



innovations

CARE USA 2002 annual report

a message to our supporters



A man in Kosovo breaks bread with a sworn enemy. A woman rejects the social stigma of AIDS and volunteers to mentor an orphaned child in Rwanda. An international organization shares its decision-making authority with a local partner in Nicaragua. Each takes a chance. Each brings us a step closer toward the end of global poverty.

These may seem like small advances in the face of the formidable challenges confronting our shared world. Nearly half of humanity struggles to survive on less than \$2 a day. More than 30 countries are in the grip of armed conflict. And, if left unchecked, AIDS threatens to take as many lives as all the wars of the 20th century.

Yet every day, we see promising innovations – victories over poverty – that are neither captured by global statistics nor covered on the nightly news. Even though people in poor communities everywhere face daunting odds, they possess the determination and capability to improve their lives. For 57 years, CARE has worked alongside these communities, helping people expand and sustain the impact of their efforts.

Our vision of the world is infused with hope and grounded in experience. Whether securing access to education for girls in rural Afghanistan or reducing sources of conflict within and between communities in Sierra Leone, we respect local values and aspirations while seeking innovative, lasting solutions to poverty. CARE is committed to cultivating community partnership, embracing diversity, providing opportunity and promoting human rights. We believe in the intrinsic worth of every individual and in the power of our shared commitment.

As CARE fights poverty, nourishes our collective strengths and gives life to new possibilities, we keep our sights set firmly on our vision of a world of hope, tolerance and social justice. All of us can help build that world: each father who respects the dignity of his neighbor, each mother who stands up for a child in need, each citizen who gets involved beyond his or her borders to advocate for positive social change.

Let us take a chance. Let us mobilize our individual and collective resources. Together, we can create a world where poverty has been overcome and everyone lives in dignity and security.

Peter D. Bell, president

Lincoln Chen, chair

care overview

In fiscal year 2002 (FY02), CARE spent over \$391 million to directly improve the lives of more than 31 MILLION PEOPLE in Africa, Asia, Europe, and Latin America and the Caribbean. TENS OF MILLIONS more – family and community members alike – benefited indirectly from projects designed to create lasting solutions to poverty. Together, with communities and the support of CARE's generous and committed donors, we accomplished the following in FY02:

- More than 1.5 million farmers in 43 countries were trained in activities relating to **AGRICULTURE AND NATURAL RESOURCES**, providing long-term solutions to hunger.
- **EMERGENCY ASSISTANCE**, including food, shelter, water and health care, reached more than 182,000 survivors of war, famine and natural disasters, meeting their most fundamental needs in times of crisis.
- More than 128,000 acres of land in 3 countries were **CLEARED OF LANDMINES**, creating safe areas in which families can live and work.
- Nearly 470,000 people in 33 countries received **BASIC EDUCATION**, providing the foundation necessary to improve their lives.
- Almost 10 million children in 26 countries benefited from **CHILD HEALTH** projects, reducing their vulnerability to disease.
- More than 3 million people in 34 countries gained access to **CLEAN WATER AND SANITATION**, improving health and reducing time spent gathering water.
- More than 785,000 people in 39 countries received training and assistance through projects in **CREDIT, SAVINGS AND MARKETING**, expanding income-generating skills.

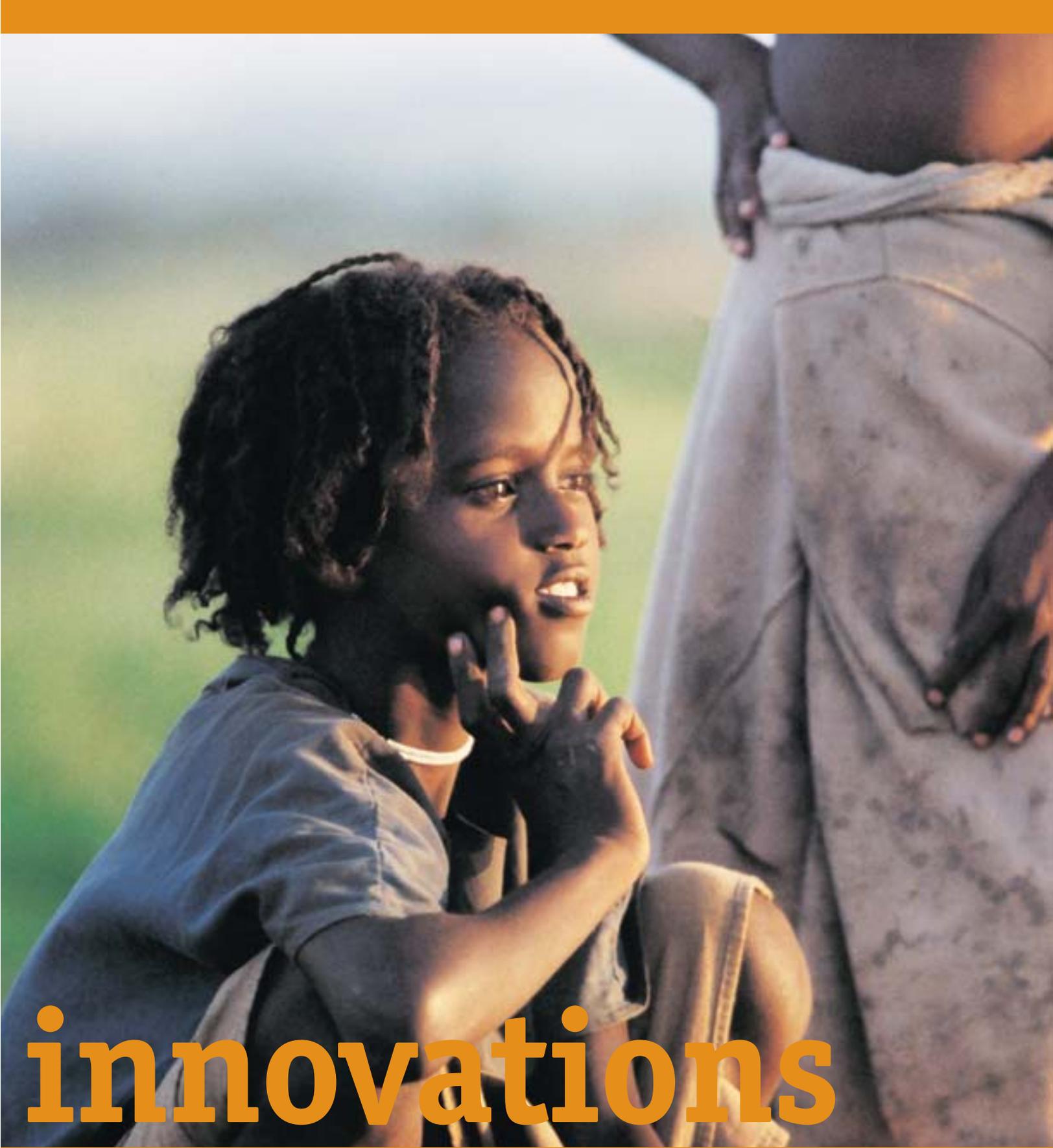
how CARE's expenses are allocated



CARE'S programs by activities



2002 highlights



innovations

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fold-out regional offices and world map

What does it mean to innovate?

Why is it important?

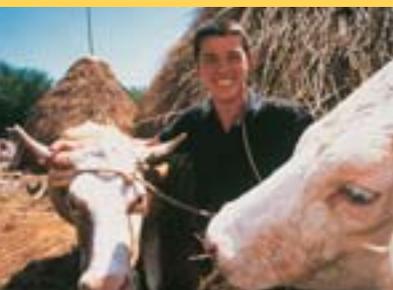
Where do new ideas come from?

In the industrialized world, “innovation” has become almost synonymous with “technology.” Say the word, and people think of things like computer chips, space telescopes and laser surgery. At CARE, innovation takes on a deeper meaning. We believe innovating is about building on lessons learned from past experience while trying new approaches and sharing new ideas. It’s about looking beyond the status quo for opportunities to make lasting change. It’s about bringing people together – even former adversaries – to find creative solutions to common problems. It’s about improving efficiency and maximizing effectiveness.

Innovation is important because, in our quest to help communities overcome poverty, we will need to meet some big challenges. It’s going to take new thinking and new ways of working. CARE has an abundance of great ideas to draw from and the global reach to have a real impact on poverty. Our staff of 12,500 dedicated individuals is committed to working for a better world. More than 90 percent of those staff members are from the country in which they work, bringing diverse perspectives and a wealth of experience to the fight against poverty.

But the well of ideas is much deeper than that. In community after community, CARE is listening to and learning from people, incorporating their knowledge and skills into all that we do. Together, we develop projects that attack poverty at its roots and work toward the day when CARE’s presence is no longer needed.

There’s nothing new about helping people. But there are new, more effective and efficient ways to go about it. This year’s Annual Report presents some of CARE’s recent innovations and the dividends they are yielding.





east and central africa

face

innovation 1

Challenge: Enabling AIDS orphans to protect themselves from infection and exploitation. Helping vulnerable children develop the skills to be self-reliant, healthy adults.

Innovation: Moving beyond treating HIV/AIDS as a health issue to focus on its impact on community development. Addressing nutrition, education and income needs of people affected by the pandemic.



of hope



rwanda – The face of AIDS in Africa is not just that of the sick and dying. It is also that of the ones left behind – orphans who struggle to survive without parents to care for them, to teach them, to protect them. Speciose Mukankansi is the face of AIDS in Rwanda – she is also the face of hope. Though not infected, she most certainly is affected. When her mother and sister died of AIDS a few years ago, she became an orphan caring for orphans – raising five children in one of Rwanda’s 85,000 child-headed households.

It’s a daunting situation, especially in a country still reeling from the trauma and social upheaval of the 1994 genocide. Speciose’s experience during that period is not unique; it’s estimated that half of all Rwandan women were raped during the conflict. Despite being pregnant at 16, Speciose did not give up, and neither did the people of Rwanda. Working with CARE, Speciose and her country are courageously confronting the tragedy of AIDS.

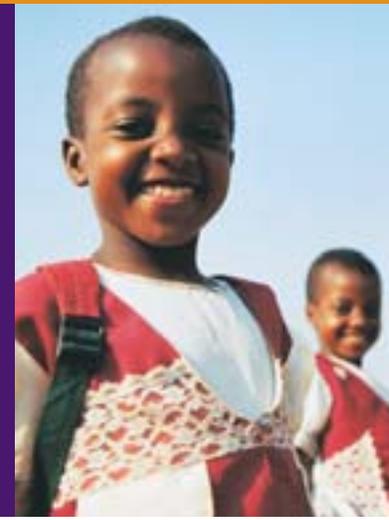
“CARE knows it’s not enough just to prevent the spread of AIDS or help those who are infected. We must help people retain or regain self-sufficiency when a breadwinner dies,” says Anne Morris, CARE’s director in Rwanda. “We need to attack AIDS from multiple angles if we want to break the cycle of poverty.”

complex problem, comprehensive approach

In Gitarama, Speciose’s home and the Rwandan province with the highest rate of HIV/AIDS infection, CARE is providing health education and protecting orphans and vulnerable children. We also are promoting prevention and economic independence.

