

Report from Management

In fiscal year 2006, CARE USA spent \$646 million, of which \$590 million (91 percent) went to program activities designed to advance our mission and vision around the world.

This program spending included \$505 million in cash and \$85 million in agricultural commodities and other in-kind contributions that CARE invested in the fight against poverty. With \$266 million of program expense in sub-Saharan Africa, a 19 percent increase from the prior year, over 45 percent of our total program spending took place in the poorest region of the world.

We spent a record \$412 million on long-term development programs, a 13 percent increase from the prior fiscal year. Emergency expenditures were about \$30 million higher than in fiscal year 2005. We continued to spend funds raised in the aftermath of the 2004 Indian Ocean tsunami. Rehabilitation and development spending will continue in the affected countries over the next several years as we continue to help communities to rebuild lives and reestablish livelihoods.

CARE had another year of strong performance in raising direct public support. Our private fund-raising efforts this year yielded \$112 million. Support from the United States government approached \$300 million, up \$30 million from last year. Support obtained through CARE International members increased to \$138 million this year. These sources of support, together with others, raised our total revenue to a record level of \$655 million.

As always, we are grateful to all our donors, public and private, who entrust us with the resources we use to pursue our common vision – a world of hope, tolerance and social justice, where poverty has been overcome and all people live in dignity and security. We acknowledge the contribution of our fine staff, our community partners and our colleague organizations, all of whom demonstrate a commitment to that vision every day. We keep our donors, partners and staff in mind as we meet the highest standards of financial stewardship and use CARE's resources in the best possible ways.



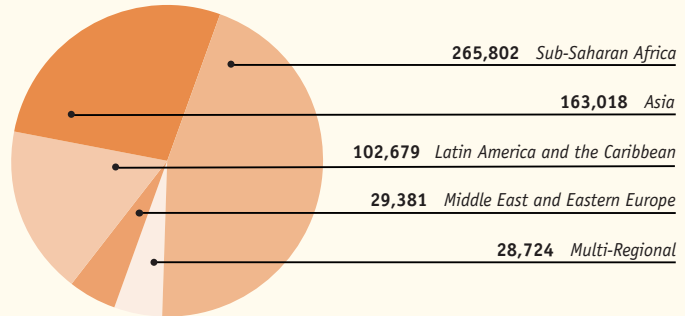
Joseph J. Iarocci, *Senior Vice President, Strategic Support & Chief Financial Officer*

Selected Financial Information

Program Expense by Geographic Region

Total program expense by region for FY2006
In thousands

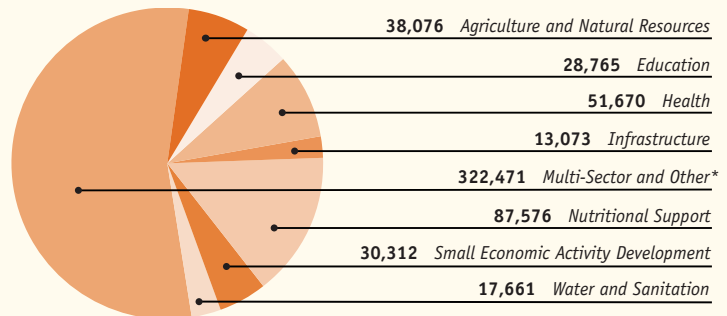
\$589,604



Program Expense by Sector

Total program expense by sector for FY2006
In thousands

\$589,604



* Multi-sector projects include activities related to three or more sectors, none of which is predominant. "Other" includes certain activities that cannot readily be classified in any of the sectors described above.

Selected Financial Information

Sources of Support

CARE USA receives support for our programs from charitable contributions, and grants and contracts from government and nongovernment entities. The following describes CARE USA's sources of support and revenue:

In thousands

Donor	Cash	Agricultural Commodities	Nonfood In Kind	2006 Total	2005 Total
U.S. government	\$ 215,901	\$ 82,127	\$ -	\$ 298,028	\$ 266,662
U.S. direct public support	108,777	-	3,556	112,333	144,724
CARE Australia	5,473	-	-	5,473	3,775
CARE Canada	9,861	-	-	9,861	12,589
CARE Danmark	7,985	-	-	7,985	7,728
CARE Deutschland	6,295	-	-	6,295	5,165
CARE France	8,171	-	-	8,171	7,840
CARE Japan	532	-	-	532	357
CARE Nederland	14,941	-	-	14,941	14,181
CARE Norge	11,417	-	-	11,417	8,215
CARE Österreich	9,855	-	-	9,855	6,248
CARE United Kingdom	63,073	-	-	63,073	53,551
Host governments	26,359	11	100	26,470	28,550
UNHCR	517	-	-	517	667
UNICEF	2,018	-	-	2,018	1,021
WFP	7,194	-	115	7,309	5,146
Other U.N. agencies	6,533	-	-	6,533	6,416
Luxemburg	238	-	-	238	503
Switzerland	23,167	-	-	23,167	16,527
World Bank	3,830	-	-	3,830	3,342
Others (grants, contracts)	28,099	-	481	28,580	24,302
Other revenue (interest, dividends, rents, etc.)	8,855	-	-	8,855	6,847
Support and Revenue 2006	\$ 569,091	\$ 82,138	\$ 4,252	\$ 655,481	
Support and Revenue 2005	\$ 547,318	\$ 74,113	\$ 2,925		\$ 624,356

