



## CARE USA REPORT FROM MANAGEMENT

CARE USA ACHIEVED RECORD LEVELS OF SUPPORT for its development work during fiscal 2000 (FY00). Our donors also responded generously during times of urgent need, allowing CARE to respond effectively to numerous humanitarian disasters around the world. Total support and revenue reached \$446.3 million, a 6 percent increase over the prior year, with increased funding in most revenue categories. Individuals, corporations and private foundations together provided \$63.0 million and a record \$67.7 million was generated by other CARE International members. U.S. government support totaled \$251.1 million, 5 percent above fiscal 1999, while host governments, multilateral and other donors provided another \$59.1 million. Other revenue, which includes income on unrestricted net assets, rents and other miscellaneous income, added \$5.3 million. From these available funds, more than \$409 MILLION WAS APPLIED TO CARE PROGRAMS, \$33.4 million greater than in fiscal 1999. Much of this increase resulted from CARE's response to crises in the Balkans, Latin America, Indonesia, Mozambique and India's Orissa state. However, CARE also continued its steady expansion of development programs, which reached an all-time high of nearly \$308 million. Our overall efficiency in utilizing donor resources remains high, with more than 91 percent of fiscal 2000 expenditures going to program activities. We are particularly proud of this achievement given the increasing administrative and fund-raising support required by our growing number of projects. Good financial stewardship remains a high priority, demonstrating that CARE USA staff view this as a basic responsibility to our constituents. Remaining fiscally conservative has helped maintain CARE USA's financial strength, thereby allowing investments in several important areas that hold significant potential for increased long-term benefits to project participants. During the past two years, a total of \$27 million in accumulated net assets has been allocated utilizing this strategy, including \$11.5 million to the Africa Fund, which is specifically dedicated to expanding developmental programming in sub-Saharan Africa. Other special allocations from net asset funds designated by our Board of Directors are detailed under Note 3 of the Financial Statements.

Fiscal 2001 holds many new challenges and opportunities. During the coming year, CARE USA will prepare a new five-year strategic plan which will be formulated in concert with a similar process underway for CARE International. As we collectively pursue the vision articulated elsewhere in this report, it is clear that the future impact of our programs will depend increasingly on coordinated efforts, both within CARE International and among other nongovernmental organizations. Thus, CARE's goal of becoming "A GLOBAL FORCE...DEDICATED TO ENDING POVERTY" will depend not simply on our own financial and human resources but on how successfully we can leverage them across the international aid community.



Peter Buijs, *Senior Vice President, Finance and Administration*

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS



To the Board of Directors of CARE USA:

IN OUR OPINION, the accompanying balance sheets and the related statements of activities, changes in net assets, cash flows and expenses by function present fairly, in all material respects, the financial position of CARE USA (a District of Columbia corporation) at June 30, 2000 and 1999 and the changes in 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 statements based on our audits. 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 the opinion expressed above.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Atlanta, Georgia  
September 1, 2000

### CARE USA BALANCE SHEETS

*For the years ended June 30, 2000 and 1999 In Thousands*

	2000	1999
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 75,922	\$ 48,355
Investments (Note 4)	120,986	127,928
Receivables (Note 2)	37,321	39,272
Deposits and other assets	25,375	25,307
Property and equipment, net (Notes 2 and 5)	8,728	8,281
Perpetual trust held by third party (Note 3)	101,711	105,853
<b>Total Assets</b>	<b>370,043</b>	<b>354,996</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	44,988	46,838
Program advances by government & nongovernment agencies	79,623	60,553
Annuities payable, pooled income fund, unitrusts (Note 2)	19,943	17,705
Benefits accrued for overseas national employees	12,309	11,408
Bonds payable (Note 5)	3,435	3,635
<b>Total Liabilities</b>	<b>160,298</b>	<b>140,139</b>
Commitments and contingencies (Notes 5 and 12)		
<b>Net Assets (Note 3)</b>		
Unrestricted	74,779	75,945
Temporarily restricted	28,098	28,379
Permanently restricted	106,868	110,533
<b>Total Net Assets</b>	<b>209,745</b>	<b>214,857</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 370,043</b>	<b>\$ 354,996</b>

