



Journey of ideas

CARE Canada annual report 2005



AT A GLANCE

Vision

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

CARE Canada 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 unshakeable commitment to the dignity of people.

Mission

CARE Canada's mission is to serve individuals and families in the poorest communities of 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, and
- addressing discrimination in all its forms.

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

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Questions donors often ask

How does CARE choose projects to support?

CARE project proposals are developed by our staff in close collaboration with communities, local governments and organizations. This ensures that our projects address the most critical needs of each country. CARE works exclusively in developing countries.

What are your administration costs?

The audited statements for 2005 in this report show that our administration costs remained low at 5.7 per cent of total expenditure. This includes the cost of fundraising.

How can I support CARE?

There are several ways to support CARE. You can donate by cheque or money order, or make a credit-card donation using your VISA, American Express or MasterCard. You can also support our work through convenient, automatic monthly withdrawals from your bank account or credit card (CARE Plan), bequests, gifts of stock, life-insurance donations and annuities.

Donations can also be made securely over the Internet at www.care.ca. Please visit our new online sponsorship programme at www.careconnects.ca for an opportunity to directly contribute to CARE's support for children's education in Zambia.

For more details, contact CARE Canada's Donor Relations Team at 1-800-267-5232.

Did you know that CARE has expanded its online giving capabilities? In addition to secure donations from our Web site (www.care.ca) using your credit card, cash donations can also be made to CARE Canada through the online and telephone systems of Canada's major banks: Royal Bank of Canada, CIBC, Scotiabank, TD Canada Trust, and the National Bank of Canada.

Is my donation eligible for a tax credit?

Yes. All donations to CARE Canada are eligible for tax credit under the registration number 11883 8333 RR0001.

AT A GLANCE

_The journey of ideas: CARE's vision

From its inception in those bleak post-war days 60 years ago, the idea of serving the poor has travelled in CARE through time and place, growing and flourishing.

Today, it is central to CARE's vision and its search for a world of hope, tolerance and social justice, where poverty has been overcome, and people lead secure, dignified lives.

FOOD AND SUPPLIES

The journey began 60 years ago, when the first CARE packages of food and simple supplies were shipped from North America to famished citizens in war-wasted Europe. Just as it did in 1946, CARE still feeds people every day, millions annually in Africa where years of erratic rainfall have created chronic food shortages.

AID AND RESPONSE TO NATURAL DISASTERS

For years, CARE has moved quickly to supply fresh water, food and temporary shelter to victims of natural calamities. Now, it also offers medical, nutritional and counselling services during times of crises. And it works to fight the outbreak of disease by building sanitary latrines and encouraging practical hygiene.



TOOLS TO FEED THEMSELVES AND OTHERS

Where growing conditions are better, CARE has given millions more the tools and information they need to feed themselves. Now CARE helps poor farmers in developing countries use free-enterprise markets to earn income by feeding others – not only at home, but in wealthy countries abroad.

TRAINING, EMPLOYMENT, PEACE, LITERACY

CARE's aid has grown beyond food, water and shelter. CARE now supports projects to provide vocational training, to increase youth employment, to promote peace and to improve literacy. In poor countries afflicted by HIV/AIDS, CARE offers many kinds of support.



Melanie Brooks

Thousands of Sudanese, fleeing horrific assaults in neighbouring Darfur, abandon their homes for a listless life in a refugee camp in Chad.

The idea of a community centre for street kids in Montréal looking for a safe place to sort out their lives finds a new application in the African desert.



In the Chadian desert, where blowing sand coats everything, a flash of colour peeks out from the void. Tiny knitted baby bonnets in vibrant greens, reds and oranges dangle cheerfully from a stone hut. Inside, refugees learn new skills.

More than 200,000 Sudanese refugees from savage attacks in neighbouring Darfur live here in sprawling camps. They've lost so much, yet many have found some normalcy from an idea born a world away, in Montréal.

In the 1970s, Gaétan Duhamel opened a youth centre for Montréal street kids. It was a safe space where young people could find support and services as they searched for a settled life.

Now, he's applied that idea here. Working with refugees, CARE workers have set up 10 community centres in each camp where people enjoy the sense of safety and shared experience known by those kids in Montréal.

Recognized by the UN High Commissioner for Refugees as a best practice, CARE's Community Service Posts show how innovative ideas can improve life amid the horrors of war and the tedium of a tented camp.



Peter Bregg

Fresh, clean water, readily available for all. It's an idea as central to Canada as universal medical care.

Safe water and sanitation for the poorest of the world's poor is central to CARE Canada. Innovative water projects have helped transform the lives and health of people from Asia to Latin America.



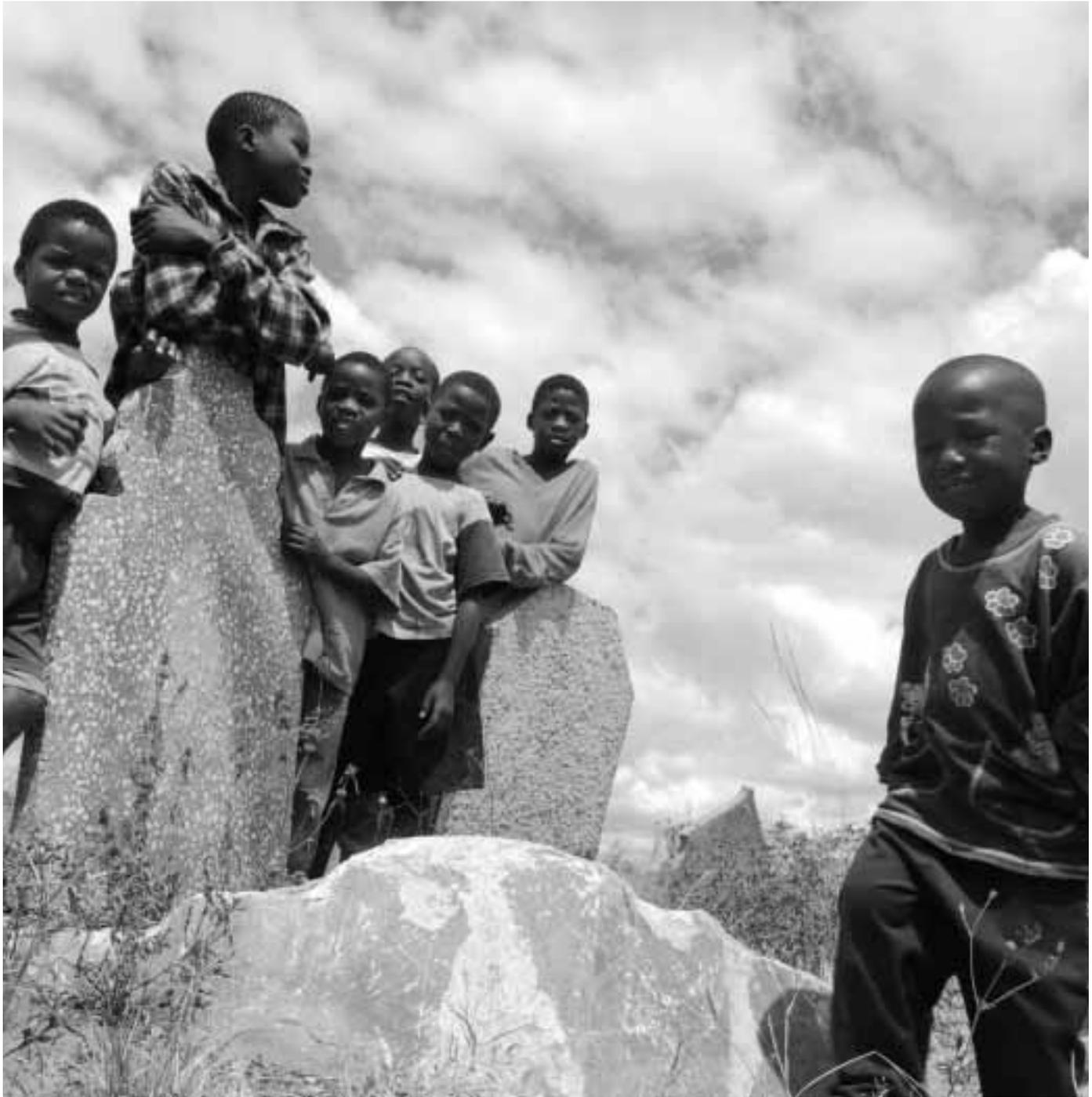
Clean, clear drinking water – spilling down mountainsides, tumbling over river rocks, filling deep, cold lakes, gushing from the tap. It's a notion that helps define CARE Canada's concept of worthwhile long-term development, the idea of providing safe water and sanitation to people the world over.

