

Financial Statements of

CARE CANADA

June 30, 2011

Independent Auditor's Report

To the 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, 2011 and the statements of operations and changes in fund balances and of 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, 2011 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

November 14, 2011

CARE CANADA
Financial Statements
June 30, 2011

	<u>PAGE</u>
Statement of Financial Position	1
Statement of Operations and Changes in Fund Balances	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 17
Schedule - Program Activities According to Sectors	18

CARE CANADA
Statement of Financial Position
as at June 30, 2011

	Venture and Emergency Fund	Annual Fund	Total	
			2011	2010
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 22,385,806	\$ 22,385,806	\$ 22,622,708
Amounts receivable	-	4,018,522	4,018,522	7,085,431
Contributions receivable from donors (Note 3)	-	3,166,709	3,166,709	6,476,874
Prepaid expenses	-	510,286	510,286	440,772
	-	30,081,323	30,081,323	36,625,785
RESTRICTED INVESTMENTS (Note 3)	-	229,794	229,794	229,794
LOANS RECEIVABLE (Note 4)	550,017	-	550,017	513,142
LONG-TERM INVESTMENTS (Note 5)	289,802	44,055	333,857	168,084
CAPITAL ASSETS (Note 6)	-	3,781,264	3,781,264	4,061,477
	\$ 839,819	\$ 34,136,436	\$ 34,976,255	\$ 41,598,282
CURRENT LIABILITIES				
Inter-fund balance	\$ 341,679	\$ (341,679)	\$ -	\$ -
Accounts payable and accrued liabilities	-	8,535,051	8,535,051	8,291,804
Deferred contributions (Note 3)	-	18,315,001	18,315,001	25,471,211
Current portion of long-term debt (Note 8)	-	183,676	183,676	173,507
	341,679	26,692,049	27,033,728	33,936,522
LONG-TERM DEBT (Note 8)	-	1,411,530	1,411,530	1,595,206
DEFERRED CONTRIBUTIONS (Note 3)	-	229,794	229,794	229,794
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	-	202,860	202,860	247,940
	341,679	28,536,233	28,877,912	36,009,462
COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES (Notes 16 and 17)				
FUND BALANCES				
General - Unrestricted	-	3,617,005	3,617,005	2,937,140
General - Invested in capital assets (Note 11)	-	1,983,198	1,983,198	2,044,824
Externally Restricted - Venture and Emergency Fund	498,140	-	498,140	606,856
	498,140	5,600,203	6,098,343	5,588,820
	\$ 839,819	\$ 34,136,436	\$ 34,976,255	\$ 41,598,282

ON BEHALF OF THE BOARD

_____ Director

_____ Director

CARE CANADA

Statement of Operations and Changes in Fund Balances

year ended June 30, 2011

	Venture and Emergency Fund	Annual Fund	Total	
			2011	2010
Support and revenue				
Donations				
Unrestricted	\$ -	\$ 6,171,809	\$ 6,171,809	\$ 5,366,902
Restricted (Note 12)	3,276	3,451,239	3,454,515	2,535,109
Canadian Funded (Note 13)	-	28,405,761	28,405,761	30,120,006
Globally Funded (Note 13)	-	48,656,389	48,656,389	50,589,643
CARE International Members (Note 13)	-	40,625,203	40,625,203	49,125,465
Interest and investment income	-	143,506	143,506	148,047
Amortization of deferred contributions related to capital assets (Note 9)	-	45,080	45,080	45,080
Miscellaneous	-	1,175,320	1,175,320	1,737,652
	3,276	128,674,307	128,677,583	139,667,904
Expenses				
Program activities (Schedule)				
Humanitarian and Emergency Assistance (Note 13)	-	59,299,479	59,299,479	74,716,369
Environment and Natural Resource Management	-	14,720,673	14,720,673	16,036,491
Health and HIV	-	21,883,223	21,883,223	17,019,456
Multi-Sectorial Integrated Programs	-	11,849,921	11,849,921	11,573,724
Enterprise Development	-	11,085,746	11,085,746	9,598,044
Country Office Management	-	818,388	818,388	997,810
International Programs	-	1,095,117	1,095,117	851,569
Foreign Exchange Losses	-	343,825	343,825	247,094
	-	121,096,372	121,096,372	131,040,557
Support services				
Management and general	-	3,162,407	3,162,407	2,989,209
Fundraising, public and donor relations	6,091	3,579,784	3,585,875	4,024,177
Membership in CARE International	255,901	217,505	473,406	473,021
	261,992	6,959,696	7,221,688	7,486,407
Total expenses	261,992	128,056,068	128,318,060	138,526,964
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(258,716)	618,239	359,523	1,140,940
FUND BALANCE, BEGINNING OF YEAR	606,856	4,981,964	5,588,820	4,447,880
Unrealized gains on available-for-sale financial assets	150,000	-	150,000	-
FUND BALANCE, END OF YEAR	\$ 498,140	\$ 5,600,203	\$ 6,098,343	\$ 5,588,820
Accumulated unrealized gains on available-for-sale financial assets	\$ 150,000	\$ -	\$ 150,000	\$ -

