

Financial Statements of

CARE CANADA

June 30, 2012

Independent Auditor's Report

To the Board of Directors of
CARE Canada

Report on the Financial Statements

We have audited the accompanying financial statements of CARE Canada, which comprise the statement of financial position as at June 30, 2012 and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CARE Canada as at June 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

October 22, 2012

CARE CANADA
Financial Statements
June 30, 2012

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CARE CANADA
Statement of Financial Position
as at June 30, 2012

	Venture and Emergency Fund	Annual Fund	Total	
			2012	2011
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 31,109,556	\$ 31,109,556	\$ 22,385,806
Amounts receivable	-	2,804,782	2,804,782	4,018,522
Contributions receivable from donors (Note 4)	-	6,426,920	6,426,920	3,166,709
Prepaid expenses	-	470,177	470,177	510,286
	-	40,811,435	40,811,435	30,081,323
RESTRICTED INVESTMENTS (Note 4)	-	229,794	229,794	229,794
LOANS RECEIVABLE (Note 15)	158,463	-	158,463	550,017
LONG-TERM INVESTMENTS (Note 5)	187,182	29,548	216,730	333,857
CAPITAL ASSETS (Note 6)	-	6,227,554	6,227,554	3,781,264
TOTAL ASSETS	\$ 345,645	\$ 47,298,331	\$ 47,643,976	\$ 34,976,255
CURRENT LIABILITIES				
Inter-fund balance	\$ (365,289)	\$ 365,289	\$ -	\$ -
Accounts payable and accrued liabilities	-	9,908,182	9,908,182	8,535,051
Deferred contributions (Note 4)	-	26,560,930	26,560,930	18,315,001
Current portion of long-term debt (Note 8)	-	192,787	192,787	183,676
	(365,289)	37,027,188	36,661,899	27,033,728
LONG-TERM DEBT (Note 8)	-	1,218,743	1,218,743	1,411,530
DEFERRED CONTRIBUTIONS (Note 4)	-	229,794	229,794	229,794
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	-	2,387,836	2,387,836	202,860
TOTAL LIABILITIES	(365,289)	40,863,561	40,498,272	28,877,912
COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES (Notes 16 and 17)				
FUND BALANCES				
Unrestricted	-	3,006,582	3,006,582	3,617,005
Invested in capital assets (Note 10)	-	2,428,188	2,428,188	1,983,198
Internally restricted (Note 11)	-	1,000,000	1,000,000	-
Externally restricted - Venture and Emergency Fund	710,934	-	710,934	498,140
TOTAL FUND BALANCES	710,934	6,434,770	7,145,704	6,098,343
TOTAL LIABILITIES AND FUND BALANCES	\$ 345,645	\$ 47,298,331	\$ 47,643,976	\$ 34,976,255

ON BEHALF OF THE BOARD

_____ Director

_____ Director

CARE CANADA
Statement of Operations
year ended June 30, 2012

	Venture and Emergency Fund	Annual Fund	Total	
			2012	2011
Support and revenue				
Donations				
Unrestricted	\$ -	\$ 5,909,146	\$ 5,909,146	\$ 6,171,809
Restricted	3,693	4,045,665	4,049,358	3,454,515
Canadian funded	-	27,431,898	27,431,898	28,405,761
Globally funded	-	68,165,761	68,165,761	48,656,389
CARE International Members	-	46,627,706	46,627,706	40,625,203
Interest and investment income (Note 13)	311,568	212,708	524,276	143,506
Amortization of deferred contributions related to capital assets (Note 9)	-	502,671	502,671	45,080
Miscellaneous	-	1,814,555	1,814,555	1,175,320
Foreign exchange gains (losses)	-	382,803	382,803	(343,825)
Total Support and Revenue	315,261	155,092,913	155,408,174	128,333,758
Expenses				
Program activities (Schedule)				
Humanitarian and Emergency Assistance	-	86,932,015	86,932,015	59,299,479
Environment and Natural Resource Management	-	10,444,014	10,444,014	14,720,673
Health and HIV	-	23,272,617	23,272,617	21,883,223
Multi-Sectoral Programs	-	13,245,233	13,245,233	11,849,921
Enterprise Development	-	10,476,556	10,476,556	11,085,746
Country office management	-	967,385	967,385	818,388
International programs	-	1,374,000	1,374,000	1,095,117
	-	146,711,820	146,711,820	120,752,547
Support services				
Management and general	-	3,553,056	3,553,056	3,162,407
Fundraising, public and donor relations	2,997	3,594,268	3,597,265	3,585,875
Membership in CARE International	99,470	399,202	498,672	473,406
	102,467	7,546,526	7,648,993	7,221,688
Total Expenses	102,467	154,258,346	154,360,813	127,974,235
EXCESS OF REVENUE OVER EXPENSES	\$ 212,794	\$ 834,567	\$ 1,047,361	\$ 359,523