It's an idea that began with innovative CARE projects in poor parts of Asia that generated a remarkable range of benefits, including dramatic improvements in health among small children and infants. It has since spread to Africa and Eastern Europe and Latin America.

In northern Honduras, for example, some 56,000 people in 80 rural communities now have access to safe drinking water as a result of sustainable water and sanitation projects financed by CARE and CIDA.

Local women now spend time on gardens, household chores and community work they once spent hauling water and washing clothes in rivers. Families now use sanitary latrines, sewage drains and compost pits.

Significantly, with CARE on hand as a guide, the people benefitting now run the projects that have given them healthier lives.



Peter Bregg

More than 28 million Africans have HIV/AIDS. Orphans mourn the loss of parents. Families are stigmatized and maligned.

Innovative ideas from CARE Canada to treat and counsel those affected add to broader efforts by a unique coalition to ease the suffering.



In sub-Saharan Africa, where 28 million people are infected with HIV/AIDS, CARE has found a way to ease the emotional impact of a disease that has left its victims stigmatized, their family and friends maligned.

For hundreds of thousands of orphans who mourn the loss of their parents, CARE has encouraged an ingenious way to celebrate the history of each child's family: memory books. For youth leaders, there are income-earning ventures that provide financial strength to fight discrimination. For families, there are home-based treatments and counselling services.

These innovative ideas from CARE contribute to the broader efforts of the unique Canadian Coalition on HIV/AIDS and Youth in Africa, a group composed of CARE in partnership with Foster Parents Plan, Save the Children and World Vision.

The coalition coordinates 11 social and educational projects in four African nations: Burkina Faso, Ethiopia, Kenya and Mozambique. More importantly, it recognizes the importance of joint action, of sharing ideas and years of experiences, in the fight to help a continent address the most critical issue in its history.



Jesse Moore

Poor African vegetable farmers eke out a living, deprived of the markets that would help them prosper.

CARE Canada brings farmers, distributors and exporters together in a way where all make financial gains.



The idea took root in Zimbabwe in the early 1990s, when the late CARE innovator, John Scoggan, wondered why soap and Coca-Cola were readily available in rural villages, while farm products like seeds and fertilizer were not.

He discovered that farm supply wholesalers in the city didn't recognize the size of the rural market. Poor farmers weren't buying large quantities of seeds individually. Yet combined, they were buying enormous amounts. Scoggan did a study, brought wholesalers a list of 300 registered shopkeepers eager to act as a distribution network, and sparked a sector-wide shift that has helped make markets work better for companies and poor farmers.

That idea has now been applied in Kenya, where CARE showed supply-hungry exporters in Nairobi the potential volume of vegetables they could obtain from small farmers. Their work led to a joint CARE/private business venture company called VegCARE, which brings vegetables grown by small farmers in rural Kenya to the supermarkets of London and Berlin.

CARE Enterprise Partners has grown out of ideas such as these, and together with the CARE Venture Fund, is helping companies and the poor prosper together.

MESSAGE FROM THE CHAIR



The demands for CARE Canada's services were greater than ever in 2005, and I am pleased to report that the organization responded with skill, expertise and compassion.

On Dec. 26, 2004, we awoke to news of the devastating tsunami that would take so many lives and wreak such havoc and destruction in Southeast Asia. CARE Canada responded immediately. As the lead member of CARE International in Indonesia, we had experienced staff on the ground ready to assist, and CARE staff were in Banda Aceh within days, assessing what was needed, distributing water purification solution, food and other supplies to the beleaguered population. CARE Indonesia, which had a staff complement of about 800 in early December 2004, now employs 1,400 people as the operation moves from assistance with the immediate relief phase, to reconstruction and rehabilitation of livelihoods and lives. CARE, along with other Indonesian and international non-governmental organizations, plus UN agencies, accomplished a great deal – the fact that outbreaks of cholera and other diseases did not occur is a result, in large part, of the fast and effective responses of those providing humanitarian assistance.

Ottawa-based staff worked round the clock arranging for further deployments of people, and responding to the generosity of Canadians. The latter was truly outstanding and unprecedented. We are grateful to all of those who gave, who organized, who volunteered, and to the Government of Canada which matched private donations and made major allocations. The world became a smaller place during the tsunami; we all came to understand that we live in one world, and are at one with the people in it.

It is up to all of us, now, to carry on and enhance that sense of oneness.

CARE is involved in life-saving and life-enhancing work in many parts of the world where conflict erupts from time to time. As a result, our field staff face greater risks than ever before. The tragic loss of Margaret Hassan in Iraq, and the kidnapping and subsequent release of Clementina Cantoni in Afghanistan, make us ever more conscious of the need to minimize these risks wherever possible. The Board of Directors is cognizant of these demands, and has taken steps to further ensure the security of all staff and to monitor ongoing threats.

I am pleased to report that CARE Canada's success this year is evident in the work we are doing, the resources we bring to our work, and the innovative and creative approaches we are taking to economic development. We are particularly proud of the CARE Enterprise Partners initiative where we are incubating and developing small businesses in order to increase the income of very poor people – in some cases quite dramatically. Subsequent development and ownership is then passed to the people involved.

CARE Enterprise Partners is on the cutting edge of innovative approaches to poverty alleviation. Our objective is to create sustainable development by ensuring that financing, management and proper governance are in place for both start-ups and the development of small businesses which can first fill local market needs, cost and quality effectively, and then duplicate their success in export markets.

I am also pleased to report that our Capital Campaign – Capitalizing CARE for Market-Led Development – aims to raise \$25 million from Canadian major donors, and it is on track for success. These resources will be put to use in Making Markets Work for the Poor, as well as allowing an increased emergency response capacity. I pay tribute to my fellow Board members who have given generously to the campaign and who are actively assisting this critical project.

CARE Canada continues to engage in cutting edge development work in sectors such as climate change and HIV/AIDS, as well as water and sanitation and food distribution. Several Board members visited CARE projects and staff in the field last year and saw first-hand the results of those efforts. These visits provide invaluable perspective and experience when we return to Canada, and work towards poverty

alleviation. My own visits to Bosnia/Herzegovina, Nicaragua, Timor-Leste, Peru, Mali and Cameroon have been the highlights of my CARE experience.

CARE Canada is a member of the CARE International federation of 12 national CAREs which work in more than 70 countries. We manage the CARE operations in 10 countries – Cameroon, Chad, Colombia, Cuba, Indonesia, Kenya, the Russian Federation (Ingushetia and Chechnya), Timor-Leste, Zambia and Zimbabwe. Country Directors from those offices participate in our Board meetings once a year – another invaluable way for Directors to keep in touch with CARE activity.

Peter Crossgrove represents CARE Canada on the CARE International Board, serving as its Treasurer, and I pay tribute to the effective service he has provided to CI over the past 10 years. I am a member of CI's General Assembly. Board members meet several times a year in order to direct the Secretariat and coordinate the activity of the federation.

CARE Canada is honoured to be the recipient of funds from the Government of Canada, through CIDA, for mutually agreed projects and programmes, and from the United Nations High Commissioner for Refugees and World Food Programme for the implementation of their programmes. We are grateful to all institutional donors.

We are also grateful to the tens of thousands of Canadians who make donations to us in order that we, acting on their behalf, can help people less fortunate than themselves. We take their trust in us very seriously, and do our best to ensure that their contributions are well and wisely spent.

Finally I pay tribute to the Board of Directors of CARE Canada who do such valuable work, on a volunteer basis, overseeing the activities of this large and complex organization. They join me in honouring A. John Watson and the staff of CARE Canada who perform their work with professionalism and compassion.



Robert J. Tweedy
Chair
CARE Canada

BOARD OF DIRECTORS 2005

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MESSAGE FROM THE PRESIDENT



INNOVATION AT CARE CANADA

We live in an age that celebrates innovation. Leaf through a newspaper, walk through a store or turn on a television set and you will be constantly bombarded by “new and improved” products.

Yet this constant touting of the benefits of innovation stands in sharp contrast to more pedestrian realities. Our government structures, clogged with bureaucracy and red tape, seem locked in a spiral of providing increasingly inadequate services at significantly higher costs. Our large corporations wrestle with the difficulty of generating breakthrough improvements in their products from the inside and turn to the alternative of buying up smaller, less mature start-ups for their intellectual property. Even the best NGOs are facing a crisis of confidence as our hopes for quantum leaps in the reduction of poverty face the reality of its stubborn persistence after 50 years of development efforts.

The history of the economies of countries now considered developed indicates that a burst of innovation accompanied economic take-off. That is why at CARE we think it is important to remain innovative in our work. But how do we do this?

