

# a profile in giving

**S**he wears a jade bracelet on her left wrist. The gentle green color of the stones belies the strength and durability of this age-old jewel. From time to time, she touches it, as a reminder of the man who gave it to her and of all the patients who come to her in pain and despair.

“It was a gift,” she explains, “from a gentleman who came to one of my clinics. It had been with him since he left China, some 50 years before.” Such gifts are common in Dr. Elizabeth Lutas’ life. It is a way for her patients – the homeless and those suffering from HIV/AIDS – to give back to this woman who gives them so much.

In her home, these tokens of appreciation take many forms. Teddy bears and plush beasts of all sorts occupy most of the seat cushions. Tabletops are mobbed by small objects – the graceful and the unusual – from many lands and cultures. Each signifies a single message: Thank you.

For 10 years, from dawn until dusk, Lutas has treated

thousands of homeless people as a doctor for the city of New York. In the clinics of St. Vincent’s Hospital near SoHo and at a private homeless shelter near the Port Authority, Lutas works among the poorest people who walk the streets of Manhattan. Each day, each

patient is received with a quiet voice, a calming patience and a sure and knowledgeable hand.

It is striking to watch her work. She wears a pastel dress, passing easily among those in tattered jeans and faded flannel. She walks onto the linoleum floor of a homeless shelter with a wave and a wide smile. Some of her clients play checkers at a long folding table. Others

pick up their heads from naps at the tables to smile. A few walk over to tell her the latest news of a small victory – or perhaps a setback – in their life on the street.

In the clinic, she spends time talking with each client before proceeding to the medical examination. She feels it’s important to treat the whole person and not just the symptom. And, on certain days, some only need to talk, she says. With precision, however, she’s able to turn the conversation to the medical details: Is the insulin dosage effective for you? How long since you changed your bandage? Are the headaches better? The patients come in a steady stream. She smiles throughout, seeming never to tire.

Not only does Lutas give to the disenfranchised of New York City, she also gives to those the world over through CARE, donating 90 percent of her salary. “I remember seeing ads for CARE on television when I was a little girl,” Lutas says. “I promised myself that when I could afford it, I would give to CARE.”

If her life is a life of giving, it is patterned on her parents’ lives, she says. Her parents were devoted to each other and to their only child, Elizabeth, who was born after 20 years of separation forged by the Great Depression and World War II. Their generosity was a pattern she emulates. “But, you know,” says Lutas “the gifts are mine. What I receive is beyond value. They are gifts from God, and I am blessed to receive them.”

Her attitude and cheerfulness seem improbable in a city famous for its bustle and the “New York minute” attitude. But on the street, as she walks to catch the train home across the East River, she is revealed as an oasis of calm in the hurrying crowds. She swings her purse over her shoulder and heads toward the station. She hasn’t walked half a block before a woman chases her down for a hug. They stand talking together at the corner as pedestrians swirl past like rushing water. Lutas reaches out her arm in a half embrace. The unhurried conversation continues even as the city moves ahead on fast-forward.



*On May 7, 1998, CARE honored Dr. Lutas with the Global Philanthropy Award in recognition of her selfless dedication to bringing health and hope to thousands of people.*

## O u r S u p p o r t e r s

**Since CARE's work began 53 years ago, the organization has never received more generous support from the American public than it did in FY98. Donations from individuals, corporations, private foundations and other organizations totaled \$52.3 million, continuing a trend toward increases in both overall revenue and average gift size. Born of the spirit of American generosity following World War II, CARE continues to serve as a vehicle for that generosity, which today contributes to concrete and lasting change in the lives of millions of people in the developing world.**

### Giving by Individuals

More than 360,000 individual donors made 700,000 gifts totaling \$36.5 million in FY98. Although the number of gifts received in FY98 decreased slightly, the average gift size increased by more than 7 percent. First-time contributors gave more than \$2.5 million. A record 2,757 individuals made contributions of \$1,000 or more for a total of \$11.2 million. Of these contributors, 155 gave gifts of \$10,000 or more. Nine individuals made gifts of \$100,000 and above for a total of \$3 million.

Additionally, \$7.1 million was given in support to CARE during FY98 through bequests and other planned gifts, including gift annuities, charitable remainder trusts and pooled-income funds.

### Corporations

The support of business includes annual unrestricted gifts; long-term, strategic social investments in countries where companies are working; and marketing arrangements, including sponsorships, cause-related marketing and licensing agreements.

In FY98, more than 300 corporate citizens gave \$2.9 million to CARE projects in developing countries, some responding to pressing needs such as the Indonesian economic crisis. Others channeled support through CARE to help make long-term sustainable improvements in countries where they have a business interest.

CARE's Corporate Council, under the leadership of Chairman Frank Newman, CEO of Bankers Trust Company, enlisted 162 companies with contributions of \$5,000 or more during the fiscal year. Of these, 36 companies made gifts of \$25,000 or more, and 11 made contributions of \$100,000 or more.

Gifts to CARE in the form of products are also vital. In FY98, CARE received supplies of pharmaceuticals, seeds and other contributions-in-kind valued at \$800,000.

### Foundations and Other Organizations

In FY98, private foundations of all sizes granted more than \$8.1 million to CARE.

Many organizations other than corporations and foundations also contributed to CARE during FY98. Contributions from cooperatives, civic associations, social clubs, religious bodies and other groups totaled an unprecedented \$4.8 million.