“CARE was already working with orphans of the genocide,” says Anne. “So we can apply the experience of working with children who have lost everything and connect them with people who can help. At the same time, we are addressing issues of poverty: food, education and health.”

This innovative, multifaceted approach addresses simple as well as complex obstacles. On the most basic level, children face hunger in the absence of a parent. Even when orphans are able to continue working the family’s land, they often cannot harvest enough to sustain themselves.



Above left: A *nkundabana* meets with a family of orphans.

Above right: Two girls on their way to school.

Bottom right: Education is vital to Africa's fight to overcome poverty.

"The children attend school, so I am the only family member who works in the field," says Speciose. "There is some work I cannot do on my own, so I have to hire people to help, and that uses up most of the money."

surrogates offer support

Looking toward a future beyond subsistence farming, CARE provides vocational training and support in income-generating activities, such as raising livestock. "I have learned how to save and reinvest money," notes Speciose. "Now, the one pig I have is worth nearly 300 times what I paid for it."

But even with some economic security, Speciose still worries about her personal security. "I try to keep the door locked because neighbors know I am a young woman alone," she says, wary of men who might try to take advantage of her situation.

To minimize orphans' vulnerability to exploitation, CARE trains community volunteers who look out for child-headed households. From these volunteers, the children themselves select their *nkundabana*, a community member they trust to act as a surrogate parent and advocate.

The *nkundabanas* counsel the children on preventing disease and gaining access to the resources that can help them – from training programs to trauma counseling. They also serve as inspirational role models heralding a world of new possibilities, a world where obstacles have been overcome and exploitation has been replaced by empowerment.

"I want to be a *nkundabana*," says Speciose. "So I can help protect girls like me."

CARE USA spent \$63.7 million supporting projects in the following East and Central African countries:

- Burundi
- Democratic Republic of Congo
- Eritrea
- Ethiopia
- Kenya
- Rwanda
- Somalia
- Sudan
- Tanzania
- Uganda

CARE's poverty-fighting projects in East and Central Africa directly benefited 3.6 million people.

Population of the East and Central African countries where CARE works: 271.8 million.

30 percent of the population lives in poverty.

In a region that continued to suffer from war, disease and poverty, CARE worked alongside communities to solve their most threatening problems and advocate for peace. We saw fitful movement toward the end of conflict in Burundi, the Democratic Republic of Congo (DRC) and Sudan. We also continued efforts to combat HIV/AIDS, one of the biggest obstacles to growth in the region.

“Emergencies kept us on our toes this year,” says Jumbe Sebuya, deputy regional director. “But even as we responded to immediate needs, we kept our eye on long-term social change and economic growth.”

In January 2002, CARE responded to the volcanic eruption that devastated the city of Goma in eastern DRC, providing immediate shelter, health services and housing reconstruction.

The disaster in Goma sped up CARE’s plans for a more permanent presence in DRC. In February, we opened a country office that will focus on food and economic development, health care and peace building. **“Congo is really the sleeping giant of Africa,” says Sebuya. “It’s been sunk in a state of chronic underdevelopment for so long. But it has huge potential, both in terms of natural resources and its vibrant people.”**

Drought in Somalia prompted CARE to deliver food and conduct nutritional surveys to guide future distributions. The surveys are part of CARE’s work to prepare for and even avert such emergencies in the future. We also increased U.S. policymakers’ awareness about progress in Somalia, a critical step toward solving the country’s remaining political and developmental challenges.

HIV/AIDS is a far-reaching problem for the region and for the continent as a whole – Africa is home to 11 million children orphaned by AIDS. A new collaborative initiative in Uganda, Kenya and Rwanda coordinated care and support for children affected by HIV/AIDS, including education in life skills, HIV/AIDS prevention and income-generating activities. Through youth intervention, CARE helped the next generation protect itself from HIV/AIDS.





southern and west africa

peace

innovation 2

Challenge: Helping communities reestablish food production after years of conflict, without creating or exacerbating unrest.

Innovation: Making seed distribution more fair and equitable by delivering seeds to all people willing to farm. Creating forums for communities to express their needs, hopes and concerns as they rebuild and improve their lives.



takes root



sierra leone – There is a tragic sameness to the stories one hears in Sierra Leone. Life was hard before the war, but families and communities worked together to make ends meet. Farmers grew enough food. Children went to school. Then the war came, and life was turned upside down.

Today, a hard-won peace holds in Sierra Leone. But after a decade of destruction, there is no quick fix here. Farms, villages and lives that were destroyed in the blink of an eye will take months, even years, to rebuild.

emerging from emergency

A fresh start requires a new way of thinking for Sierra Leoneans – and for CARE. During the war, CARE distributed essential items such as seeds and tools, and managed water and sanitation projects in camps for displaced people. Today, even as our focus shifts from emergency relief to community rebuilding, seed and tool distribution remains an important component of CARE’s work. What makes our work in communities like Gondama innovative is not so much what is distributed, but how.

“Coming out of civil war, we had to be careful that our actions would not create envy or mistrust in the village,” says Sam Mokuwa, assistant manager of the food security project. So, instead of focusing on the village elders and chiefs, asking them to divide the seeds, CARE registered every farmer in Gondama. From schoolchildren to grandmothers, each person willing to farm was able to choose the kind of seed they wanted to plant – traditional African rice or groundnut. “The project reaches out to everybody, down to the children of working age. Everyone receives their choice of seeds. That’s a vast difference from before,” says Edith Soloku, a 38-year-old mother of three.

“This new way of distributing seeds was open and fair,” Sam says. “We put individual names on the bags because it signifies personal ownership of those seeds. CARE doesn’t own the seeds, and CARE is not responsible for making them grow.”

product and process

A name on a bag of seeds. It may seem like a little thing, but it’s part of what makes this project unique. “Before, it was the man that controlled the entire household.

Left: A Sierra Leonean farmer.

Above: Edith listens attentively during a community meeting in Gondama.



Above left: Young men labor in groups to make the planting go faster. Above right: Traditional African rice seed. Right: A boy in Mozambique gathers water, a common chore for women and children in the developing world.

But this project has come to try to empower the women, as well,” Edith says. “When CARE came to Gondama, they distributed seeds to the women as well as the men. That had never happened before. After harvest, we can sell what we have grown and use the money to buy clothes and household items for the family. So indeed, there is a change in the lives of women since CARE came to Gondama.”

Edith’s story is just one example of the impact this new distribution method has had in Gondama. Building on the success of the community meetings for the seed project, residents continued to gather to discuss past differences and plans for the future. Young men in the village tell of a shift in their relationships with chiefs and elders as a result of these public forums. What began as equitable seed distribution is contributing to a more equitable society.

“We have two goals. We want to provide the means for people recovering from the war to reestablish their farms and regain self-sufficiency. We also want to help communities resolve conflict and build social structures that will help keep the peace. So this project is more than the product CARE distributes. It’s the process,” Sam explains.

Farmers in Gondama received their seeds last year. They already have multiplied their initial quantity and planted for a second harvest. But the community is still recovering. As it faces the difficult tasks ahead, CARE helps the people of Gondama arrive at decisions that will benefit everyone. “Even where there was conflict, the people see themselves as brothers,” says Sam. “They know they cannot rebuild alone. Making progress as a community will go a long way to heal the wounds of the past.”

CARE USA spent \$46.8 million supporting projects in the following Southern and West African countries:

- Angola**
- Benin**
- Ghana**
- Lesotho**
- Madagascar**
- Malawi**
- Mali**
- Mozambique**
- Niger**
- Sierra Leone**
- South Africa**
- Togo**
- Zambia**
- Zimbabwe**

CARE’s poverty-fighting projects in Southern and West Africa directly benefited 2.5 million people.

Population of the Southern and West African countries where CARE works: 206.9 million.

50 percent of the population lives in poverty.



southern and west africa

Communities throughout Southern and West Africa struggled against some of the most extreme poverty in the world. “We have observed many changes in sub-Saharan Africa in recent years, particularly in political issues,” says Jack Soldate, CARE’s deputy director for the region. “But there is always a new challenge: climate change, HIV/AIDS and regional power struggles.” Still, CARE was able to make a difference, focusing on community-based efforts to promote responsibility and self-reliance – crucial ingredients for sustainable solutions to poverty.

The most positive change in the region has been the end of civil war in Angola and Sierra Leone. **“The human potential in those nations can finally be realized,” says Soldate.** In both countries, CARE provided emergency relief to survivors and worked to strengthen families and communities for the long term by helping them grow food, start small businesses, and build and repair houses and infrastructure.

Caught in a cycle of drought and diminished food production for the past decade, much of Southern Africa experienced particularly low rainfall last year. The resulting poor harvests left millions of people vulnerable to starvation. To head off potential famine, CARE and our partners distributed food to some of the hardest-hit communities. We also worked with residents to avert future food shortages by improving agricultural production.

With 28.5 million people living with HIV/AIDS, Africa has been hit harder by the pandemic than any other continent. One of CARE’s main strategies to combat HIV/AIDS has been prevention through education. In West Africa, the virus is spread largely by mobile populations interacting with commercial sex workers and other high-risk groups, eventually bringing the virus back to their home communities. CARE helped educate people about reducing their vulnerability to HIV/AIDS at home, as they travel and at their destination. Our efforts changed people’s attitudes toward the disease by opening community dialogue and challenging underlying cultural assumptions about the pandemic.



asia

fast

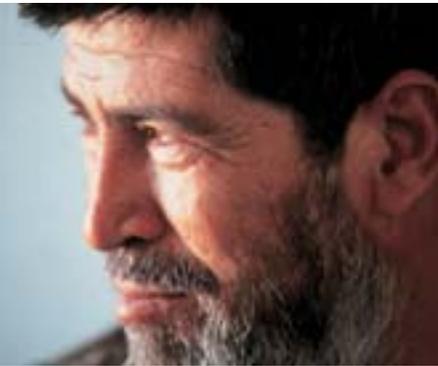
innovation³

Challenge: Offering quality basic education to girls who had been forbidden to study, in a country where schools, supplies and trained teachers are scarce.

Innovation: Building new community schools and developing a fast-track curriculum that allows girls who have missed early grades to catch up to their peers. Ensuring that girls get the education they need to overcome poverty.



track future



afghanistan – Kabul, the war-torn capital of Afghanistan, is coming to life after more than two decades of conflict. Music blares from shop windows and streets are crowded with vehicles. Where mortar-pocked houses once stood abandoned, families are starting to return and rebuild. Despite sporadic unrest, many Afghans feel the country has its best chance in years for peace and real progress. As part of their journey toward self-sufficiency, Afghans are working with CARE both to rebuild infrastructure and to heal less visible scars of war.