First, I believe it is important that we remain lean, relatively small and decentralized. Large human institutions appear to lose their capacity to innovate. And though it is counterintuitive, there is a tendency among organizations that are too well resourced to lose their entrepreneurial fire. That is why CARE spins off its non-core areas of specialization – human resources, information technology and procurement – into a separate not-for-profit corporation called Global Development Group. It is also why we support a decentralized confederal form for our partners in CARE International. And it is why

I think it is important that we struggle constantly to keep our overall administration rates low (amongst the lowest in the NGO world).

Secondly, innovation seems to be a creature of certain talented individuals rather than of work done by committee. Innovative personalities come in two forms – pattern recognizers and visionaries. Pattern recognizers can scan their world and see odd connections between disparate facts where others see only unremarkable landscapes. Visionaries, on the other hand, have the ability to see through time to a future that does not yet exist. Both are constitutionally wedded to thinking outside the box and respond poorly to being constrained by traditional top-down management structures. For these reasons, we spend a lot of effort identifying bright, young talent and integrating it in a very “flat” organizational structure that celebrates risk-taking.

These individuals seem to be rare and relatively evenly spread out in human society rather than concentrated in the ranks of the wealthy and better educated. For this reason, we invest a lot of time listening to the poor with whom we work. We often find some of the best new ideas on poverty reduction come from within their ranks.

Finally, innovation seems to be a creature of synthesis rather than mimesis. By this I mean it requires ongoing experimentation on the front lines of the real world rather than following well-developed formulae laid down by large institutions. It is the opposite of a politically correct approach. For instance, prescriptions for poverty alleviation articulated by organizations such as the World Bank do appear to be state-of-the-art and intellectually coherent. But they are poor at self-correction through time and in different cultural contexts.

The result is a succession of different fashions in development theory which sometimes do great damage before their shortcomings are recognized in the front lines of poverty alleviation.

This is all very high-level talk. But what does it actually mean in practice? Here are a few examples.

Ten years ago one of our visionary staffers, the late John Scoggan, overheard a conversation while visiting his African in-laws about whether the family should pay the school fees necessary to allow a youngster to continue his education at the high school level. From this everyday overheard conversation, Scoggan made the leap to questioning the development orthodoxy of the time – that micro-credit projects were the key to breaking the poverty cycle of rural areas. From this small beginning grew the idea of CARE Enterprise Partners, which now invests in a wide variety of pro-poor enterprises spanning three continents.

Zambia is one of the countries hardest-hit by the HIV/AIDS pandemic. While it was clear that a change in sexual activity practices was necessary to bring down the infection rate, regular public health education messages delivered by health professionals were having little effect in reaching adolescent youth before they become sexually active. Any parent trying to teach their children the ‘facts of life’ faces a similar problem: young people are shy and awkward when this subject is discussed with adults and they decline to ask questions on such intimate matters. So CARE started developing a cadre of teenage trainers who would deliver the HIV/AIDS prevention message to their peers. The result has been a significant reduction in HIV/AIDS infection rates among Zambian youth for the first time. This is a very promising development, offering hope that the pandemic can be eventually defeated.

In Sumatra, after last year’s tsunami, we knew we were facing the grim possibility of a secondary wave of deaths from water-borne diseases among the widely dispersed victims of the disaster. The solution was the provision of clean water, but the problem was that the tsunami had destroyed much of the road infrastructure that would have allowed us to get bottled water out to the victims. Limited helicopter service to remote areas was possible but delivering bottled water and jerry cans was impractical because of the heavy weight and bulk of these items. Instead, we used buckets that could be stacked together to reduce bulk and small 100 ml bottles of water purifying solution. One small bottle with simple instructions printed on the side in pictures and in the local language provided 400 litres of purified water – enough to meet the potable water needs of a family of five for one month. Largely because of this innovative relief programme and others like it there was no secondary wave of deaths.

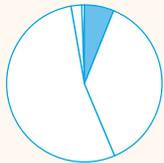
I could go on and on outlining how innovation in our approach to poverty alleviation and disaster relief is the key to success. I am proud to lead an NGO which is among the most innovative in its field. For this reason we have decided to make innovation the theme of this year’s annual report.



A. John Watson
President and CEO
CARE Canada

CARE PROJECTS

The projects below are CARE Canada-managed activities. The figures shown include all projects managed by CARE Canada in all Country Offices, and all projects in CARE Canada-led Country Offices.



HIV/AIDS

Total Programme: \$6,747,214

More than 40 million people – a third more than Canada’s population – are living with HIV/AIDS worldwide. Almost all live in the developing world. CARE Canada works with communities, leaders and governments to develop and implement projects to stop the spread and mitigate the impact of this deadly epidemic. These projects include home and community-based health care and support; building strong social networks to counteract stigma and discrimination and to facilitate community responses; youth education, awareness and counselling; reproductive health services; formal and non-formal childhood education for orphans and vulnerable children; and livelihood support for households affected by HIV/AIDS.

- Africa**
 - Canadian Coalition on Youth and HIV/AIDS in Africa
- Cambodia**
 - Canada Southeast Asia Regional HIV/AIDS Programme
- Cameroon**
 - Civil Society Mobilization for the Fight Against AIDS
 - HIV/AIDS Prevention
 - HIV/AIDS Prevention & Road Safety Ngaoudere - Mundu
 - HIV/AIDS Prevention Among Truckers & Vulnerable Populations
 - HIV/AIDS Prevention for Highway Users & Roadside Communities
 - Promoting Community Home-based Care for HIV/AIDS/TB
- Egypt**
 - Awareness Against AIDS
- Ethiopia**
 - Canadian Coalition on Youth and HIV/AIDS in Africa
 - HIV Project for Youth in Bahir Dar
- Global**
 - AIDS: Picture Change
 - HIV/AIDS Toolkits for Mining Companies
- Kenya**
 - ACQUIRE
 - Bamburi Study for HIV/AIDS Community-based Programmes
 - Canadian Coalition on Youth and HIV/AIDS in Africa

- Kenya** (*continued*)
 - Capacity Building to Support Local HIV Prevention
 - Local Links for Orphans and Vulnerable Children Affected by HIV/AIDS
 - Prevention of Mother-to-Child Transmission Services
 - Siaya HIV/AIDS Initiative
- Laos**
 - Canada Southeast Asia Regional HIV/AIDS Programme
- Mozambique**
 - AIDS Prevention, Positive Living, Empowerment
 - Canadian Coalition on Youth and HIV/AIDS in Africa
- Southeast Asia**
 - Canada Southeast Asia Regional HIV/AIDS Programme
- Thailand**
 - Canada Southeast Asia Regional HIV/AIDS Programme
 - HIV/AIDS Care and Support Operation Research
- Vietnam**
 - Canada Southeast Asia Regional HIV/AIDS Programme
- Zambia**
 - Sexual and Gender-based Violence in Refugee Camps
- Zimbabwe**
 - SIMBA Income-generating Activities for AIDS-affected Families

CARE PROJECTS



DEVELOPMENT

Total Programme: \$39,880,953

CARE Canada works with poor communities to improve the living conditions of people in need through a broad range of long-term development programmes in water and community health, agro-forestry and conservation, and small enterprise and income generation.

CARE implements water and sanitation programmes to ensure people have access to clean water, reducing the incidence of water-related diseases and dehydration. Health projects help people gain access to primary health care, and provide public education, nutrition, social-services outreach and health-worker training programmes. Through agro-forestry and conservation projects, CARE helps farmers maintain their land and expand their crop yield by providing access to credit, training and improved seeds. To protect the environment, CARE promotes agro-forestry – the planting of trees with crops to enrich degraded soil and prevent erosion. CARE Canada improves economic security and expands income opportunities for poor people, especially women, through small enterprise and income generation projects. By providing access to credit and helping to create savings mechanisms, CARE helps people invest in themselves and increase their earning power.

In all its activities, CARE Canada has developed an exemplary reputation for community-based programmes built on community participation and solid research and design. CARE Canada's staff and partners have a proven managerial capacity to handle large and complex international projects.