CARE CANADA

Statement of Changes in Fund Balances year ended June 30, 2012

	Venture and <u>Emergency Fund</u>	Annual Fund			Total	
		<u>Invested in Capital Assets</u> (Note 10)	<u>Internally Restricted</u> (Note 11)	<u>Unrestricted</u>	<u>2012</u>	<u>2011</u>
FUND BALANCES, BEGINNING OF YEAR	\$ 498,140	\$ 1,983,198	\$ -	\$ 3,617,005	\$ 6,098,343	\$ 5,588,820
Excess of revenue over expenses	212,794	-	-	834,567	1,047,361	359,523
Unrealized gains on available-for-sale financial assets	-	-	-	-	-	150,000
Net investment in capital assets (Note 10)	-	444,990	-	(444,990)	-	-
Transfer to internally restricted (Note 11)	-	-	1,000,000	(1,000,000)	-	-
FUND BALANCES, END OF YEAR	\$ 710,934	\$ 2,428,188	\$ 1,000,000	\$ 3,006,582	\$ 7,145,704	\$ 6,098,343
Accumulated unrealized gains on available-for-sale financial assets	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000

CARE CANADA
Statement of Cash Flows
year ended June 30, 2012

	<u>2012</u>	<u>2011</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 1,047,361	\$ 359,523
Items not affecting cash:		
Amortization of capital assets	716,487	260,493
Amortization of deferred contributions related to capital assets	(502,671)	(45,080)
Gain on disposal of capital assets	-	(183,608)
	1,261,177	391,328
Changes in non-cash operating working capital items:		
Decrease in amounts receivable	1,213,740	3,066,909
Decrease (increase) in contributions receivable from donors	(3,260,211)	3,310,165
Decrease (increase) in prepaid expenses	40,109	(69,514)
Increase in accounts payable and accrued liabilities	1,373,131	243,247
Increase (decrease) in deferred contributions	8,245,929	(7,156,210)
	8,873,875	(214,075)
INVESTING		
Acquisition of capital assets	(3,162,777)	(65,549)
Proceeds on disposal of capital assets	-	268,877
Decrease (increase) in loans receivable	391,554	(36,875)
Decrease (increase) in long-term investments	117,127	(15,773)
	(2,654,096)	150,680
FINANCING		
Repayment of long-term debt	(183,676)	(173,507)
Increase in deferred contributions related to capital assets	2,687,647	-
	2,503,971	(173,507)
NET CASH INFLOW (OUTFLOW)	8,723,750	(236,902)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,385,806	22,622,708
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 31,109,556	\$ 22,385,806

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

1. DESCRIPTION

CARE Canada was established in 1946 and was incorporated in 1977 under Part II of the Canada Corporations Act. CARE Canada is a not-for-profit, non-governmental organization in the field of relief, reconstruction and development in developing countries and is governed by a volunteer board of directors whose services are provided at no cost to CARE Canada.

CARE Canada is a registered charitable organization for purposes of the Income Tax Act (Canada) and as such is not subject to income tax. CARE Canada is an independent member of CARE International.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook - Part V *Pre-Changeover Accounting Standards* (Canadian GAAP) and include the following significant accounting policies:

Basis of presentation

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the seven (2011 - six) overseas Country Offices (Chad, Cuba, Djibouti, Indonesia, Kenya, Zambia and Zimbabwe) for which it has responsibility, and the revenue and expenses for which CARE Canada and its seven overseas Country Offices enter into contracts with donors for the funding of projects in various countries.

