,532	8,314
Net realized gains:					
Unrestricted	1,880			1,880	1,352
Temporarily restricted		639		639	742
Change in net unrealized gains:					
Unrestricted	(8,937)			(8,397)	(9)
Temporarily restricted		(1,256)		(1,256)	241
Net change in value of trust held by third party			392	392	(4,142)
<b>Total Return on Cash Balances, Investments and Trust Held by Third Party</b>	<b>\$ 1,361</b>	<b>\$ 37</b>	<b>\$ 392</b>	<b>\$ 1,790</b>	<b>\$ 6,498</b>

### Note 5 – Property and Equipment

The components of property and equipment, at cost, are as follows at June 30, 2001, and 2000 (in thousands):

	2001	2000
Land	\$ 1,342	\$ 1,219
Buildings and improvements	8,040	7,075
Equipment and software	6,529	6,282
Leasehold improvements	390	440
Accumulated depreciation	(6,994)	(6,228)
	<u>\$ 9,307</u>	<u>\$ 8,728</u>

(See Note 3 for a summary of Fixed Assets authorized.)

Depreciation expense (excluding amortization of internal-use software – see Note 2) amounted to \$585,363 and \$592,754 for the years ended June 30, 2001, and 2000, respectively.

CARE USA financed a portion of the purchase and renovation of the headquarters located in Atlanta, Georgia, with the proceeds of \$5 million in City of Atlanta revenue bonds. The bonds mature on June 1, 2013, and bear interest at a rate that is adjusted periodically. As of June 30, 2001, and 2000, the adjustable rate was 2.7% and 4.8%, respectively. The bonds required payments of interest only through June 1, 1995, and interest and principal payments thereafter. The principal is payable in annual installments pursuant to a sinking fund redemption schedule. These bonds are collateralized by a letter of credit (see Note 12). The letter of credit is collateralized by the building and improvements thereto. Under the terms of the agreement, CARE USA is required to maintain minimum unrestricted net assets of \$10 million. In addition, other indebtedness, as defined, cannot exceed \$500,000. Annual sinking fund payments, excluding interest, are payable as follows (in thousands):

Year ending June 30:		
2002	\$	200
2003		200
2003		200
2005		200
2006		200
Thereafter		2,235
	<u>\$</u>	<u>3,235</u>

The recorded amount for bonds payable approximates fair value.

### Note 6 – Pension Plans

Effective January 1, 1992, CARE USA adopted a defined contribution plan for employees who meet the eligibility conditions. Under the plan, CARE USA contributes to a participant's account an amount equal to 8% of the participant's gross salary and, if the participant qualifies, a supplemental contribution is also made. The plan allows employee after-tax contributions. The plan was amended, effective January 1, 1997, to also allow employee pre-tax contributions. All of the contributions by the employees are invested in various funds within the plan. Employer contributions were \$2.0 million and \$1.8 million and employee contributions were \$1.8 million and \$1.6 million for the years ended June 30, 2001, and 2000, respectively.

Within the various countries in which CARE USA operates outside the United States, most employees are citizens of the host country. These employees are generally not eligible for the CARE USA defined contribution plan, but they are eligible for local government- or CARE USA-sponsored plans appropriate for that country.

## Note 7 – Post-retirement Benefits

CARE USA provides certain healthcare and life insurance benefits to eligible retired employees. CARE USA provides Medicare supplemental coverage to eligible retirees who have reached age 65. In addition, CARE USA provides retirees under age 65 with the option to continue medical coverage until 65, if the employees contribute a portion of the premium. Generally, the medical plans pay a percentage of most medical expenses reduced for a deductible and payments made by government programs. The plans are unfunded.

CARE USA accrues the cost of providing postretirement benefits, including medical and life insurance coverage, during the active service period of the employee. This accrual is included in accounts payable and accrued expenses in the balance sheets.

The following table sets forth the postretirement benefit obligation reconciled to the accrued postretirement benefit cost recognized in CARE USA's balance sheet as of June 30, 2001, and 2000 (in thousands).