### Honors and Events

In order to publicly honor our outstanding contributors and highlight important issues, CARE held several major events in FY98. In November 1997, with support from the Oliver Kiss Endowment, the Atlanta International Humanitarian Award was presented to Elton John for his work to combat HIV/AIDS. In May, at CARE's 52nd anniversary celebration in Washington, DC, the first CARE USA Award for Philanthropy was presented to Dr. Elizabeth Lutas (profiled opposite), and CARE's International Humanitarian Award was presented to Kisan Baburao Hazare for his work with poor communities in India. The anniversary ball, organized by dedicated volunteers, once again benefited CARE financially and gained the organization national attention.

During FY98, CARE also introduced the Women's Initiative, which is helping to raise support for CARE's women's programs in developing countries. Activities held in conjunction with this initiative included issue-oriented events in New York, San Francisco, Houston and Washington, DC.

*The names of those who contributed to CARE during FY98 and who are publicly recognized through CARE's donor recognition program are listed in the 1998 Annual Report Supplement: Private Support.*

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*\*Deceased (January 7, 1998)*

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National Rural Electric Cooperative  
Association

CARE Leadership



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*Senior Vice President External Relations*

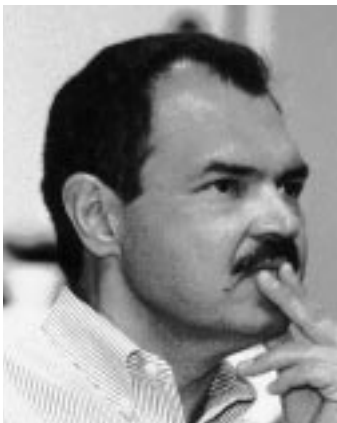


Pat Carey

*Senior Vice President Program*

“FAR AND AWAY THE BEST PRIZE THAT LIFE OFFERS IS THE CHANCE TO WORK HARD AT WORK WORTH DOING.”

– Theodore Roosevelt

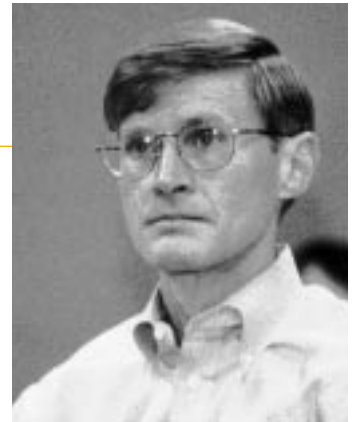


Milo Stenojevich

*Chief of Staff*

Jim Mathews

*Senior Vice President Finance and Administration*



Barbara Murphy-Warrington

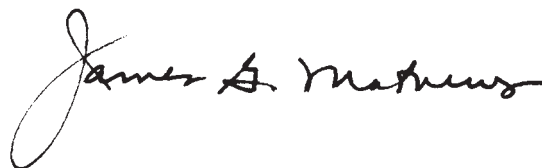
*Senior Vice President Human Resources*

**CARE USA strengthened its financial position during fiscal 1998** as shown in the accompanying statements and notes. Total support and revenue of \$379.6 million represented a 5.6 percent increase over the prior year and was the highest since 1995 when support for emergency activities added substantially to income. Funding from several sources advanced to record levels, including \$52.3 million from individuals, corporations and private foundations and \$47.0 million through other CARE International members. Government and other sources provided \$273.5 million in support, up 5.6 percent over fiscal 1997. Included in this result is \$156.0 million in cash grants and contracts, equaling the highest amount ever, and a 9.7 percent rise in agricultural commodities to \$115.7 million, reversing the downward trend in food resources seen in recent years.

While gratified by this modest increase in total support, CARE remained strongly focused on using available resources in the most efficient and effective manner. More than \$339 million provided by our donors went toward program activities during the year, representing 91 percent of the organization's total expenditures. Fundraising expenses were maintained very close to fiscal 1997 levels, allowing an increase in net revenue and lowering the average cost of raising public dollars. Headquarters costs as a percentage of overseas cash expenses, an important internal measure of administrative efficiency, declined slightly in spite of a nonrecurring charge to write off certain capitalized software. Clearly, such measures serve only as general indicators of our efforts to operate cost-effectively. CARE people view their commitment to good stewardship in more practical terms, however: Every dollar saved administratively in the U.S. increases the resources available to our overseas missions.

Many challenges lie ahead in the coming year, financial and otherwise. Significant resources will be dedicated to implementing information systems, including the first installations of an integrated financial information system in country offices and development of new software to support fund-raising efforts. Within CARE International, we will continue working to strengthen each of our partner organizations, recognizing that success in furthering the internationalization of CARE will depend on the financial health of its individual members. Under the direction of our board, we will consider further strategic uses of available net assets, an effort begun during fiscal 1998 that resulted in the establishment of a \$6 million Africa Fund. This review is intended to balance the need for a sustainable, financially strong organization with our commitment to maximize program impact overseas and engage in other important initiatives to which such assets may be applied.

Importantly, both the results achieved during fiscal 1998 and our objectives for the coming year are consistent with the key directions outlined in CARE's three-year strategic plan. Our stakeholders should find this particularly encouraging, as it illustrates that the financial principles employed in managing the resources provided by our donors are in full accord with the overall priorities of CARE.