Afghanistan • Kabul Widows Income-generation Activities

Bangladesh • Reducing Vulnerability to Climate Change
• Rural Maintenance Programme

Benin • Appropriate Solutions for Anemia Control
• Improving the Iron Status of Lactating Women & Children

Burundi • Peace Building in Ngozi

Cambodia • Literacy for Empowerment of Adolescents

Cameroon • Community Forestry
• Hope for African Children Initiative
• Potable Water & Community Health in Adamaoua
• Rural Agricultural Development in the North
• Rural Development in East & Adamaoua Provinces
• Support to Orphans & Vulnerable Children in the North

Colombia • Programme Development Strategy

Cuba • Forestry Farms
• Livelihood Improvement in Corallillo
• Livelihood Support through Credit & Technical Support
• Programme Development Strategy
• Veterinary Medicine

DR Congo • Engaging Civil Society for Improved Forest Governance

Ecuador • Tools for Development

El Salvador • Water and Sanitation

Ghana • Community-driven Initiatives for Food Security
• Forests for the People Campaign

Global • Capacity Building in Programme & Programme Management
• Civil Society Engagement Fund Phase II
• Nutrition Innovation
• Tools for Development
• Youth Internship – Headquarters

Guatemala • Post-conflict Democratization in Guatemala

Haiti • Education

Honduras • Coffee Export
• PASOS II Sustainable Water & Sanitation

India • Control of Tuberculosis through Community-based DOTS
• Maternal and Infant Survival Programme

Indonesia • Bisma (bina insan sejahtera mandiri)
• Civil Society Support
• Coordination of Local Environment Action Network
• Environmental Conservation of Marginal Lands
• Humanitarian Response & Economic Recovery
• Improve Access to Education
• Pena TTU / West Timor

Indonesia *(continued)*

- Preparedness for Environmental Emergency
- Preparedness for Peat Lands Emergencies
- Protect Tropical Forests Through Ecological Conservation
- Sulawesi Water & Sanitation & Hygiene
- Timor Peace Building
- Urban Development Programme
- Water Supply & Sanitation

Jamaica • Tools for Development

- Kenya**
- Capacity Building in Basic Education
 - ECA Regional Programme Coordinator
 - Girl Child Programme
 - Hope for the African Child Initiative
 - Jamaa Wazima Healthy Households
 - Livestock Marketing Enterprise
 - Lok Pachi Household Livelihood Security
 - Mission Development Initiatives
 - Nyanza Healthy Water
 - Pastoralists Health and Income Project
 - Private Sector Partnership Conference
 - Professional Services
 - Rusinga Island Conservation & Horticulture
 - Rural Enterprise & Agribusiness Promotion
 - Salem Orphanage Project
 - Sudan Advocacy

Malawi • Civil Society Education Coalition Support**Mali** • Support for Reproductive Health in Kayes Phase II**Mozambique** • Malaria Prevention for Children and their Mothers**Nepal** • Participation of Women Enabling Programme**Nicaragua** • Agro-forestry Management**Pakistan** • Improving Gender Equality and Health in Balochistan**Peru**

- Bilingual & Multicultural Education in the Andes
- Tools for Development

Russian Federation (Ingushetia and Chechnya)

- Believe in Yourself – Psychosocial Support
- Community-based Psychosocial Education Phase IV
- Consolidated Appeal Process in Chechnya
- Education for Displaced Children
- Gender-based Anti-violence Programme
- Programme Development Strategy
- Psychological Service & Education

Rwanda

- Youth Initiatives to Enhance Learning Development
- Securing Universal Primary Education

Senegal • Support to Small Fruit Producers in Senegal**Sri Lanka** • Local Initiatives for Tomorrow**Sudan** • Wau Peace and Conflict Mitigation**Tajikistan** • Participatory Rural Adaptation in Response to Climate Change**Tanzania**

- Civil Society Engagement Fund Phase II
- Kahama Education Enhancement Project
- Rural Enterprise and Agribusiness Promotion / Tujikomboe

- Timor-Leste**
- BELUN - NGO Capacity-building Programme
 - Community-based Natural Resource Management for Carbon Sequestration
 - Community Volunteers for Combined Child Health
 - Health Network of Non-governmental Organizations
 - Rapid Livelihood Security Assessment
 - Rapid Nutritional Assessment of Children
 - Rice Market Survey
 - Rural Community Water & Health
 - Timor-Leste – Australia Friendship Schools Project
 - Timor-Leste Children's Magazine

Uganda • Agricultural Marketing Initiatives**Vietnam** • NGO Engagement in Decision-making Process**West Bank/Gaza**

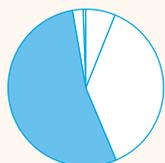
- Promotion of Popular Theatre

Zambia • CARE Partnership Programme Agreement

- CHANGES
- City Community Challenge Fund
- Community-based Natural Resource Management
- Community-managed Improvements
- Community Schools
- Copperbelt Urban Livelihood
- Hope for the African Child Initiative
- Infant & Child Mortality Reduction
- Initiatives for Urban Learning & Practices
- Integrated Health Package
- KOPANO-childCARE
- Livingstone Food Security
- MOST
- Northern Province Peri-urban Water and Sanitation Programme
- On-site Milling
- Partnership for Capacity Building
- Peri-urban Lusaka Small Enterprise
- Poverty Elimination
- Rice Production in Wetlands and Flood Areas
- Southern Africa Drought Technology Network
- Strengthening Community Participation for Empowerment
- Tuberculosis Control
- UTS Students' Development Education Trip to Zambia

- Zimbabwe**
- AGENT II - Expansion of Agribusiness
 - Business Development Services in Midlands Province
 - Credit for the Informal Sector Programme
 - FIS Training and Installation
 - Micronutrient Initiatives
 - Rural Micro-finance
 - Savings & Credit Opportunities
 - Survey for Urban Need

CARE PROJECTS



EMERGENCY RELIEF

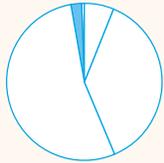
Total Programme: \$57,406,508

CARE Canada is one of the first organizations to respond when a disaster strikes, providing millions of people every year with emergency support such as food, health care, temporary shelter, seeds and tools. CARE has a three-pronged strategy to respond to man-made and natural disasters: disaster preparedness, quick and effective response, and recovery.

- Afghanistan** • Kabul Widows Emergency Feeding
- Chad**
 - Community and Psychosocial Services
 - Installation of Water Points in Sudanese Refugee Camps
 - Sudanese Refugee Assistance Project in Eastern Chad
- Colombia**
 - Emergency Project for Flood-affected Families
 - Food Security for Internally Displaced People in Colombia
 - Humanitarian Aid in Colombia to Displaced Families
- Cuba**
 - Securing Livelihoods: Urgent Relief Supplies in Cuba
- Eritrea**
 - Tractor Plowing and Seed Distribution
- Global**
 - Emergency Fund Activities
- Haiti**
 - Haiti Emergency Flood Relief
- India**
 - Tsunami Emergency Response
- Indonesia**
 - Aceh Tsunami Response
 - Developing Relief Initiatives through an Integrated Approach
 - Fires and Drought Emergency
 - Internally Displaced People of Madurese Origin
 - Internally Displaced People Relief (West Timor)
 - Poso Emergency Relief
 - Safe Water & Sanitation
 - Southeast Asia Tsunami Relief
 - West Timor Nutritional Emergency Feeding
- Iraq**
 - Iraq Emergency Activities
- Jamaica**
 - Securing Livelihoods: Urgent Relief Supplies in Jamaica
- Kenya**
 - Drought Intervention
 - Refugee Assistance Programme
 - Title II Development Assistant Programme
- Nepal**
 - Emergency Humanitarian Advisor
- Sri Lanka**
 - Emergency Relief Funding for Jaffna
- Sudan**
 - South Darfur Emergency Water & Sanitation Relief
- Tajikistan**
 - Varzob District Emergency

- Timor-Leste**
 - Emergency Assistance to Mitigate Nutritional Disaster
 - Improved Seed Selection and Storage
 - Rapid Nutritional Assessment
 - Timor-Leste Community-managed Food Banks
- Zambia**
 - Angolan Refugee Emergency
 - Drought Assistance
- Zimbabwe**
 - Emergency Agricultural Recovery Project
 - Emergency Food Assistance
 - Food Security
 - Humanitarian Urban Assistance
 - Protracted Relief Programme
 - School Feeding Programme

CARE PROJECTS



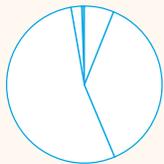
REHABILITATION

Total Programme: \$2,484,070

CARE Canada delivers assistance in the aftermath of a disaster, providing urgently needed food, water and shelter – but our work continues after the initial crisis is over. CARE works with communities to re-establish stability, and helps to rebuild infrastructure and livelihoods through social and economic rehabilitation projects.

- Burundi** • Tangara Community Development & Rehabilitation
- Indonesia** • Direct Innovative Recovery of Emergency-affected Communities in Timor
- Iraq** • Rehabilitation of Water, Sanitation, Health & Education Systems in Kerbala

- Timor-Leste** • Irrigation Rehabilitation and Soil Conservation
• Lacota School Rehabilitation
- Zimbabwe** • Rural Infrastructure Rehabilitation
• Small Dams & Community Resource Management



OTHER

\$386,932

- Global** • Global Security Issues
• Programme Support and Evaluation for Outside Firms

OUR PARTNERS

The CARE network and its institutional donors

CARE International

CARE International operates in more than 70 developing countries. CARE International is a federation comprised of 12 members: CARE Australia, CARE Canada, CARE Danmark, CARE Deutschland, CARE France, CARE Japan, CARE Nederland, CARE Norge, CARE Österreich, CARE Raks Thai, CARE UK and CARE USA.