Consolidated Financial Statements

CARE USA Consolidated Balance Sheets

As of June 30, 2006, and 2005

In thousands

	2006	2005
Assets		
Cash and cash equivalents	\$ 118,408	\$ 104,548
Investments	200,548	195,361
Receivables, net	64,542	47,255
Subsidiary microcredit loans receivable, net	58,649	43,034
Deposits and other assets	70,328	64,996
Property and equipment, net	5,747	7,516
Perpetual trust held by third party	112,963	111,136
TOTAL ASSETS	\$ 631,185	\$ 573,846
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 61,792	\$ 45,766
Program advances by government and nongovernment agencies	141,702	130,304
Annuities payable, pooled income fund, unitrusts	21,751	22,166
Benefits accrued for overseas national employees	17,244	15,992
Subsidiary loans payable	59,691	43,871
Minority interest in subsidiary	1,736	1,633
Total Liabilities	303,916	259,732
Commitments and contingencies		
Net Assets		
Unrestricted	83,539	79,899
Temporarily restricted	115,644	110,160
Permanently restricted	128,086	124,055
Total Net Assets	327,269	314,114
TOTAL LIABILITIES AND NET ASSETS	\$ 631,185	\$ 573,846

Our auditors have expressed an unqualified opinion on our financial statements. These financial statements include associated notes that are essential to understanding the information presented herein. The full set of statements and notes is available at CARE USA's Web site, www.care.org, and a printed copy may be obtained from CARE USA.

Consolidated Financial Statements

CARE USA Consolidated Statements of Activities

For the year ended June 30, 2006, with summarized information for the year ended June 30, 2005

In thousands

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006	Summarized 2005
Support					
Public Support					
General purpose	\$ 63,299	\$ -	\$ -	\$ 63,299	\$ 63,535
Temporarily restricted	-	39,237	-	39,237	74,389
Addition to endowment	-	-	2,204	2,204	15
CARE International	137,603	-	-	137,603	119,649
Interest and dividends on restricted net assets	6,183	1,819	-	8,002	6,785
Net assets released from restrictions	37,345	-	-	37,345	21,991
Satisfaction of program restrictions	-	(37,345)	-	(37,345)	(21,991)
TOTAL PUBLIC SUPPORT	244,430	3,711	2,204	250,345	264,373
Government and other support					
U.S. government	298,028	-	-	298,028	266,662
Host governments	26,470	-	-	26,470	28,551
Others	71,783	-	-	71,783	57,923
TOTAL GOVERNMENT AND OTHER SUPPORT	396,281	-	-	396,281	353,136
Other Revenue					
Interest and dividends on unrestricted net assets	4,412	-	-	4,412	2,714
Rent and miscellaneous	4,443	-	-	4,443	4,133
TOTAL OTHER REVENUE	8,855	-	-	8,855	6,847
TOTAL OPERATING SUPPORT AND REVENUE	649,566	3,711	2,204	655,481	624,356
Expenses					
Program	589,604	-	-	589,604	513,924
Fund raising	24,022	-	-	24,022	23,716
Management and general	24,215	-	-	24,215	21,408
Public information	5,906	-	-	5,906	4,304
Grants to CARE International	1,876	-	-	1,876	1,584
TOTAL OPERATING EXPENSES	645,623	-	-	645,623	564,936
Operating Support and Revenue over Expenses	3,943	3,711	2,204	9,858	59,420
Other Non-operating Changes in Net Assets					
Minority interest in subsidiary (loss)/income	(605)	-	-	(605)	(273)
Foreign exchange gain	873	-	-	873	108
Interest and dividends on gift annuity investments	1,085	-	-	1,085	1,114
Actuarial gain/(loss) on annuity obligations	(1,342)	-	-	(1,342)	40
Actuarial gain on split interest agreements	25	(22)	-	3	56
Realized and unrealized gain on investments	(339)	1,795	-	1,456	3,657
Increase in value of trust held by third party	-	-	1,827	1,827	2,007
TOTAL CHANGES IN NET ASSETS	3,640	5,484	4,031	13,155	66,129
NET ASSETS, BEGINNING OF YEAR	79,899	110,160	124,055	314,114	247,985
NET ASSETS, END OF YEAR	\$ 83,539	\$ 115,644	\$ 128,086	\$ 327,269	\$ 314,114