Jim Mathews, *Senior Vice President Finance and Administration*

## R e p o r t o f I n d e p e n d e n t P u b l i c A c c o u n t a n t s

T o t h e B o a r d o f D i r e c t o r s o f C A R E U S A :

In our opinion, the accompanying balance sheets and the related statements of activities and cash flows present fairly, in all material respects, the financial position of CARE USA (a District of Columbia corporation) at June 30, 1998 and 1997 and the changes in net assets and cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of CARE USA's management; our responsibility is to express an opinion on these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Atlanta, Georgia

August 17, 1998

### C A R E U S A B a l a n c e S h e e t s

*As of June 30, 1998 and 1997 In Thousands*

	1998	1997
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 54,990	\$ 37,763
Investments (Note 4)	127,575	115,690
Receivables (Note 2)	20,572	20,350
Deposits and Other Assets	16,833	20,655
Property and Equipment, net (Notes 2 and 5)	7,027	6,264
Perpetual Trust Held by Third Party (Note 3)	98,682	78,431
<b>Total Assets</b>	<b>\$325,679</b>	<b>\$279,153</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 43,621	\$ 32,325
Program advances by government and nongovernment agencies	55,772	54,615
Annuities payable, pooled income fund, unitrusts (Note 2)	14,638	13,796
Benefits accrued for overseas national employees	9,727	9,016
Bonds payable	3,835	4,035
<b>Total Liabilities</b>	<b>127,593</b>	<b>113,787</b>
Net Assets (Note 3)		
Unrestricted	74,897	65,131
Temporarily restricted	19,894	17,541
Permanently restricted	103,295	82,694
<b>Total Net Assets</b>	<b>198,086</b>	<b>165,366</b>
<b>Total Liabilities and Net Assets</b>	<b>\$325,679</b>	<b>\$279,153</b>

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

# C A R E U S A S t a t e m e n t s o f A c t i v i t i e s

*For the years ended June 30, 1998 and 1997 In Thousands*

	Unrestricted	Temporarily Restricted	Permanently Restricted	1998	1997
<b>Support</b>					
Public Support					
General Purpose	\$38,144			\$ 38,144	\$ 36,152
Temporarily restricted		10,193		10,193	11,604
Addition to Endowment			350	350	1,080
CARE International	46,964			46,964	43,897
Interest and dividends on restricted net assets (Note 4)	2,646	929		3,575	3,196
Net Assets released from restrictions	9,666			9,666	9,371
Satisfaction of program restrictions		(9,666)		(9,666)	(9,371)
<b>Total Public Support</b>	<b>97,420</b>	<b>1,456</b>	<b>350</b>	<b>99,226</b>	<b>95,929</b>
Government and other support					
U.S. government	224,422			224,422	208,070
Host governments	23,242			23,242	23,848
Others	25,874			25,874	27,205
<b>Total Government and Other Support</b>	<b>273,538</b>			<b>273,538</b>	<b>259,123</b>
<b>Other Revenue</b>					
Interest and dividends on unrestricted net assets (Note 4)	5,732			5,732	3,179
Rent and miscellaneous	1,133			1,133	1,142
<b>Total Other Revenue</b>	<b>6,865</b>			<b>6,865</b>	<b>4,321</b>
<b>Total Support and Revenue</b> (Note 8)	<b>377,823</b>	<b>1,456</b>	<b>350</b>	<b>379,629</b>	<b>359,373</b>
<b>Expenses</b>					
Program (Note 11 and 12)	339,284			339,284	316,928
Fund Raising	15,512			15,512	15,442
Management and general	13,799			13,799	12,171
Public information	1,844			1,844	2,231
Grants to CARE International	2,802			2,802	1,974
<b>Total Expenses</b>	<b>373,241</b>			<b>373,241</b>	<b>348,746</b>
<b>Excess of Support and Revenue over Expenses</b>	<b>4,582</b>	<b>1,456</b>	<b>350</b>	<b>6,388</b>	<b>10,627</b>
<b>Other Changes in Net Assets</b>					
Foreign exchange gains	534			534	376
Actuarial gain (loss) on annuity obligations	(1,513)			(1,513)	959
Actuarial gain on pooled income		356		356	0
Realized and unrealized gains on investments (Note 4)	6,163	541		6,704	9,351
Increase in value of trust held by third party (Note 3)			20,251	20,251	14,106
<b>Total change in net assets</b>	<b>\$ 9,766</b>	<b>\$ 2,353</b>	<b>\$ 20,601</b>	<b>\$ 32,720</b>	<b>\$ 35,419</b>
<b>Net Assets, beginning of year</b>	<b>65,131</b>	<b>17,541</b>	<b>82,694</b>	<b>165,366</b>	<b>129,947</b>
<b>Net Assets, end of year</b>	<b>\$ 74,897</b>	<b>\$ 19,894</b>	<b>\$103,295</b>	<b>\$198,086</b>	<b>\$165,366</b>

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

## C A R E U S A S t a t e m e n t s o f C a s h F l o w s

*For the years ended June 30, 1998 and 1997 In Thousands*

	1998	1997
<b>Cash flows provided by (used for) operating activities:</b>		
Change in net assets	\$ 32,720	\$ 35,419
Adjustments to reconcile change in net assets to cash flows		
Depreciation	594	616
Contributions restricted for investment in endowment	(350)	(1,080)
Realized and unrealized (gain) on investments	(6,704)	(9,351)
Actuarial gain (loss) on annuity obligation	1,157	(959)
(Increase) in value of perpetual trust held by third party	(20,251)	(14,106)
Loss on disposal of software	1,194	0
Changes in assets and liabilities		
(Increase) in receivables	(222)	(460)
Decrease (increase) in deposits and other assets	3,822	(4,542)
Increase (decrease) in accounts payable and accrued expenses	11,296	(2,623)
Increase (decrease) in program advances	1,157	(8,866)
Increase in benefits accrued for overseas national employees	711	352
<b>Net cash and cash equivalents provided by (used for) operating activities</b>	<b>25,124</b>	<b>(5,600)</b>
<b>Cash flows (used for) investing activities:</b>		
Net (increase) in investments less realized and unrealized gains	(5,181)	(16,579)
Net (purchases) of property and equipment	(2,551)	(543)
<b>Net cash and cash equivalents (used for) investing activities</b>	<b>(7,732)</b>	<b>(17,122)</b>
<b>Cash flows provided by financing activities:</b>		
Proceeds from contributions restricted for investment in endowment	350	1,080
Principal payments on bonds payable	(200)	(200)
<b>Net increase (decrease) in annuities payable, pooled income fund</b>	<b>(315)</b>	<b>4,981</b>
<b>Net cash and cash equivalents provided by financing activities</b>	<b>(165)</b>	<b>5,861</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17,227</b>	<b>(16,861)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>37,763</b>	<b>54,624</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 54,990</b>	<b>\$ 37,763</b>