Fund accounting

CARE Canada follows the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to CARE Canada, the accounts of CARE Canada are classified for reporting purposes into funds in accordance with activities or objectives specified by the donors or in accordance with the directives issued by the Board of Directors. Transfers between funds are recorded as approved by CARE Canada's Board of Directors.

The Annual Fund reports resources to be used for CARE Canada's program and administrative activities. This fund reports unrestricted resources and restricted contributions.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting (Continued)

The Venture and Emergency Fund includes donations and contributions the use of which is restricted by the donors for:

- the Emergency Relief Rapid Response Program to be used as a vehicle to help at the very onset of a crisis; and
- the Pro-Poor Business Program to be used to effectively reduce poverty by utilizing market mechanisms and business enterprise functions designed to put more income into the hands of poor people.

Revenue recognition

Contributions:

Unrestricted contributions are recorded as revenue of the Annual Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue in the Annual Fund in the year in which the related expenses are incurred.

Restricted contributions for the Venture and Emergency Fund are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income earned on the Venture and Emergency Fund is recognized as revenue in the Venture and Emergency Fund or the Annual Fund depending on the nature of any restrictions imposed by the donor. Other investment income is recognized as income of the Annual Fund when earned.

Canadian funded:

CARE Canada enters into contracts with the Canadian Government (the Canadian International Development Agency - "CIDA") and other donors for the funding of projects in various countries. These funds are recorded as revenue of the Annual Fund as related expenses are incurred. Any indirect costs recovery, management fee or procurement fee that is applicable to CARE Canada is recorded as revenue of the Annual Fund in accordance with the terms in the individual contracts.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Canadian funded: (Continued)

The portion of the contributions that relates to a future period is deferred and recognized as revenue of the Annual Fund in the period that the contributions are spent. Any contributions expended in excess of the contributions received from the donors are shown in the statement of financial position as contributions receivable from donors.

Contributions and donated services:

Contributions-in-kind received from multilateral donors, Government of Canada and other organizations are recorded as revenue and program activity expenses at fair value.

Wherever government and local communities in countries in which CARE Canada operates contribute labour services, transportation and storage facilities to various projects, the value of such contributions is not reflected in the financial statements because of the difficulty of measurement.

Similarly, contributions in kind by various media for public information and fundraising campaigns are not reflected in the financial statements because of the difficulty of measurement.

Donated capital assets and contributions received towards the acquisition of capital assets are deferred and amortized to income on the same basis as the related depreciable capital assets are amortized.

Expense allocation

CARE Canada's expenses are recorded and reported by program and support services. The Organization incurs a number of general support expenses that are common to the administration of CARE Canada and its programs. General support expenses incurred in CARE Canada's Canadian operations are included under "Country Office Management", "International Programs", "Management and general" and "Fundraising, public and donor relations". There is no allocation of Canadian general support expenses to different program activities. General support expenses, such as budgeting, accounting, human resources, and information technology, incurred in CARE Canada's seven (2011 - six) overseas Country Offices are allocated to program activities. Personnel costs are allocated based on the percentage of relevant employees' time involved in supporting the program and other operating and general expenses are allocated on a proportionate basis relating to the function. Such allocations are reviewed, updated and applied on a prospective basis.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include internally restricted and unrestricted cash and cash equivalents that mature within three months. In accordance with the Investment Policy approved by the Board of Directors, cash and cash equivalents are held in highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capital assets

Capital assets acquired for direct use in donor-funded projects are expensed in the year of acquisition as CARE Canada is not entitled to ownership. Those that are not project-specific are capitalized and amortized over their estimated useful lives. Contributed capital assets are recorded at fair value at the date of contribution.

For internal use software, the acquisition costs of software licenses and associated consulting costs and the payroll costs of employees directly associated with implementation of the asset are capitalized. The costs of software maintenance, training and data conversion are expensed in the period incurred.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	10 and 40 years
Vehicles	3 years
Leasehold improvements	Over the term of the lease
Office equipment	5 years
Computer equipment	3 years
Computer software	1 to 3 years

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. All other assets and liabilities are translated at their historical rate. Revenue and expense items are translated using average monthly rates. Any resulting foreign exchange gains or losses are disclosed separately in the Annual Fund.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Significant estimates include assumptions used in estimating the recoverability of project expenditures and the determination of the allowance for doubtful contributions receivable from donors, the useful life of capital assets, the value of the investments, accrued liabilities and commitments.