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

# CARE USA STATEMENT OF ACTIVITIES

For the years ended June 30, 2000 and 1999 In Thousands

	Unrestricted	Temporarily Restricted	Permanently Restricted	2000	1999
<b>Support</b>					
<b>Public Support</b>					
General purpose	\$ 42,121			\$ 42,121	\$ 40,642
Temporarily restricted		\$ 16,542		16,542	19,927
Addition to endowment			\$ 477	477	67
CARE International	67,714			67,714	56,181
Interest and dividends on restricted net assets	3,257	602		3,859	3,815
Net assets released from restrictions	18,324			18,324	12,747
Satisfaction of program restrictions		(18,324)		(18,324)	(12,747)
<b>Total Public Support</b>	<b>131,416</b>	<b>(1,180)</b>	<b>477</b>	<b>130,713</b>	<b>120,632</b>
<b>Government and other support</b>					
U.S. government	251,118			251,118	239,728
Host governments	27,907			27,907	27,202
Others	31,225			31,225	25,652
<b>Total Government and Other Support</b>	<b>310,250</b>	<b>-</b>	<b>-</b>	<b>310,250</b>	<b>292,582</b>
<b>Other Revenue</b>					
Interest and dividends on unrestricted net assets	4,494			4,494	5,545
Rent and miscellaneous	816			816	861
<b>Total Other Revenue</b>	<b>5,310</b>	<b>-</b>	<b>-</b>	<b>5,310</b>	<b>6,406</b>
<b>Total Support and Revenue (Note 8)</b>	<b>446,976</b>	<b>(1,180)</b>	<b>477</b>	<b>446,273</b>	<b>419,620</b>
<b>Expenses</b>					
Program (Notes 10 and 11)	409,289			409,289	375,900
Fund Raising	17,085			17,085	16,627
Management and general	16,075			16,075	13,113
Public information	2,713			2,713	2,615
Grants to CARE International	3,107			3,107	2,633
<b>Total Expenses</b>	<b>448,269</b>	<b>-</b>	<b>-</b>	<b>448,269</b>	<b>410,888</b>
<b>Support and Revenue (under)/over Expenses</b>	<b>(1,293)</b>	<b>(1,180)</b>	<b>477</b>	<b>(1,996)</b>	<b>8,732</b>
<b>Other Changes in Net Assets</b>					
Foreign exchange gains	282			282	
Actuarial loss on annuity obligations	(1,498)			(1,498)	(1,048)
Actuarial (loss)/gain on pooled income fund obligations		(84)		(84)	8
Realized and unrealized gains on investments (Note 4)	1,343	983		2,326	1,908
(Decrease)/increase in value of trust held by third party (Note 3)			(4,142)	(4,142)	7,171
<b>Total change in Net Assets</b>	<b>(1,166)</b>	<b>(281)</b>	<b>(3,665)</b>	<b>(5,112)</b>	<b>16,771</b>
<b>Net Assets, Beginning of Year</b>	<b>75,945</b>	<b>28,379</b>	<b>110,533</b>	<b>214,857</b>	<b>198,086</b>
<b>Net Assets, End of Year</b>	<b>\$ 74,779</b>	<b>\$ 28,098</b>	<b>\$ 106,868</b>	<b>\$ 209,745</b>	<b>\$ 214,857</b>

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

## CARE USA STATEMENT OF FUNCTIONAL EXPENSES

*For the years ended June 30, 2000 and 1999 In Thousands*

	Program Activities	Fund Raising	Management & General	Public Information	CARE International	2000 Total	1999 Total
Personnel costs	\$ 101,810	\$ 5,548	\$ 9,483	\$ 1,532	\$ -	\$ 118,373	\$ 104,184
Professional services	11,470	948	1,601	424	-	14,443	11,413
Equipment	8,079	392	836	115	-	9,422	6,589
Materials and services	90,382	8,311	585	474	-	99,752	91,726
Travel and transportation	34,743	517	926	87	-	36,273	31,306
Occupancy	13,112	523	1,007	18	-	14,660	12,298
Financing/depreciation	4,997	819	836	46	-	6,698	5,124
Grants/subgrants	21,703	2	-	8	3,107	24,820	19,073
AgCommodities/CIKs	122,993	25	801	9	-	123,828	129,175
<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>	
<b>Total Operating Expenses for 1999</b>	<b>\$ 375,900</b>	<b>\$ 16,627</b>	<b>\$ 13,113</b>	<b>\$ 2,615</b>	<b>\$ 2,633</b>		<b>\$ 410,888</b>