CARE Canada

CARE Canada is an operational agency that, as a member of the CARE International network, supports development projects and relief operations around the world. It is also the lead agency responsible for coordinating the overall efforts of the CARE International network in Cameroon, Chad, Colombia, Cuba, Indonesia, Kenya, the Russian Federation (Ingushetia and Chechnya), Timor-Leste, Zambia and Zimbabwe. CARE Canada's work would not be possible without the commitment of institutional donors, particularly the Canadian International Development Agency (CIDA). We take this opportunity to thank all donors for their significant support.

CARE Canada and CIDA

CIDA Matching Funds

Public donations to CARE Canada are often matched by the Canadian International Development Agency in varying ratios depending on the type of project to which they are applied. CARE Canada projects receive different funding from three different branches of CIDA: Canadian Partnership, Bilateral Programmes and Multilateral Programmes.

CARE Canada and the multilaterals

The United Nations family of specialized agencies includes the UN High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF) and the World Food Programme (WFP). CARE Canada enters into contracts with these agencies, in countries where it is the lead CARE member, for assistance to refugees and the delivery of food. CARE Canada has a growing relationship with the

Canadian Partnership

Under this branch, CIDA contributes three dollars for every dollar donated to a project's direct costs. These projects, which are initiated by a non-profit, non-governmental organization like CARE, encourage partnerships between Canadian and developing country participants. Self-reliance and maximum use of the local resources in the host country are also emphasized.

Bilateral Programmes

Under this branch, the usual practice is that CIDA covers the majority of cash requirements while CARE Canada and its partners make substantial in-kind contributions. These projects, which call for an agreement between the Government of Canada and the host government, are normally larger in scope. Development projects are often capital-intensive and involve infrastructure development such as building roads, warehouses, water supply and sanitation systems, or integrated community development.

Multilateral Programmes

Humanitarian Assistance, Peace and Security projects under this branch primarily meet the immediate relief needs of disaster victims, with CIDA funding up to 100 per cent of costs. The Multilateral Food Aid Programme supports food monetization and food swaps where proceeds are used for rehabilitation or long-term development activities. Also included are economic recovery, transitional programming and psychosocial work, mainly for children.

World Bank and, through CARE International, with the European Union's humanitarian assistance organization. The International Fund for Agriculture and Development (IFAD) supports CARE Canada rural-enterprise development projects in Zambia and Kenya. These projects focus on the integration of smallholder farmers in the market economy.

CARE CANADA PERSONNEL

_Ottawa

Communications

Melanie Brooks

Core

Nancy Gordon
Kevin McCort
Rosemary Tassie
A. John Watson

Finance

Christine Boulanger
Amy Campbell
Xiomara Campos
Ertha Doliscar
Mohamed Elmi
Wendy Erfle
Mwaura Kibui
Kimberly Loi
Lenah Maranga
James McDonald
Mohamed-Ide Moussa-Okieh
Pamela Smart
Kowshalya Vijayasekaran
Brian Wolff
Nathalie Woodstock

Internal Audit

Madhu Madhavan
John Oliveira
Amarinder Singh

International Operations

Michael Adams
Marlene Barber
Tanya Barnett
Jalal Bhuiyan
Steven Gilbert
Annick Gillard
Cindy Issac
Anita Koehler
Jean-Bernard Lindor
Caroline Marrs
Hana Mijovic
Tiarnach Mooney
Michelle Munro
Gail Neudorf
Kathleen O'Brien
Nevin Orange
Richard Paterson
Maria Peake
James Racicot
Aly-Khan Rajani
Devendra Sharma

Barbara Shenstone
Paul Seshadri
Nortreda St-Martin
Marie-Christine Tremblay
Rod Volway

Marketing

Kelly Ducharme
Julie Girouard
Gilles Latour
Maria Lombardo
Joanna Munroe Luciano
Margo Royce
Bea Solyom
Tracy Stirling

_Montréal

Daniel Aubin
François Audet
Maryse Bédard-Allaire
Marijo Paquet

_Toronto

Mary Bagiamis
Farouk Jiwa
Roy Megarry
Jesse Moore
Lucas Robinson
Dario Tamayo

_Global Development Group

We would like to thank Global Development Group for their hard work and ongoing support in our domestic and international operations throughout the year. GDG is an independent, not-for-profit

corporation that provides CARE Canada's human resources management, information technology tools and support and property management, and handles CARE Canada's procurement needs.

CARE CANADA PERSONNEL

_CARE Canada personnel – overseas

Afghanistan

Asif Rahimi

Bangladesh

Sangita Patel
Philip Tanner

Bosnia

David Gallagher

Cameroon

Mathieu Asselin
Alden Dillow
Leo Kortekaas
Lucile Lafleur
Christine Ouellette
Anne Perrot

Chad

Vincent Accart
Binioube Aleyao
Bernard Arcens
Denise Bricault
Bakary Diarra
Gaétan Duhamel
Madeleine Evrard
Ladislav Fundschler
Jessica Hyba
Anastase Jaribu
Karim Khalil
Hadjia Kindo
Valerie LaForce

Pierre Leguene
Karine Marsan
Georges Mboko
Laurette Mokrani
Damien Mvuyekure
Juma Nduwimana
Nicolas Palanque
Michel Turcotte

Cuba

Darren Hedley

Honduras

Serge Lantagne

Indonesia

Paul Adams
Mohammed Asaduzzaman
Hemangini Brahmbhatt
Alexandre Carle
Gordon Denoon
Kondal Dharmapuri
Therese Foster
Stephen Gwynne-Vaughan
Eva Havelka
Timothy Carter Jessup
Gloria José
Johan Kieft
Christophe Legrand
David McEntee
Wayne Nightingale
Dennis O'Brien

Frank Page
Imelda Pangantihon
Goran Todorovic
Dinesh Uprety
Jolene Zidkovich

Kenya

Nelly Desrosiers
Collin Gwanu
Tim Mander
Mohammed Qazilbash

Russian Federation (Ingushetia and Chechnya)

Cendrine Labaume
Magdalena Rapinczuk
Christiane Tremblay

Thailand

Sue Carey

Timor-Leste

Dr. Hari Krishna Banskota
Virginia Kintz
Bishnu Pokhrel
Catherine Salem
Jill Umbach

Zambia

Teresa Bayombong
Brenda Cupper
Nancy Drost

Sarah Glyde
Waleed Rauf
Scott Robertson
Reymundo Uriarte
Mark Vander Vort

Zimbabwe

Philip Christensen
Kadry Furany
Mark Heaney
Fridah Kalumba
David Majagira
Godfrey Mitti

COUNTRY DIRECTORS

Country Directors in CARE Canada lead countries

As of June 30, 2005

CARE Cameroon

Christine Ouellette

Christine has extensive knowledge of project management, having spent more than 20 years working with organizations in Africa, South and Southeast Asia, Central and South America, and Canada.

CARE Chad

Nicolas Palanque

Nicolas assumed the directorship in Chad after spending nearly four years travelling to disaster-devastated communities the world over as head of CARE Canada's emergency team.

CARE Colombia – Country Programme Monitor

Alfredo José Parra

Born in Bogotá, Colombia, Alfredo has been with CARE for the past three years and has been working in rural development since 1990.

CARE Cuba

Darren Hedley

Originally from Alberta, Darren has been active in the development field since the mid-1980s. He joined CARE in Zambia nine years ago, refining a highly successful urban development programme. He has been in Cuba since 2002.

CARE Indonesia

Dennis O'Brien

A native of Ontario, Dennis has more than 25 years of professional experience in Canada, Papua New Guinea, Zambia, Kenya and Zimbabwe. He is particularly skilled in situation analysis, risk and threat assessment, and disaster response.

CARE Kenya

Walter (Bud) Crandall

Bud joined CARE in 1990 in Sierra Leone and has held senior roles in Kenya, Bosnia and Indonesia. He has experience working in health and nutrition, social services, and micro-enterprise programming.

CARE in the Russian Federation (Ingushetia and Chechnya)

Christiane Tremblay

Christiane has worked for CARE in several countries including Sudan, Somalia, Bosnia and Angola, and has specialized in recent years in dealing with refugee crises in Africa and Eastern Europe.

CARE Timor-Leste

Jill Umbach

Jill has more than 10 years' experience in international development, managing and evaluating projects in East Africa, Bangladesh and Nepal.

CARE Zambia

Brenda Cupper

A committed development professional since 1978, Brenda has contributed her expertise in management to CARE for more than 10 years. She has worked with CARE as the Country Director in Zambia, Indonesia, and Bosnia & Herzegovina/Croatia.