Classification of financial instruments

Classifications of financial instruments made by CARE Canada are as follows:

Cash and cash equivalents	Held-for-trading
Amounts receivable	Loans and receivables
Contributions receivable from donors	Loans and receivables
Loans receivable	Loans and receivables
Long-term investments	Available-for-sale
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held-for-trading

These financial assets are measured at fair value at the Statement of Financial Position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of financial instruments (Continued)

Available-for-sale

These financial assets are carried at fair value with unrealized gains and losses included in accumulated unrealized gains and losses in the Statement of Changes in Fund Balances until realized when the cumulative gains or losses are transferred to revenue or expense.

Loans and receivables

These financial assets are initially measured at fair value and thereafter are measured at amortized cost using the effective interest method, less any impairment.

Other liabilities

These financial liabilities are initially measured at fair value and thereafter recorded at amortized cost using the effective interest rate method.

Future accounting changes

In 2010, the CICA issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either the CICA Handbook Part I - *International Financial Reporting Standards* or Part III - *Accounting Standards for Not-for-Profit Organizations*. CARE Canada has assessed the impact of the adoption of these new standards and plans to adopt Part III - *Accounting Standards for Not-for-Profit Organizations* effective July 1, 2012.

3. CAPITAL MANAGEMENT

CARE Canada's objectives in managing capital (fund balances) are:

- a) to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual budget and business plan review;
- b) to safeguard the Entity's ability to continue as a charitable organization and meet the objectives of the different funds as described in Note 2;
- c) to maintain the Annual Fund unrestricted reserve to an equivalent of a minimum of six months of operating expenses; and
- d) to invest funds in financial instruments that conform to investment policy and which present a low risk for CARE Canada.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

3. CAPITAL MANAGEMENT (Continued)

CARE manages several funding agreements with external restrictions that specify the conditions for using these financial resources. CARE Canada has complied with the requirements respecting these restricted contributions. CARE Canada monitors its capital by reviewing various financial metrics, including cash flows and variances to forecasts and budgets.

Capital management objectives, policies and procedures are unchanged since the preceding year. CARE Canada has complied with all the capital requirements.

4. DEFERRED CONTRIBUTIONS

Short-term deferred contributions represent externally restricted contributions to fund program expenses of future periods.

	<u>2012</u>	<u>2011</u>
Balance, beginning of year		
Short-term deferred contributions	\$ 18,315,001	\$ 25,471,211
Contributions receivable from donors	(3,166,709)	(6,476,874)
	<u>15,148,292</u>	<u>18,994,337</u>
Amounts received during the year		
Cash	104,089,710	91,752,311
In-kind (Note 12)	47,167,038	25,540,236
	<u>151,256,748</u>	<u>117,292,547</u>
Amounts recognized as revenue	(146,271,030)	(121,138,592)
	<u>4,985,718</u>	<u>(3,846,045)</u>
Balance, end of year	\$ 20,134,010	\$ 15,148,292
Balance, end of year represented by:		
Short-term deferred contributions	\$ 26,560,930	\$ 18,315,001
Contributions receivable from donors	(6,426,920)	(3,166,709)
	<u>\$ 20,134,010</u>	<u>\$ 15,148,292</u>

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

4. DEFERRED CONTRIBUTIONS (Continued)

Long-term deferred contributions of \$229,794 (2011 - \$229,794) are represented by restricted investments in fixed income securities. The principal of \$229,794 must be maintained until 2031. The fair value of the restricted investments is approximately \$229,794 (2011 - \$229,794).

5. LONG-TERM INVESTMENTS

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Annual Fund Bonds	\$ 29,548	\$ 29,548	\$ 44,055	\$ 44,055
Venture and Emergency Fund Investment in MicroVest I, LP	19,973	19,973	122,593	122,593
Investment in Edyficar	17,209	167,209	17,209	167,209
	37,182	187,182	139,802	289,802
	\$ 66,730	\$ 216,730	\$ 183,857	\$ 333,857

Coupon rates on the bonds as at June 30, 2012 range between 1.25% and 10% and will mature between July 2012 and December 2014.