CARE CANADA
Statement of Cash Flows
year ended June 30, 2011

	<u>2011</u>	<u>2010</u>
CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 359,523	\$ 1,140,940
Amortization of capital assets	260,493	362,768
Amortization of deferred contributions related to capital assets	(45,080)	(45,080)
Gain on disposal of capital assets	(183,608)	(108,140)
	391,328	1,350,488
Changes in non-cash operating working capital items:		
Decrease (increase) in amounts receivable	3,066,909	(535,058)
Decrease in contributions receivable from donors	3,310,165	3,627,246
Increase in prepaid expenses	(69,514)	(34,707)
(Decrease) increase in accounts payable and accrued liabilities	243,247	(3,528,391)
Decrease in deferred contributions	(7,156,210)	(4,242,687)
	(214,075)	(3,363,109)
INVESTING		
Acquisition of capital assets	(65,549)	(84,733)
Proceeds on disposal of capital assets	268,877	127,198
Decrease (increase) in loans receivable	(36,875)	1,968
Increase in long-term investments	(15,773)	(4,807)
	150,680	39,626
FINANCING		
Repayment of long-term debt	(173,507)	(164,584)
DECREASE IN CASH AND CASH EQUIVALENTS	(236,902)	(3,488,067)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,622,708	26,110,775
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 22,385,806	\$ 22,622,708

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2011

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 Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations and reflect the following significant accounting policies:

Basis of presentation

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the six overseas Country Offices (Chad, Cuba, Indonesia, Kenya, Zambia and Zimbabwe) for which it has responsibility, and the revenue and expenses for which CARE Canada and its six 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.

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.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

Grain and other 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.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued):

Contributions and donated services (Continued):

Similarly, contributions 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

Expenses that can be directly identified with program activities or support services are charged accordingly. CARE Canada also incurs a number of general support expenses that are common to the administration of its program activities. These general support expenses are included under "Country Office Management", "International Programs", "Management and general" and "Fundraising, public and donor relations" and as such, there is no allocation of expenses to the different program activities.

Cash and cash equivalents

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

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (Continued)

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	5 years
Office equipment	5 years
Computer equipment	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. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

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 over-expenditures and used to determine the allowance for contributions receivable from donors, the amortization period of capital assets, the value of the investments and accrued liabilities.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of financial instruments

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

Cash and cash equivalents	Held-for-trading
All amounts receivable	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.

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.

Other liabilities

These financial liabilities are recorded at amortized cost.

Future accounting changes

In December 2010, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards for not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will have the option to choose between International Financial Reporting Standards (IFRS) and GAAP for not-for-profit organizations. Early adoption of these standards is permitted. CARE Canada plans to adopt GAAP for not-for-profit organizations effective July 1, 2012 and is currently evaluating the impact of the adoption of these new standards on its financial statements.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

3. DEFERRED CONTRIBUTIONS

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

	<u>2011</u>	<u>2010</u>
Balance, beginning of year		
Short-term deferred contributions	\$ 25,471,211	\$ 29,713,898
Contributions receivable from donors	(6,476,874)	(10,104,120)
	<u>18,994,337</u>	<u>19,609,778</u>
Amounts received during the year		
Cash	91,752,311	101,540,968
In-kind (Note 13)	25,540,236	29,864,067
	<u>117,292,547</u>	<u>131,405,035</u>
Amounts recognized as revenue	(121,138,592)	(132,020,476)
	<u>(3,846,045)</u>	<u>(615,441)</u>
Balance, end of year	<u>\$ 15,148,292</u>	<u>\$ 18,994,337</u>
Balance, end of year represented by:		
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>

Long-term deferred contributions of \$229,794 (2010 - \$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 (2010 - \$229,794).