CARE Zimbabwe

Philip Christensen

A native of British Columbia, Phil is a nine-year veteran of CARE Canada who has worked in Burundi, the Democratic Republic of the Congo, Haiti and Zimbabwe.

CORPORATE COUNCIL (QUÉBEC)

President of the Council

Claude Poisson
President
Société des Casinos du Québec inc.

Founding President

Gilles Varin
President
Varcan Com

Vice-President of the Council

Lise Douville
Senior Vice-President
Industrielle Alliance Valeurs mobilières inc.

Secretary

Daniel Aubin
Director of Development (Québec)
CARE Canada

Members

Louise Bernier
Account Executive
Willis Canada Inc.

Michel Couillard
President & CEO
BUSAC Real Estate

Denis Durand
Senior Partner
Jarislowsky Fraser Limitée

Jean-Serge Grisé
Vice-President Public Affairs - Québec
EDS

Louis Khalil
Vice-President
Financière Banque Nationale

Marc Lachance
President
Le Groupe Lachance

Dr. Michel Larose
Medical Assessor
Commission des lésions professionnelles
Direction régionale de Montréal

Pierre Léger
Consultant
Groupe stratégique d'affaires publiques inc.

Marie-Josée Primeau
Director General – Emerging Markets
Telus Québec

François Racine
Director Construction, Project Manager
BUSAC Real Estate

Terry Soucy
Sales Director
CIBC Wood Gundy

Gérald Tremblay
Lawyer, President, Québec Region
McCarthy Tétrault

Pierre Trépanier
Lawyer
Heenan Blaikie

Martin Vidal
Executive Vice-President
Pro-Amino International Inc.

FINANCIALS

_Management responsibility for financial reporting

The accompanying financial statements and all other information contained in this annual report are the responsibility of CARE Canada management.

The financial statements have been prepared on the basis of historical costs and include judgements and estimates in accordance with Canadian generally accepted accounting principles. Significant accounting policies adopted by CARE Canada are described in Note 2 of the financial statements.

The preparation of financial information is an integral part of the ongoing operation of the organization. Management has established internal control systems to ensure that all financial details are objective and reliable, and that CARE's assets are safeguarded.

The Board of Directors is responsible for the financial statements through CARE's finance and audit committee, which is comprised of five board members-at-large. The finance and audit committee meets regularly with management as well as internal and external

auditors to ensure the adequacy of internal controls and to review the financial statements and auditors' report.

The finance and audit committee reviews the audited financial statements with management and the external auditors before making recommendations to the board and the membership for their acceptance. The finance and audit committee annually recommends to the board the appointment or re-appointment of the external auditors.

The financial statements have been audited by external auditors Deloitte & Touche LLP, Chartered Accountants. The report outlines the scope of Deloitte & Touche's examination as well as its opinion of CARE Canada's financial statements.



A. John Watson
President and CEO

FINANCIALS

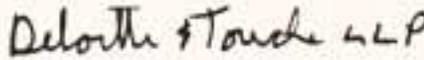
Auditors' report

To the Directors of CARE Canada

We have audited the statement of financial position of CARE Canada as at June 30, 2005 and the statements of operations and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of CARE Canada's management. 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 plan and perform an audit to obtain reasonable assurance 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CARE Canada as at June 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. 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.


Chartered Accountants

September 16, 2005

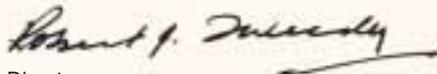
FINANCIALS

_Statement of Financial Position

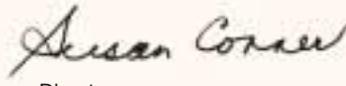
as at June 30, 2005

	Capital Campaign Restricted Fund	General Fund	Total 2005	Total 2004
Current assets				
Cash and cash equivalents	\$ 279,303	\$ 30,535,895	\$ 30,815,198	\$ 26,737,825
Amounts receivable	–	4,853,206	4,853,206	4,096,026
Contributions receivable from donors (Note 3)	–	12,022,915	12,022,915	12,791,895
Programme advances for field operations	–	–	–	2,418,793
Prepaid expenses	–	889,370	889,370	777,466
	279,303	48,301,386	48,580,689	46,822,005
Restricted investments (Note 3)	–	229,794	229,794	229,794
Long-term investments (Note 4)	159,148	445,430	604,578	503,150
Prepaid Capital Campaign expenses (Note 5)	389,309	–	389,309	–
Capital Assets (Note 6)	–	4,683,026	4,683,026	5,122,242
	\$ 827,760	\$ 53,659,636	\$ 54,487,396	\$ 52,677,191
Current liabilities				
Bank loan (Note 7)	\$ –	\$ 405,000	\$ 405,000	\$ –
Accounts payable and accrued liabilities	–	8,685,613	8,685,613	8,040,433
Deferred contributions (Note 3)	–	38,238,818	38,238,818	37,133,035
Current portion of long-term debt (Note 8)	–	290,726	290,726	342,015
	–	47,620,157	47,620,157	45,515,483
Long-term debt (Note 8)	–	2,530,712	2,530,712	2,850,728
Deferred contributions (Note 3)	–	229,794	229,794	229,794
	–	50,380,663	50,380,663	48,596,005
Commitments, contingent liabilities and guarantees (Notes 15 and 16)				
Fund balances				
General–Unrestricted	–	1,417,385	1,417,385	2,151,687
General–Invested in capital assets (Note 9)	–	1,861,588	1,861,588	1,929,499
	–	3,278,973	3,278,973	4,081,186
Externally Restricted–Capital Campaign Fund	827,760	–	827,760	–
	827,760	3,278,973	4,106,733	4,081,186
	\$ 827,760	\$ 53,659,636	\$ 54,487,396	\$ 52,677,191

On behalf of the Board



Director



Director

FINANCIALS

_Statement of Operations and Changes in Fund Balances

year ended June 30, 2005

	Capital Campaign Restricted Fund	General Fund	Total 2005	Total 2004
Support and revenue				
Donations				
Unrestricted	\$ –	\$ 4,964,147	\$ 4,964,147	\$ 5,714,686
Restricted (Note 10)	808,910	2,580,614	3,389,524	463,594
Canadian Government (CIDA) contributions (Note 11)	–	31,974,257	31,974,257	30,859,617
Multilateral Agencies contributions (Note 11)	–	13,057,074	13,057,074	61,284,576
CARE International Members contributions (Note 11)	–	48,567,243	48,567,243	62,522,355
Other contributions (Note 11)	–	9,545,767	9,545,767	7,726,666
Interest income	–	405,510	405,510	357,091
Foreign exchange gains				
Realized	–	–	–	65,260
Unrealized	–	–	–	283,081
Miscellaneous	–	2,084,395	2,084,395	2,566,854
	808,910	113,179,007	113,987,917	171,843,780
Expenses				
Programme activities (Schedule)				
HIV/AIDS	–	6,747,214	6,747,214	2,055,969
Development (Note 11)	–	39,880,953	39,880,953	62,385,268
Emergency relief (Note 11)	–	57,406,508	57,406,508	98,383,357
Rehabilitation	–	2,484,070	2,484,070	3,062,804
Other	–	386,932	386,932	164,766
Foreign exchange losses				
Realized (Note 17)	–	104,128	104,128	–
Unrealized (Note 17)	–	443,457	443,457	–
	–	107,453,262	107,453,262	166,052,164
Support services				
Management and general	–	3,644,846	3,644,846	2,991,975
Fundraising, public and donor relations	14,518	2,439,835	2,454,353	2,272,743
Membership in CARE International	–	409,909	409,909	307,462
	14,518	6,494,590	6,509,108	5,572,180
Total expenses	14,518	113,947,852	113,962,370	171,624,344
Excess (deficiency) of revenue over expenses	794,392	(768,845)	25,547	219,436
Fund balance, beginning of year	–	4,081,186	4,081,186	3,861,750
Transfer of long-term investment in MicroVest I, LP	33,368	(33,368)	–	–
Fund balance, end of year	\$ 827,760	\$ 3,278,973	\$ 4,106,733	\$ 4,081,186