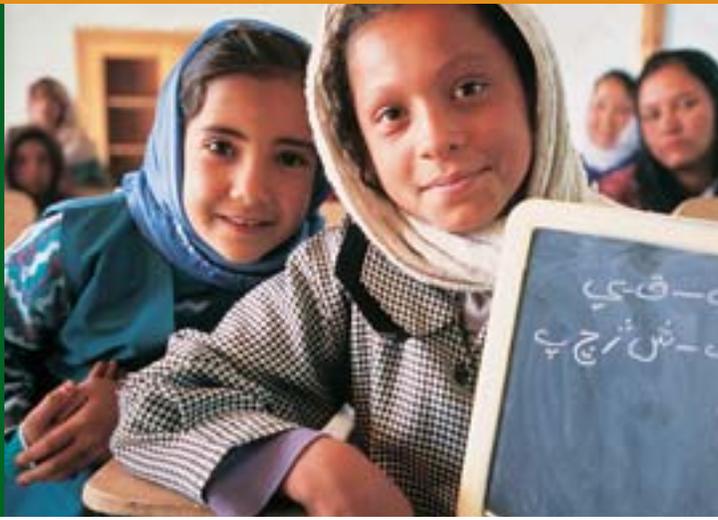
Abdul Haq Ghuas personifies the upbeat outlook of many Afghans. Abdul is landlord, school administrator and proud father all rolled into one, and his participation in a CARE education project is making a profound difference in the lives of hundreds of Afghan girls – including his own daughter.

Like so many of her peers, Abdul's 11-year-old daughter Sabria missed out on educational opportunities early in her life. Under Taliban rule, all public girls' schools were closed. Sabria finished first grade as a refugee living in Pakistan, but had to stop going to school when her family returned to Afghanistan in 1999. When the transitional government reopened schools in March 2002, hundreds of thousands of female students enrolled. Despite this progress, CARE's education program manager, Ghulam Farooq, recognized a problem. "Although older girls were allowed to attend primary schools, they were embarrassed to start first grade with 6-year-olds," he says. "So they stayed home."

Building on CARE's community schools project in rural areas, Farooq designed an innovative "fast-track" elementary school project for older girls in Kabul. The girls complete two grades of coursework in one school year, and thus they can quickly catch up to their appropriate grade and rejoin regular schools. CARE provides teacher training, textbooks, supplies and teachers' salaries, while parents and communities agree to manage the schools.

"a school where my daughter can learn"

And that's where parents like Abdul come in. Not only does he support his daughter's education, he also allows her fast-track school to operate out of his home.



Above left: Education means opportunity for Afghan youth. Above right: CARE staff and Afghan parents are proud of the girls' enthusiasm and determination. Bottom right: Truckers in Bangladesh learn about preventing HIV/AIDS.

"When I learned that the schools would reopen in Kabul, I had mixed feelings," he says. "On the one hand, I was happy for young girls to attend school, but I was sad because Sabria was too old to attend a regular second-grade class. I'm excited that my house can be used as a school where my daughter and her friends can learn without embarrassment." Some 360 girls pass through his front gates each day on their way to attend one of 12 classes.

Says Waleed Hakim, CARE's deputy education program manager in Kabul, "Working with Abdul has been a joy. He shatters the stereotype that Afghan men don't support education for their daughters. He has made the fast-track school a reality."

With her father's support, Sabria's future looks brighter than she could have imagined a year ago. Then, her days were a monotonous blur. She recalls, "I'd get up early, do chores all morning, have lunch, then do more work around the house." She still helps her mother, but she is able to spend four hours each day in a fast-track classroom. "I never thought I'd go to school again," says Sabria. "Before, I could only recognize a few letters, but now I can read words and sentences."

Each day Sabria is a little closer to achieving her goal of finishing school and attending college. She laughs, "Boys like to play soccer in their spare time, but I want to study. I have lots of catching up to do!"

"I will support my daughter's education to the highest level," Abdul vows. "I'd be proud if she went to college and became a teacher or a doctor. My father was only a poor farmer, but he supported my education. I will do the same for Sabria."

CARE USA spent \$154.7 million supporting projects in the following Asian countries:

- Afghanistan
- Bangladesh
- Cambodia
- China
- East Timor
- India
- Indonesia
- Laos
- Myanmar
- Nepal
- Philippines
- Sri Lanka
- Tajikistan
- Thailand
- Vietnam

CARE's poverty-fighting projects in Asia directly benefited 23.2 million people.

Population of the Asian countries where CARE works: 3 billion.

35 percent of the population lives in poverty.

Nowhere was CARE's work more crucial last year than in Afghanistan, a country that has endured decades of conflict and extreme poverty. In the chaotic weeks following September 11, CARE's courageous Afghan staff maintained crucial water and food projects, and thousands of children continued their education in CARE-supported community schools. As the conflict eased, CARE tripled our project portfolio in Afghanistan, reaching tens of thousands of vulnerable families with resources to rebuild their lives and their nation. But challenging conditions existed throughout Asia, and CARE worked to overcome them by rebuilding communities, advancing education, battling the spread of HIV/AIDS and advocating for peace.

"Although much of the world's and CARE's attention was understandably focused on the emergency in Afghanistan, we shouldn't forget that we also made steady progress in fighting poverty, confronting social injustice and upholding human rights throughout Asia," says Regional Director John Ambler.

India's Gujarat state is still recovering from a massive January 2001 earthquake. CARE and the local private sector developed an innovative partnership to rebuild houses and schools, as well as to improve the earning potential of vulnerable families. These improvements, both physical and economic, have strengthened communities for the future.

With a ceasefire in place in Sri Lanka, CARE's efforts focused on laying the groundwork for lasting peace. We promoted inter-ethnic dialogue and helped displaced families return to their homes and rebuild their livelihoods.

HIV/AIDS continued to be a tremendous obstacle to overcoming poverty in Asia. In populous countries such as China and India, even low prevalence rates equal high numbers of infections. CARE's interventions focused on those groups most at risk: adolescents, commercial sex workers and mobile laborers. Our efforts included health education, increasing access to contraceptives and, significantly, promoting the rights of women and other vulnerable groups.



latin america and the caribbean

plans

innovation⁴

Challenge: Preparing for and reducing the devastating effects of natural disasters.

Innovation: Helping communities develop proactive emergency-response and risk-management plans. Fostering cooperation among communities and governments to improve planning and ensure sustainable progress. Operating on a regional level to maximize resources and shared knowledge.



to grow on



nicaragua – One day thousands of years ago, a small group of people and animals fled an erupting volcano near Lake Managua, leaving footprints in the soft mud.

Today, their petrified tracks – known as Las Huellas de Acahualinca – are more than an archeological curiosity. They symbolize how, throughout history, Central Americans have suffered nature’s wrath in almost every conceivable way.

For many Nicaraguans, the eruptions, earthquakes, mudslides, hurricanes, tidal waves, floods and drought have left them with a sardonic sense of pride in the frequency and variety of their misfortunes. Poor communities have been left perpetually vulnerable to the next catastrophe nature has to offer.

But a regional CARE pilot initiative is working to break this cycle by fundamentally changing the way communities in El Salvador, Guatemala, Honduras and Nicaragua deal with emergencies.

a new approach

“Until 1998, we were reactive. Hurricane Mitch made us realize we couldn’t keep a reactive attitude,” says Tito Sequeira, executive secretary of Nicaragua’s National System for Prevention, Mitigation and Attention to Disasters. “We know we can’t control the threat. But we can control the risk.”

CARE’s partnership with national governments is among this project’s notable innovations. “Central American countries traditionally have lacked a strong national system to deal with emergencies,” says Aitor Joseba Landa, CARE’s project director in Nicaragua. “That’s why CARE has worked mostly in local communities. But this risk management project takes a broader approach.”

Directed by a project coordinator in Honduras, CARE country offices are working together to plan for and respond to disasters on a regional scale. This approach is adapted to the needs and resources of each country, with CARE cultivating collaboration among multiple levels of government, from national agencies to municipalities and the communities they serve.



Above left: Preparing for natural disasters today will help secure a bright future for Nicaragua's children. Above right: Many Nicaraguan farmers use oxen to transport crops. Bottom right: CARE projects benefit schoolgirls in Guatemala.

promoting a culture of prevention

In the shadow of the smoking San Cristobal volcano in northwest Nicaragua sits Las Candelarias, a 74-acre settlement of muddy streets and cinderblock shanties. Along with representatives of the national civil defense and the municipality of Chichigalpa, CARE staff spent a week here with local leaders organizing a disaster committee and training members how to identify risks. The community then developed its own emergency plan.

"We created a map and took a census to see where our vulnerabilities were," says Israel Valle Sanchez, committee coordinator. "In the event of an emergency, we've determined, for example, the amount of food we need and when and where people need to be evacuated."

Risk maps mark flood lines, the range of volcanic-ash fallout, seismically vulnerable areas and other potential hazards. They help residents plan a disaster response and lay the groundwork for lasting improvements. Soon, CARE and our government partners will return to work with residents to reduce the risks they outlined on their map. Committee members will teach the rest of their community, and trainers from this municipality will go on to teach others. While reducing risk can mean many things, from building houses outside flood-prone areas to constructing schools that can double as emergency shelters, its basic aim is to strengthen communities and create conditions for sustainable growth.

"This project helps ordinary people become leaders in their own development process," says Aitor. "It will truly be successful when communities are self-sufficient, even in the face of disaster. The capacity is there. CARE is helping them take advantage of it."

CARE USA spent \$86.1 million supporting projects in the following Latin American and Caribbean countries:

- Bolivia**
- Brazil**
- Ecuador**
- El Salvador**
- Guatemala**
- Haiti**
- Honduras**
- Nicaragua**
- Peru**

CARE's poverty-fighting projects in Latin America and the Caribbean directly benefited 1.2 million people.

Population of the Latin American and Caribbean countries where CARE works: 272.2 million.

33 percent of the population lives in poverty.

latin america and the caribbean

This part of the world has a long history of natural disasters, and this year was no exception. Throughout the region, CARE worked with local partners to help poor communities cope with emergencies, lessen the impact of future disasters and create lasting solutions to poverty.

One of our largest efforts was in Central America, where CARE began integrating emergency relief with risk management. **“This project is building a network of communities, governments and CARE country offices that will help people better prepare for, respond to and recover from disasters,”** says M.J. Conway, CARE country director in Nicaragua.

Elsewhere, a tremendous February storm triggered flash floods in the Bolivian capital, La Paz. In the vulnerable and overlooked rural valley downstream, CARE delivered emergency food, then helped build stone defense walls to prevent further loss of cropland to the swollen river. These walls will help future generations of Bolivian farmers.

In El Salvador, CARE continued to help residents rebuild their lives after a pair of devastating earthquakes struck in early 2001. We constructed thousands of temporary shelters and worked with communities to build permanent housing and classrooms. CARE and other organizations also convinced the government to simplify the process of acquiring land-ownership documents, a prerequisite to receiving international aid that many poor families previously lacked.

The earthquakes and other calamities only complicated efforts to combat the ongoing drought affecting much of the region. CARE improved water systems, drilled new community wells and implemented water conservation on farms. We also delivered seeds to farmers whose crops had failed.

HIV/AIDS is an ongoing disaster in the region, particularly in Haiti. Already coping with a chaotic social and political climate, the people of Haiti face the highest rate of HIV infection in the Western Hemisphere. CARE supported a variety of vital community health projects, including training for home-based caregivers and improved testing and counseling in poor communities.





middle east and eastern europe

road

innovation⁵

Challenge: Rehabilitating communities that remain deeply divided along ethnic lines.