To enhance economic opportunity, deepen financial services and promote private sector and enterprise development, CARE Canada invests in pro-poor businesses and micro-finance investments in developing countries. The objective of these investments is to increase access to financial services in underserved communities and promote entrepreneurship and sustainable economic development.

In this regard, CARE Canada has invested in Edyficar that provides micro-finance services in Peru. Edyficar is a profit-making financial entity. CARE Canada holds a minority, non-controlling interest in Edyficar. CARE Canada had also invested in MicroVest I LP Fund - an investment fund that places investments in microfinance institutions in the Third World. This investment was sold during 2012. In 2011, since the investment in MicroVest I LP Fund did not have a quoted market price in an active market, it was recorded at cost.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

6. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 271,023	\$ -	\$ 271,023	\$ 271,023
Buildings	4,560,573	1,342,874	3,217,699	3,362,354
Vehicles	1,056,106	863,354	192,752	42,424
Leasehold improvements	81,094	69,476	11,618	8,282
Office equipment	424,117	355,056	69,061	21,956
Computer equipment	515,164	360,569	154,595	75,225
Computer software	3,490,987	1,180,181	2,310,806	-
	\$ 10,399,064	\$ 4,171,510	\$ 6,227,554	\$ 3,781,264

Cost and accumulated amortization at June 30, 2011 amounted to \$7,236,287 and \$3,455,023, respectively.

7. CREDIT FACILITY

An unsecured line of credit of \$2,000,000 renewable on an annual basis is available for use by CARE Canada. Advances under the line of credit bear interest at the bank's prime rate and are repayable on demand. As at June 30, 2012, there was no outstanding balance (2011 - \$NIL).

8. LONG-TERM DEBT

	2012	2011
Mortgage payable in monthly installments of \$21,911, including principal and interest at an annual rate of 5.35% (2011 - 5.35%), secured by land and a building with a net book value of \$3,323,126 (2011 - \$3,421,581), renewable in October 2013	\$ 1,411,530	\$ 1,595,206
Less current portion	(192,787)	(183,676)
	\$ 1,218,743	\$ 1,411,530

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

8. LONG-TERM DEBT (Continued)

Principal repayments over the next five years are as follows:

2013	\$ 192,787
2014	203,285
2015	214,307
2016	225,925
2017	238,174
Thereafter	337,052

The fair value of the mortgage approximates the book value.

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received and used for the purchase of capital assets. The changes in the deferred contributions balance for the year are as follows:

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 202,860	\$ 247,940
Donations and grants received and used for the purchase of capital assets during the year	2,687,647	-
Amount amortized to revenue	(502,671)	(45,080)
Balance, end of year	<u>\$ 2,387,836</u>	<u>\$ 202,860</u>

10. INVESTED IN CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 1,983,198	\$ 2,044,824
Acquisitions	3,162,777	65,549
Deferred contributions related to capital assets	(2,687,647)	-
Amortization of capital assets	(716,487)	(260,493)
Amortization of deferred contributions related to capital assets	502,671	45,080
Disposals	-	(85,269)
Repayment of long-term debt	183,676	173,507
Balance, end of year	<u>\$ 2,428,188</u>	<u>\$ 1,983,198</u>

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

11. INTERNALLY RESTRICTED FUNDS

The internally restricted funds represent amounts designated by the Board of Directors to be used to fund program investments in the form of match funding to enhance donor funded projects and/or capital investments to support the implementation of programs. During the year, the Board approved a transfer of \$1,000,000 as internally restricted funds.

12. CONTRIBUTIONS-IN-KIND

Contributions-in-kind received from multilateral donors, Government of Canada and other organizations are recorded as revenue and program activity expenses at fair value. Contributions-in-kind included in revenue and program activity expenses are the following:

	<u>2012</u>	<u>2011</u>
Zimbabwe	\$ 3,215,920	\$ 7,136,825
Kenya	43,729,276	17,151,705
Zambia	189,950	840,337
Indonesia	-	411,369
Pakistan	31,892	-
	<u>\$ 47,167,038</u>	<u>\$ 25,540,236</u>

13. INTEREST AND INVESTMENT INCOME

	<u>2012</u>	<u>2011</u>
Annual Fund - Interest income	\$ 212,708	\$ 143,506
Venture and Emergency Fund - Interest income	1,568	-
Venture and Emergency Fund - Dividend income	310,000	-
	<u>\$ 524,276</u>	<u>\$ 143,506</u>

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

14. PENSION PLAN

The pension plan for employees of CARE Canada (the "Plan") is a defined contribution plan covering all employees of CARE Canada who meet eligibility requirements as specified in the Plan Agreement. CARE Canada is required to contribute 5% of the employee's gross earnings for all members. CARE Canada contributed \$259,329 (2011 - \$241,616) during the year. Pension benefits are recorded as an expense in the period incurred.