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

June 30, 1998 and 1997

## 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 is therefore 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 USA Mission Statement

CARE USA’s reason for being is to affirm the dignity and worth of individuals and families in some of the poorest communities of the world. We seek to relieve human suffering, to provide economic opportunity, to build sustained capacity for self-help, and to affirm the ties of human beings everywhere. We are committed to pursuing our mission with excellence because the people whom we serve, beneficiaries and donors, deserve nothing less.

CARE USA’s immediate goal is to provide more rapid and comprehensive relief in humanitarian crises and to enable a growing number of poor families in the developing world to significantly improve their lives. CARE will support this goal as a partner, implementor and advocate to help families achieve (1) improved nutrition; (2) better access to food; (3) improved health; (4) increased income; (5) more opportunity for education; and (6) greater participation in decisions which affect their lives.

CARE USA classifies its program activities into two major types: (1) emergency relief and rehabilitation; and (2) development. CARE USA also classifies its program activities by 10 technical sectors (refer to Note 12 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 agriculture 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; nonformal education including literacy; and other forms of nonformal education.

### 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 micronutrient 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, Sanitation and Environmental Health

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 three health sectors, with none predominant, and/or other health interventions such as prevention of chronic and other infectious diseases.

### Nutritional Support

Includes feeding of children under age 5; take-home food and on-site feeding; feeding of pregnant or lactating women; feeding of school children; and general feeding (such as in relief situations) including on-site and take-home 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 (SEAD)

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 are those that include more than one of the above sectors with no sector being dominant. “Other” includes interventions not included in any of the above sectors, such as certain logistical support for relief situations and CARE’s programs related to land mine removal.

*June 30, 1998 and 1997***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Accounting**

The accounts of CARE USA are maintained in accordance with generally accepted accounting principles. 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 reported market values. See Note 4 for further discussion.

**Receivables**

The receivables on the balance sheets are net of allowances of \$2.4 million and \$2.2 million for the years ending June 30, 1998 and 1997, respectively. Included in receivables are SEAD loan receivables that are offset by corresponding program liabilities.

**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, which are 15 and 5 years for buildings and equipment, respectively. Equipment acquired for direct use in programs is expensed in the year of acquisition.

**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 market value at date of gift; the liability associated with these annuities is recorded at the present value based on IRS mortality tables and prevailing interest rates; and the revenue is recorded as unrestricted support in the statement 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 forms, invests, and manages a pooled income fund divided into units in which contributions from many donors are pooled. Donors are assigned a specific number of units based on the proportion of the fair market value of the

contribution to the fair market value of the fund at the date of the gift received. Until a donor's death, the donor or their designated beneficiary is paid the actual income 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.

**Agricultural Commodities**

(See Note 9 for the tonnage and value of agricultural commodities received during the years of this report)

CARE USA receives agricultural 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 nonprofit organizations.

Agricultural commodities ("commodities") received for distribution are recorded at an amount approximating fair market value. These commodities are recorded as revenue and expense upon receipt. Commodities received in the U.S. are considered received when shipped. Commodities for distribution received outside of the U.S. 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 project activities are recorded when the cash proceeds are received as a liability. 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 nonprofit 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.

**Nonfood 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 fund-raising campaigns is 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.

# CARE USA Notes to Financial Statements

June 30, 1998 and 1997

## Foreign Currency Translation

The U.S. dollar (“dollars”) is the functional currency for CARE USA’s operations worldwide. Transactions in currencies other than U.S. 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 generally accepted accounting principles 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.

## Internal Use Software

## Reclassifications

Certain amounts in the 1997 financial statements have been reclassified to conform to the 1998 presentation.

## 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, 1998 with comparative totals for June 30, 1997 are listed below (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	1998
Operating Fund	\$21,000	\$12,572		\$ 33,572
Emergency Response Fund	5,000	1,228	503	6,731
CARE International Support Fund	3,000			3,000
Africa Fund	6,000	4,094	501	10,595
Donor-Designated Endowment		2,000	102,291	104,291
Board Designated Endowment	30,616			30,616
Fixed Assets Authorized	9,281			9,281
Total at June 30, 1998	\$74,897	\$19,894	\$103,295	\$198,086
Total at June 30, 1997	\$65,131	\$17,541	\$ 82,694	\$165,366

In 1998, CARE adopted Statement of Position 98-1, *Accounting For The Cost of Computer Software Developed or Obtained For Internal Use*, which formalizes the practice for regarding whether and under what conditions the costs of internal-use software should be capitalized. CARE capitalizes the costs of software licenses and associated consulting costs, project hardware, 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 five-year life.

CARE capitalized \$1.5 million of internal-use software costs during the year ended June 30, 1998.

## Classification of Changes in Net Assets

All public support related to general purpose and CARE International and all government and other support and 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 on pooled income fund obligations 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 is 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.

