

CARE USA and Subsidiaries

Consolidated Financial Statements

For the years ended

June 30, 2010 and 2009

CARE USA
Table of Contents
For the years ended June 30, 2010 and 2009

	Page(s)
Report of Independent Auditors	1
Consolidated Financial Statements	
Balance sheets	2
Statements of Activities.....	3-4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-39

Report of Independent Auditors

To the Board of Directors
Cooperative for Assistance and Relief Everywhere USA

We have audited the accompanying consolidated balance sheets of Cooperative for Assistance and Relief Everywhere, Inc. (CARE USA) and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of CARE USA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of CARE USA's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CARE USA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CARE USA and subsidiaries as of June 30, 2010 and 2009, and the consolidated changes of their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles

Ernst & Young LLP

December 17, 2010

CARE USA
Consolidated Balance Sheets
As of June 30, 2010 and 2009 (in thousands)

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 89,768	\$ 57,542
Restricted cash	9,006	-
Investments, at fair value (Note 5)	192,093	160,072
Receivables, net (Note 8)	27,178	17,092
Loans receivable, net (Note 9)	14,398	13,014
Inventory	10,001	11,889
Deposits and other assets (Note 10)	38,058	51,701
Property and equipment, net (Note 11)	14,543	16,526
Trusts held by third parties	96,862	89,286
Assets related to discontinued operations	-	227,217
Total Assets	<u>\$ 491,907</u>	<u>\$ 644,339</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 42,389	\$ 27,511
Program advances (Note 14)	57,718	66,312
Liability for split interest agreements	19,833	19,565
Benefits accrued for employees	30,938	29,137
Subsidiary loans payable (Note 15)	9,551	8,235
Minority interest in subsidiary	593	211
Liabilities related to discontinued operations	-	195,878
Total Liabilities	<u>161,022</u>	<u>346,849</u>
Commitments and Contingencies		
Net Assets		
Unrestricted	88,050	65,799
Temporarily restricted (Note 3)	127,993	124,362
Permanently restricted (Note 3)	114,842	107,329
Total Net Assets	<u>330,885</u>	<u>297,490</u>
Total Liabilities and Net Assets	<u>\$ 491,907</u>	<u>\$ 644,339</u>

CARE USA
Consolidated Statements of Activities (in thousands)

For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
Support					
Private Support					
Contributions	\$ 60,097	\$ 71,677	\$ 19	\$ 131,793	\$ 106,680
Public Information - PSA	14,651	-	-	14,651	-
CARE International	139,492	-	-	139,492	133,934
Total Private Support	214,240	71,677	19	285,936	240,614
Government and other support					
U.S. government	198,871	-	-	198,871	274,867
Host governments	21,799	-	-	21,799	20,729
Others	61,633	47	-	61,680	79,223
Total Government and Other Support	282,303	47	-	282,350	374,819
Other Revenue					
Interest and dividends	9,590	1,982	-	11,572	12,016
Rent and miscellaneous	5,993	157	-	6,150	6,675
Total Other Revenue	15,583	2,139	-	17,722	18,691
Net assets released from restrictions					
Satisfaction of program restrictions	74,467	(74,467)	-	-	-
Total Operating Support and Revenue (Note 16)	586,593	(604)	19	586,008	634,124
Expenses					
Program					
Emergency	99,835			99,835	108,793
Rehabilitation	19,733			19,733	29,934
Development	405,320			405,320	453,422
Public Information	21,215			21,215	9,100
Supporting Activities					
Fund raising	25,451			25,451	24,169
Management and general	30,192			30,192	32,625
Total Operating Expenses	601,746	-	-	601,746	658,043
Operating Support and Revenue over Expenses	(15,153)	(604)	19	(15,738)	(23,919)
Other Nonoperating Changes in Net Assets					
Minority interest in subsidiary income	(593)	-	-	(593)	4
Foreign exchange gain (loss)	(1,771)	(88)	-	(1,859)	300
Interest and dividends on gift annuity investments	835	-	-	835	941
Actuarial loss on annuity obligations	(1,154)	-	-	(1,154)	(281)
Actuarial (loss)/gain on split interest agreements	24	(600)	-	(576)	509
Net realized and unrealized gain/(loss) on investments	3,081	4,923	-	8,004	(25,508)
Increase/(decrease) in value of trusts held by third parties	-	-	7,494	7,494	(22,983)
Total Changes in Net Assets before change in pension liability	(14,731)	3,631	7,513	(3,587)	(70,937)
Net change in pension liability	(775)	-	-	(775)	(185)
Changes in net assets from continuing operations	(15,506)	3,631	7,513	(4,362)	(71,122)
Discontinued operations					
Gain from operations of discontinued operations - Edyifcar (including net income of \$3.8 million)	37,757	-	-	37,757	11,849
Changes in net assets	22,251	3,631	7,513	33,395	(59,273)
Net Assets, beginning of year	65,799	124,362	107,329	297,490	356,763
Net Assets, end of year	\$ 88,050	\$ 127,993	\$ 114,842	\$ 330,885	\$ 297,490

CARE USA
Consolidated Statements of Activities (in thousands)

For the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>
Support				
Private Support				
Contributions	\$ 62,344	\$ 44,116	\$ 220	\$ 106,680
CARE International	133,934	-	-	133,934
Total Private Support	<u>196,278</u>	<u>44,116</u>	<u>220</u>	<u>240,614</u>
Government and other support				
U.S. government	274,867	-	-	274,867
Host governments	20,729	-	-	20,729
Others	79,223	-	-	79,223
Total Government and Other Support	<u>374,819</u>	<u>-</u>	<u>-</u>	<u>374,819</u>
Other Revenue				
Interest and dividends	8,905	3,111	-	12,016
Rent and miscellaneous	6,541	134	-	6,675
Total Other Revenue	<u>15,446</u>	<u>3,245</u>	<u>-</u>	<u>18,691</u>
Net assets released from restrictions				
Satisfaction of program restrictions	59,097	(59,097)	-	-
Revision of donor restrictions	-	2,000	(2,000)	-
Total net assets released from restrictions	<u>59,097</u>	<u>(57,097)</u>	<u>(2,000)</u>	<u>-</u>
Total Operating Support and Revenue (Note 16)	<u>645,640</u>	<u>(9,736)</u>	<u>(1,780)</u>	<u>634,124</u>
Expenses				
Program				
Emergency	108,793			108,793
Rehabilitation	29,934			29,934
Development	453,422			453,422
Public Information	9,100			9,100
Supporting Activities				
Fund raising	24,169			24,169
Management and general	32,625			32,625
Total Operating Expenses	<u>658,043</u>	<u>-</u>	<u>-</u>	<u>658,043</u>
Operating Support and Revenue over Expenses	<u>(12,403)</u>	<u>(9,736)</u>	<u>(1,780)</u>	<u>(23,919)</u>
Other Nonoperating Changes in Net Assets				
Minority interest in subsidiary income	4	-	-	4
Foreign exchange gain	300	-	-	300
Interest and dividends on gift annuity investments	941	-	-	941
Actuarial loss on annuity obligations	(281)	-	-	(281)
Actuarial gain on split interest agreements	160	349	-	509
Net realized and unrealized loss on investments	(12,396)	(13,112)	-	(25,508)
Decrease in value of trusts held by third parties	-	-	(22,983)	(22,983)
Total Changes in Net Assets before change in pension liability	<u>(23,675)</u>	<u>(22,499)</u>	<u>(24,763)</u>	<u>(70,937)</u>
Net change in pension liability	(185)	-	-	(185)
Changes in net assets from continuing operations	<u>(23,860)</u>	<u>(22,499)</u>	<u>(24,763)</u>	<u>(71,122)</u>
Discontinued operations				
Net Income from discontinued operations - Edyficar	11,849	-	-	11,849
Changes in net assets	<u>(12,011)</u>	<u>(22,499)</u>	<u>(24,763)</u>	<u>(59,273)</u>
Net Assets, beginning of year	<u>77,810</u>	<u>146,861</u>	<u>132,092</u>	<u>356,763</u>
Net Assets, end of year	<u>\$ 65,799</u>	<u>\$ 124,362</u>	<u>\$ 107,329</u>	<u>\$ 297,490</u>