4. LOANS RECEIVABLE

CARE Canada has advanced multi-year loans to three small agri-business enterprises in Peru that promote women entrepreneurship. CARE Canada established the CEP Investment Trust and provided the Trust with long-term loans to facilitate investments. The Trust has placed its first investment in the Aavishkaar Micro-Venture Fund in India and has committed to invest an additional amount of \$116,852 from the long-term loans it has received from CARE Canada. The Aavishkaar Fund expects to invest in a number of socially relevant rural enterprises in India over the next several years. The loans are unsecured and without any term of repayment. The fair value of the loans receivable is approximately \$550,017 (2010 - \$513,142).

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

5. LONG-TERM INVESTMENTS

	2011		2010	
	Cost Plus Accrued Interest	Fair Value	Cost Plus Accrued Interest	Fair Value
Annual Fund Bonds	\$ 44,055	\$ 44,055	\$ 28,282	\$ 28,282
Venture and Emergency Fund Investment in MicroVest I, LP	122,593	122,593	122,593	122,593
Investment in Edyficar	17,209	167,209	17,209	17,209
	139,802	289,802	139,802	139,802
	\$ 183,857	\$ 333,857	\$ 168,084	\$ 168,084

Coupon rates on the bonds as at June 30, 2011 range between 2.80% and 4.30% and will mature between December 2011 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 MicroVest I LP Fund - an investment fund that places investments in microfinance institutions in the Third World and 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. Where the investment in MicroVest I LP Fund does not have a quoted market price in an active market, it is recorded at cost.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

6. CAPITAL ASSETS

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 271,023	\$ -	\$ 271,023	\$ 271,023
Buildings	4,560,569	1,198,215	3,362,354	3,573,630
Vehicles	849,678	807,254	42,424	108,998
Leasehold improvements	73,781	65,499	8,282	17,156
Office equipment	361,272	339,316	21,956	14,326
Computer equipment	1,119,964	1,044,739	75,225	76,344
	\$ 7,236,287	\$ 3,455,023	\$ 3,781,264	\$ 4,061,477

Cost and accumulated amortization at June 30, 2010 amounted to \$7,340,364 and \$3,278,887, 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, 2011, there was no outstanding balance (2010 - \$NIL).

8. LONG-TERM DEBT

	2011	2010
Mortgage payable in monthly installments of \$21,911, including principal and interest at an annual rate of 5.35% (2010 - 5.35%), secured by land and a building with a net book value of \$3,421,581 (2010 - \$3,520,036), renewable in October 2013	\$ 1,595,206	\$ 1,768,713
Less current portion	(183,676)	(173,507)
	\$ 1,411,530	\$ 1,595,206

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

8. LONG-TERM DEBT (Continued)

Principal repayments over the next five years are as follows:

2012	\$ 183,676
2013	192,831
2014	203,285
2015	214,307
2016	225,925
Thereafter	575,182

The fair value of the mortgage approximates the book value.

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent a building located in Kenya which was contributed in January 2006. The changes in the deferred contributions balance for the year are as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 247,940	\$ 293,020
Amount amortized to revenue	<u>(45,080)</u>	<u>(45,080)</u>
Balance, end of year	<u>\$ 202,860</u>	<u>\$ 247,940</u>

10. 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 build the Annual Fund unrestricted reserve to an equivalent 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, 2011

10. 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.

11. INVESTED IN CAPITAL ASSETS

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 2,044,824	\$ 2,132,253
Acquisitions	65,549	84,733
Amortization of capital assets	(260,493)	(362,768)
Amortization of deferred contributions related to capital assets	45,080	45,080
Disposals	(85,269)	(19,058)
Repayment of long-term debt	173,507	164,584
Balance, end of year	<u>\$ 1,983,198</u>	<u>\$ 2,044,824</u>

12. RESTRICTED DONATIONS

Restricted donations received under the Venture and Emergency Fund includes the following:

	<u>2011</u>	<u>2010</u>
Venture and Emergency Fund donations	\$ 3,640	\$ 388,608
Less amounts recognized as unrestricted donations in the Annual Fund	(364)	(38,861)
	<u>\$ 3,276</u>	<u>\$ 349,747</u>