FINANCIALS

_Statement of Cash Flows

year ended June 30, 2005

	2005	2004
Cash provided by (used in) the following activities:		
Operating		
Excess of revenue over expenses	\$ 25,547	\$ 219,436
Amortization of capital assets	345,832	664,664
Amortization of prepaid Capital Campaign costs	14,518	-
Changes in non-cash working capital items:		
Increase in amounts receivable	(757,180)	(526,598)
Decrease in contributions receivable from donors	768,980	6,975,632
Decrease in programme advances for field operations	2,418,793	1,981,376
Decrease (increase) in prepaid expenses	(111,904)	336,683
Increase (decrease) in accounts payable and accrued liabilities	645,180	(1,718,420)
Increase (decrease) in deferred contributions	1,105,783	(1,978,904)
	4,455,549	5,953,869
Financing and investing		
Acquisition of capital assets	(82,226)	(1,767,035)
Increase in bank loan	405,000	-
Increase in prepaid Capital Campaign costs	(403,827)	-
Proceeds on disposal of capital assets	175,610	-
Increase in long-term investments	(101,428)	(111,796)
Proceeds from long-term debt	-	2,700,000
Repayment of long-term debt	(371,305)	(217,040)
	(378,176)	604,129
Increase in cash and cash equivalents	4,077,373	6,557,998
Cash and cash equivalents, beginning of year	26,737,825	20,179,827
Cash and cash equivalents, end of year	\$ 30,815,198	\$ 26,737,825

FINANCIALS

_Notes to the Financial Statements

year ended June 30, 2005

1. Description

CARE Canada was established in 1946 and incorporated under Part II of the *Canada Corporations Act* in 1977. 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 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 10 overseas Country Offices (Cameroon, Chad, Colombia, Cuba, Timor-Leste, Indonesia, the Russian Federation (Ingushetia and Chechnya), Kenya, Zambia and Zimbabwe) for which it has responsibility, and revenue and expenses for which CARE Canada and its 10 overseas Country Offices enter into contracts with donors for the funding of projects in various countries.

Change in accounting policy

During the year, CARE Canada changed its accounting policies by creating a Capital Campaign Fund and changing the presentation from the deferral method of accounting to the restricted fund method. This change of accounting policy did not have any impact on the previous year's figures, therefore no restatement was necessary.

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

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

- the Emergency Relief Rapid Response Programme to be used as a vehicle to help at the very onset of a crisis;
- the Pro-poor Business Programme 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.

FINANCIALS

_Notes to the Financial Statements

year ended June 30, 2005

Revenue recognition

Contributions:

Unrestricted contributions are recorded as revenue of the General 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 General Fund in the year in which the related expenses are incurred.

Restricted contributions for the Capital Campaign 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 Capital Campaign Fund is recognized as revenue in the Capital Campaign Fund or the General Fund depending on the nature of any restrictions imposed by the donor. Other investment income is recognized as income of the General Fund when earned.

Government of Canada (CIDA) and other contributions:

CARE Canada enters into contracts with the Government of Canada (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 General 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 General 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 General 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, the Government of Canada and other organizations are recorded as revenue and programme 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 by various media for public information and fundraising campaigns are not reflected in the financial statements because of the difficulty of measurement.

FINANCIALS

_Notes to the Financial Statements

year ended June 30, 2005

Expense allocation

Expenses that can be directly identified with programme activities or support services are charged accordingly. Certain support services have been allocated to programme activities, based on management's best determination of use.

Cash and cash equivalents

Cash and cash equivalents are held in highly liquid investments with maturities of three months or less.

Agricultural commodities

CARE Canada may receive funding to purchase commodities which when sold are designated for specific CARE Canada project activities. The proceeds are recorded as deferred contributions. Revenue and expenses are recognized in the statement of operations as the funds are utilized in project activities.

Long-term investments

Long-term investments are recorded at cost. Interest is recognized as it is earned. When there is a loss in value that is other than a temporary decline, the investments are written down to market.

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.

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.

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

Buildings	40 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	3 years

Prepaid Capital Campaign costs

Direct support costs incurred in the Capital Campaign are capitalized and amortized in the Capital Campaign Restricted Fund based on the percentage of Capital Campaign donations received in the year over the total estimated donations expected as a result of the campaign.

FINANCIALS

_Notes to the Financial Statements

year ended June 30, 2005

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 charged to miscellaneous income or other expense of the General Fund.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

3. Deferred contributions

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

	2005	2004
Balance, beginning of year		
Short-term deferred contributions	\$ 37,133,035	\$ 39,111,939
Contributions receivable from donors	(12,791,895)	(19,767,527)
Total net assets	24,341,140	19,344,412
Amounts received during the year	107,599,718	167,853,536
Amounts recognized as revenue	(105,724,955)	(162,856,808)
	1,874,763	4,996,728
	\$ 26,215,903	\$ 24,341,140
Balance, end of year represented by:		
Short-term deferred contributions	\$ 38,238,818	\$ 37,133,035
Contributions receivable from donors	(12,022,915)	(12,791,895)
	\$ 26,215,903	\$ 24,341,140

Long-term deferred contributions of \$229,794 represent restricted investments in fixed income securities. Use of the investment income of \$8,384 (2004 - \$11,566) earned on these investments has been restricted by the donor for use in children's programmes. The principal of \$229,794 must be maintained until 2031. The market value of the restricted investments is approximately \$229,794 (2004 - \$230,308).

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_Notes to the Financial Statements

year ended June 30, 2005

4. Long-term investments

	2005		2004	
	Cost	Market Value	Cost	Market Value
General Fund				
Bonds	\$ 5,000	\$ 7,362	\$ 5,000	\$ 6,902
Guaranteed Investment Certificates (GIC)	121,357	121,356	120,514	121,806
Revolving Fund with CARE International	312,946	312,905	337,595	337,595
Emergency Assessment Fund - CARE International	6,127	6,127	6,673	6,673
	445,430	447,750	469,782	472,976
Capital Campaign Restricted Fund				
Investment in MicroVest I, LP	61,270	61,270	33,368	33,368
Investment in Juices Project	97,878	97,878	—	—
	159,148	159,148	33,368	33,368
	\$ 604,578	\$ 606,898	\$ 503,150	\$ 506,344

The yield on the bond as at June 30, 2005 is 10.00% (2004 - 10.00%) and this bond will mature in October 2014. GICs have a maturity date of February 2006 and February 2007. The yield on these GICs is between 2.65% and 3.10% (2004 - between 2.65% and 3.10%).

MicroVest I, LP is a micro-finance investment fund whose purpose is to invest in micro-credit banks in the Third World. In November 2003 CARE Canada committed up to \$100,000 USD. Actual payments on this commitment are spread over 4 years at \$25,000 USD each year.

During the year, and as part of its new strategy of Making Markets Work for the Poor, CARE Canada invested \$97,878 in the Senegal Rural Fruit Enterprise Project (Juices Project). The project's goal is to impact positively on local household livelihoods and community development in a sustainable manner.

5. Prepaid Capital Campaign costs

	2005	2004
Balance, beginning of year	\$ —	\$ —
Cost incurred during the year	403,827	—
Amortization	(14,518)	—
Balance, end of year	\$ 389,309	—

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_Notes to the Financial Statements

year ended June 30, 2005

6. Capital assets

			2005	2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 271,023	\$ -	\$ 271,023	\$ 271,023
Buildings	4,132,057	350,970	3,781,087	3,892,665
Leasehold improvements	155,038	88,595	66,443	96,327
Office equipment	727,403	630,744	96,659	147,790
Furniture and fixtures	102,073	38,662	63,411	76,109
Computer hardware	109,441	103,310	6,131	11,412
Computer software	1,113,242	714,970	398,272	626,916
	\$ 6,610,277	\$ 1,927,251	\$ 4,683,026	\$ 5,122,242

Cost and accumulated amortization at June 30, 2004 amounted to \$6,839,304 and \$1,717,062.

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, 2005, there was an outstanding balance of \$405,000 (2004 - \$NIL).

8. Long-term debt

	2005	2004
Mortgage payable in monthly installments of \$22,263, including principal and interest at an annual rate of 5.71%, secured by land and building, renewable in October 2008	\$ 2,499,763	\$ 2,622,150
Loan payable to CARE USA in the amount of US \$262,506 (2004 - US \$427,506), without interest, repayable in quarterly installments of US \$33,000	321,675	570,593
	2,821,438	3,192,743
Less current portion	(290,726)	(342,015)
	\$ 2,530,712	\$ 2,850,728

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_Notes to the Financial Statements

year ended June 30, 2005

Principal repayments over the next five years are as follows:

2006	\$	290,726
2007		310,666
2008		144,474
2009		152,939
2010		161,899

The fair value of the mortgage is equal to the book value. The fair value of the loan payable to CARE USA is approximately \$307,200 (2004 - \$540,730).