June 30, 1998 and 1997

### The Operating Fund

*Unrestricted:* A Board designated fund intended to facilitate day-to-day operations and to protect against short-term unrestricted revenue shortfalls. For June 30, 1998, the Board of Directors designated an unrestricted operating fund of \$21 million in support of the FY99 unrestricted expense budget of \$58 million. Prior to June 30, 1998, the amount in this fund was the amount of unrestricted funds not designated for other purposes.

*Temporarily Restricted:* CARE receives various donations for nonemergency operations that also have donor-imposed restrictions. In addition, CARE'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 (the donation cannot be used until a later date), 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.

*Temporarily restricted:* Donations and revenue from other restricted funds that are restricted for emergency response or preparedness.

*Permanently restricted:* Donations 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 that facilitates the implementation of program activities before the receipt of donor funds. Program implementation is facilitated by lending money to the other CARE International members based on the members' secured contracts with institutional donors.

### The Africa Fund

*Unrestricted:* A Board-designated fund to increase CARE's programming in Africa during fiscal years 1999 through 2001. CARE 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 that involvement in response to the changing environment and the enormous challenges due to chronic food insecurity, conflict, and emerging infectious diseases.

*Temporarily restricted:* Donations and revenue from permanently restricted funds that are restricted to nonemergency use for Africa.

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

### The Donor-Designated Endowment Fund (nonemergency, non-Africa)

*Temporarily restricted:* CARE receives donations for which the principal must be temporarily maintained. The income generated from donor-designated endowment funds is generally restricted to specific uses. This related income is listed above under either Operating Fund, Emergency Response Fund, or Africa Fund, in the temporarily restricted column.

*Permanently restricted:* CARE receives donations for which the principal must be permanently maintained. Permanent endowments for Emergency Response and Africa are included on those lines. Other permanently restricted gifts are included here.

*Williams Trust:* A permanently restricted donor-designated endowment fund that includes \$98.7 million and \$78.4 million at June 30, 1998 and 1997 respectively, related 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 \$2.6 million and \$2.5 million for the years ended June 30, 1998 and 1997, respectively. These amounts are included in the statements of activities as "interest and dividend income on restricted net assets for unrestricted purposes." Fair value increases of \$20.3 million and \$14.1 million for the years ended June 30, 1998 and 1997, respectively, are reflected in the statements of activities under other changes in permanently restricted net assets.

### The Board Designated Endowment

A long term fund with the following purposes; (1) to replenish or increase the Operating Fund, the Emergency Response Fund, the CARE International Support Fund, the Africa Fund and the Fixed Asset Fund as the need arises; and (2) to ensure continuance of CARE programs in the event of government and other support reductions. Government and other support of CARE programs exceeded \$250 million in each of the years ended June 30, 1998 and 1997.

### Fixed Assets Fund

A portion of unrestricted net assets is segregated for use in the purchase of fixed assets.

Fixed Assets Authorized by the Board of Directors (thousands)

	June 30, 1998
Fixed assets, net of depreciation (see Note 5)	\$7,027
Fixed assets authorized, but not yet purchased	2,254
	<u>\$9,281</u>

# CARE USA Notes to Financial Statements

*June 30, 1998 and 1997*

## NOTE 4 – INVESTMENTS

CARE USA carries all investments in debt and equity securities at reported market values.

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 dividends, and interest on unrestricted net assets is reflected in other revenue in the statements of activities. Realized and unrealized gains and losses are considered

nonoperating 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. 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.

Investments at June 30, 1998 and 1997 were comprised of the following (in thousands):

	1998		1997	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury obligations	\$ 11,685	\$ 15,033	\$ 12,288	\$ 14,582
Mutual funds	14,116	15,490	13,421	14,192
Marketable equity securities	33,594	41,271	34,366	44,017
Marketable debt securities	44,275	47,104	35,140	35,213
Overseas time deposits	8,677	8,677	7,686	7,686
	\$112,347	\$127,575	\$102,901	\$115,690

Total return on cash balances, investments, and the trust held by a third party was as follows for the years ended June 30, 1998 and 1997 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	1998	1997
<b>Interest and Dividends</b>					
Unrestricted	\$ 5,732			\$ 5,732	\$ 3,179
Temporarily restricted		\$ 929		929	653
Unrestricted support from trust held in third party	2,646			2,646	2,543
Investment income included in operating revenue	8,378	929		9,307	6,375
<b>Net realized gains:</b>					
Unrestricted	5,999			5,999	3,198
Temporarily restricted		25		25	(1)
<b>Change in net unrealized gains</b>					
Unrestricted	164			164	5,328
Temporarily restricted		516		516	826
Net change in value of trust held by third party			\$20,251	20,251	14,106
Total return on cash balances, investments, and trust held by third party	\$14,541	\$1,470	\$20,251	\$36,262	\$29,832

In addition, CARE USA received approximately \$2 million and \$1.9 million in investment return for the years ending June 30, 1998 and 1997, respectively, related to investments held on behalf of other entities. These amounts are not included in the above amounts.

*June 30, 1998 and 1997*

**NOTE 5 – PROPERTY AND EQUIPMENT**

The components of property and equipment, at cost, are as follows at June 30, 1998 and 1997 (in thousands):

	1998	1997
Land	\$ 1,233	\$ 1,001
Buildings and improvements	5,838	5,717
Equipment and software	3,440	2,560
Leasehold improvements	440	460
Accumulated depreciation	(3,924)	(3,474)
	<u>\$ 7,027</u>	<u>\$ 6,264</u>

See Note 3 for a summary of Fixed Assets authorized.