Innovation: Designing poverty-fighting projects that serve as models of cooperation and reinforce the value of working together. Creating opportunities to share the labor to rebuild damaged infrastructure and build new business relationships across ethnicities.



to unity



KOSOVO – In Kosovo, a beautiful land of rolling mountains and sparkling lakes, mistrust and resentment simmer beneath the surface. Ethnic segregation is a roadblock on the path toward lasting peace and progress.

“The peace is still very brittle,” says Nick Webber, CARE’s director in Kosovo. “You can’t just sit down with ethnic communities and talk about freedom of movement and respect for neighbors, and convince them that these are basic human rights. You won’t be heard. You’ve got to take a different approach.”

CARE’s innovative approach is much more than talk. “We have taken up the challenge of helping rebuild communities and creating economic opportunity,” says Tiziana Oliva, a CARE project manager. “At the same time, we are focusing on reconciliation and easing tensions among the people of Kosovo, be they ethnic Albanian, Serb or Roma.”

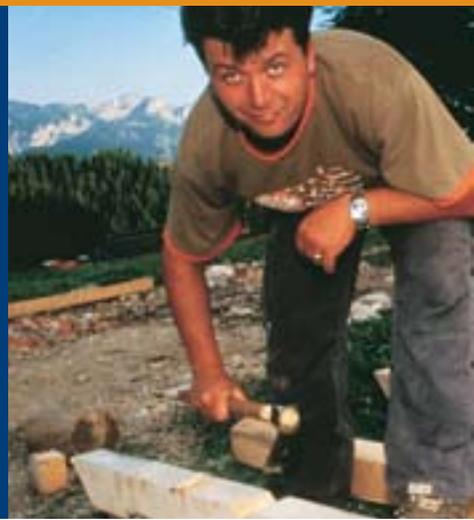
But this kind of change takes time. “The world should not expect an immediate transformation in Kosovo. The roots of division can sometimes run very, very deep,” says Nick, who also has worked for CARE in Sierra Leone and Somalia. “Remember what we found here three years ago: Empty streets. Shuttered shops. Land mines. No water. No one in charge.”

Much of that has changed already. In the city of Prizren, cafés line the riverbank, and youngsters dine without fear of shelling. In the countryside, homes have been restored with new roofs and walls of red brick. But true growth and prosperity cannot flourish in a society plagued by bitterness and hatred. So part of overcoming poverty means building bridges – figuratively and literally.

“we need a bridge here”

Berivojcé/Birivojce – towns in Kosovo carry both Albanian and Serb names – is one of the few mixed-ethnicity villages in Kosovo, but for its residents, proximity has not led to empathy. “We tolerate each other, but we have no close links,” says Bekim Leci, an Albanian leader here. “Even though we are neighbors, we have entirely different lives, go to different schools and have different religions.”

A narrow stream divides one section of Berivojcé/Birivojce. During the spring and



Above left: Kosovar farmers happily show off their healthy cattle. Above right: A resident of Kosovo builds a school. Right: A young Egyptian girl whose mother is increasing her family's income through a CARE livestock project.

summer, the water is low enough that people are able to cross. But during the winter months, the water rises and most people can't make it across. "It's not safe for our children," says Zoran Jeftic, the Serbian community leader, holding his palms up. "We need a bridge here."

All three ethnic groups in this community identified the same problem and agreed to work together. CARE assembled the materials so they can build the bridge, and a connection between distinct worlds. "Building a small bridge represents something concrete," says Tiziana, whose project is active in this community. "We're finding common ground for people to communicate, work together and, hopefully, overcome stereotypes and prejudices."

"The key word is patience," says Nick. "It's going to take a lot of time to resolve the problems of Kosovo."

building bridges, breaking bread

CARE's efforts to advance cooperation in mixed communities like Berivojcé/Birivojce are showing signs of progress. One spring day, CARE staff introduced two Kosovar men who each had something the other needed. Nimet Morina, an Albanian who owns a butcher shop in the town of Kamenica/Kamenice, bought two cows from Snezana Arsic, a Serb farmer; neither man had conducted business outside his ethnic community since before the war. Standing inside Snezana's farmhouse, the men agreed to seal the deal with food. Said the Albanian, grinning at the Serb: "How can you dislike someone who has just handed you a basket of warm bread?"

CARE USA spent \$24.6 million supporting projects in the following Middle Eastern and Eastern European countries:

- Albania
- Armenia
- Azerbaijan
- Bosnia/Herzegovina
- Croatia
- Egypt
- Georgia
- Kosovo
- Macedonia
- West Bank/Gaza
- Yemen

CARE's poverty-fighting projects in the Middle East and Eastern Europe directly benefited 470,000 people.

Population of the Middle Eastern and Eastern European countries where CARE works: 311.9 million.

40 percent of the population lives in poverty.



middle east and eastern europe

Amid populations in conflict and those struggling to recover from it, CARE focused on strengthening local community institutions to solve problems and make strides toward overcoming poverty.

CARE's efforts in West Bank/Gaza were underscored by a call for resolution to the ongoing conflict. "It continues to be a major constraint to economic development in the Middle East," says Regional Director Beat Rohr. "And it has challenged CARE's ability to operate in the Palestinian Territories."

In West Bank/Gaza, CARE delivered emergency medical equipment and supplies to badly underfunded Palestinian hospitals and monitored the health of local residents.

But not all of CARE's work in the Middle East was related to conflict. In Egypt, where female literacy is about 40 percent, CARE worked with more than 50 communities to build schools and promote the importance of education. In addition to drilling wells and building irrigation networks, CARE helped develop a regional water strategy with both communities and local governments.

In Eastern Europe and the Caucasus, CARE remained dedicated to peace building, resettling displaced people, and economic and social development.

"Peace has prevailed in much of the Balkans," Rohr says, "and it's on a medium-term path to integration into Europe, one of the region's most positive developments."

With emergency relief no longer paramount, CARE shifted to helping people meet long-term challenges. Teachers and children participating in education projects learned trauma management, communication skills, conflict resolution and other elements crucial to encouraging lasting peace and democracy. Parents received training and support in small-business activities.

In the war-ravaged area of Ingushetia/Chechnya, CARE helped communities provide psychosocial support to children and other survivors of war. In the southern, more stable part of the Caucasus, CARE worked to reduce poverty through agriculture and natural-resources projects.

strategic directions

At the beginning of fiscal year 2002, CARE USA launched a new five-year strategic plan. Based on our vision of a world without poverty, this plan brings CARE's multifaceted work into sharper focus. It highlights three priority program areas and commits CARE to contribute to the international community's goal of reducing by half the proportion of people living in extreme poverty by 2015.

education

Education is the foundation on which economic development, improved health and democratic reform are based. Yet today, more than 125 million school-age children, two-thirds of whom are girls, are missing out on education. This cannot continue when we know that dollars invested in basic education yield a greater return than virtually any other investment in the developing world. With basic education projects in 25 countries, CARE is working to increase access to education for all, improve the quality of that education, and ensure that women and girls have equal opportunities to acquire an education.

hiv/aids

Of the 40 million people infected with HIV/AIDS worldwide, more than 90 percent live in the developing world. People living in poverty are at special risk because lack of resources and information are major contributors to its spread. Radically new approaches are needed if we are to stop the pandemic from erasing decades of hard-won victories over poverty. CARE's experience in HIV/AIDS programming has shown that effective responses can be mounted at the community, national and international levels. CARE's portfolio now includes 47 projects with HIV/AIDS components in 32 countries. While working to prevent the spread of HIV/AIDS, CARE also helps families and communities mitigate the impact of the disease through improved earning potential, nutrition and health care.

rapid emergency response

Experts predict an increase in the number and severity of natural disasters around the world, and with more than 30 nations engaged in armed conflict, man-made crises also are a significant threat. Given the impact emergencies have on poverty and the depth of human suffering they cause, CARE is committed to responding to these situations rapidly and effectively. CARE reaffirms our commitment to this core element of our work because we understand that people cannot achieve lasting victories over poverty when they are struggling simply to survive an emergency.

These three program priorities represent one aspect of CARE's long-range plan. CARE remains committed to excellence in all of our work, in every region and every program area.



advocacy: shaping our world

Part of CARE's work to reduce poverty involves influencing public opinion and promoting policy reform. The following are some highlights of CARE's advocacy efforts in fiscal year 2002.

education

In many countries, CARE is promoting national policies that would improve access to education. In Peru, for example, CARE supported the creation of FLORECER, a network of 25 government agencies, community organizations and international donors, including the United States Agency for International Development. FLORECER's work contributed to the Peruvian Congress' approval of a bill to foster girls' education. The new law seeks to ensure universal enrollment for girls in quality basic education within a five-year period – a significant victory in a country where in some rural areas 50 percent of women can neither read nor write.

afghanistan

Following September 11, Afghanistan became a major focus of CARE's advocacy efforts. CARE has participated in major international conferences on Afghan reconstruction, and we have worked closely with other humanitarian organizations to influence policies of the U.S. government, the United Nations and the new Afghan government. At the international level, CARE has been a leading voice in calling for sustained international engagement in Afghanistan – both to help the Afghan people through the immediate period of crisis and to tackle the long-term challenge of reconstruction.

CARE also has urged the U.S. Congress and the Bush administration to support the expansion of peacekeepers beyond the capital, Kabul, to allocate additional funds for Afghan reconstruction, and to maintain a clear distinction between civilian aid workers and the military.

u.s. foreign aid

CARE played a leading role in advocating for increased levels of foreign aid, as well as advising the U.S. government on criteria for the new Millennium Challenge Account, a proposal by President Bush to increase foreign assistance by \$10 billion over the next three budget years. CARE's message went beyond simply urging for a larger foreign aid budget to ensuring that the increases are allocated to programs promoting long-term development.

CARE advocated for increased assistance for programs addressing the HIV/AIDS pandemic. CARE organized two congressional briefings to highlight HIV/AIDS programs in developing countries and urged President Bush to provide increased funding to address the social, economic and educational needs of populations affected and infected by HIV/AIDS.



care international

CARE USA is the largest member of CARE International, a confederation of 11 national CAREs dedicated to serving the poorest communities in the world. Since its founding in 1982, the CARE International network has helped millions of people make lasting improvements in the lives of their families and communities.

In fiscal year 2002, CARE International members other than the United States raised \$70 million in support of CARE USA-led projects that provided emergency relief, education, better health and sanitation, and opportunities to earn a living. Together, CARE International supported more than 700 projects in 68 countries.

Coordinated by a secretariat based in Brussels, CARE International members not only worked together to create and implement projects, we also collaborated on fund raising, policy recommendations and advocacy, and building relationships with governments and private organizations.

Collectively, these efforts aimed to:

- Address underlying causes of poverty and social injustice;
- Provide rapid and effective support to survivors of disasters;
- Influence policies at all levels to make positive changes in the lives of poor people and communities; and
- Build diverse constituencies in support of CARE International's vision and mission in the countries where we work.