9. Invested in capital assets

	2005	2004
Balance, beginning of year	\$ 1,929,499	\$ 3,310,088
Acquisitions	82,226	1,767,035
Amortization	(345,832)	(664,664)
Disposals	(175,610)	-
Increase in long-term debt	-	(2,700,000)
Repayment of long-term debt	371,305	217,040
Balance, end of year	\$ 1,861,588	\$ 1,929,499

10. Restricted donations

Restricted donations received under the Capital Campaign Restricted Fund include the following:

Capital Campaign direct donations	\$	602,205
Donations received for projects under the Pro-poor Business Programme		296,568
		898,773
Less amounts recognized as unrestricted donations in the General Fund		(89,863)
	\$	808,910

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Notes to the Financial Statements

year ended June 30, 2005

11. Contributions-in-kind

Contributions-in-kind reported in both revenues and expenses total \$7,101,222 (2004 - \$67,332,611). Of this amount, \$4,912,533 (2004 - \$59,638,288) relates to the food programme in Zimbabwe, \$456,665 (2004 - \$NIL) relates to the food programme in Kenya, \$1,239,200 (2004 - \$7,492,650) to the Rural Maintenance Programme in Bangladesh, \$92,185 (2004 - \$201,673) to the Tools for Development in Peru, Ecuador and Jamaica and \$400,639 (2004 - \$NIL) relates to donated software in Canada and Indonesia.

With regard to the Rural Maintenance Programme in Bangladesh, the Government of Canada donates grain to the Government of Bangladesh which sells the grain locally. Proceeds realized on the sale of grain are made available to CARE Canada for use in project activities in Bangladesh.

12. 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 \$229,883 (2004 - \$218,353) during the year and this contribution is recorded in the statement of operations in accordance with expense allocation as described in Note 2. Pension benefits are recorded as expenses in the period they are incurred.

13. Controlled entity

CARE Canada controls the Global Development Group through Board of Directors representation. The Global Development Group was incorporated as a not-for-profit organization under the *Canada Corporations Act*. Its purpose is to bridge the gap between business and international development for improvement of the world's needy. Global Development Group's financial statements have not been consolidated with CARE Canada's financial statements. A financial summary of Global Development Group is as follows:

	2005	2004
Financial position		
Total assets	\$ 2,526,353	\$ 1,114,150
Total liabilities	(2,037,255)	(502,699)
Total net assets	\$ 489,098	\$ 611,451
Summary of operations		
Total revenue	\$ 4,859,775	\$ 4,969,169
Total direct costs	(4,061,768)	(4,150,142)
Total administrative expenses	(920,360)	(323,120)
Excess (deficiency) of revenue over expenses	\$ (122,353)	\$ 495,907

Amounts due to Global Development Group (GDG) are \$55,632 (2004 - due from GDG - \$120,252) and are included in accounts payable and accrued liabilities.

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_Notes to the Financial Statements

year ended June 30, 2005

14. Related party transactions

CARE Canada paid Global Development Group (GDG) \$2,051,340 (2004 - \$1,536,501). Of this amount \$1,283,792 (2004 - \$1,233,461) related to the service level agreement relating to Information Technology, Human Resources and Procurement and Property Management. An additional \$767,548 (2004 - \$303,040) was paid to GDG for various services provided to the Country Offices. The services provided to CARE Canada are on a cost recovery basis.

GDG holds a 25% interest through shareholdings in CBO Travel, a travel agency that also makes all travel arrangements related to CARE Canada's business.

15. 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 2006 to 2009. Minimum annual payments for the four years are as follows:

2006	\$	635,399
2007		134,323
2008		104,639
2009		59,533
	\$	<u>933,894</u>

Letter of credit

A letter of credit in the amount of \$269,588 has been assigned to the Ministry of Education in Timor-Leste in relation to the Civil Society Strengthening Programme.

Legal actions

In the ordinary course of business activities, 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.

16. Guarantees

As stated in Note 2, the Government of Canada (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.

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_Notes to the Financial Statements

year ended June 30, 2005

17. Financial instruments

Fair values

The carrying values of cash and cash equivalents, amounts receivable, contributions receivable from donors, and 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 8 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. During the year, CARE Canada included within expenses exchange losses of \$104,128 (2004 - exchange gain of \$65,260 included in revenues). Unrealized exchange losses included in expenses amount to \$443,457 (2004 - unrealized exchange gains included in revenues - \$283,081). CARE Canada does not use financial instruments to cover the foreign exchange risk.

Cash and cash equivalents, amounts receivable, contributions receivable from donors, programme advances for field operations at June 30, 2005 include amounts denominated in foreign currencies as follows:

	2005	2004
Country Offices		
United States Dollars	\$ 27,420,150	\$ 31,324,676
Albania Leke	-	20,692
Bosnia KM	-	1,203,900
Bosnia HRK	-	2,102
Chad XAF	842,702	-
Cameroon XAF	9,368,023	325,624
Euros	-	724,127
Indonesian Rupiah	3,587,235	1,135,398
Ingushetia Ruble	103,288	62,557
Kenya Shilling	997,805	1,780,026
Zambia Kwacha	593,152	1,252,041
Zimbabwe Dollars	91,599	213,056
	43,003,954	38,044,199
Headquarters		
United States Dollars	6,970,346	3,089,858
Euros	312,946	337,594
	\$ 50,287,246	\$ 41,471,651

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_Notes to the Financial Statements

year ended June 30, 2005

Accounts payable and accrued liabilities and deferred contributions at June 30, 2005 include amounts denominated in foreign currencies as follows:

	2005	2004
Country Offices		
United States Dollars	\$ 21,239,062	\$ 24,954,129
Bosnia KM	-	2,107,365
Cameroon XAF	7,794,654	66,089
Chad XAF	963,118	-
Indonesian Rupiah	3,985,460	2,104,755
Ingushetia Ruble	11,436	499
Kenya Shilling	1,278,477	1,114,223
Zambia Kwacha	1,462,529	1,781,707
Zimbabwe Dollars	681,420	1,282,179
	37,416,156	33,410,946
Headquarters		
United States Dollars	649,816	6,012
	\$ 38,065,972	\$ 33,416,958

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 amounts receivable as presented in the statement of financial position.

18. Subsequent event

In fiscal 2006, the buildings and property in CARE Kenya will be transferred from CARE USA to CARE Canada.

FINANCIALS

_Programme Activities According to Sectors

year ended June 30, 2005

	HIV/AIDS	Development	Emergency Relief	Rehabilitation	Other	2005	2004
Advocacy	\$ -	\$ 1,718,251	\$ -	\$ -	\$ 36	\$ 1,718,287	\$ 3,165,240
Agriculture and Natural Resources	-	8,016,352	1,350,925	25,691	-	9,392,968	19,518,561
Child Health	62,398	3,495,775	-	-	-	3,558,173	4,804,861
Education	-	4,613,065	-	-	35	4,613,100	4,752,734
Human Resources Projects	-	51,503	-	-	-	51,503	113,342
Infrastructure	97,676	129,688	1,474,655	587,001	-	2,289,020	8,082,760
Integrated and Other Health	-	4,187,475	544,778	-	-	4,732,253	5,339,483
Multi-Sector projects	-	216,661	-	-	-	216,661	84,960
Nutritional Support	-	2,031,841	28,436,044	-	(6)	30,467,879	89,865,552
Other	-	3,313,713	23,173,133	(6,183)	162,423	26,643,086	5,357,795
Programme Management Assistance	-	-	-	-	2,233	2,233	39,338
Reproductive Health	6,587,140	15,904	-	-	222,211	6,603,044	106,123
Small Economic Activity Development	-	9,102,560	-	-	-	9,102,560	2,374,174
Water Supply and Sanitation	-	2,988,165	2,426,973	1,877,561	-	7,292,699	3,343,746
	\$ 6,747,214	\$ 39,880,953	\$ 57,406,508	\$ 2,484,070	\$ 386,932	\$ 106,905,677	\$ 166,052,164

IN MEMORY OF NORMAN SIMPSON



Norman MacDougall Simpson (1916-2005)

The clear eye and determined manner that marked his work at CARE Canada reflected his military past as a Lieutenant Commander in the Royal Canadian Navy during the Second World War.

But Norman Simpson was remembered for his compassion, quiet dedication and deep sense of service when CARE learned that he had died peacefully in Toronto on November 24, 2005, at age 88.

'Norm', as he was known at CARE, led the Board of Directors in the mid-1980s, and provided critical leadership at CARE International during its formative years. He was a natural organizer with an abiding concern for those less fortunate than he, and was made a member of the Order of Canada in 2001 for his volunteer activities.

Norm was born in Vancouver, raised in Winnipeg and Toronto, and practised law at the Toronto firm Blake Cassels & Graydon LLP for many years. He is predeceased by his wife Margaret, and leaves a large and loving family; his own, another at CARE, and beyond.

CARE Canada is incorporated as a non-profit organization under Part II of the *Canada Corporations Act* and has been granted tax-exempt status by the Canada Customs and Revenue Agency.

Registration Number: 11883 8333 RR0001

This annual report covers the period
July 1, 2004 to June 30, 2005.

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