

Financial Statements of

CARE CANADA

June 30, 2010



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Auditors' Report

To the Directors of
CARE Canada

We have audited the statement of financial position of CARE Canada as at June 30, 2010 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, 2010 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.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

September 3, 2010

CARE CANADA
Financial Statements
June 30, 2010

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CARE CANADA
Statement of Financial Position
as at June 30, 2010

	Venture and Emergency Fund	Annual Fund	Total	
			2010	2009
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 22,622,708	\$ 22,622,708	\$ 26,110,775
Amounts receivable	-	7,085,431	7,085,431	6,550,373
Contributions receivable from donors (Note 3)	-	6,476,874	6,476,874	10,104,120
Prepaid expenses	-	440,772	440,772	406,065
	-	36,625,785	36,625,785	43,171,333
RESTRICTED INVESTMENTS (Note 3)	-	229,794	229,794	229,794
LONG-TERM INVESTMENTS (Note 4)	652,944	28,282	681,226	678,387
CAPITAL ASSETS (Note 5)	-	4,061,477	4,061,477	4,358,570
	\$ 652,944	\$ 40,945,338	\$ 41,598,282	\$ 48,438,084
CURRENT LIABILITIES				
Inter-fund balance	\$ 46,088	\$ (46,088)	\$ -	\$ -
Accounts payable and accrued liabilities	-	8,291,804	8,291,804	11,820,195
Deferred contributions (Note 3)	-	25,471,211	25,471,211	29,713,898
Current portion of long-term debt (Note 7)	-	173,507	173,507	164,584
	46,088	33,890,434	33,936,522	41,698,677
LONG-TERM DEBT (Note 7)	-	1,595,206	1,595,206	1,768,713
DEFERRED CONTRIBUTIONS (Note 3)	-	229,794	229,794	229,794
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	-	247,940	247,940	293,020
	46,088	35,963,374	36,009,462	43,990,204
COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES (Notes 15 and 16)				
FUND BALANCES				
Annual Fund - Unrestricted	-	2,937,140	2,937,140	1,813,235
Annual Fund - Invested in capital assets (Note 10)	-	2,044,824	2,044,824	2,132,253
Externally Restricted - Venture and Emergency Fund	606,856	-	606,856	502,392
	606,856	4,981,964	5,588,820	4,447,880
	\$ 652,944	\$ 40,945,338	\$ 41,598,282	\$ 48,438,084

ON BEHALF OF THE BOARD

Director

Director

CARE CANADA

Statement of Operations and Changes in Fund Balances

year ended June 30, 2010

	Venture and Emergency Fund	Annual Fund	Total	
			2010	2009
Support and revenue				
Donations				
Unrestricted	\$ -	\$ 5,366,902	\$ 5,366,902	\$ 5,838,890
Restricted (Note 11)	349,747	2,185,362	2,535,109	1,638,472
Canadian Funded (Note 12)	-	30,120,006	30,120,006	25,924,825
Globally Funded (Note 12)	-	50,589,643	50,589,643	66,839,684
CARE International Members (Note 12)	-	49,125,465	49,125,465	73,586,889
Interest and investment income	51,591	96,456	148,047	226,291
Amortization of deferred contributions related to capital assets (Note 8)	-	45,080	45,080	45,080
Miscellaneous	-	1,737,652	1,737,652	1,348,613
	401,338	139,266,566	139,667,904	175,448,744
Expenses				
Program activities (Schedule)				
Humanitarian and Emergency Assistance (Note 12)	1,114	74,715,255	74,716,369	116,084,926
Environment and Natural Resource Management	-	16,036,491	16,036,491	13,847,455
Health and HIV	-	17,019,456	17,019,456	13,056,402
Multi-sectoral Integrated Programs	-	11,573,724	11,573,724	14,126,986
Enterprise Development	-	9,598,044	9,598,044	8,877,791
Country Office Management	-	997,810	997,810	722,352
International Programs	-	851,569	851,569	821,031
CARE Enterprise Partners	-	-	-	38,503
Foreign exchange losses	-	247,094	247,094	112,278
	1,114	131,039,443	131,040,557	167,687,724
Support services				
Management and general	-	2,989,209	2,989,209	2,787,912
Fundraising, public and donor relations	-	4,024,177	4,024,177	3,536,792
Membership in CARE International	295,760	177,261	473,021	502,609
	295,760	7,190,647	7,486,407	6,827,313
Total expenses	296,874	138,230,090	138,526,964	174,515,037
EXCESS OF REVENUE OVER EXPENSES	104,464	1,036,476	1,140,940	933,707
FUND BALANCE, BEGINNING OF YEAR	502,392	3,945,488	4,447,880	3,514,173
FUND BALANCE, END OF YEAR	\$ 606,856	\$ 4,981,964	\$ 5,588,820	\$ 4,447,880