15. CONTROLLED ENTITY

CARE Canada established the CEP Investment Trust in 2007 and provided the Trust with long-term loans to facilitate investments in Pro-Poor businesses in the Third World. CARE Canada is the sole beneficiary of CEP Investment Trust. The CEP Investment Trust financial statements have not been consolidated with CARE Canada's financial statements. The CEP Investment Trust has a December 31 year-end.

CARE Canada has committed to provide funds to CEP Investment Trust to fund certain investment activities. The loan is unsecured and without any established term of repayment. The fair value of the loans receivable is approximately \$158,463 (2011 - \$550,017).

As at December 31, 2011, CEP Investment Trust had total assets of \$447,919 (2010 - \$540,191), total liabilities of \$196,819 (2010 - \$551,110) and its capital surplus was \$251,100 (2010 - deficiency of \$10,919). Total revenues in 2011 were \$581,623 (2010 - \$459) and expenses were \$9,604 (2010 - \$3,526). The CEP Investment Trust made a capital distribution of \$310,000 to CARE Canada in 2011 (2010 - \$NIL).

The Trust has invested in the Aavishkaar Micro-Venture Fund in India and has committed to invest an additional amount of \$66,334 from the long-term loans it has received from CARE Canada. The Aavishkaar Fund will continue to invest in a number of socially relevant rural enterprises in India over the next several years.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2012

16. COMMITMENTS AND CONTINGENT LIABILITIES

Leases

CARE Canada is committed to payments under operating leases in Country Offices and in Canada with lease expiry dates ranging from 2012 to 2016. Minimum annual payments for the next four years are as follows:

2013	\$ 804,560
2014	141,189
2015	29,669
2016	<u>18,550</u>
	<u>\$ 993,968</u>

Legal actions

In the ordinary course of business, CARE Canada becomes involved in various legal actions. While the ultimate effect of such actions cannot be ascertained at this time, management believes that their resolution will not have a material adverse effect on the financial statements.

Letter of credit

CARE Canada issued a letter of credit in the amount of \$300,000 in favour of the Receiver General for Canada, expiring on January 30, 2013. This letter was issued as a guarantee in order to facilitate the implementation of the PIMCHAS Project in Nicaragua. If a liability were to result from this letter, any losses would be charged as program expenditures in the year incurred.

17. GUARANTEES

As stated in Note 2, the contributions from the Canadian Government (CIDA) and other contributions are subject to restrictions as to the use of the funds. CARE Canada's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by CIDA and other funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits, if any, will be recorded in the period in which they become known.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

18. ALLOCATION OF EXPENSES

A portion of program activities are related to administration costs incurred in CARE Canada's seven (2011 - six) overseas Country Offices (Chad, Cuba, Djibouti, Indonesia, Kenya, Zambia and Zimbabwe). These costs have been allocated as follows:

	<u>2012</u>	<u>2011</u>
Allocated to:		
Program activities		
Humanitarian and Emergency Assistance	\$ 2,786,292	\$ 3,300,334
Environment and Natural Resource Management	691,047	977,449
Health and HIV	2,406,205	2,129,546
Multi-Sectoral Integrated Programs	932,894	944,513
Enterprise Development	963,760	843,850
	<u>\$ 7,780,198</u>	<u>\$ 8,195,692</u>
Allocated from:		
Support Administration	<u>\$ 7,780,198</u>	<u>\$ 8,195,692</u>

19. FINANCIAL INSTRUMENTS

Fair values

The carrying values of cash and cash equivalents, amounts receivable, contributions receivable from donors, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

Refer to Notes 4, 5 and 15 for fair values related to CARE Canada's other financial instruments.