CARE USA financed a portion of the purchase and renovation of the headquarters located in Atlanta, Georgia, with the proceeds of \$5,000,000 urban development bonds. The bonds mature on June 1, 2013 and bear interest at a rate which is adjusted periodically. As of June 30, 1998 and 1997, the adjustable rate was 3.60% and 4.20%, 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. 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 \$10,000,000. In addition, other indebtedness, as defined, cannot exceed \$500,000. Annual sinking fund payments, excluding interest, are payable as follows (in thousands):

Year ended June 30:

1999	\$ 200
2000	200
2001	200
2002	200
2003	200
Thereafter	2,835
	<u>\$3,835</u>

The recorded amount for bonds payable approximates fair value.

During 1998, CARE USA reviewed the capitalized cost of certain software and determined impairment based upon the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of. Based on the determination that the software would not be used, CARE USA concluded that a write-off of the capitalized software costs was necessary. Accordingly, CARE USA recorded a \$1.2 million charge. It is reported under Management and General expenses in the June 30, 1998 Statement of Activities.

**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 are invested by the employees in various funds available within the plan. Employer contributions were \$1.7 million and \$1.8 million, and employee contributions were \$1.2 million and \$700,000, for the years ending June 30, 1998 and 1997, respectively.

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

# CARE USA Notes to Financial Statements

*June 30, 1998 and 1997*

## NOTE 7 – POSTRETIREMENT BENEFITS

CARE USA provides certain health care 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 age 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.

The following table sets forth the accumulated postretirement benefit obligation (APBO) reconciled to the accrued postretirement benefit cost recognized in CARE USA's balance sheet as of June 30, 1998 and 1997 (in thousands).

### Accumulated postretirement benefit obligation (APBO) (in thousands)

	June 30	
	1998	1997
Retirees	\$2,186	\$2,102
Fully eligible active plan participants	143	157
Other active plan participants	905	691
APBO	3,234	2,950
Unrecognized net loss	(392)	(244)
Accrued postretirement benefit cost	\$2,842	\$2,706

Net periodic postretirement benefit expense for the years ended June 30, 1998 and 1997 was approximately \$289,000 and \$277,000, respectively, and included the following components (in thousands):

Postretirement Benefit Expense	June 30	
	1998	1997
Service cost of benefits earned	\$104	\$ 95
Interest cost on accumulated postretirement benefit obligation	207	205
Net amortization and deferral	(22)	(23)
Net periodic postretirement benefit expense	\$289	\$277

### Actuarial Assumptions

	June 30, 1998	
	Pre-65	Post-65
Discount rate	6.80%	6.80%
Health care trend		
Initial Rate	8.50%	7.25%
Ultimate Rate (in 2003)	6.00%	6.00%
Annual change (decrease)	0.50%	0.25%
	Cost basis is incurred costs	
	June 30, 1997	
Discount rate	7.50%	7.50%
Health care trend		
Initial Rate	9.00%	7.50%
Ultimate Rate (in 2003)	6.00%	6.00%
Annual change (decrease)	0.50%	0.25%
	Cost basis is incurred costs	

# CARE USA Notes to Financial Statements

June 30, 1998 and 1997

## NOTE 8 – SOURCES OF SUPPORT

CARE USA receives support for its programs from charitable contributions and grants and contracts from government and non-governmental 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	1998 Total	1997 Total
U.S. Government	\$109,564	\$114,251	\$ 607	\$224,422	\$208,070
Direct Public Support	51,470		792	52,262	52,032
CARE International	42,525	3,241	1,198	46,964	43,897
Host governments	22,717		525	23,242	23,848
United Nations	6,184		14	6,198	6,164
Dutch government	10,258			10,258	10,065
Others (grants, contracts)	7,243	1,456	719	9,418	10,976
Other revenue (interest, dividends, rents, etc.)	6,865			6,865	4,321
<b>Support and Revenue 1998</b>	<b>\$256,826</b>	<b>\$118,948</b>	<b>\$3,855</b>	<b>\$379,629</b>	
<b>Support and Revenue 1997</b>	<b>\$244,939</b>	<b>\$108,383</b>	<b>\$6,051</b>		<b>\$359,373</b>

## NOTE 9 – AGRICULTURAL COMMODITIES

A summary of agricultural commodities received by CARE USA for the years ended June 30, 1998 and 1997 is as follows:

	Metric Tonnage		Dollar Value (In thousands)	
	1998	1997	1998	1997
Commodities received for distribution via CARE USA programs				
U.S. government	237,028	197,207	\$114,251	\$102,586
CARE International	11,887	7,236	3,241	2,930
Others	3,778	1,256	1,456	2,867
See also Note 8 and 11	252,693	205,699	\$118,948	\$108,383
Commodities received for monetization with proceeds used by CARE USA				
U.S. government	139,354	151,244	\$ 33,417	\$ 41,049
CARE International	4,810	–	3,422	–
Others	–	3,220	–	1,591
	144,164	154,464	\$ 36,839	\$ 42,640
Commodities received for monetization with proceeds going to other non-profit organizations				
U.S. government	25,957	28,060	\$ 16,945	\$ 18,815
Total agricultural commodities received during the fiscal year	422,814	388,223	\$172,732	\$169,838

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

# C A R E U S A N o t e s t o F i n a n c i a l S t a t e m e n t s

*June 30, 1998 and 1997*

## NOTE 10 – FUNCTIONAL EXPENSE ALLOCATION

In the statements of activities, expenses have been categorized by function. Additional details of the types of expenses within each functional category for the year ended June 30, 1998 and 1997 are as follows (in thousands):