Today, the resources and agility of CARE International are helping us become a global force and a partner of choice in a worldwide movement dedicated to ending poverty.

care international leadership

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secretary-general

Denis Caillaux

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CARE Australia

Manuela Rossbach
CARE Deutschland

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Niels Tofte
CARE Danmark

Satoshi Endo
CARE Japan

Ulrike Schelander
CARE Österreich



fund-raising highlights

care is strong

CARE weathered not only a downturn in the American economy during fiscal year 2002 (FY02), but also tremendous financial challenges following the September 11 terrorist attacks. As donations shrank, CARE board members and donors were asked to give extraordinary gifts in a time of acute need. And indeed they did. Our board contributed more than \$1.2 million in the fall of 2001. The marketing firm Digitas and Austin Kelley Advertising generously donated time and talent to raise public awareness about CARE, while Cisco Fellows helped increase our understanding of and capacity to use technology more effectively to advance CARE's mission. These are among the efforts that helped boost CARE's private support for FY02 to \$64 million, with \$42 million (66 percent) coming from individual donors.

foundations and organizations

Of the \$12.5 million given to CARE by foundations and organizations, the Bill and Melinda Gates Foundation generously donated \$1.8 million for Afghanistan, Malawi and start-up projects in the Democratic Republic of Congo. Collectively, the Hewlett Foundation and the Packard Foundation donated \$1.4 million for programs in reproductive-health advocacy.

corporations

Credit Suisse First Boston gave a total of \$125,000, with \$25,000 going to an education project in Afghanistan and \$100,000 dedicated to CARE's Emergency Response Fund. Delta Air Lines and its customers donated nearly \$300,000 in airline tickets. Starbucks established the Starbucks Emergency Response Fund with an initial contribution of \$100,000. Timberland gave \$122,000 to projects in Vietnam and Bangladesh, while the Cisco Foundation donated \$75,000 for the Widows' Feeding Program in Afghanistan. A donation of \$151,000 from W.P. Carey & Co. advanced basic education in Gujarat, India. Altogether, CARE's corporate donors contributed \$3.5 million.

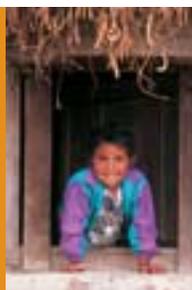
fund-raising events

Deutsche Post World Net USA was the premier sponsor of CARE's 56th Anniversary Celebration with a \$50,000 gift. The event raised a total of \$480,000. A reception for our corporate donors and other supporters was hosted by Justice Anthony Kennedy at the Supreme Court. The following evening, embassies from more than 25 countries hosted dinners for 450 people attending the celebration.

More than 700 people attended the second annual CARE for the Peaceable Kingdom event at New York's Central Park Zoo. CARE and the Wildlife Conservation Society raised \$110,000 for CARE's conservation and poverty-fighting projects.

online giving

CARE's Web site offered donors updated information about CARE's poverty-fighting programs and emergency responses, and provided an easy, secure way to donate. Donors were kept informed about top stories, including the crisis in Afghanistan, the Goma volcano eruption and the drought in Southern Africa. Online donations totaled \$600,000.



thank you to our donors

Once again, our generous donors have enabled CARE to help millions of people in poor communities worldwide build a foundation for sustained growth. With donor support, CARE brought opportunity and hope to the lives of more than 31 million people – children, families and communities – in fiscal year 2002 (FY02).

Though we cannot list every individual contributor, we are honored and grateful for the generosity of our many and diverse donors. CARE recognizes on this and the following pages the corporations and foundations that contributed \$5,000 or more in FY02, as well as those current supporters whose lifetime gifts total \$1 million or more.



thank you

foundation and corporate gifts

cumulative lifetime gifts of \$1 million and above

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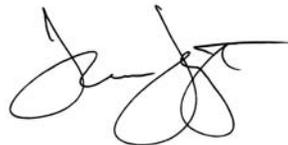
report from management

CARE USA increased our program spending to \$391 million in fiscal year 2002 despite unprecedented challenges in fund raising and operational environments after the terrorist attacks of September 2001.

This level of spending on program activities represents a modest increase in cash funding compared to the prior year, while food shipments for distribution remained consistent with the reduced amounts programmed in fiscal year 2001. Our deliberate emphasis on Africa over the past few years, specifically the use of net assets through the Africa Fund, contributed to the increase of program spending in sub-Saharan Africa to \$110 million. This number continues to grow – despite CARE’s lower net asset spending as the fund is depleted – because our own spending has leveraged additional funds from government donors. In addition to the growth in Africa, Asia also continued to grow largely as a result of increased funding for our work in Afghanistan following the crisis there.

Funding for program activities continued to come from a variety of sources, with our private fund-raising efforts providing \$64 million. While the amount was lower than the prior year’s record of almost \$69 million, it still represents a strong performance given the volatility in financial markets and charitable giving during the year. U.S. government support increased to \$245 million, and support obtained through our CARE International partners was up 17 percent to \$70 million.

While we faced extraordinary challenges in fiscal year 2002, CARE has remained vigilant in our commitment to spend our resources on program work – and maintain our historic practice of using more than 90 percent of expended resources for program activities. We continue to review and revise our programming to be innovative and creative in CARE’s direct use of resources and work in partnership with other organizations to fulfill our mission and vision. Such innovation requires that we test programming concepts that may be unfamiliar to donors. This type of program activity must be financed with general purpose funds obtained in support of CARE as an organization rather than for specific projects. Obtaining unrestricted funds from a variety of sources is essential to continued progress toward critical goals for reducing poverty around the world.



Ted Jastrzebski,
*Senior Vice President,
Finance, IT and Administration*

report from independent accountants

To the Board of Directors of CARE USA:

In our opinion, the accompanying balance sheets and the related statements of activities, cash flows, and functional expenses present fairly, in all material respects, the financial position of CARE USA at June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of CARE USA's management; our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from CARE USA's 2001 financial statements, and in our report dated September 7, 2001, we expressed an unqualified opinion on those financial statements. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, professional style.

September 12, 2002

balance sheets

As of June 30, 2002 and 2001 *In Thousands*

	2002	2001
Assets		
Cash and cash equivalents (Note 2)	\$ 106,778	\$ 102,306
Investments (Note 4)	92,457	115,096
Receivables, net (Note 2)	34,415	20,738
Deposits and other assets	65,661	37,102
Property and equipment, net (Notes 2 and 5)	9,621	9,307
Perpetual trust held by third party (Note 3)	94,794	102,103
TOTAL ASSETS	\$ 403,726	\$ 386,652
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 44,495	\$ 48,479
Program advances by government and nongovernment agencies	124,496	100,022
Annuities payable, pooled income fund, unitrusts (Note 2)	20,957	20,404
Benefits accrued for overseas national employees	14,621	13,398
Long-term loans payable (Note 12)	13,609	-
Bonds payable (Note 5)	3,035	3,235
TOTAL LIABILITIES	221,213	185,538
Commitments and contingencies (Notes 5 and 12)		
Net Assets (Note 3)		
Unrestricted	53,766	60,223
Temporarily restricted	28,696	33,549
Permanently restricted	100,051	107,342
TOTAL NET ASSETS	182,513	201,114
TOTAL LIABILITIES AND NET ASSETS	\$ 403,726	\$ 386,652

statement of activities

For the year ended June 30, 2002, with summarized information for the year ended June 30, 2001 *In Thousands*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2002	Summarized 2001
Support					
Public Support					
General purpose	\$ 44,274	\$ -	\$ -	\$ 44,274	\$ 42,697
Temporarily restricted	-	14,892	-	14,892	21,746
Addition to endowment	-	-	17	17	82
CARE International	70,023	-	-	70,023	59,538
Interest and dividends on restricted net assets	4,425	555	-	4,980	4,250
Net assets released from restrictions	19,348	-	-	19,348	16,797
Satisfaction of program restrictions	-	(19,348)	-	(19,348)	(16,797)
TOTAL PUBLIC SUPPORT	138,070	(3,901)	17	134,186	128,313
Government and other support					
U.S. government	244,661	-	-	244,661	238,694
Host governments	22,473	-	-	22,473	23,165
Others	19,511	-	-	19,511	25,287
TOTAL GOVERNMENT AND OTHER SUPPORT	286,645	-	-	286,645	287,146
Other Revenue					
Interest and dividends on unrestricted net assets	2,995	-	-	2,995	2,749
Rent and miscellaneous	3,952	-	-	3,952	1,218
TOTAL OTHER REVENUE	6,947	-	-	6,947	3,967
TOTAL SUPPORT AND REVENUE (NOTE 8)	431,662	(3,901)	17	427,778	419,426
Expenses					
Program (Notes 10 and 11)	391,557	-	-	391,557	379,596
Fund raising	18,886	-	-	18,886	18,322
Management and general	18,457	-	-	18,457	18,931
Public information	3,562	-	-	3,562	3,093
Grants to CARE International	2,210	-	-	2,210	2,564
TOTAL EXPENSES	434,672	-	-	434,672	422,506
Support and Revenue (under)/over Expenses	(3,010)	(3,901)	17	(6,894)	(3,080)
Other Changes in Net Assets					
Miscellaneous non-operating revenue	763	-	-	763	-
Foreign exchange gains	1,602	-	-	1,602	328
Interest and dividends on gift annuity investments	1,232	-	-	1,232	1,533
Actuarial loss on annuity obligations	(1,291)	-	-	(1,291)	(1,135)
Actuarial (loss)/gain on split interest agreements	(42)	43	-	1	464
Realized and unrealized loss on investments (Note 4)	(5,711)	(995)	-	(6,706)	(7,133)
(Decrease)/increase in value of trust held by third party (Note 3)	-	-	(7,308)	(7,308)	392
TOTAL CHANGE IN NET ASSETS	(6,457)	(4,853)	(7,291)	(18,601)	(8,631)
NET ASSETS, BEGINNING OF YEAR	60,223	33,549	107,342	201,114	209,745
NET ASSETS, END OF YEAR	\$ 53,766	\$ 28,696	\$ 100,051	\$ 182,513	\$ 201,114

statements of functional expenses

For the year ended June 30, 2002, with summarized information for the year ended June 30, 2001 *In Thousands*