CARE USA
Consolidated Statements of Functional Expenses (in thousands)

For the year ended June 30, 2010

	Program Activities					Supporting Activities			2010 Total	2009 Total
	Emergency	Rehabilitation	Development	Public Information	Total	Fund Raising	Management & General	Total		
Personnel costs	\$ 21,779	\$ 5,368	\$ 120,824	\$ 3,908	\$ 151,879	\$ 7,112	\$ 16,331	\$ 23,443	\$ 175,322	\$ 179,744
Professional services	1,356	574	19,298	957	22,185	2,992	4,603	7,595	29,780	31,513
Equipment	1,512	567	6,905	148	9,132	216	3,274	3,490	12,622	9,831
Materials and services	36,723	7,508	87,106	741	132,078	13,597	1,365	14,962	147,040	145,469
Travel and transportation	8,234	1,617	32,771	303	42,925	649	1,780	2,429	45,354	45,711
Occupancy	2,760	885	13,136	226	17,007	587	1,798	2,385	19,392	20,554
Financing/Depn/Misc.	224	766	13,865	176	15,031	40	521	561	15,592	7,840
Grants/Subgrants	3,823	2,448	97,596	73	103,940	156	21	177	104,117	117,867
AgCommodities/CIKs	23,424	-	13,819	32	37,275	102	499	601	37,876	99,514
Contributed advertising-PSA	-	-	-	14,651	14,651	-	-	-	14,651	-
Total Operating Expenses for 2010	\$ 99,835	\$ 19,733	\$ 405,320	\$ 21,215	\$ 546,103	\$ 25,451	\$ 30,192	\$ 55,643	\$ 601,746	\$ 658,043

CARE USA

Consolidated Statements of Functional Expenses (in thousands)

For the year ended June 30, 2009

	Program Activities					Supporting Activities			2009 Total
	Emergency	Rehabilitation	Development	Public Information	Total	Fund Raising	Management & General	Total	
Personnel costs	\$ 22,818	\$ 8,766	\$ 117,054	\$ 5,662	\$ 154,300	\$ 7,230	\$ 18,214	\$ 25,444	\$ 179,744
Professional services	1,682	853	20,298	1,551	24,384	1,808	5,321	7,129	31,513
Equipment	1,759	534	6,015	218	8,526	63	1,242	1,305	9,831
Materials and services	41,746	9,133	78,567	1,141	130,587	12,997	1,885	14,882	145,469
Travel and transportation	6,007	2,482	34,266	343	43,098	490	2,123	2,613	45,711
Occupancy	2,885	1,330	14,087	110	18,412	547	1,595	2,142	20,554
Financing/Depn/Misc.	584	1,427	4,319	43	6,373	985	482	1,467	7,840
Grants/Subgrants	5,998	5,409	106,394	10	117,811	46	10	56	117,867
AgCommodities/CIKs	25,314	-	72,422	22	97,758	3	1,753	1,756	99,514
Total Operating Expenses for 2009	\$ 108,793	\$ 29,934	\$ 453,422	\$ 9,100	\$ 601,249	\$ 24,169	\$ 32,625	\$ 56,794	\$ 658,043

CARE USA
Consolidated Statements of Cash Flow (in thousands)
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 33,395	\$ (59,273)
Less Changes in net assets from discontinued operations	37,757	11,849
Changes in net assets from continuing operations	(4,362)	(71,122)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	4,734	5,496
Contributions restricted for investment in endowment	(19)	(220)
Provision for subsidiary microcredit loan losses	991	19
Unrealized loss on derivative contracts	107	-
Net realized and unrealized (gain)/loss on investments	(8,004)	25,508
Actuarial loss on annuity obligations	1,154	281
Actuarial loss/(gain) on split interest agreements	576	(509)
(Increase)/Decrease in value of trusts held by third parties	(7,494)	22,983
Changes in assets and liabilities		
(Increase)/Decrease in receivables	(10,086)	12,472
Decrease in inventory	1,888	5,912
Decrease in deposits and other assets	13,643	15,314
Increase/(Decrease) in accounts payable and accrued expenses	14,878	(8,916)
Decrease in program advances	(8,594)	(56,542)
Increase/(Decrease) in benefits accrued for employees	1,801	(2,151)
Net cash (used in) provided by operating activities	<u>1,213</u>	<u>(51,475)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(157,419)	(110,003)
Proceeds from sales of investments	133,402	127,077
Purchases of property and equipment	(6,314)	(6,347)
Proceeds from sales of property and equipment	3,563	303
Net cash provided by (used in) investing activities	<u>(26,768)</u>	<u>11,030</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for investment in endowment	19	220
Increase in loans receivable	(2,375)	(596)
Proceeds from sale of subsidiary	73,841	-
Increase in subsidiary loans payable	1,316	3,121
(Decrease)/Increase in minority interest in subsidiary	382	(4)
Payments to gift annuitants	(2,353)	(2,445)
Increase/(Decrease) in liability for split interest agreements	891	(337)
Net cash and cash equivalents provided by (used in) financing activities	<u>71,721</u>	<u>(41)</u>
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash (used in) provided by operating activities	(2,801)	7,686
Net cash (used in) investing activities	(442)	(706)
Net cash (used in) financing activities	(1,691)	(19,298)
Net cash and cash equivalents provided by (used in) discontinued operations	<u>(4,934)</u>	<u>(12,318)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	41,232	(52,804)
CASH AND CASH EQUIVALENTS, beginning of year	57,542	110,346
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 98,774</u>	<u>\$ 57,542</u>
Noncash Contributions	<u>\$ 9,282</u>	<u>\$ 8,402</u>
Cash paid for interest	<u>\$ 5,498</u>	<u>\$ 14,979</u>

CARE USA

Notes to Consolidated Financial Statements

1. Organization

The Cooperative for Assistance and Relief Everywhere, Inc. ("CARE USA or the Organization") is a not-for-profit organization formed in 1945 under the laws of the District of Columbia. Its headquarters are located in Atlanta, Georgia. CARE USA operates programs in nearly 60 countries throughout Africa, Asia, Europe and South America. CARE USA's mission is to serve individuals and families in the poorest communities in the world. CARE USA promotes innovative solutions and is an advocate for global responsibility. CARE USA attempts to facilitate lasting change by:

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

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.

As a result of the sale of Edyficar (a for profit corporation in Peru in which CARE USA owned 77% of the outstanding shares), CARE USA's financial statements have been prepared with the net assets, results of operations, and cash flows of the Edyficar presented as discontinued operations. All historical statements have been restated to conform to this presentation.

CARE USA operates a variety of projects including:

Agriculture and Natural Resources

Includes, but is not limited to: sustainable activities to increase crops, livestock and fish production for income and consumption, post-harvest activities and supporting services and input systems.

Basic and Girls' Education

Includes, but is not limited to: reducing barriers to school attendance, improving the quality of instruction and integrating life-skills into literacy and other non-formal education activities.

Children's Health

Includes, but is not limited to: prevention (e.g. malaria and pneumonia), immunization, nutrition (e.g. breastfeeding, complementary feeding, and addressing micronutrient deficiencies), early childhood development, and HIV prevention and support for children who already are infected.

Reproductive Health

Includes, but is not limited to: addressing inequitable gender and sexual norms, family planning, maternal and newborn health services, and prevention, detection and prevention and management of sexually transmitted infections.