Our auditors have expressed an unqualified opinion on our financial statements. These financial statements include associated notes that are essential to understanding the information presented herein. The full set of statements and notes is available at CARE USA's Web site, www.care.org, and a printed copy may be obtained from CARE USA.

Consolidated Financial Statements

CARE USA Consolidated Statements of Functional Expenses

For the year ended June 30, 2006, with summarized information for the year ended June 30, 2005

In thousands

	Program Activities			Fund Raising	Management and General	Public Information	CARE International	2006 Total	2005 Total
	Emergency	Rehabilitation	Development						
Personnel costs	\$ 24,696	\$ 10,459	\$ 106,503	\$ 7,454	\$ 14,079	\$ 3,145	\$ -	\$ 166,336	\$ 154,636
Professional services	2,139	1,143	16,726	2,270	2,065	702	-	25,045	24,220
Equipment	2,581	783	7,221	230	1,248	173	-	12,236	11,698
Materials and services	44,080	13,536	67,525	12,599	1,750	1,482	-	140,972	111,195
Travel and transportation	10,801	2,966	35,275	661	1,449	316	-	51,468	46,467
Occupancy	3,157	1,273	11,174	463	1,439	39	-	17,545	15,947
Financing/Depn/Misc.	458	443	24,979	293	2,031	15	-	28,219	23,928
Grants/Subgrants	27,310	10,311	79,445	-	-	9	1,570	118,645	100,021
AgCommodities/CIKs	18,957	2,879	62,784	52	154	25	306	85,157	76,824
Total Operating Expenses for 2006	\$ 134,179	\$ 43,793	\$ 411,632	\$ 24,022	\$ 24,215	\$ 5,906	\$ 1,876	\$ 645,623	
Total Operating Expenses for 2005	\$ 102,737	\$ 45,736	\$ 365,451	\$ 23,716	\$ 21,408	\$ 4,304	\$ 1,584		\$ 564,936

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Consolidated Financial Statements

CARE USA Consolidated Statements of Cash Flows

For the years ended June 30, 2006, and 2005

In thousands

	2006	2005
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Changes in net assets	\$ 13,155	\$ 66,129
Adjustments to reconcile change in net assets to cash flows		
Depreciation and amortization	2,215	2,149
Contributions restricted for investment in endowment	(2,204)	(15)
Realized and unrealized gain on investments	(1,456)	(3,657)
Actuarial (gain)/loss on annuity obligations	1,342	(40)
Actuarial gain on split interest agreements	(3)	(56)
Increase in value of perpetual trust held by third party	(1,827)	(2,007)
Changes in assets and liabilities		
Increase in receivables	(17,287)	(5,542)
Increase in deposits and other assets	(5,664)	(9,573)
Increase in accounts payable and accrued expenses	16,026	2,776
Increase/(decrease) in program advances	11,398	(13,421)
Increase/(decrease) in benefits accrued for overseas national employees	1,252	(333)
Net cash and cash equivalents provided by operating activities	16,947	36,410
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchases of investments	(61,502)	(94,234)
Proceeds from sales of investments	58,103	64,978
Purchases of property and equipment	(594)	(568)
Sales of property and equipment	148	22
Net cash and cash equivalents used for investing activities	(3,845)	(29,802)
CASH FLOWS USED FOR FINANCING ACTIVITIES:		
Proceeds from contributions restricted for investment in endowment	2,204	15
Increase in subsidiary microcredit loans receivable	(15,615)	(12,574)
Proceeds from loans in subsidiary	15,820	26,917
Gross loans repayment in subsidiary	-	(10,702)
Increase/(decrease) in minority interest in subsidiary	103	866
Net decrease in annuities payable, split interest agreements	(1,754)	(1,274)
Net cash and cash equivalents used for financing activities	758	3,248
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,860	9,856
CASH AND CASH EQUIVALENTS, beginning of year	104,548	94,692
CASH AND CASH EQUIVALENTS, end of year	\$ 118,408	\$ 104,548
Noncash Contributions	\$ 9,194	\$ 6,313

Cash paid for interest in fiscal years ended June 30, 2006, and 2005, respectively, was \$3,962 and \$2,703.

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