Investment risk

CARE Canada's Board of Directors has approved an Investment Policy that provides the guidelines for managing investments of the organization. The overall objective of CARE Canada's investment program is to allocate the assets of CARE Canada in order to support the strategic and operational objectives of the organization.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

19. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk

CARE Canada operates internationally, giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. CARE Canada does not use derivatives to hedge its foreign exchange risk but relies on prudent cash management practices to minimize exposure to foreign exchange risk.

Amounts denominated in foreign currencies are as follows:

	2012	
	Monetary Assets	Monetary Liabilities
	(CDN \$)	(CDN \$)
Country Offices		
United States Dollars	\$ 10,803,300	\$ 11,333,909
Euros	2,471,850	1,103,369
Chad XAF	1,146,448	848,640
Cuban Pesos	4,814	-
Djiboutian Francs	204,669	86,505
Indonesian Rupiah	1,513,063	2,344,929
Kenyan Shilling	1,918,941	3,675,836
Zambia Kwacha	317,386	891,237
	18,380,471	20,284,425
Headquarters		
United States Dollars	4,109,037	1,782,892
Euros	107,993	-
	\$ 22,597,501	\$ 22,067,317

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

19. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

	2011	
	Monetary Assets	Monetary Liabilities
	(CDN \$)	(CDN \$)
Country Offices		
United States Dollars	\$ 5,720,000	\$ 8,039,373
Euros	2,825,487	1,143,664
Chad XAF	730,623	420,775
Cuban Pesos	32,468	-
Indonesian Rupiah	1,613,111	2,417,346
Kenyan Shilling	2,112,071	1,775,414
Zambia Kwacha	962,476	1,042,166
	<hr/>	<hr/>
	13,996,236	14,838,738
Headquarters		
United States Dollars	1,439,082	1,845,079
Euros	270,245	-
	<hr/>	<hr/>
	\$ 15,705,563	\$ 16,683,817

Monetary assets include cash and cash equivalents, amounts receivable and contributions receivable from donors. Monetary liabilities include accounts payable and accrued liabilities and deferred contributions.

Credit risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of CARE Canada is represented by the fair value of the investments and all receivables as presented in the statement of financial position.

Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on CARE Canada cash flows, financial position, investment income and interest expenses. CARE Canada's mortgage and fixed income investments are exposed to interest rate changes. The impact of adverse changes in rates is not considered material.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2012

20. TAX RECEIPTED DONATIONS

CARE Canada is a member of Imagine Canada and has adopted the Ethical Fundraising and Financial Accountability Code (the "Code"). The Code requires disclosure of donations that are receipted for income tax purposes. During the year, CARE Canada issued donation receipts for income tax purposes in the amount of \$6,026,868 (2011 - \$5,976,167).

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

CARE CANADA
Program Activities According to Sectors

year ended June 30, 2012

Schedule

	Humanitarian and Emergency Assistance	Environment and Natural Resource Management	Health and HIV	Multi-Sectoral Programs	Enterprise Development	2012	2011
Advocacy	\$ 27,809	\$ 703,661	\$ -	\$ 282,046	\$ 884,107	\$ 1,897,623	\$ 1,273,680
Agriculture and Natural Resources	3,538,355	5,987,421	-	116,914	2,094,433	11,737,123	10,532,844
Child & Reproductive Health	196,576	-	11,351,864	441,795	228,232	12,218,467	12,224,078
Education	119,167	-	-	599,830	939,817	1,658,814	2,958,879
Infrastructure	2,632,058	-	1,441,157	4,451,523	-	8,524,738	2,900,542
Integrated and Other Health	323,230	-	7,872,064	-	8,555	8,203,849	7,250,110
Nutritional Support	70,358,872	554,185	-	8,180	397,990	71,319,227	43,073,982
Integrated Projects	7,433,796	1,099,942	356,302	6,842,172	1,253,942	16,986,154	25,531,041
Program Management	-	-	-	379,697	62,461	442,158	339,510
Small Economic Activity Development	-	163,297	-	123,076	4,368,939	4,655,312	6,279,956
Water Supply and Sanitation	2,302,152	1,935,508	2,251,230	-	238,080	6,726,970	6,474,420
	\$ 86,932,015	\$ 10,444,014	\$ 23,272,617	\$ 13,245,233	\$ 10,476,556	\$ 144,370,435	\$ 118,839,042