CARE USA

Notes to Consolidated Financial Statements

1. Organization (continued)

HIV/AIDS

Includes, but is not limited to: prevention of new infections (reducing incidence); access to quality, testing and treatment (anti-retroviral); care and support to adults and children (age appropriate); reduction of stigma and discrimination that accompanies HIV and AIDS; reduction of vulnerabilities attributable to increasing the risk of HIV and AIDS and mitigating the impact of HIV and AIDS in adults and children infected and affected by HIV and AIDS.

Water and Sanitation

Includes, but is not limited to: access to water supplies, local management of watersheds, hygiene education, sanitation, solid waste management and crop irrigation.

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 infectious diseases (e.g. tuberculosis) or strengthening or reforming health systems.

Nutritional Support

Includes, but is not limited to: 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).

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. Also induces market engagement work, with a particular focus on agriculture and livestock value chains.

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.

Certain information concerning CARE USA's affiliates and subsidiaries is as follows:

SEED Finance is a for profit affiliate located in the Philippines. It is primarily engaged in providing micro-credit loans to Filipino individuals and organizations.

CARE USA

Notes to Consolidated Financial Statements

1. Organization (continued)

MOFAD is a non-profit affiliate operating in Afghanistan. It is primarily engaged in providing micro-credit loans to Afghan individuals and organizations.

CARE India Trust is a non-profit affiliate operating in India. It is primarily engaged in administering health and nutrition programs funded by the Indian government.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of CARE USA and its subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany transactions have been eliminated. Consolidated subsidiaries include SEED Finance, MOFAD, and CARE India Trust. Gains and losses from the translation of foreign currency financial statements are recorded in the consolidated statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to cash on demand without penalty, and having maturities of three months or less, when purchased, with the exception of cash held for reinvestment which is included in investments.

Cash and cash equivalents held in the United States are insured according to FDIC regulations. The majority of cash and cash equivalents are held in accounts with balances exceeding the insured limit. Cash amounts maintained overseas are largely uninsured. Cash and cash equivalents held in the United States were \$48.3 million (including \$9 million restricted cash held in escrow per Edyficar sale agreement in pursuance any future liability) and \$15.7 million, respectively, for the years ended June 30, 2010 and 2009. Cash and cash equivalents held outside the United States were \$50.4 million and \$41.8 million, respectively for the years ended June 30, 2010 and 2009.

In addition, certain donors require certain cash be held in separate accounts. Donor restricted cash accounts totaled \$20.3 million and \$18.7 million for the years ended June 30, 2010 and 2009, respectively.

Investments

Investments are stated at fair value. Investment income and net appreciation (depreciation) on investments of donor restricted amounts are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or relevant state law require that they be added back to the principal of the permanently restricted contributions.
- As increases (decreases) in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the current use of the investment income or net appreciation (depreciation).
- As increases (decreases) in unrestricted net assets in all other cases.

CARE USA

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Charitable gift annuities are maintained in separate portfolios and are invested in accordance with applicable laws for such monies. CARE USA maintains assets sufficient to meet the annuity requirements stipulated by the various state laws.

Receivables

Receivables represent grants and contracts receivables, ocean freight receivable from the United States Agency for International Development (USAID) and contributions receivables.

Grants and contracts receivable are expected to be collected within one year and are recorded at net realizable value.

Ocean freight receivables and a corresponding liability due to the freight line are recorded when agricultural commodities are shipped to their destination port. These amounts are due from the USAID.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at fair value based on the present value of the estimated future cash flows. Prior to the year ended June 30, 2009, the discount rate represents the risk free rate of return at the origination of the pledge as was determined using the rate for U.S. treasury securities. For the years ended June 30, 2010 and 2009, the discount rate represents the rate of return that is commensurate with the risk associated with the ultimate collection of the receivables at the origination of the pledge. The discount is amortized using an effective yield over the expected collection period of the receivables.

Loans Receivable

Microcredit loans receivable are recorded in the consolidated balance sheets at their unpaid principal amounts adjusted for the net unamortized deferred loan origination costs and fees and allowance for possible losses. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan. The accrual of interest is discontinued when, in management's judgment, it is determined that the collectability of interest or principal is doubtful.

Microcredit loans receivable represents credit services for rural and urban micro-enterprises. The balance is net of the allowance for doubtful accounts of \$1.4 million and approximately \$400,000, respectively, for the years end June 30, 2010 and 2009. The allowance for loan losses is maintained at such level that in management's best judgment is sufficient to cover potential losses in the loan portfolio at the consolidated balance sheet dates. Management considers the loan loss factors as well as delinquencies over 60 days in determining the allowance.

CARE USA

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

The allowance is based on assessments of certain factors, including historical loan loss experience of similar types of loans, CARE USA's loan loss experience, the amount of past due and nonperforming loans, specific known risks, and current and anticipated economic and interest rate conditions. Evaluation of these factors involves subjective estimates and judgments that may change. Additions to the allowance are provided through a reduction to net assets. Subsequent recoveries, if any, are credited to the allowance.

Inventory

Inventories are stated at lower of cost or market and include supplies and agricultural commodities ("commodities"). Cost is determined using the weighted average method.

CARE USA receives 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.

Inventory includes all commodities in which title has passed, regardless of whether the commodities are in transit from the United States or held in storage in primary warehouses at the intended recipient country.

For commodities to be distributed, revenue and expense are recognized when the commodities are distributed.

For commodities to be monetized, revenue and expense are recognized when the proceeds are utilized for the related project activities or distributed to other nonprofit organizations.

Deposits and Other Assets

Deposits and other assets include sub grantee advances to partner organizations, project advances to project managers, receivables from CARE International members, equity investments, and other miscellaneous assets.

Sub grantee advances are recorded when cash is forwarded to the partner organization. As the sub grantee performs in accordance with the grant objectives and expense reports are submitted, the receivable is reduced and the related income and expense are recognized.

CARE USA owns a 45% non-controlling interest in MicroVest General Partner Holding Company. In addition, CARE USA has non-controlling interest in MicroVest I and II, Limited Partnerships of 29.7% and 9.18% respectively. The investments are accounted for using the equity method.

Property and Equipment

Property and equipment are recorded at cost if purchased. Contributions of long-lived assets are recorded at their estimated fair value at the date of receipt and are recorded as unrestricted support unless the use of such contributed assets is restricted by a donor-imposed restriction.

CARE USA

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

If donors contribute long-lived assets with stipulations as to how long the assets must be used or with any other restrictions, such contributions are recorded as temporarily restricted support.

CARE USA does not imply time restrictions on contributions of long lived assets (or of other assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as temporarily restricted revenue that increases temporarily restricted net assets; those restrictions expire when the long-lived assets are placed in service.

The costs of software licenses and associated consulting costs, installation costs and the payroll costs of employees directly associated with the project are capitalized. The costs of software maintenance, training and data conversion are expensed in the period incurred.

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are fifteen years for building, five to seven years for building improvements, three to five years for equipment and software, and five years for leasehold improvements, or the life of the lease, if less than five years. Capitalized leases are amortized over the life of the lease or the estimated life of the asset, whichever is shorter.

Trusts Held by Third Parties

Trusts held by third parties include amounts related to both charitable remainder trusts and perpetual trusts. Accounting standards require that these instruments be recorded at their fair values.

Charitable Remainder Trusts

Donors have established and funded trusts under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, CARE USA receives the assets remaining in the trust. Trusts are recorded at fair value. Fair value is determined based on contributions from split interest agreements at fair value of trust assets, less the present value of the estimated future payments to be made to other beneficiaries under the specific terms of the trust. The present value of the estimated future payments was discounted at an average rate of 6.3% in 2010 and 2009.