	Program Activities	Fund Raising	Management and General	Public Information	CARE International	2002 Total	2001 Total
Personnel costs	\$ 107,976	\$ 6,538	\$ 11,452	\$ 1,955	\$ 152	\$ 128,073	\$ 126,854
Professional services	13,858	1,662	1,554	340	7	17,421	16,063
Equipment	7,402	88	509	123	1	8,123	9,805
Materials and services	74,973	8,904	1,666	644	6	86,193	83,110
Travel and transportation	30,612	312	953	158	11	32,046	35,371
Occupancy	11,421	519	1,109	20	-	13,069	13,246
Financing/Depn/Misc.	4,562	817	908	55	-	6,342	4,398
Grants/Subgrants	49,152	-	118	-	2,033	51,303	42,550
AgCommodities/CIKs	91,601	46	188	267	-	92,102	91,109
Total Operating Expenses for 2002	\$ 391,557	\$ 18,886	\$ 18,457	\$ 3,562	\$ 2,210	\$ 434,672	
Total Operating Expenses for 2001	\$ 379,596	\$ 18,322	\$ 18,931	\$ 3,093	\$ 2,564		\$ 422,506

statements of cash flows

For the years ended June 30, 2002 and 2001 *In Thousands*

pg
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	2002	2001
Cash Flows (Used for) Provided by Operating Activities:		
Change in net assets	\$ (18,601)	\$ (8,631)
Adjustments to reconcile change in net assets to cash flows		
Depreciation and amortization	1,809	1,241
Miscellaneous non-operating revenue	(763)	-
Contributions restricted for investment in endowment	(17)	(82)
Realized and unrealized loss on investments	6,706	7,133
Actuarial loss on annuity obligations	1,291	1,135
Actuarial gain on split-interest agreements	(1)	(464)
Decrease/(increase) in value of perpetual trust held by third party	7,308	(392)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(13,677)	16,583
Increase in deposits and other assets	(10,251)	(11,727)
(Decrease)/increase in accounts payable and accrued expenses	(3,984)	3,491
Increase in program advances	24,474	20,399
Increase in benefits accrued for overseas national employees	1,223	1,089
NET CASH AND CASH EQUIVALENTS (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(4,483)	29,775
Cash Flows Provided by (Used for) Investing Activities:		
Net purchases and sales of investments	16,696	(1,243)
Net purchases and sales of property and equipment	(2,122)	(1,820)
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED FOR) INVESTING ACTIVITIES	14,574	(3,063)
Cash Flows Provided by (Used for) Financing Activities:		
Proceeds from contributions restricted for investment in endowment	17	82
Increase in interest-bearing receivables in subsidiary	(18,308)	-
Increase in long-term loans payable in subsidiary	13,609	-
Principal payments on bonds payable	(200)	(200)
Net decrease in annuities payable, split-interest agreements	(737)	(210)
NET CASH AND CASH EQUIVALENTS USED FOR FINANCING ACTIVITIES	(5,619)	(328)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,472	26,384
CASH AND CASH EQUIVALENTS, beginning of year	102,306	75,922
CASH AND CASH EQUIVALENTS, end of year	\$ 106,778	\$ 102,306

Cash paid for interest in fiscal years ended June 30, 2002 and 2001, respectively, was \$255 and \$47.

notes to financial statements

Note 1 – Organization

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

CARE's Vision Statement

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

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

CARE's Mission Statement

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

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

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

CARE Program Sectors

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

Agriculture and Natural Resources (ANR)

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

Basic and Girls' Education

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

Children's Health

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

Reproductive Health

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

Water and Sanitation

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

Integrated and Other Health

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

Nutritional Support

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

Infrastructure

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

Small Economic Activity Development

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

Multi-Sector and Other

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

Consolidation of Financial Information

Financial information for CARE USA country offices worldwide and CARE USA's program activities in other CARE International offices are consolidated with financial information from Edifycar, a subsidiary, in which CARE USA holds a controlling interest for presentation in these financial statements. Edifycar is a for-profit entity which is 99 percent owned by 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 accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class nor by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2001, from which the summarized information was derived.

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits plus all time deposits and highly liquid investments with an original maturity of three months or less. Cash and cash equivalents held in the United States are insured according to FDIC regulations while those that are maintained overseas are largely uninsured. Total cash and cash equivalents held in the United States is \$24.7 million and \$20.6 million as of June 30, 2002 and 2001, respectively.

Investments

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

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

See Note 4 for further discussion.

Receivables

Receivables represent program expenditures not yet reimbursed by donors. The receivables on the balance sheets are net of allowances of \$1.2 million and \$1.1 million as of June 30, 2002 and 2001, respectively.

Deposits and Other Assets

Deposits and other assets include receivables from microfinance loans outstanding (net of allowances), project advances to partner organizations, commodities in transit not yet expensed and various other miscellaneous assets.

Property and Equipment

Property and equipment are recorded at cost if purchased or, if donated, at the fair value at the date of the gift. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are 15 years for building and building improvements, 5 years for equipment, and the life of the lease, if less, for leasehold improvements. In accordance with program guidelines, 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, train-

ing and data conversion are expensed in the period incurred. CARE USA 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 \$690,119 and \$697,687 for the years ended June 30, 2002 and 2001, respectively. Amortization expense for internal-use software amounted to \$972,166 and \$655,255 for the years ended June 30, 2002 and 2001 respectively.

Gift Annuities

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

Bequests

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

Pooled Income Fund

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

Unitrusts

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

Revolving Loan Fund

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

notes to financial statements

Agricultural Commodities

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

Commodities received for distribution are recorded at an amount approximating fair value. These commodities are recorded as revenue and expense upon receipt at the destination country. Commodities in transit from the United States to the distribution country are recorded as inventory on hand. Commodities for distribution received outside of the United States are recorded as revenue and expense when title is obtained.

Commodities received that are to be sold (monetized), where the related proceeds are designated for CARE USA project activities, are recorded as a liability when the cash proceeds are received. Revenue and expense are recognized when the proceeds are utilized for project activities.

Commodities received that are to be sold (monetized), where the related proceeds are designated for other non-profit organizations, are recorded as a liability until the funds are distributed to the other organizations. CARE USA usually receives a management fee for facilitating the shipping and sale of such commodities.

(See Note 9 for the tonnage and value of agricultural commodities received during fiscal 2002 and 2001.)

Non-Food Contributions in Kind

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

In countries where CARE USA operates, government and local communities supply labor, technical services, materials, transportation and storage facilities to the programs in which they participate. While these contribute to the successful implementation of the program, the control of these contributions are maintained by the partner organizations. The value of these contributions are generally not recorded in the financial statements as CARE does not have control over these activities. In addition, various media for public information and fund-raising campaigns are provided at no charge to CARE USA. The value of these contributions is generally not recorded in the financial statements, as CARE USA would not purchase these services.

Foreign Currency Translation

The U.S. dollar ("dollars") is the functional currency for CARE USA's operations worldwide. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the month of the transaction. Property and equipment purchased with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of purchase. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the balance sheets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

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

Accounting for Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Gifts or contributions and those with conditions 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 statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions.

Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from investment thereof may be expended for other general purposes or a purpose specified by the donor.

Reclassifications

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

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, 2002, are listed below (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Fund	\$ 21,795	\$ 19,771	\$ -	\$ 41,566
Emergency Response Fund	5,000	4,497	1,006	10,503
CARE International Support Fund	2,351	-	-	2,351
Africa Fund	1,048	293	512	1,853
Program Innovations and Development	943	-	-	943
Rights-based Approach	500	-	-	500
HIV/AIDS	1,200	-	-	1,200
Population Trust Fund	4,665	835	-	5,500
Revolving Loan Fund	1,323	-	-	1,323
New Revenue Streams	1,303	-	-	1,303
CARE Academy	1,220	192	-	1,412
Donor-restricted Endowment Fund	-	3,108	98,533	101,641
Fixed Assets Fund	12,418	-	-	12,418
Total at June 30, 2002	\$ 53,766	\$ 28,696	\$ 100,051	\$ 182,513
Total at June 30, 2001	\$ 60,223	\$ 33,549	\$ 107,342	\$ 201,114

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 \$21.8 million in support of the next fiscal year unrestricted expense budget.

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

Emergency Response Fund

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

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

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

CARE International Support Fund

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

Africa Fund

Unrestricted – A board-designated fund to be utilized during fiscal years 1999 through 2003 to increase CARE USA's programming in Africa. CARE USA has an existing, strong and relevant program in Africa that has adapted to the changing social and political environment on the continent. The

fund's purpose is to increase CARE USA's involvement in response to the changing environment and the enormous challenges due to chronic food insecurity, conflict and infectious diseases.

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

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

Program Innovations and Development, Rights-based Approach and HIV/AIDS

Board-designated funds to improve CARE USA's programming and advocacy activities. The purpose of these funds is to strengthen 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, particularly in strategic program priorities of Rights-based Approach and HIV/AIDS.

Population Trust Fund

Unrestricted – A board-designated fund to satisfy a required match to USAID's \$9 million contribution to this Trust Fund, from which CARE will subsequently finance its core reproductive health activities for an 8-10 year period, starting in fiscal year 2004.

Temporarily restricted – Contributions and revenue from other sources that are restricted for reproductive health activities.

Revolving Loan Fund

A board-designated fund set up for continuing use of resources released by original donors in Small Economic Activity Development loan projects.

New Revenue Streams

A board-designated fund to be used for developing new innovative fund-raising initiatives and the introduction of a new global brand.

notes to financial statements

CARE Academy

Unrestricted – A board-designated fund to be used to advance the training and learning capacity of CARE.

Temporarily restricted – Contributions and revenue from other sources that are restricted for activities that enhance the knowledge and capabilities of CARE staff.

Donor-restricted Endowment Fund (non-emergency, non-Africa)

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

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

Williams Trust – A component of the permanently restricted donor endowment fund, which includes \$94.8 million and \$102.1 million at June 30, 2002 and 2001, respectively, relates 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 \$4.4 million and \$3.6 million for the years ended June 30, 2002 and 2001, respectively. These amounts are included in the statements of activities as interest and dividends on restricted net assets. A fair value decrease of \$7.3 million and an increase of \$0.4 million for the years ended June 30, 2002 and 2001 respectively, are reflected in the statements of activities under other changes in permanently restricted net assets.

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, 2002 is reported below (in thousands):

Fixed assets, net of depreciation (see Note 5)	\$ 9,621
Capital expenditures authorized from net assets	<u>2,615</u>
Related operating expenses authorized from net assets	182
	<u>\$ 12,418</u>

notes to financial statements

Note 4 – Investments

Investments at June 30, 2002 and 2001 were comprised of the following (in thousands):

	2002		2001	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury obligations	\$ 23,311	\$ 24,118	\$ 22,763	\$ 23,077
Mutual funds	13,753	13,314	13,834	14,517
Marketable equity securities	29,791	25,619	52,403	49,488
Marketable debt securities	27,932	28,855	25,122	25,260
Overseas investments	551	551	2,754	2,754
	\$ 95,338	\$ 92,457	\$ 116,876	\$ 115,096

Total return on cash balances, investments and the trust held by a third party was as follows for the years ended June 30, 2002 and 2001 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	2002	Total	2001
Dividends and interest						
Unrestricted	\$ 2,995	\$ -	-	\$ 2,995	\$ 2,749	
Temporarily restricted		555	-	555	654	
Unrestricted support from trust held by third party	4,425	-	-	4,425	3,596	
Investment income included in operating revenue	7,420	555	-	7,975	6,999	
Interest and dividends on gift annuity investments	1,232	-	-	1,232	1,533	
Net realized gains (losses)						
Unrestricted	(6,397)	-	-	(6,397)	1,880	
Temporarily restricted	-	252	-	252	639	
Change in net unrealized gains (losses)						
Unrestricted	686	-	-	686	(8,397)	
Temporarily restricted	-	(1,247)	-	(1,247)	(1,256)	
Net change in value of trust held by third party	-	-	\$ (7,308)	(7,308)	392	
Total return on cash balances, investments and trust held by third party	\$ 2,941	\$ (440)	\$ (7,308)	\$ (4,807)	\$ 1,790	

notes to financial statements

Note 5 – Property and Equipment

The components of property and equipment, at cost, are as follows at June 30, 2002 and 2001 (*in thousands*):

	2002	2001
Land	\$ 1,342	\$ 1,342
Buildings and improvements	8,544	8,040
Equipment and software	8,193	6,529
Leasehold improvements	391	390
Accumulated depreciation	(8,849)	(6,994)
	\$ 9,621	\$ 9,307

See Note 3 for a summary of Fixed Assets authorized.