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

## CARE USA STATEMENT OF CASH FLOWS

For the years ended June 30, 2000 and 1999 In Thousands

	2000	1999
<b>Cash Flows Provided by (Used for) Operating Activities</b>		
Change in net assets	\$ (5,112)	\$ 16,771
Adjustments to reconcile change in net assets to cash flows		
Depreciation and amortization	748	612
Contributions restricted for investment in endowment	(477)	(67)
Realized and unrealized gains on investments	(2,326)	(1,908)
Actuarial loss on annuity obligations	1,498	1,048
Actuarial loss/(gain) on pooled income fund obligations	84	(8)
Decrease/(increase) in value of perpetual trust held by third party	4,142	(7,171)
Changes in assets and liabilities		
Decrease/(increase) in receivables	1,951	(18,700)
Increase in deposits and other assets	(68)	(8,474)
(Decrease)/increase in accounts payable and accrued expenses	(1,850)	3,217
Increase in program advances	19,070	4,781
Increase in benefits accrued for overseas national employees	901	1,681
<b>Net Cash and Cash Equivalents Provided by (Used for) Operating Activities</b>	<b>18,561</b>	<b>(8,218)</b>
<b>Cash Flows Provided by (Used for) Investing Activities</b>		
Net purchases and sales of investments	9,268	1,555
Net purchases and sales of property and equipment	(1,195)	(1,866)
<b>Net Cash and Cash Equivalents Provided by (Used for) Investing Activities</b>	<b>8,073</b>	<b>(311)</b>
<b>Cash Flows Provided by (Used for) Financing Activities</b>		
Proceeds from contributions restricted for investment in endowment	477	67
Principal payments on bonds payable	(200)	(200)
Net increase in annuities payable, pooled income fund, unitrusts	656	2,027
<b>Net Cash and Cash Equivalents Provided by (Used for) Financing Activities</b>	<b>933</b>	<b>1,894</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>27,567</b>	<b>(6,635)</b>
Cash and Cash Equivalents, Beginning of Year	48,355	54,990
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 75,922</b>	<b>\$ 48,355</b>

Cash paid for interest in fiscal years ended June 30, 2000 and 1999, respectively was \$165,986 and \$149,934.

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



## Note 1 - Organization

Cooperative for Assistance and Relief Everywhere, Inc. ("CARE USA") is a not-for-profit association incorporated 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. 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's 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.



## CARE USA NOTES TO FINANCIAL STATEMENTS

### 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 \$1.2 million and \$2.0 million for the years ended June 30, 2000 and 1999, 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, 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.

#### 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 five-year life once the asset is placed in service.

Capitalization costs related to internal-use software amounted to \$1,007,168 and \$1,280,676 for the years ended June 30, 2000 and 1999, respectively. Amortization expense for internal-use software amounted to \$154,801 and \$55,186 for the years ended June 30, 2000 and 1999 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 market 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 market value of the contribution to the fair market 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 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

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 non-profit 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 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 the years of this report.)

#### 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 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 cannot be readily determined.

## CARE USA NOTES TO FINANCIAL STATEMENTS

### 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 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.

### 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 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 or decrease 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.

### 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 year ended June 30, 2000.

### Reclassifications

Certain 1999 amounts in the financial statements and the notes to the financial statements have been reclassified to conform to the 2000 presentation.

## CARE USA NOTES TO FINANCIAL STATEMENTS

### 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, 2000, are listed below (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Fund	\$ 24,000	\$ 22,743		\$ 46,743
Emergency Response Fund	5,000	2,969	\$ 903	8,872
CARE International Support Fund	7,699			7,699
Africa Fund	8,468	386	501	9,355
Central America Transformation Fund	2,000			2,000
Program Innovations and Development Fund	8,430			8,430
Donor Designated Endowment Fund		2,000	105,464	107,464
Board Designated Fund	7,924			7,924
Fixed Assets Fund	11,258			11,258
<b>Total at June 30, 2000</b>	<b>\$ 74,779</b>	<b>\$ 28,098</b>	<b>\$ 106,868</b>	<b>\$ 209,745</b>
<b>Total at June 30, 1999</b>	<b>\$ 75,945</b>	<b>\$ 28,379</b>	<b>\$ 110,533</b>	<b>\$ 214,857</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 \$24 million in support of the next fiscal year's 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 (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** - 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 to achieve CARE's mission. This includes a revolving fund to start 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 member's secured contracts with institutional donors.

#### 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 emerging infectious diseases.

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

**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 policy-makers. 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.

## CARE USA NOTES TO FINANCIAL STATEMENTS



### The Donor-Designated 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-designated endowment funds are 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 designated endowment fund, which includes \$101.7 million and \$105.9 million at June 30, 2000 and 1999, 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 \$3.3 million for each of the years ended June 30, 2000 and 1999. These amounts are included in the statements of activities as interest and dividends on restricted net assets. A fair value decrease of \$4.1 million and increase of \$7.2 million for the years ended June 30, 2000 and 1999 respectively, are reflected in the statements of activities under other changes in permanently restricted net assets.