Perpetual Trusts

CARE USA is the beneficiary of certain perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, CARE USA has the irrevocable right to receive the income earned on the trust assets in perpetuity. The fair value is recognized as an asset and as a permanently restricted contribution at the date the trust is established. The estimate of fair value is based on fair value information received from the trustees. Gains and losses, which are not distributed by the trusts, are reflected as permanently restricted gains or losses in the consolidated statements of activities and changes in net assets.

CARE USA

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Charitable Gift Annuities

Donors have contributed assets to CARE USA in exchange for a promise by CARE USA to pay a fixed amount or percentage for a specified period of time to the donor or to individuals or organizations designated by the donor. Under the terms of such agreements, the assets received are recorded as assets and included in investments and the related annuity liability is an obligation of CARE USA. The liability is recorded at the present value of expected future payments based on Table 90 CM issued by the Internal Revenue Service. The obligations have been discounted at rates ranging from 3.4% to 11.3%.

Program Advances

Program advances relate to cash received directly from government and nongovernmental agencies, proceeds received from monetization, and inventory related to distribution and monetization commodities.

Accounting for Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes or in perpetuity are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Gifts or contributions with restrictions that are met prior to fiscal year-end are classified as unrestricted net assets.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as satisfaction of program restrictions.

Permanently restricted net assets reflect the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity. The investment income may be expended for a purpose specified by the donor or other general purposes and is reflected as temporarily restricted revenue.

Grant Revenue

Grant revenue on cost-reimbursement grants or contracts is recognized by CARE USA when the program expenditures have been incurred and is reflected as government and other support in the consolidated financial statements. Certain direct support from government agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies.

Management is aware of approximately \$23.6 million of questioned costs resulting from various audits. To date, USAID is reviewing supporting documentation related to \$11.2 million of this amount submitted by management.

CARE USA

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

This review is not complete at this time. No estimate can be made of the possible range of loss, if any, related to these questioned costs. Based on prior experience, CARE USA believes that cost ultimately disallowed, if any, would not materially affect the consolidated financial position of CARE USA.

Nonfood Gifts-in-Kind

Gifts-in-kind received for use in assistance programs that meet the criteria for recognition are recorded at estimated fair value when received.

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. The value of these gifts is generally not recorded in the consolidated financial statements as they do not meet the criteria for revenue recognition.

Revolving Loan Fund

Revolving funds contributed by donors are expensed when initially loaned to project participants and revenue is recognized as these transactions are exchange transactions. A contract payable equivalent to the amount of the principal is set up to establish a revolving fund that will be made available for use in the project. This liability is converted to an unrestricted net asset if the donor releases all claims against the assets.

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 US 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 consolidated balance sheets. Net transaction and translation gains and losses are included in the accompanying consolidated statements of activities in the non-operating section as Foreign Currency Exchange Gain or Loss.

Foreign Exchange Contracts

Foreign currency forward contracts are designed to mitigate, over time, a portion of the impact of exchange rate changes on cash flows. These contracts are recorded at their fair value and changes in fair value are recognized, and recorded as foreign exchange gains or losses. The principal amount of the outstanding forward foreign exchange contracts at June 30, 2010 was \$ 2.5 million. CARE USA had no forward contracts at June 30, 2009. CARE USA enters into foreign exchange contracts to hedge against foreign accounts payable. These hedged transactions are expected to occur at various dates during the next 12 months.

Operating and Non-operating Results

Operating Support and Revenue and Operating Expenses reflect the normal income and expense from receiving and using resources for program activities and support functions.

CARE USA

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Other Non-operating Changes in Net Assets reflect activities not central to the Organization's mission including actuarial changes in value and realized and unrealized gains and losses.

Fair Value of Financial Instruments

CARE USA financial instruments consist of cash and cash equivalents, restricted cash, investments, receivables, loans receivable, trusts held by third parties, accounts payable and accrued expenses, liability for split-interest agreements and subsidiary loans payable.

Receivables are recorded at net realizable value which approximates fair value. Investments and trusts held by third parties are recorded at their fair values based on quoted market prices or other relevant market data. Annuities and charitable remainder trusts are recorded at net present value which approximates fair value. All other financial instruments are stated at cost which approximates fair value.

Tax Status

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 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's subsidiaries SEED Finance, MOFAD, and CARE India Trust are tax-exempt in the countries they are incorporated.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (ASC 740) ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return when there is uncertainty about whether a tax position will ultimately be sustained upon examination. CARE USA has adopted the recognition and disclosure provisions of FIN 48 for its fiscal year ending June 30, 2010. There was no financial statement impact of adopting FIN 48.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Reclassification

Certain prior year amounts have been reclassified to conform to current year financial statements presentation. These reclassifications had no impact on the Total Net Assets.

CARE USA

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

CARE USA records certain assets at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation based on quoted market prices for identical assets or liabilities to which an entity has access at measurement date.

Level 2: Inputs and information other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets
- b. Quoted prices for identical or similar assets in markets that are not active
- c. Observable inputs other than quoted prices for the asset or liability
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

CARE USA
Notes to Consolidated Financial Statements

3. Description of Net Asset Designations and Restriction

The donor-imposed restriction (listed under Temporarily Restricted and Permanently Restricted) of Net Assets as of June 30 are listed below (*in thousands*):

	Temporarily Restricted		Permanently Restricted	
	2010	2009	2010	2009
Africa	\$ 429	\$ 352	\$ 512	\$ 512
Agriculture and Natural Resources	5,693	4,811	-	-
Basic and Girls' Education	22,356	23,869	-	-
Emergency Response	23,762	16,795	1,006	1,006
Multi-Sector and Other	35,904	33,059	-	-
Reproductive Health	9,107	9,686	-	-
Rehabilitation	208	1,843	-	-
Signature Programs	9,019	2,059	-	-
Small Economic Activity Development	1,909	2,434	-	-
Water and Sanitation	7,157	13,378	-	-
Time Restricted	12,449	16,076	113,324	105,811
Total	\$ 127,993	\$ 124,362	\$ 114,842	\$ 107,329

4. Endowment

CARE USA's endowment consists of approximately nine individual funds established for a variety of purposes. Its endowment only includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

CARE USA has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CARE USA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, CARE USA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;

CARE USA
Notes to Consolidated Financial Statements

4. Endowment (continued)

- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation and depreciation of investments;
- (6) Other resources of CARE USA; and
- (7) The investment policies of CARE USA.

The changes in endowment assets for the year ended June 30, 2010 are as follows (*in thousands*):

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 9,793	\$ 18,305	\$ 28,098
Investment income	113	445	-	558
Net appreciation: (realized and unrealized)	(231)	888	-	657
Total investment return	(118)	1,333	-	1,215
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(1,031)	-	(1,031)
Endowment net assets, end of year	<u>\$ (118)</u>	<u>\$ 10,095</u>	<u>\$ 18,305</u>	<u>\$ 28,282</u>

The changes in endowment assets for the year ended June 30, 2009 are as follows (*in thousands*):

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 2,842	\$ 20,305	\$ 23,147
Net assets reclassification based on change in law	-	11,556	-	11,556
Endowment net asset after reclassification	-	14,398	20,305	34,703
Investment income	-	1,082	-	1,082
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Net depreciation: (realized and unrealized)	-	(5,687)	-	(5,687)
Transfer of AES to Temporarily Restricted as a result of revised donor agreement	-	-	(2,000)	(2,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 9,793</u>	<u>\$ 18,305</u>	<u>\$ 28,098</u>

CARE USA
Notes to Consolidated Financial Statements

4. Endowment (continued)

Description of amount classified as permanently restricted net assets and temporarily restricted net assets (Endowment only) *(in thousands)*:

	<u>2010</u>	<u>2009</u>
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 18,305	\$ 18,305
Total Endowment funds classified as Permanently Restricted Net Assets	<u>\$ 18,305</u>	<u>\$ 18,305</u>
Temporarily Restricted Net Assets:		
Term endowment funds		
The portion of perpetual endowment funds subject to time restriction under UPMIFA		
Without purpose restrictions	\$ 6,487	\$ 5,424
With purpose restrictions	<u>3,608</u>	<u>4,369</u>
Total Endowment funds classified as Temporarily Restricted Net Assets	<u>\$ 10,095</u>	<u>\$ 9,793</u>

Investment Policy

CARE USA has an investment policy specific to the Endowment Fund, which is monitored by the Investment Committee of its Board of Directors. The policy states that CARE USA will annually allocate five percent (5%) of the three-year (3 year) average of the fair market value from investment earnings to be spent on operations, unless otherwise specified by the donor. The objective of this policy is to maintain the purchasing power of the endowment funds held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Endowment Fund assets include those assets of donor-restricted funds that CARE USA must hold in perpetuity.