	Other Benefits	
	2001	2000
Changes in benefit obligations		
Benefit obligation at beginning of year	\$ 3,481	\$ 3,295
Service cost	191	174
Interest Cost	260	240
Actuarial gain	383	(99)
Benefits paid	(326)	(12)
Benefit obligation at end of year	3,989	3,481
Funded status	(3,989)	(3,481)
Unrecognized net actuarial gain	(377)	(213)
Unrecognized prior service cost	(146)	(175)
Accrued benefit cost	\$ (4,512)	\$ (3,869)

	Other Benefits	
	2001	2000
Weighted-average assumptions as of FYE		
Discount rate	7.20%	7.75%

For measurement purposes, healthcare cost trend rates were assumed to be 7.50% for pre-Medicare costs and 6.75% for Medicare-eligible costs in 2001, with rates declining gradually to an ultimate rate of 6.00% in 2005.

	2001	2000
Components of net periodic benefit cost		
Service costs	\$ 191	\$ 174
Interest cost	260	240
Amortization of prior service costs(29)	(29)	
Recognized net actuarial loss	(2)	
<b>Net Periodic Benefit Cost</b>	<b>\$ 420</b>	<b>\$ 385</b>

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	1-Percentage- Point Increase	1-Percentage- Point Decrease
Effect on total of service and interest cost components	66	(105)
Effect on post-retirement obligation	449	(399)

## Note 8 – Sources of Support

CARE USA receives support for its programs from charitable contributions and grants and contracts from government and non-government entities. The following describes CARE USA's sources of support and revenue (in thousands):

Donor	Cash	Agricultural Commodities See Note 9	Non-Food In Kind	2001 Total	2000 Total
U.S. government	\$ 153,109	\$ 84,506	\$ 1,079	\$ 238,694	\$ 251,118
U.S. direct public support	68,207		401	68,608	62,999
CARE Australia	1,746			1,746	1,408
CARE Canada	11,533			11,533	13,340
CARE Danmark	6,530			6,530	7,030
CARE Deutschland	2,180			2,180	3,734
CARE France	963			963	2,495
CARE Japan	112			112	107
CARE Norge	4,588	174	175	4,937	5,179
CARE Osterreich	1,651			1,651	1,517
CARE United kingdom	29,886			29,886	32,904
Host governments	20,167	148	2,850	23,165	27,907
UNHCR	2,711			2,711	8,097
UNICEF	534			534	697
WFP	1,371	1,455		2,826	928
Other UN agencies	2,137			2,137	1,743
Dutch government	5,406			5,06	6,884
Luxemburg	339			339	966
Switzerland	2,384			2,384	2,215
World Bank	480			480	1,674
Others (grants, contracts)	7,805	396	305	8,506	8,021
Other revenue (interest, dividends, rents, etc.)	5,631			5,631	5,310
<b>Support and Revenue 2001</b>	<b>\$ 329,470</b>	<b>\$ 86,679</b>	<b>\$ 4,810</b>	<b>\$ 420,959</b>	
<b>Support and Revenue 2000</b>	<b>\$ 322,512</b>	<b>\$ 118,638</b>	<b>\$ 5,123</b>		<b>\$ 446,273</b>

## Note 9 – Agricultural Commodities

A summary of agricultural commodities by CARE USA is as follows:

	Year ended June 30			
	Metric Tonnage		Dollar Value (in thousands)	
	2001	2000	2001	2000
Commodities received for distribution via CARE USA programs				
U.S. government	199,538	278,622	\$ 84,506	\$ 116,520
CARE International	47	6,421	174	1,320
Others	6,643	1,422	1,999	798
	206,228	286,465	86,679	118,638
See also Note 8 and 11				
Commodities received for monetization with proceeds used by CARE USA				
U.S. government	225,104	252,624	51,676	63,301
Commodities received for monetization with proceeds going to other non-profit organizations				
U.S. government	60,409	46,898	22,478	21,515
<b>Total Agricultural Commodities Received During the Fiscal Year</b>	<b>491,741</b>	<b>585,987</b>	<b>\$ 160,833</b>	<b>\$ 203,454</b>

See Note 2 for revenue recognition policies related to agricultural commodities.