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

13. CONTRIBUTIONS-IN-KIND

Grain and other 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>2011</u>	<u>2010</u>
Food Programs		
Zimbabwe	\$ 7,136,825	\$ 16,169,814
Kenya	17,151,705	12,148,687
Zambia	840,337	817,446
Indonesia	411,369	728,120
	<u>\$ 25,540,236</u>	<u>\$ 29,864,067</u>

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 \$241,616 (2010 - \$207,694) 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 to undertake 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. As at December 31, 2010, CEP Investment Trust had total assets of \$540,191 (2009 - \$512,760), total liabilities of \$551,110 (2009 - \$520,612) and its capital deficiency was \$10,919 (2009 - \$7,852). Total revenues in 2010 were \$459 (2009 - \$1,307) and expenses were \$3,526 (2009 - \$5,526).

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

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 five years are as follows:

2012	\$ 796,961
2013	221,484
2014	64,151
2015	65,635
2016	68,288
	<hr/>
	\$ 1,216,519

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 \$700,000 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, 2011

18. 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 3, 4 and 5 for fair values related to CARE Canada's other financial instruments.

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.

Cash and cash equivalents, amounts receivable and contributions receivable from donors include amounts denominated in foreign currencies as follows:

	<u>2011</u> (CDN \$)	<u>2010</u> (CDN \$)
Country Offices		
United States Dollars	\$ 8,085,690	\$ 12,578,884
Chad XAF	761,830	1,155,953
Cuban Pesos	32,468	36,577
Indonesian Rupiah	2,041,701	3,412,186
Kenyan Shilling	2,112,071	3,735,206
Zambia Kwacha	962,476	663,493
Zimbabwe Dollars	-	530
	<u>13,996,236</u>	21,582,829
Headquarters		
United States Dollars	<u>1,439,082</u>	2,121,235
	<u>\$ 15,435,318</u>	\$ 23,704,064

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2011

18. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

Accounts payable and accrued liabilities and deferred contributions include amounts denominated in foreign currencies as follows:

	<u>2011</u>	<u>2010</u>
	(CDN \$)	(CDN \$)
Country Offices		
United States Dollars	\$ 8,945,581	\$ 11,519,405
Chad XAF	618,953	879,156
Indonesian Rupiah	2,417,346	3,085,639
Kenya Shilling	1,775,414	3,266,441
Zambia Kwacha	1,042,166	1,051,588
Zimbabwe Dollars	39,278	94,589
	<u>14,838,738</u>	19,896,818
Headquarters		
United States Dollars	1,845,079	635,888
	<u>\$ 16,683,817</u>	<u>\$ 20,532,706</u>

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.

19. 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 \$5,976,167 (2010 - \$6,952,801).

CARE CANADA

Program Activities According to Sectors

year ended June 30, 2011

Schedule

	Humanitarian and Emergency Assistance	Environment and Natural Resource Management	Health and HIV	Multi-Sectorial/ Integrated Programs	Enterprise Development	2011	2010
Advocacy	\$ 89,386	\$ 38,793	\$ -	\$ 349,426	\$ 796,075	\$ 1,273,680	\$ 1,354,134
Agriculture and Natural Resources	1,858,573	7,547,711	111,616	125,277	889,667	10,532,844	9,686,090
Child Health	-	-	1,375,341	51,962	-	1,427,303	3,331,483
Education	321,427	-	58,198	940,403	1,638,851	2,958,879	3,763,574
Infrastructure	2,016,794	-	-	883,748	-	2,900,542	7,196,500
Integrated and Other Health	530,034	-	6,674,462	45,614	-	7,250,110	7,415,110
Multi-Sector Projects	1,761,480	-	-	1,259,641	525,240	3,546,361	1,815,873
Nutritional Support	40,648,098	2,425,884	-	-	-	43,073,982	49,414,967
Other	10,235,954	1,114,969	533,537	7,706,401	2,393,819	21,984,680	21,981,802
Program Management	-	-	-	339,510	-	339,510	349,485
Reproductive Health	257,295	-	10,298,072	-	241,408	10,796,775	3,451,961
Small Economic Activity Development	161,135	1,312,478	57,718	147,939	4,600,686	6,279,956	6,181,972
Support	-	-	-	-	-	-	18,732
Water Supply and Sanitation	1,419,303	2,280,838	2,774,279	-	-	6,474,420	12,982,401
	\$ 59,299,479	\$ 14,720,673	\$ 21,883,223	\$ 11,849,921	\$ 11,085,746	\$ 118,839,042	\$ 128,944,084