The investment policy describes the objective for the fund and sets ranges for asset allocation. Asset allocations are determined in accordance with the purpose and restrictions of each specific fund. The objective of the Endowment Fund is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund the spending policy. Actual returns in any given year may vary. In light of this requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.

CARE USA
Notes to Consolidated Financial Statements

4. Endowment (continued)

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type in 2010.

<u>Asset Category</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Cash	0%	10%	0%
Fixed Income	35%	50%	40%
Equity	40%	65%	60%

CARE USA utilized the spending policy authorized by the Board of Directors for disbursement of \$1 million to be use in CARE USA operations.

5. Investments

Investments at June 30 were comprised of the following (in thousands):

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S.Treasury obligations	\$ 27,307	\$ 28,499	\$ 24,995	\$ 25,346
Mutual funds	90,606	82,949	80,409	69,010
Marketable equity securities	37,274	36,099	36,049	29,284
Marketable debt securities	22,628	23,781	17,308	17,128
Money market funds	19,424	19,424	15,577	15,577
Overseas time deposits	1,341	1,341	3,727	3,727
	<u>\$ 198,580</u>	<u>\$ 192,093</u>	<u>\$ 178,065</u>	<u>\$ 160,072</u>

CARE USA's investments are diversified across strategies, managers and geography. There are no significant concentrations of market risk in as much as the investment portfolio is diversified among issuers.

Management fees and expenses of \$477,983 and \$485,325, respectively, for the years ending June 30, 2010 and 2009, are netted against investment income.

CARE USA
Notes to Consolidated Financial Statements

5. Investments (continued)

Total return on cash balances, investments and the trusts held by third parties was as follows for the year ended June 30, 2010 (*in thousands*):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
Dividends and interest included in operating revenue	\$ 9,590	\$ 1,982	\$ -	\$ 11,572	\$ 12,016
Dividends and interest on gift annuity investments	835	-	-	835	941
Net realized gains/(losses)	(2,037)	(839)	-	(2,876)	(6,994)
Change in net unrealized gains/(losses)	5,118	5,762	-	10,880	(18,514)
Net change in value of trusts held by third parties	<u>-</u>	<u>-</u>	<u>7,494</u>	<u>7,494</u>	<u>(22,983)</u>
Total return on cash balances, investments & trusts held by third parties	<u>\$ 13,506</u>	<u>\$ 6,905</u>	<u>\$ 7,494</u>	<u>\$ 27,905</u>	<u>\$ (35,534)</u>

Total return on cash balances, investments and the trusts held by third parties was as follows for the year ended June 30, 2009 (*in thousands*):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>
Dividends and interest included in operating revenue	\$ 8,905	\$ 3,111	\$ -	\$ 12,016
Dividends and interest on gift annuity investments	941	-	-	941
Net realized gains/(losses)	(1,959)	(5,035)	-	(6,994)
Change in net unrealized gains/(losses)	(10,437)	(8,077)	-	(18,514)
Net change in value of trusts held by third parties	<u>-</u>	<u>-</u>	<u>(22,983)</u>	<u>(22,983)</u>
Total return on cash balances, investments & trusts held by third parties	<u>\$ (2,550)</u>	<u>\$ (10,001)</u>	<u>\$ (22,983)</u>	<u>\$ (35,534)</u>

CARE USA
Notes to Consolidated Financial Statements

6. Fair Value Measurements

The following table presents the assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 (*in thousands*):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 89,768	\$ -	-	\$ 89,768
Restricted Cash	9,006	-	-	9,006
Investments:				
U.S. Treasury obligations	13,378	15,121	-	28,499
Mutual funds	82,949	-	-	82,949
Marketable equity securities	36,099	-	-	36,099
Marketable debt securities	13,050	10,731	-	23,781
Money market funds	19,424	-	-	19,424
Overseas time deposits	-	1,341	-	1,341
Total Investments	<u>164,900</u>	<u>27,193</u>	<u>-</u>	<u>192,093</u>
Trust held by third parties	-	95,923	939	96,862
Total Assets	<u>\$ 263,674</u>	<u>\$ 123,116</u>	<u>\$ 939</u>	<u>\$ 387,729</u>
<u>Liabilities</u>				
Derivatives	\$ -	\$ -	\$ 2,441	\$ 2,441
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,441</u>	<u>\$ 2,441</u>

CARE USA
Notes to Consolidated Financial Statements

6. Fair Value Measurement (continued)

The following table presents the assets and liabilities measured at fair value on a recurring basis as of June 30, 2009 (*in thousands*):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 57,542	\$ -	-	\$ 57,542
Investments:				
U.S. Treasury obligations	8,473	16,873	-	25,346
Mutual funds	69,010	-	-	69,010
Marketable equity securities	29,284	-	-	29,284
Marketable debt securities	14,623	2,505	-	17,128
Money market funds	15,577	-	-	15,577
Overseas time deposits	-	3,727	-	3,727
Total Investments	<u>136,967</u>	<u>23,105</u>	<u>-</u>	<u>160,072</u>
Trust held by third parties	-	88,172	1,114	89,286
Total Assets	<u>\$ 194,509</u>	<u>\$ 111,277</u>	<u>\$ 1,114</u>	<u>\$ 306,900</u>
<u>Liabilities</u>				
Derivatives	\$ -	\$ -	\$ 2,575	\$ 2,575
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,575</u>	<u>\$ 2,575</u>

Derivatives are made up of forwards contracts whose purpose is to hedge Euro exchange rates. Gross realized and unrealized gains and losses was \$107,000 for the year ended June 30, 2010 and for the year ended June 30, 2009, the realized and unrealized gains and losses were not significant.

CARE USA
Notes to Consolidated Financial Statements

7. Discontinued Operations

CARE USA completed the sale of Edyficar on October 14, 2009 for approximately \$74 million. An escrow account of \$9 million was funded to satisfy any future liability by CARE USA pursuant to the purchase agreement. The recognized gain on the sale was \$37.8 million (including \$3.8 million of net income for the period of July 1, to October 14, 2009). Summarized financial information for discontinued operations before consolidation is as follows: *(in thousands)*

	<u>June 30, 2009</u>
Assets	
Cash and cash equivalents	\$ 12,573
Loans receivable, net	201,231
Other assets	6,011
Property and equipment, net	8,978
Total Assets	<u>\$ 228,793</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable and other liabilities	\$ 22,555
Loans payable	164,943
Total Liabilities	<u>187,498</u>
Commitments and contingencies	
Retained earnings and stockholder's equity	<u>41,295</u>
Total Liabilities and Equity	<u>\$ 228,793</u>

A summary of the operating results for the discontinued operations before consolidation is as follows:

	<u>Jul - Oct 2009</u>	<u>Year ended</u>
	<u>2010</u>	<u>2009</u>
Program Income		
Interest and other income	\$ 26,144	\$ 65,931
Interest expense	4,766	14,192
Net interest income	21,378	51,739
Less: Provision for loan losses	1,982	3,674
Net interest income after provision for loan losses	19,396	48,065
General and administrative expenses	14,333	35,020
Net Income	<u>\$ 5,063</u>	<u>\$ 13,045</u>

CARE USA
Notes to Consolidated Financial Statements

8. Receivables, net

Receivables, net at June 30 were comprised of the following (*in thousands*):

	<u>2010</u>	<u>2009</u>
Grants and contracts receivable	\$ 23,731	\$ 9,033
Ocean freight receivable from USAID	24	193
Contributions receivable	4,347	8,812
Allowance for uncollectible accounts	<u>(924)</u>	<u>(946)</u>
	<u>\$ 27,178</u>	<u>\$ 17,092</u>

As of June 30, 2010 the expected future cash flows from receivable are as follows (*in thousands*):

Due in one year or less	\$ 22,952
Due in one year through five years	<u>4,347</u>
	27,299
Less: discount	<u>(121)</u>
	<u>\$ 27,178</u>

Conditional Pledges

Pledges are recognized as revenue when the donor makes a promise to give in substance, and collection is reasonably assured. CARE USA had \$28.4 million conditional pledges at June 30, 2010 and \$48.9 million at June 30, 2009.