Depreciation expense (excluding amortization of internal-use software – see Note 2) amounted to \$836,722 and \$585,363 for the years ended June 30, 2002 and 2001 respectively.

Total additions to and dispositions of fixed assets during fiscal 2002 amounted to \$2,642,455 and \$520,156, respectively.

CARE USA financed a portion of the purchase and renovation of the headquarters located in Atlanta, Georgia, with the proceeds of \$5 million of City of Atlanta revenue bonds. The bonds mature on June 1, 2013 and bear interest at a rate that is adjusted periodically. As of June 30, 2002 and 2001, the adjustable rate was 1.25 percent and 2.7 percent, 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, a waiver has been obtained since other indebtedness, as defined, exceeds \$500,000. Annual sinking fund payments, excluding interest, are payable as follows (*in thousands*):

Year ending June 30:	
2003	\$ 200
2004	200
2005	200
2006	200
2007	200
Thereafter	2,035
	\$ 3,035

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 \$2.3 million and \$2 million and employee contributions were \$1.8 million for each of the years ended June 30, 2002 and 2001.

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.

notes to financial statements

Note 7 – Post-retirement Benefits

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

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

The following table sets forth the post-retirement benefit obligation reconciled to the accrued post-retirement benefit cost recognized in CARE USA's balance sheet as of June 30, 2002 and 2001 (*in thousands*).

	2002	Other Benefits	2001
Changes in benefit obligation			
Benefit obligation at beginning of year	\$ 3,989		\$ 3,481
Service cost	209		191
Interest cost	277		260
Actuarial loss	100		383
Benefits paid	(267)		(326)
Benefit obligation at end of year	4,308		3,989
Funded status	(4,308)		(3,989)
Unrecognized net actuarial gain	(586)		(377)
Unrecognized prior service cost	(117)		(146)
Accrued benefit cost	(5,011)		(4,512)
	2002	Other Benefits	2001
Weighted-average assumptions as of FYE			
Discount rate	7.00%		7.20%

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

	2002	2001
Components of net periodic benefit cost		
Service Cost	209	191
Interest Cost	277	260
Amortization of prior service cost	(29)	(29)
Recognized net actuarial loss	-	(2)
Net periodic benefit cost	457	420

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:

	1-Percentage- Point Increase	1-Percentage- Point Decrease
Effect on total of service and interest cost components	71	66
Effect on post-retirement benefit obligation	485	449

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-government entities. The following describes CARE USA's sources of support and revenue (*in thousands*):

Donor	Cash	Agricultural Commodities See Note 9	Non-Food In Kind	2002 Total	2001 Total
U.S. government	\$ 159,564	\$ 84,703	\$ 394	\$ 244,661	\$ 238,694
U.S. direct public support	63,022	-	1,104	64,126	68,608
CARE Australia	641	-	-	641	1,746
CARE Canada	10,255	-	11	10,266	11,533
CARE Danmark	6,149	-	-	6,149	6,530
CARE Deutschland	1,495	-	-	1,495	2,180
CARE France	1,425	-	9	1,434	963
CARE Japan	103	-	-	103	112
CARE Nederland	7,378	-	-	7,378	-
CARE Norge	4,623	-	-	4,623	4,937
CARE Osterreich	1,677	-	-	1,677	1,651
CARE United Kingdom	34,716	1,541	-	36,257	29,886
Host governments	19,414	-	3,059	22,473	23,165
UNHCR	1,423	-	-	1,423	2,711
UNICEF	583	-	-	583	534
WFP	2,372	1,199	323	3,894	2,826
Other UN agencies	2,461	-	-	2,461	2,137
Dutch government	-	-	-	-	5,406
Luxemburg	168	-	-	168	339
Switzerland	2,883	-	-	2,883	2,384
World Bank	777	-	-	777	480
Others (grants, contracts)	7,311	43	-	7,354	8,506
Other revenue (interest, dividends, rents, etc.)	6,952	-	-	6,952	4,098
Support and Revenue 2002	\$335,392	\$87,486	\$4,900	\$427,778	-
Support and Revenue 2001	\$327,937	\$86,679	\$4,810	-	\$419,426

notes to financial statements

Note 9 – Agricultural Commodities

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

	Year Ended June 30			
	Metric Tonnage (unaudited)		Dollar Value (in thousands)	
	2002	2001	2002	2001
Commodities received for distribution via CARE USA programs				
U.S. government	201,901	199,538	\$ 84,703	\$ 84,506
CARE International	4,476	47	1,541	174
Others	5,070	6,643	1,242	1,999
	211,447	206,228	87,486	86,679
See also Note 8 and 11				
Commodities received for monetization with proceeds used by CARE USA				
U.S. government	231,695	225,104	53,836	51,676
Commodities received for monetization with proceeds going to other non-profit organizations				
U.S. government	175,017	60,409	62,773	22,478
Total Agricultural Commodities Received During the Fiscal Year	618,159	491,741	\$ 204,095	\$ 160,833

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

Note 10 – Geographic Information

A summary of program expenses by geographic region for the years ended June 30, 2002 and 2001 follows (in thousands):

	Cash	Agricultural Commodities	Non-Food In Kind	2002 Total	2001 Total
Africa (Sub-Saharan)	\$ 89,963	\$ 19,856	\$ 687	\$ 110,506	\$ 99,854
Asia	91,986	62,618	134	154,738	148,809
Europe and Middle East	24,646	-	-	24,646	23,707
Latin America and the Caribbean	77,893	5,012	3,215	86,120	93,803
Multi-Regional	15,468	-	79	15,547	13,423
Program Expenses 2002	\$ 299,956	\$ 87,486	\$ 4,115	\$ 391,557	-
Program Expenses 2001	\$ 288,676	\$ 86,679	\$ 4,241	-	\$ 379,596

notes to financial statements

Note 11 – Program Expenses by Sector and Type

A summary of program expenses by sector and type for the years ended June 30, 2002 and 2001 follows (*in thousands*):

	Types			Year Ended June 30	
	Emergency	Rehabilitation	Development	2002	2001
Agriculture and Natural Resources	\$ 1,337	\$ 3,522	\$ 52,801	\$ 57,660	\$ 62,177
Basic and Girls' Education	-	540	16,810	17,350	9,937
Children's Health	-	478	15,057	15,535	21,417
Reproductive Health	1,125	809	8,227	10,161	10,847
Water and Sanitation	-	5,361	10,567	15,928	29,522
Integrated and Other Health	3,340	2,125	14,602	20,067	15,559
Nutritional Support	19,043	319	81,607	100,969	101,305
Infrastructure	-	6,412	10,880	17,292	17,103
Small Economic Activity Development	236	1,312	10,863	12,411	13,103
Multi-Sector and Other	20,325	13,127	90,732	124,184	98,626
Total Program Expenses by Type for 2002	\$ 45,406	\$ 34,005	\$ 312,146	\$ 391,557	-
Total Program Expenses by Type for 2001	\$ 55,159	\$ 38,307	\$ 286,130	-	\$ 379,596

Note 12 – Commitments and Other Matters

As of June 30, 2002, 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:	
2003	\$ 4,541
2004	1,932
2005	998
2006	677
2007	496
2008 and thereafter	1,431
Total	\$ 10,075

Total rent expense was approximately \$9.4 million and \$9.2 million for the years ended June 30, 2002 and 2001, 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 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 million and \$3.3 million at June 30, 2002 and 2001, 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 USA is the guarantor on \$9.8 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. CARE USA does not expect to expend any resources as a result of these guarantees.

A subsidiary of CARE USA has \$13.9 million in outstanding loans due to banking institutions. The loan proceeds are used to accomplish microfinance lending and are not collateralized. Interest rates on these outstanding loans depend on the sources of the loans and range from 7 percent to current market rates for funds borrowed from banking institutions. Payment terms on these loans vary. The subsidiary expects to repay all amounts due from collection of its receivables. However, CARE USA does not guarantee the repayment of these loans.

the world of care

To coordinate operations, one member of CARE International is designated "lead member" for each country. CARE USA is the lead member in 44 countries, which are italicized below.

east and central africa:

- 1 *Burundi*
- 2 *Democratic Republic of Congo*
- 3 *Eritrea*
- 4 *Ethiopia*
- 5 *Kenya*
- 6 *Rwanda*
- 7 *Somalia*
- 8 *Sudan*
- 9 *Tanzania*
- 10 *Uganda*

southern and west africa

- 11 *Angola*
- 12 *Benin*
- 13 *Cameroon*
- 14 *Chad*
- 15 *Comoros*
- 16 *Ghana*
- 17 *Ivory Coast*
- 18 *Lesotho*
- 19 *Madagascar*
- 20 *Malawi*
- 21 *Mali*
- 22 *Mozambique*
- 23 *Niger*
- 24 *Sierra Leone*