## Note 10 – Program Expenses by Geographic Region

A summary of program expenses by geographic region for the years ended June 30, 2001, and 2000 follows (in thousands):

Donor	Cash	Agricultural Commodities See Note 9	Non-Food In Kind	2001 Total	2000 Total
Africa (Sub-Saharan)	\$ 85,481	\$ 13,579	\$ 794	\$ 99,854	\$ 92,802
Asia	81,188	67,100	521	148,809	167,121
Europe and Middle East	23,529		178	23,707	37,676
Latin America and the Caribbean	85,132	6,000	2,671	93,803	100,932
Multi-Regional	13,346		77	13,423	10,758
<b>Program Expense 2001</b>	<b>\$ 288,676</b>	<b>\$ 86,679</b>	<b>\$ 4,241</b>	<b>\$ 379,596</b>	
<b>Program Expenses 2000</b>	<b>\$ 286,295</b>	<b>\$ 118,638</b>	<b>\$ 4,356</b>		<b>\$ 409,289</b>

### Note 11 – Program Expenses by Sector and Type

A summary of program expenses by sector and type for the years ended June 30, 2001, and 2000 follows (in thousands):

	Types			Year Ended June 30	
	Emergency	Rehabilitation	Development	2001	2000
Agriculture and Natural Resources	\$ 930	\$ 7,599	\$ 53,648	\$ 62,177	\$ 67,022
Basic and Girls' Education	50	124	9,763	9,937	5,946
Children's Health		787	20,630	21,417	25,669
Reproductive Health	55	1,012	9,780	10,847	11,499
Water and Sanitation	3,420	12,171	13,931	29,522	23,726
Integrated and Other Health	1,600	3,828	10,131	15,559	12,527
Nutritional Support	22,578	1,439	77,288	101,305	122,363
Infrastructure	1,552	4,182	11,369	17,103	27,709
Small Economic Activity Development		1,375	11,728	13,103	15,151
Multi-Sector and Other	24,974	5,790	67,862	98,626	97,677
<b>Total Program Expenses by Type for 2001</b>	<b>\$ 55,159</b>	<b>\$ 38,307</b>	<b>\$ 286,130</b>	<b>\$ 379,596</b>	
<b>Total Program Expenses by Type for 2001</b>	<b>\$ 58,842</b>	<b>\$ 37,043</b>	<b>\$ 313,404</b>		<b>\$ 409,289</b>

### Note 12 – Commitments and Other Matters

As of June 30, 2001, CARE USA is obligated under noncancelable operating lease agreements for warehousing, office space and staff housing at minimum rentals as follows (in thousands):

Year ending June 30:	
2002	\$ 4,027
2003	1,714
2003	933
2005	526
2006	388
Thereafter	1,791
	<b>\$ 9,379</b>

Total rent expense was approximately \$9.2 million and \$9.1 million for the years ended June 30, 2001, and 2000, respectively.

In the normal course of business, CARE USA is party to various claims and assessments. In the opinion of management, these matters will not have a material effect on the organization's financial position, changes in net assets or cash flows.

CARE USA has \$2.0 million of credit facilities to facilitate foreign exchange transactions. These facilities were fully available at June 30, 2001. CARE USA maintains a letter of credit to collateralize the city of Atlanta revenue bonds used to renovate the Atlanta headquarters building. The amount of the letter of credit was \$3.3 million and \$3.5 million at June 30, 2001, and 2000, respectively. No amounts have been drawn against this letter of credit. A 0.625% commitment fee is paid on the letter of credit. In addition, CARE is the guarantor on \$9.3 million of obligations to donors resulting from advance funding of projects. These guarantees are released upon the final expenditure of funds on the associated projects in accordance with the terms and conditions of the contract.