Natural Classification of Expenses	Program Activities	Management & General	CARE International	Fund-Raising	Public Information	1998 Total	1997 Total
Salaries and benefits	\$ 76,949	\$ 7,754	\$ 78	\$ 4,421	\$ 937	\$ 90,139	\$ 87,969
Professional fees and insurance	8,614	1,615	–	1,554	125	11,908	7,719
Facilities, rent, maintenance and utilities	6,166	1,352	–	309	51	7,878	7,468
Vehicle and equipment purchases and maintenance	22,707	5	–	–	–	22,712	14,647
Travel and transportation	10,522	487	4	356	153	11,522	14,373
Direct mail, related postage, artwork and printing	142	245	–	8,233	328	8,948	8,626
Project equipment, goods, and services	81,698	515	–	90	71	82,374	82,980
Agricultural commodities and CIKs	122,565	–	–	146	–	122,711	110,205
Other expenses	9,921	1,826	2,720	403	179	15,049	14,759
<b>Total Operating Expenses for 1998</b>	<b>\$339,284</b>	<b>\$13,799</b>	<b>\$2,802</b>	<b>\$15,512</b>	<b>\$1,844</b>	<b>\$373,241</b>	
<b>Total Operating Expenses for 1997</b>	<b>\$316,928</b>	<b>\$12,171</b>	<b>\$1,974</b>	<b>\$15,442</b>	<b>\$2,231</b>		<b>\$348,746</b>

See Note 11 for geographic information regarding program expenses.

See Note 12 for sector and type information regarding program expenses.

## NOTE 11 – PROGRAM EXPENSES BY GEOGRAPHIC DISTRIBUTION

For the years ended June 30, 1998 and 1997 (in thousands)

	Cash	Agricultural Commodities	Nonfood In-Kind	1998 Total	1997 Total
Africa	\$ 71,254	\$ 10,233	\$ 942	\$ 82,429	\$ 81,661
Asia and Pacific	66,979	89,616	743	157,337	144,777
Europe	1,650		803	2,454	3,459
Latin America and Caribbean	67,605	19,098	1,129	87,833	78,446
Multi-Regional	9,231			9,231	8,585
<b>Program Expenses 1998</b>	<b>\$216,719</b>	<b>\$118,948</b>	<b>\$3,617</b>	<b>\$339,284</b>	
<b>Program Expenses 1997</b>	<b>\$202,772</b>	<b>\$108,382</b>	<b>\$5,774</b>		<b>\$316,928</b>

# CARE USA Notes to Financial Statements

June 30, 1998 and 1997

## NOTE 12 – PROGRAM EXPENSES BY SECTOR AND TYPE

For the years ended June 30, 1998 and 1997 (in thousands)

Sector	Types		Year Ended June 30	
	Emergency and Rehabilitation	Development	1998	1997
Agriculture and Natural Resources	\$ 1,601	\$ 59,789	\$ 61,389	\$ 57,050
Basic and Girl's Education	1,334	4,481	5,815	3,815
Children's Health	497	23,306	23,804	21,714
Reproductive Health	2,090	6,850	8,940	7,112
Water, Sanitation and Environmental Health	8,420	7,730	16,150	13,243
Integrated and Other Health	2,128	8,296	10,424	330
Nutritional Support	19,592	90,781	110,374	119,275
Infrastructure	2,681	32,454	35,135	31,551
Small Enterprise Activity Development	55	16,938	16,992	13,911
Multi-Sector and Other	25,707	24,555	50,262	48,927
<b>Total Program Expenses by Type for 1998</b>	<b>\$64,105</b>	<b>\$275,179</b>	<b>\$339,284</b>	
<b>Total Program Expenses by Type for 1997</b>	<b>\$76,685</b>	<b>\$240,243</b>		<b>\$316,928</b>

The classification of CARE projects into the various sectors and types is based on the dominant sector of the project. For example, if a project is determined to consist of 60% Agriculture and Natural Resources (ANR) and 40% Basic and Girl's Education, it would be classified above only as an ANR project. If a project consists of multiple sectors and there is not a dominant sector, it is classified as Multi-Sector. The

above classifications capture the dominant sector and types of CARE projects, but it is recognized that some sectors, such as Basic and Girl's Education and Small Enterprise Activity Development, are often nondominant components of larger projects. It is not currently feasible to measure the nondominant components for financial reporting purposes.

See Note 1 for a description of the types and sectors.

## NOTE 13 – COMMITMENTS AND OTHER MATTERS

As of June 30, 1998, 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:	
1999	\$3,547
2000	1,627
2001	638
2002	389
2003 and thereafter	1,156
<b>Total</b>	<b>\$7,357</b>

Total rent expense was approximately \$6,582,131 and \$6,365,000 for the years ended June 30, 1998 and 1997, 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 balance sheet or statement of activities.

CARE USA has \$2,000,000 of credit facilities to facilitate foreign exchange transactions. These facilities were fully available at June 30, 1998. CARE USA maintains a letter of credit to collateralize the urban development bonds used to purchase and renovate the Atlanta Headquarters Building. The amount of the letter of credit was \$3,900,000 and \$4,100,000 at June 30, 1998 and 1997, respectively. A .625% commitment fee is paid on the letter of credit. In addition, CARE USA has a \$2,000,000 line to support letters of credit, of which \$490,000 was utilized as of June 30, 1998.