asia

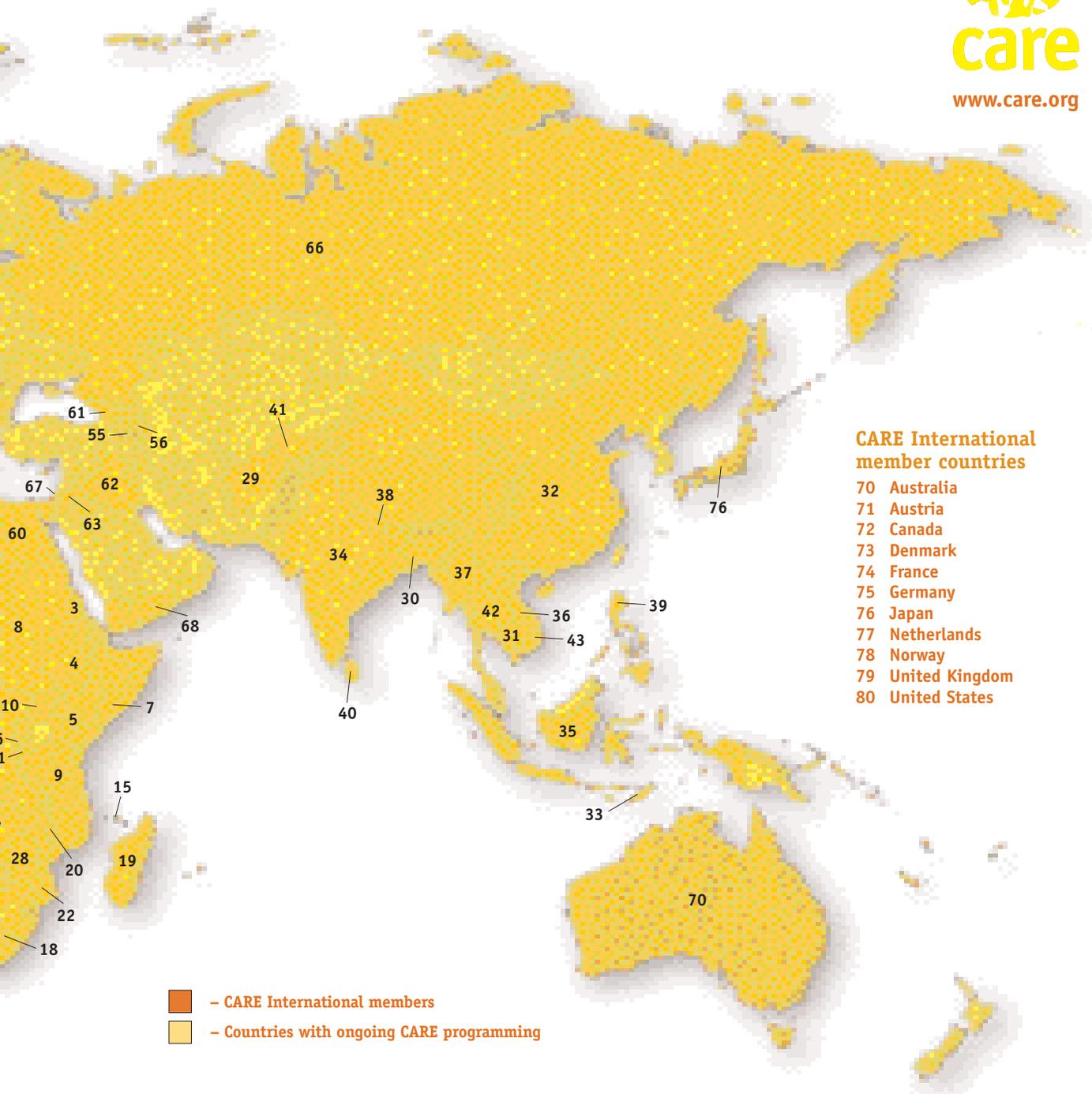
- 25 *South Africa*
- 26 *Togo*
- 27 *Zambia*
- 28 *Zimbabwe*
- 29 *Afghanistan*
- 30 *Bangladesh*
- 31 *Cambodia*
- 32 *China*
- 33 *East Timor*
- 34 *India*
- 35 *Indonesia*
- 36 *Laos*
- 37 *Myanmar*
- 38 *Nepal*
- 39 *Philippines*
- 40 *Sri Lanka*
- 41 *Tajikistan*
- 42 *Thailand*
- 43 *Vietnam*





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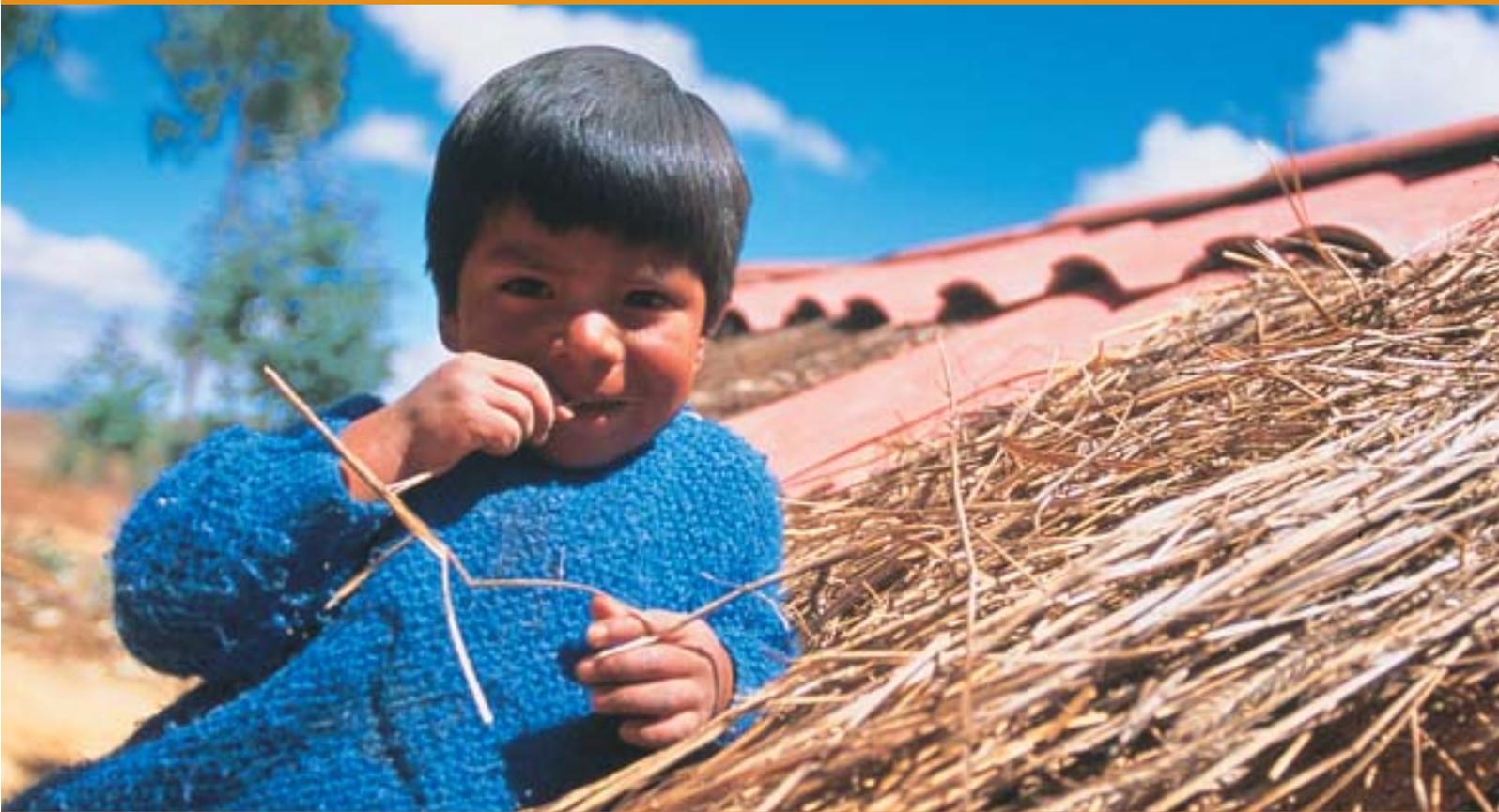
CARE International member countries

- 70 Australia
- 71 Austria
- 72 Canada
- 73 Denmark
- 74 France
- 75 Germany
- 76 Japan
- 77 Netherlands
- 78 Norway
- 79 United Kingdom
- 80 United States

- CARE International members
- Countries with ongoing CARE programming

<p>Latin America and the Caribbean</p> <ul style="list-style-type: none"> 44 Bolivia 45 Brazil 46 Cuba 47 Ecuador 48 El Salvador 49 Guatemala 	<ul style="list-style-type: none"> 50 Haiti 51 Honduras 52 Nicaragua 53 Peru 	<p>Middle East and Europe</p> <ul style="list-style-type: none"> 54 Albania 55 Armenia 56 Azerbaijan 57 Bosnia/Herzegovina 58 Bulgaria 	<ul style="list-style-type: none"> 59 Croatia 60 Egypt 61 Georgia 62 Iraq 63 Jordan 64 Kosovo* 65 Macedonia 66 Russian Federation 	<ul style="list-style-type: none"> 67 West Bank/Gaza 68 Yemen 69 Yugoslavia
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* Under UN Transitional Administration (UNMIK)



care regional offices

headquarters

Atlanta

151 Ellis Street
Atlanta, GA 30303-2440
T) 404-681-2552
F) 404-589-2650

southeast region

Atlanta

151 Ellis Street
Suite 100
Atlanta, GA 30303-2440
T) 404-681-2552
F) 404-577-5557

Washington

1625 K Street, NW
Suite 500
Washington, DC 20006
T) 202-595-2800
F) 202-296-8695

northeast region

New York

650 1st Avenue
2nd Floor
New York, NY 10016
T) 212-686-3110
F) 212-683-1099

Boston

37 Temple Place
3rd Floor
Boston, MA 02111
T) 617-338-6400
F) 617-574-7345

Philadelphia

117 South 17th Street
Suite 413
Philadelphia, PA 19103
T) 215-564-3875
F) 215-564-2501

midwest region

Chicago

70 East Lake Street
Suite 1430
Chicago, IL 60601
T) 312-641-1430
F) 312-641-3747

Minneapolis

2 Carlson Parkway
Suite 350
Plymouth, MN 55447
T) 763-473-2192
F) 763-473-4042

Planned Giving

1-800-752-6004

northwest region

San Francisco

41 Sutter Street
Room 300
San Francisco, CA 94104
T) 415-781-1585
F) 415-781-7204

Seattle

1402 Third Avenue
Suite 912
Seattle, WA 98101
T) 206-464-0787
F) 206-464-0752

Donor Services

1-800-422-7385

our vision

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

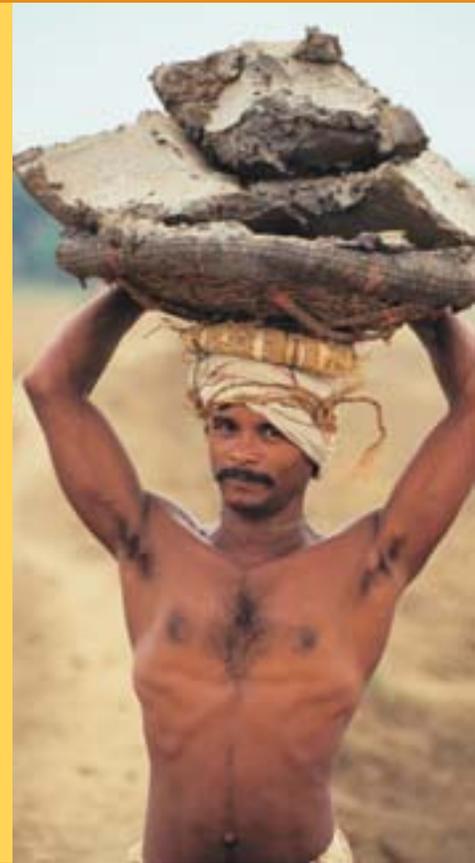
CARE International will be a global force and a partner of choice within a worldwide movement dedicated to ending poverty. We will be known everywhere for our unshakable commitment to the dignity of people.

our mission

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.



core values

respect

We affirm the dignity, potential and contribution of participants, donors, partners and staff.

integrity

We act consistently with CARE's mission, being honest and transparent in what we do and say, and accept responsibility for our collective and individual actions.

commitment

We work together effectively to serve the larger community.

excellence

We constantly challenge ourselves to the highest levels of learning and performance to achieve greater impact.

Weyerhaeuser
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managing editor
Gretchen Lyons

creative director/designer
Kimberly Conger

designer
Karen Gold

photo editors
Valenda Campbell, Jason Sangster

production coordinator
Colleen Moynahan

writers

**Peter D. Bell, Christina Chan, Catherine Goolsby,
Anthony Jaffe, Kim Kopp, Gretchen Lyons,
Amy Mehringer, Colleen Moynahan, Andy Pugh**

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For further information,
please contact:

CARE
151 Ellis Street, NE
Atlanta, Georgia 30303-2440

1-800-422-7385

www.care.org