### The Board-Designated Fund

A long-term fund with the following purposes: (1) to replenish or increase the Operating Fund, the Emergency Response Fund, and the Fixed Asset Fund as the need arises; and (2) to ensure continuance of CARE USA programs in the event of government and other support reductions. Government and other support of CARE USA programs exceeded \$290 million in each of the years ended June 30, 2000 and 1999.

### 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 at June 30, 2000 is reported below (in thousands):

Fixed assets, net of depreciation (see Note 5)	\$ 8,728
Capital expenditures authorized from net assets	1,347
Related operating expenses authorized from net assets	<u>1,183</u>
	<u>\$ 11,258</u>

## CARE USA NOTES TO FINANCIAL STATEMENTS

### 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 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. 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, 2000 and 1999 were comprised of the following (in thousands):

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury obligations	\$ 8,105	\$ 7,810	\$ 13,387	\$ 13,236
Mutual funds	12,384	14,298	16,364	18,018
Marketable equity securities	40,227	48,001	41,785	49,157
Marketable debt securities	48,239	46,806	42,754	42,018
Overseas time deposits	4,071	4,071	5,499	5,499
	\$ 113,026	\$ 120,986	\$ 119,789	\$ 127,928

Total return on cash balances, investments and the trust held by a third party was as follows for the years ended June 30, 2000 and 1999 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2000	1999
Dividends and interest:					
Unrestricted	\$ 4,492			\$ 4,492	\$ 5,545
Temporarily restricted		\$ 565		565	522
Unrestricted support from trust held by third party	3,257			3,257	3,293
Investment income included in operating revenue	7,749	565		8,314	9,360
Net realized gains:					
Unrestricted	1,352			1,352	5,379
Temporarily restricted		742		742	697
Change in net unrealized gains:					
Unrestricted	(9)			(9)	(4,246)
Temporarily restricted		241		241	78
Net change in value of trust held by third party			\$ (4,142)	(4,142)	7,171
Total Return on Cash Balances, Investments and Trust Held by Third Party	\$ 9,092	\$ 1,548	\$ (4,142)	\$ 6,498	\$ 18,439

## CARE USA NOTES TO FINANCIAL STATEMENTS



### Note 5 - Property and Equipment

The components of property and equipment, at cost, are as follows at June 30, 2000 and 1999 (in thousands):

	2000	1999
Land	\$ 1,219	\$ 1,209
Buildings and improvements	7,075	6,976
Equipment and software	6,282	5,123
Leasehold improvements	440	490
Accumulated depreciation	(6,288)	(5,517)
	\$ 8,728	\$ 8,281

See Note 3 for a summary of Fixed Assets authorized.

Depreciation expense (excluding amortization of internal-use software – see Note 2) amounted to \$592,754 and \$556,593 for the years ended June 30, 2000 and 1999 respectively.

CARE USA financed a portion of the purchase and renovation of the headquarters located in Atlanta, Georgia, with the proceeds of \$5.0 million City of Atlanta revenue bonds. The bonds mature on June 1, 2013 and bear interest at a rate which is adjusted periodically. As of June 30, 2000 and 1999, the adjustable rate was 4.8% and 3.75%, 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:	
2001	\$ 200
2002	200
2003	200
2004	200
2005	200
Thereafter	2,435
	\$ 3,435

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 percent 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 \$1.8 million and \$1.9 million, and employee contributions were \$1.6 million and \$1.4 million for the years ended June 30, 2000 and 1999, respectively.

Within the various countries in which CARE USA operates outside of 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.



## CARE USA NOTES TO FINANCIAL STATEMENTS



### 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	2000 Total	1999 Total
U.S. government	\$ 134,598	\$ 116,520		\$ 251,118	\$ 239,728
U.S. direct public support	61,118		\$ 1,881	62,999	64,451
CARE Australia	1,408			1,408	1,397
CARE Canada	13,015	291	34	13,340	9,696
CARE Denmark	7,030			7,030	7,064
CARE Deutschland	3,648	86		3,734	3,062
CARE France	2,495			2,495	602
CARE Japan	107			107	226
CARE Norge	5,179			5,179	5,906
CARE Osterreich	1,517			1,517	1,203
CARE United Kingdom	30,501	943	1,460	32,904	27,025
Host governments	25,996	168	1,743	27,907	27,202
UNHCR	8,097			8,097	3,820
UNICEF	697			697	276
WFP	298	630		928	751
Other UN agencies	1,743			1,743	1,531
Dutch government	6,884			6,884	9,177
Luxemburg	966			966	-
Switzerland	2,215			2,215	1,991
World Bank	1,674			1,674	1,161
Others (grants, contracts)	8,016		5	8,021	6,945
Other revenue (interest, dividends, rents, etc.)	5,310			5,310	6,406
<b>Support and Revenue 2000</b>	<b>\$ 322,512</b>	<b>\$ 118,638</b>	<b>\$ 5,123</b>	<b>\$ 446,273</b>	
<b>Support and Revenue 1999</b>	<b>\$ 290,351</b>	<b>\$ 125,049</b>	<b>\$ 4,220</b>		<b>\$ 419,620</b>