9. Loans Receivable

Loans receivable, net at June 30 were concentrated in the following entities (*in thousands*):

	<u>2010</u>	<u>2009</u>
CARE	\$ 7,998	\$ 6,647
SEED Finance	6,089	4,317
MOFAD	1,711	2,449
Other	<u>1</u>	<u>11</u>
	15,799	13,424
Less:		
Allowance for doubtful accounts	<u>(1,401)</u>	<u>(410)</u>
	<u>\$ 14,398</u>	<u>\$ 13,014</u>

Microcredit loans are comprised of variable and fixed rate loans with individuals and other microcredit lending institutions. The loans bear interest at rates generally ranging from 7.25% to 12% per annum with original maturities ranging up to 5 years. There is no collateral for these loans.

CARE USA
Notes to Consolidated Financial Statements

9. Loans Receivable (continued)

In the event that an individual is unable to repay its loan according to its original schedule, CARE USA pursues collection and workout plans including interest only payments, reduced payments, and moratorium on payment, depending on the individual's circumstances.

It is CARE USA's preference not to provide any concession which reduces the loan's yield; however, there are some situations that warrant discontinuing interest payments for a certain period of time. Generally, CARE USA discontinues interest accrual for all loans on which collection of interest is not reasonably expected. Interest income on nonaccrual loans is recognized on a cash basis. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Activity in the allowance for possible loan losses on microcredit loans is as follows for the year ended June 30 (*in thousands*):

	<u>2010</u>	<u>2009</u>
Allowance for doubtful accounts beginning of year	\$ (410)	\$ (49)
Additions	(991)	(623)
Write-offs	-	262
Allowance for doubtful accounts end of year	<u>\$ (1,401)</u>	<u>\$ (410)</u>

Under ASC 310, *Accounting by Creditors for Impairment of a Loan*, a loan is considered impaired when, based on current information, it is probable that CARE USA will not receive all amounts due in accordance with the contractual terms of the underlying loan agreement. The fair value of the loan is then compared with the recorded investment in the loan to determine whether or not a specific reserve is necessary. CARE USA's recorded investment in loans that are considered to be impaired was \$1.4 million for the year ended June 30, 2010. The related allowance for credit losses for all impaired loans was \$1.4 million as of June 30, 2010. CARE USA's average recorded investment in impaired loans was approximately \$2.5 million during the year ended June 30, 2010 and approximately \$3.5 million during the year ended June 30, 2009.

CARE USA
Notes to Consolidated Financial Statements

10. Deposits and Other Assets

Deposits and other assets at June 30 were comprised of the following (*in thousands*):

	<u>2010</u>	<u>2009</u>
Deposits:		
Subgrantee and project advances	\$ 15,439	\$ 29,144
Investment in MicroVest	5,897	5,462
Accrued interest/dividends	336	378
Receivable from CARE International Members	3,619	4,656
Prepaid expenses	3,843	4,812
Travel advances	1,449	1,507
Advances	1,681	1,408
Other receivables	5,794	4,334
	<u>\$ 38,058</u>	<u>\$ 51,701</u>

11. Property and Equipment

Property and equipment are as follows at June 30 (*in thousands*):

	<u>2010</u>	<u>2009</u>
Land	\$ 3,235	\$ 3,235
Buildings and building improvements	11,092	11,092
Vehicles, equipment and software	25,855	24,029
Leasehold improvements	1,147	1,164
Accumulated depreciation/amortization	(26,786)	(22,994)
	<u>\$ 14,543</u>	<u>\$ 16,526</u>

Depreciation expense was \$4.7 million and \$5.5 million, respectively, for the years ended June 30, 2010 and 2009.

Unamortized internal use software costs were \$98,000 and \$2.5 million, respectively for the years ended June 30, 2010 and 2009.

12. Defined Contribution Plans

Effective January 1, 1992, CARE USA adopted a defined contribution plan for employees who meet certain eligibility conditions. Within the various countries in which CARE USA operates outside the United States, most employees are citizens of the host country. These employees are generally not eligible for the CARE USA defined contribution plan, but they are eligible for local government or CARE USA-sponsored plans appropriate for that country.

CARE USA

Notes to Consolidated Financial Statements

12. Defined Contribution Plans (continued)

These plans generally require payment to the employee at time of employment termination. The payments are calculated based on the number of years employed. There are certain host country nationals who do not meet the eligibility conditions for the CARE USA defined contribution plan. These employees participate in the CARE USA Retirement Savings Plan for Nonresident Alien Employees. Under both the resident and nonresident 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 contributions by employees are invested in various funds within the plan. Employer contributions were \$3 million and \$3.2 million, respectively, for the years ended June 30, 2010 and 2009, and employee contributions were \$2.1 million and \$2.5 million, respectively, for the years ended June 30, 2010 and 2009.

13. 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 retiree contributes 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 funded on a pay-as-you-go basis.

CARE USA accrues the cost of providing postretirement benefits, including medical and life insurance coverage, during the active service period of the employee.

CARE USA expects contributions to be equal to benefit payments for the year ending June 30, 2010.

The measurement date is June 30. The following table sets forth the postretirement benefit obligation reconciled to the accrued postretirement benefit cost recognized in CARE USA's consolidated balance sheets as of June 30, 2010 (*in thousands*):

CARE USA
Notes to Consolidated Financial Statements

13. Postretirement Benefits (continued)

	2010	2009
Changes in benefit obligation		
Benefit obligation at beginning of year	\$ 2,184	\$ 2,147
Service cost	91	84
Interest cost	137	136
Participant contributions	164	149
Benefits paid	(564)	(517)
Actuarial gain	775	185
Benefit obligation at end of year	<u>2,787</u>	<u>2,184</u>
Changes in plan assets		
Employer contributions	400	368
Participant contributions	164	149
Benefits paid	(564)	(517)
Fair value of plan assets at end of year	<u>-</u>	<u>-</u>
Funded status		
Funded status at the end of the year	(2,787)	(2,184)
Net amount recognized in the consolidated balance sheet	<u>\$ (2,787)</u>	<u>\$ (2,184)</u>
Amount not yet reflected in net periodic benefit cost and expected to be amortized in next year's net periodic benefit cost:		
Prior service cost	\$ (1)	\$ (1)
Accumulated loss	(33)	-
	<u>\$ (34)</u>	<u>\$ (1)</u>
Amounts recognized in the consolidated balance sheet consist of:		
Benefits accrued - Post retirement	\$ (2,787)	\$ (2,184)
Net amount recognized in the consolidated balance sheet	<u>\$ (2,787)</u>	<u>\$ (2,184)</u>
Amounts not yet reflected in net periodic benefit cost and included in unrestricted net assets		
Prior service cost	\$ (8)	\$ (9)
Accumulated gain (loss)	(742)	33
Change in unrestricted net assets	<u>(750)</u>	<u>24</u>
Cumulative employer contributions in excess of net periodic benefit cost	(2,038)	(2,208)
Net amount recognized in the consolidated balance sheet	<u>\$ (2,787)</u>	<u>\$ (2,184)</u>

CARE USA
Notes to Consolidated Financial Statements

13. Postretirement Benefits (continued)

Components of net periodic benefit cost	2010	2009
Service cost	\$ 91	\$ 84
Interest cost	137	136
Amortization of prior service cost	1	1
Amortization of net gain	-	(3)
Net periodic benefit cost	<u>\$ 229</u>	<u>\$ 218</u>

Weighted-average assumptions as of June 30 used in determining obligations

	2010	2009
Discount rate	<u>4.95%</u>	<u>6.55%</u>

Weighted-average assumptions as of June 30 used in determining net periodic benefit cost

	2010
Discount rate	<u>6.55%</u>

The assumed projected health care cost trend rate is 7% declining to 6.6% in 2016.