## CARE Regional Offices

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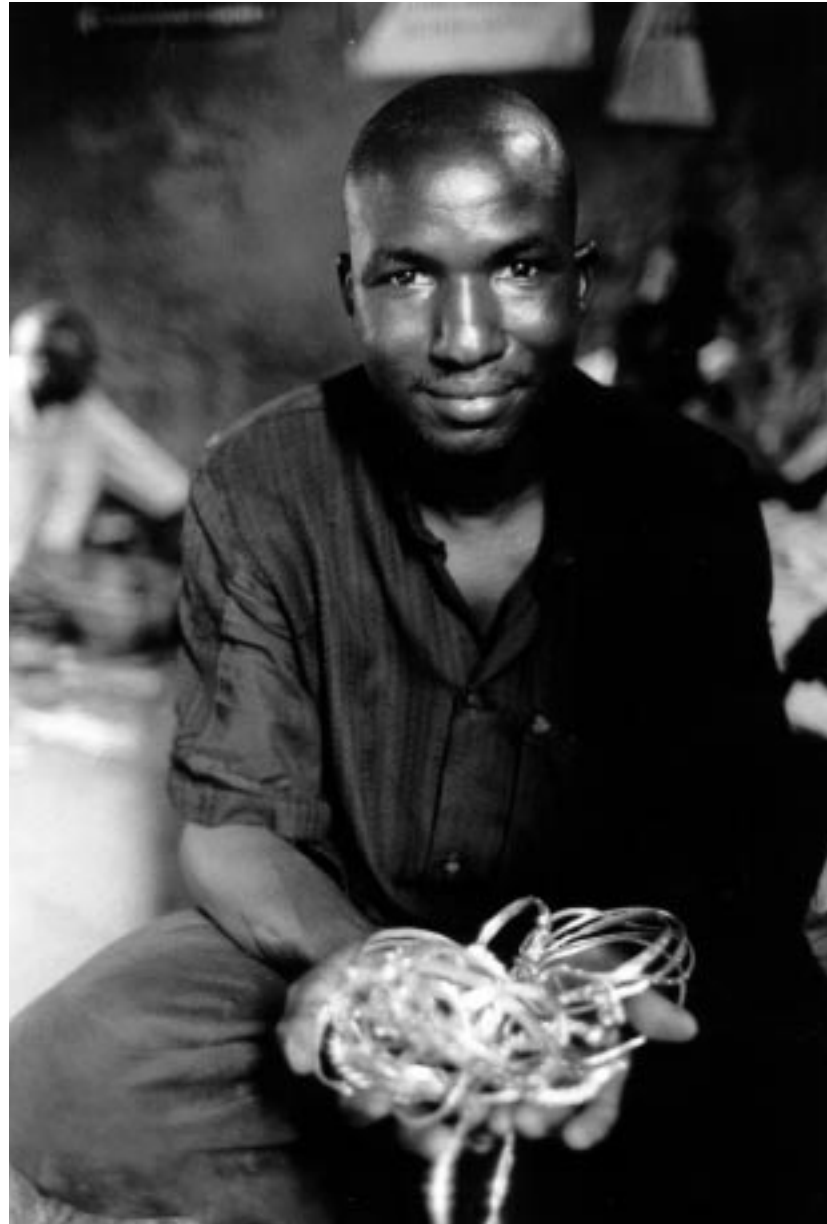
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*Ancient Mali's fame as a gold-rich kingdom is evident today in the cramped goldsmith and silversmith shops that dot the country's towns and villages. Smiths like this man from the city of Djenné create bracelets, rings and earrings by hand, hammering each piece over red-hot coals. Djenné's residents are supported by local health and education organizations that have been trained by CARE on leadership, literacy, governance and other issues.*

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### *A Special Thanks to Photographer J.F. Housel*

For six years, photographer Fred Housel has donated his time and talent to capture CARE projects and beneficiaries around the world on film. He has traveled to Peru, the Philippines, Angola and Mozambique and provided a wealth of images that have been used to illustrate CARE's work. For the *1998 Annual Report*, Housel profiled the daily work of CARE beneficiaries in Bolivia, Mali and India.



*Photographer Fred Housel takes a break with members of the Djenné Farmers' Association in Mali.*

"Each of my trips for CARE has been one of the great adventures of my life," says Housel. "I hope my photography does justice to the dignity and the strength I have seen. This year as I traveled for CARE, what emerged for me was the power of our common aspirations, a decent life for ourselves and our children, the means to earn a living and respect for each other. These are the values that CARE helps empower. I am proud to be considered part of that endeavor."

CARE gratefully acknowledges Fred Housel for his generosity and commitment to our mission.

This edition of the CARE Annual Report is made possible in part by a generous grant from Delta Air Lines. Delta carried more passengers worldwide last year than any other airline. Delta, Delta Express, the Delta Shuttle, the Delta Connection carriers and Delta's Worldwide Partners operate 5,187 flights each day to 353 cities in 56 countries. Delta is committed to providing philanthropic support to organizations like CARE that promote assistance for families with young children, cultural understanding and economic development for communities worldwide.

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*Cover Photo:* A young woman in Kirchamba, Mali, hoists water onto her head, cushioned only by a twisted roll of colorful cloth. The water is drawn from the village well into an animal-skin sack. A drought that has endured on and off for 30 years has made water Mali's most precious commodity. The village well in Kirchamba was built with help from CARE.

*Inside Front Cover Photo:* Business partners. Support group. Friends. For the first time in their lives, these women are earning money through a CARE savings and loan program in Andhra Pradesh, India. Each of the 17 women in the group manages a small business, including making pottery, tending goats and growing vegetables. These women work together to build a solid financial base for their families – boosting their self-esteem and their status in the community along the way.

*Back Cover Photo:* In an open field in rural Uttar Pradesh, India, Ramnaresh joins a team of men to cut rice by hand. What these farmers don't sell, they will use to feed their families. Community members in developing countries often depend heavily on each other, working together to bring important improvements to their lives. Community ownership and partnership are hallmarks of CARE's programs.

**CARE salutes the resilient men, women and children around the world who work together to build a better future.**

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**CARE**®



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