### NOTE 9 – Agricultural Commodities

A summary of agricultural commodities received by CARE USA for the years ended June 30, 2000 and 1999 is as follows:

	Metric Tonnage		Dollar Value (in thousands)	
	2000	1999	2000	1999
Commodities received for distribution via CARE USA programs				
U.S. government	278,622	269,904	\$ 116,520	\$ 120,798
CARE International	6,421	12,749	1,320	3,788
Others	1,422	1,929	798	463
	<b>286,465</b>	<b>284,582</b>	<b>118,638</b>	<b>125,049</b>
See also Notes 8 and 11				
Commodities received for monetization with proceeds used by CARE USA				
U.S. government	252,624	165,548	63,301	38,189
CARE International	-	1,400	-	786
	<b>252,624</b>	<b>166,948</b>	<b>63,301</b>	<b>38,975</b>
Commodities received for monetization with proceeds going to other non-profit organizations				
U.S. government	46,898	54,536	21,515	26,692
<b>Total Agricultural Commodities Received During the Fiscal Year</b>	<b>585,987</b>	<b>506,066</b>	<b>\$ 203,454</b>	<b>\$ 190,716</b>

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

## CARE USA NOTES TO FINANCIAL STATEMENTS

### NOTE 10 – Program Expenses by Geographic Region

A summary of Program expenses by geographic region for the years ended June 30, 2000 and 1999 follows (in thousands):

	Cash	Agricultural Commodities	Non-Food In-Kind	2000 Total	1999 Total
Africa	\$ 75,673	\$ 15,316	\$ 1,813	\$ 92,802	\$ 83,430
Asia and the Pacific	77,338	89,243	540	167,121	166,743
Europe and Middle East	37,660	-	16	37,676	11,184
Latin America and the Caribbean	84,953	14,079	1,900	100,932	103,136
Multi-Regional	10,671	-	87	10,758	11,407
Program Expenses 2000	\$ 286,295	\$ 118,638	\$ 4,356	\$ 409,289	
Program Expenses 1999	\$ 246,806	\$ 125,049	\$ 4,045		\$ 375,900

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

A summary of Program expenses by sector and type for the years ended June 30, 2000 and 1999 follows (in thousands):

	Types			2000	1999
	Emergency	Rehabilitation	Development		
Agriculture and Natural Resources	\$ 965	\$ 4,811	\$ 61,246	\$ 67,022	\$ 63,103
Basic and Girls' Education	-	-	5,946	5,946	4,004
Children's Health	-	520	25,149	25,669	26,850
Reproductive Health	36	179	11,284	11,499	9,476
Water and Sanitation	1,493	7,494	14,739	23,726	29,812
Integrated and Other Health	2,349	1,674	8,504	12,527	9,302
Nutritional Support	17,421	2,297	102,645	122,363	118,216
Infrastructure	10,899	3,676	13,134	27,709	28,447
Small Economic Activity Development	-	2,345	12,806	15,151	12,951
Multi-Sector and Other	25,679	14,047	57,951	97,677	73,739
Total Program Expenses by Type for 2000	\$ 58,842	\$ 37,043	\$ 313,404	\$ 409,289	
Total Program Expenses by Type for 1999	\$ 60,979	\$ 17,573	\$ 297,348		\$ 375,900

### Note 12 - Commitments and Other Matters

As of June 30, 2000, 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:	
2001	\$ 3,898
2002	1,840
2003	836
2004	562
2005	326
2006 and thereafter	498
Total	\$ 7,960

Total rent expense was approximately \$9.1 million and \$7.9 million for the years ended June 30, 2000 and 1999, 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, 2000. 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 \$3.5 and \$3.7 million at June 30, 2000 and 1999, respectively. No amounts have been drawn against this letter of credit. A 0.625 percent commitment fee is paid on the letter of credit. In addition, CARE is the guarantor on \$7.3 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.