Future changes in actual compensation and retirement dates can materially affect both the amount of the benefits ultimately paid and the period over which the related expense is recognized.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects (*in thousands*):

	2010	2009
One-percentage point increase in trend impact		
Effect on total of service and interest cost components	\$ 27	\$ 24
Effect on postretirement benefit obligation	\$ 327	\$ 213
One-percentage point decrease in trend impact		
Effect on total of service and interest cost components	\$ (23)	\$ (21)
Effect on postretirement benefit obligation	\$ (286)	\$ (189)

Estimated Future Benefit Payments After Fiscal Year-End

2011	\$ 198
2012	190
2013	209
2014	215
2015	217
Next 5 years	<u>\$ 1,202</u>

CARE USA

Notes to Consolidated Financial Statements

14. Program Advances

Program advances by government and nongovernment agencies for the years ended June 30 were comprised of the following (*in thousands*):

	<u>2010</u>	<u>2009</u>
Monetization proceeds	\$ -	\$ 234
Commodity grants	9,784	11,589
Grants and contracts:		
U.S. government	-	13,376
CARE International	14,189	12,588
Host governments	4,968	6,300
Others	28,777	22,225
	<u>\$ 57,718</u>	<u>\$ 66,312</u>

15. Subsidiary Loans Payable

Loans are provided to micro-companies to be used for financial and technical assistance in local currency to local institutions like local cooperatives, rural banks, and non-governmental institutions for the production, trade and service providing activities.

Debt maturities and interest rate range for the year ended June 30, 2010 are as follows (*in thousands*):

	Interest Rate Range	Debt Maturities
2011	5%-8%	\$ 1,185
2012	5%-8%	4,216
2013	5%-8%	4,150
		<u>\$ 9,551</u>

Loan proceeds are used primarily to carry out microfinance lending activities.

Debt maturities and interest rate range for the year end June 30, 2009 are as follows (*in thousands*):

	Interest Rate Range	Debt Maturities
2010	3.50% - 10.50%	\$ 1,856
2011	4.50% - 12.00%	6,379
		<u>\$ 8,235</u>

CARE USA
Notes to Consolidated Financial Statements

15. Subsidiary Loans payable (continued)

Debt maturities by institution for the years ended June 30 is as follows (in thousands):

Bank	2010 Amount	2009 Amount	Term	Interest Rate %
SEED Finance:				
Small Business Corporation	\$ 1,119	\$ 1,804	12/2007 - 07/2011	9
Bank of the Philippines	991	1,256	10/2007 - 08/2011	8
Producers Bank	65	-	12/2009 - 09/2010	6
MicroVest	999	1,000	05/2009 - 05/2011	8
Bangko	1,273	-	05/2009 - 05/2011	8
Other Source	349	-	12/2009 - 12/2010	8
Oiko	1,510	-	10/2009 - 10/2012	10
Planet Finance	499	-	10/2009 - 11/2012	8
MOFAD:				
MISFA	2,692	4,175	Payable on demand	5
Other Source	54	-	05/2009 - 05/2011	5
	<u>\$ 9,551</u>	<u>\$ 8,235</u>		

CARE USA
Notes to Consolidated Financial Statements

16. Sources of Support

CARE USA receives support for its programs from charitable contributions and grants and contracts from government and nongovernment entities. The following describes CARE USA's sources of support and revenue for the years ended June 30, 2010 and 2009 (*in thousands*):

Donor	Cash	Agricultural Commodities	Nonfood In Kind	Total 2010	Total 2009
<u>Contributions</u>					
U.S. private support	\$ 129,342	\$ -	\$ 2,451	\$ 131,793	\$ 106,680
Public Information - PSA	-	-	14,651	14,651	-
Total Contributions	129,342	-	17,102	146,444	106,680
<u>CARE International</u>					
CARE Australia	3,504	-	-	3,504	7,935
CARE Canada	16,669	-	-	16,669	9,848
CARE Danmark	13,485	-	-	13,485	11,525
CARE Deutschland	9,042	-	-	9,042	9,800
CARE France	13,003	-	-	13,003	13,312
CARE Japan	1,186	-	-	1,186	341
CARE Nederland	21,775	-	-	21,775	22,686
CARE Norge	13,102	-	-	13,102	10,114
CARE Österreich	13,715	-	-	13,715	11,410
CARE United Kingdom	33,502	-	-	33,502	36,963
CI Secretariat	509	-	-	509	-
Total CARE International	139,492	-	-	139,492	133,934
<u>Government and other support</u>					
U.S. government	167,432	30,572	867	198,871	274,867
Host governments	21,799	-	-	21,799	20,729
UNHCR	2,203	-	-	2,203	2,061
UNICEF	1,287	-	-	1,287	2,211
WFP	1,016	135	2,265	3,416	6,810
Other U.N. agencies	5,492	-	1,240	6,732	8,170
Switzerland	1,563	-	-	1,563	1,276
World Bank	1,356	-	-	1,356	9,348
Global Fund	29,857	-	-	29,857	32,230
Grants, contracts from Subsidiary	15,249	-	17	15,266	17,117
Total Government & other support	247,254	30,707	4,389	282,350	374,819
<u>Other revenue</u>					
Interest, dividends, rents, and miscellaneous	17,722	-	-	17,722	18,691
Support and Revenue	\$533,810	\$ 30,707	\$ 21,491	\$586,008	\$634,124

CARE USA
Notes to Consolidated Financial Statements

17. Agricultural Commodities

A summary of agricultural commodity activity by CARE USA is as follows (*in thousands*):

	<u>2010</u>	<u>2009</u>
Commodities distributed via CARE USA programs		
U.S. government	\$ 30,572	\$ 94,359
Others	135	3,399
Total	<u>30,707</u>	<u>97,758</u>
Commodities received for monetization with proceeds used by CARE USA from the U.S. government	<u>1,304</u>	<u>17,443</u>
Total agricultural commodities support	<u>\$ 32,011</u>	<u>\$ 115,201</u>

18. Subsidiary and Related Entities Balance Sheets and Statements of Activities

The balance sheets for CARE USA's subsidiary and related entities before consolidation as of June 30, 2010 are as follows (*in thousands*):

	<u>SEED Finance</u>	<u>MOFAD</u>	<u>CARE India Trust</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 2,214	\$ 1,240	\$ 28	\$ 3,482
Grants receivable	-	-	143	143
Microcredit loans receivable, net	6,002	397	1	6,400
Other assets	207	15	14	236
Property and equipment, net	9	39	23	71
Total Assets	<u>8,432</u>	<u>1,691</u>	<u>209</u>	<u>10,332</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and other liabilities	89	483	173	745
Loans payable	6,805	2,746	-	9,551
Total Liabilities	<u>6,894</u>	<u>3,229</u>	<u>173</u>	<u>10,296</u>
Commitments and contingencies				
Retained Earnings and Stockholders Equity				
Retained earnings and stockholders equity	884	(1,476)	36	(556)
Minority interest	654	(62)	-	592
Total Retained Earnings and Stockholders Equity	<u>1,538</u>	<u>(1,538)</u>	<u>36</u>	<u>36</u>
Total Liabilities and Equity	<u>\$ 8,432</u>	<u>\$ 1,691</u>	<u>\$ 209</u>	<u>\$ 10,332</u>

CARE USA
Notes to Consolidated Financial Statements

18. Subsidiary and Related Entities Balance Sheets and Statements of Activities
(continued)

The balance sheets for CARE USA's subsidiary and related entities before consolidation as of June 30, 2009 are as follows (*in thousands*):

	Edyficar (Discontinued Ops)	SEED Finance	MOFAD	Other	Total
Assets					
Cash and cash equivalents	\$ 12,573	\$ 1,413	\$ 2,152	\$ 112	\$ 16,250
Grants receivable	-	-	-	189	189
Microcredit loans receivable, net	201,231	4,253	2,104	11	207,599
Other assets	6,011	111	78	27	6,227
Property and equipment, net	8,978	9	56	-	9,043
Investments	-	-	-	104	104
Total Assets	228,793	5,786	4,390	443	239,412
Liabilities and Net Assets					
Liabilities					
Accounts payable and other liabilities	22,555	74	276	359	23,264
Loans payable	164,943	4,615	4,175	-	173,733
Total Liabilities	187,498	4,689	4,451	359	196,997
Commitments and contingencies					
Retained Earnings and Stockholders Equity					
Retained earnings and stockholders equity	31,842	882	(57)	84	32,751
Minority interest	9,453	215	(4)	-	9,664
Total Retained Earnings and Stockholders Equity	41,295	1,097	(61)	84	42,415
Total Liabilities and Equity	\$ 228,793	\$ 5,786	\$ 4,390	\$ 443	\$ 239,412

* Other consist of Care India Trust & CISSD

The statements of activities for CARE USA's subsidiary and related entities before consolidation for the year ended June 30, 2010 are as follows (*in thousands*):

	Edyficar (Jul - Oct 2009)	SEED Finance	MOFAD	CARE India Trust	Total
Program Income					
Interest and other income	\$ 26,144	\$ 799	\$ 325	\$ 715	\$ 27,983
Interest expense	4,766	485	-	-	5,251
Net interest income	21,378	314	325	715	22,732
Less: Provision for loan losses	1,982	12	900	-	2,894
Net interest income after provision for loan losses	19,396	302	(575)	715	19,838
General and administrative expenses	14,333	257	746	675	16,011
Net Income (Loss)	\$ 5,063	\$ 45	\$ (1,321)	\$ 40	\$ 3,827

CARE USA
Notes to Consolidated Financial Statements

18. Subsidiary and Related Entities Balance Sheets and Statements of Activities
(continued)

The statements of activities for CARE USA's subsidiary and related entities before consolidation for the year ended June 30, 2009 are as follows (*in thousands*):

	Edyficar (Discontinued Ops)	SEED Finance	MOFAD	Other *	Total
Program Income					
Interest and other income	\$ 65,931	\$ 504	\$ 617	\$ 1,148	\$ 68,200
Interest expense	14,192	282	-	-	14,474
Net interest income	51,739	222	617	1,148	53,726
Less: Provision for loan losses	3,674	19	-	-	3,693
Net interest income after provision for loan losses	48,065	203	617	1,148	50,033
Program expenses	35,020	200	741	1,064	37,025
Net Income (Loss)	\$ 13,045	\$ 3	\$ (124)	\$ 84	\$ 13,008

* Other consist of Care India Trust & CISSD

Interest and other income are included in government and other support in the accompanying consolidated statements of activities. Interest expense is included in financing, depreciation and miscellaneous expenses in the accompanying consolidated statements of functional expenses. Provision for loan losses is included in program expenses in the accompanying consolidated statements of activities. Program expenses are included in the appropriate natural classification in the accompanying consolidated statements of functional expenses.

19. Commitments and Other Matters

As of June 30, 2010, CARE USA is obligated under noncancelable operating lease agreements for warehousing, office space and staff housing at minimum rentals as follows (*in thousands*):

Year	Amount
2011	\$ 7,322
2012	3,246
2013	1,975
2014	1,498
2015	495
2016 - 2023	2,429
Total	\$ 16,965

Total rent expense was approximately \$15 million and \$15.2 million, respectively, for the years ended June 30, 2010 and 2009.

CARE USA

Notes to Consolidated Financial Statements

19. Commitments and Other Matters (continued)

CARE USA has committed to invest \$5 million in MicroVest II, LP, a wholly owned limited partner of MicroVest General Partners. Contributions made were \$500,000 as of June 30, 2010 and \$600,000 as of June 30, 2009.

CARE USA has a commitment to loan a total of \$3 million to \$3.6 million to BRAC Africa Microfinance, Ltd over a four year period. The loan receivable was \$1.5 million as of June 30, 2010 and \$800, 000 as of June 30, 2009. Repayment will begin in 2013. CARE USA earns a 5% interest on the loan.

CARE USA has a \$1.9 million line of credit used for funding microcredit loans in Honduras. At June 30, 2010, the outstanding balance owed was \$0.4 million. The line of credit is secured by \$1.5 million of microcredit loans receivable. The interest rate is 16%.

CARE USA maintains two letters of credit to secure standby letters of credit and other guarantees. These letters of credit total \$10 million and \$2.5 million and cover U.S. and Peruvian guarantees, respectively. There were no amounts outstanding under these letters of credit as of June 30, 2010.

In addition, CARE USA is the guarantor on \$2.5 million of obligations to donors resulting from advance funding of projects in CARE USA and other CARE International member country offices. These guarantees have expirations through October 2011. These guarantees are released upon the final expenditure of funds on the associated projects in accordance with the terms and conditions of the contract. The CARE International member that obtained the donor funding is primarily liable for outstanding amounts, with the guarantees providing additional protection to the donors. The guarantees would only be exercised if the country offices failed to deliver project work and were unable to return the cash advances, and the CARE International member was also unable to repay the donor. CARE USA does not expect to expend any resources as a result of these guarantees as no expenditures have been required since this program has been in effect.

CARE USA has committed to invest \$8 million to fund Access Africa Fund, LLC. This is a wholly-owned CARE USA subsidiary. Its mission is to provide microloans to the working poor and their families. Access Africa, LLC became operational on July 9, 2010.

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 consolidated financial position, consolidated changes in net assets or consolidated cash flows.

20. Related Parties

Members of CARE USA's Board of Directors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Organization. For senior management, the Organization requires annual disclosure of significant financial interests in, or employment or consulting relationship with, entities doing business with the Organization. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the Organization.

CARE USA
Notes to Consolidated Financial Statements

20. Related Parties (continued)

The Organization has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors can participate in any decision in which he or she (or an immediate family member) has a material financial interest.

Each Board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the Organization does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Organization, and in accordance with conflict of interest laws. No such associations are considered to be significant. CARE USA loaned money to the CARE International Revolving Fund. This is used by CARE International to loan money to other members. The direct loan to the CARE International Revolving Fund has a balance of \$2.5 million for each year ended June 30, 2010 and 2009.

21. Subsequent Events

Management has disclosed all subsequent events through December 17th, 2010, the date the financial statements were available to be issued.

22. Contingencies

The Government of Bolivia has served CARE USA with tax claims of approximately \$15 million for the commercial sale and distribution of commodities during the calendar years 2002 - 2006. CARE USA has filed lawsuits in Bolivia contesting the validity of these claims. The lawsuits are still pending.