CARE CANADA
Statement of Cash Flows
year ended June 30, 2010

	<u>2010</u>	<u>2009</u>
CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 1,140,940	\$ 933,707
Amortization of capital assets	362,768	545,382
Amortization of deferred contributions related to capital assets	(45,080)	(45,080)
Amortization of prepaid Capital Campaign costs	-	209,460
	<u>1,458,628</u>	<u>1,643,469</u>
Changes in non-cash operating working capital items:		
Decrease (increase) in amounts receivable	(535,058)	858,819
Decrease (increase) in contributions receivable from donors	3,627,246	(4,715,850)
Decrease (increase) in prepaid expenses	(34,707)	133,854
Increase (decrease) in accounts payable and accrued liabilities	(3,528,391)	1,899,360
Increase (decrease) in deferred contributions	(4,242,687)	4,716,603
	<u>(3,254,969)</u>	<u>4,536,255</u>
INVESTING		
Acquisition of capital assets	(84,733)	(351,204)
Proceeds on disposal of capital assets	19,058	135,773
Decrease (increase) in long-term investments	(2,839)	42,858
	<u>(68,514)</u>	<u>(172,573)</u>
FINANCING		
Repayment of long-term debt	(164,584)	(155,132)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,488,067)	4,208,550
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,110,775	21,902,225
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 22,622,708	\$ 26,110,775

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2010

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;
- 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, 2010

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, 2010

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 support expenses that are common to the administration of its program activities. However, those support expenses are not allocated to program activities but are included under "Country Office Management", "International Programs", "Management and general" and "Fundraising, public and donor relations".

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.

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.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (Continued)

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	10 and 40 years
Vehicles	3 years
Leasehold improvements	5 years
Office equipment	5 years
Computer equipment	3 years

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 and the value of the investments.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of financial instruments

Classifications made by CARE Canada, along with their accompanying method of measurement, are as follows:

<u>Financial instrument</u>	<u>Classification</u>	<u>Measurement</u>
Cash and cash equivalents	Held-for-trading	Fair value
All amounts receivable	Loans and receivables	Amortized cost
Long-term investments	Available-for-sale	Fair value
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

Changes in accounting policies

In September 2008, the Canadian Institute of Chartered Accountants (CICA) issued amendments to several of the existing sections in the 4400 series - *Financial Statements by Not-for-profit Organizations*. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, CARE Canada adopted the amended standards for its fiscal year beginning July, 1 2009. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC-123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for not-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

The CICA also issued amendments to Section 1000, *Financial Statement Concepts* to clarify the criteria for recognizing an asset.

These changes had some minor impacts on the presentation of the statement of cash flows.

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Notes to the Financial Statements
year ended June 30, 2010

3. DEFERRED CONTRIBUTIONS

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

	<u>2010</u>	<u>2009</u>
Balance, beginning of year		
Short-term deferred contributions	\$ 29,713,898	\$ 24,997,295
Contributions receivable from donors	(10,104,120)	(5,388,270)
	<u>19,609,778</u>	<u>19,609,025</u>
Amounts received during the year		
Cash	101,540,968	108,892,049
In-kind (Note 12)	29,864,067	58,585,478
	<u>131,405,035</u>	<u>167,477,527</u>
Amounts recognized as revenue	(132,020,476)	(167,476,774)
	<u>(615,441)</u>	<u>753</u>
Balance, end of year	<u>\$ 18,994,337</u>	<u>\$ 19,609,778</u>
Balance, end of year represented by:		
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>

Long-term deferred contributions of \$229,794 (2009 - \$229,794) are represented by restricted investments in fixed income securities. The principal of \$229,794 must be maintained until 2031. The market value of the restricted investments is approximately \$229,794 (2009 - \$229,794).

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2010

4. LONG-TERM INVESTMENTS

	2010		2009	
	Cost Plus Accrued Interest	Market Value	Cost Plus Accrued Interest	Market Value
Annual Fund				
Bonds	\$ 28,282	\$ 28,282	\$ 18,519	\$ 18,519
Venture and Emergency Fund				
Investment in MicroVest I, LP	122,593	122,593	122,593	122,593
Investment in Edyficar	17,209	17,209	17,209	17,209
Loans to agri-business enterprises in Peru	-	-	4,956	4,956
Loans to CEP Investment Trust	513,142	513,142	515,110	515,110
	652,944	652,944	659,868	659,868
	\$ 681,226	\$ 681,226	\$ 678,387	\$ 678,387

Coupon rates on the bonds as at June 30, 2010 range between 3.25% and 10% and will mature between December 2010 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. Given that these investments do not have a quoted market price in an active market, they are recorded at cost.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2010

4. LONG-TERM INVESTMENTS (Continued)

CARE Canada has also 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 US\$257,475 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.

5. CAPITAL ASSETS

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 271,023	\$ -	\$ 271,023	\$ 271,023
Buildings	4,635,666	1,062,036	3,573,630	3,723,391
Vehicles	942,307	833,309	108,998	201,764
Leasehold improvements	73,781	56,625	17,156	26,377
Office equipment	341,965	327,639	14,326	26,477
Computer equipment	1,075,622	999,278	76,344	109,538
	\$ 7,340,364	\$ 3,278,887	\$ 4,061,477	\$ 4,358,570

Cost and accumulated amortization at June 30, 2009 amounted to \$7,357,282 and \$2,998,712 respectively.

6. 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, 2010, there was no outstanding balance (2009 - \$NIL).

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2010

7. LONG-TERM DEBT

	<u>2010</u>	<u>2009</u>
Mortgage payable in monthly installments of \$21,911, including principal and interest at an annual rate of 5.35% (2009 - 5.35%), secured by land and a building with a net book value of \$3,249,013 (2009 - \$3,347,468), renewable in October 2013	\$ 1,768,713	\$ 1,933,297
Less current portion	<u>(173,507)</u>	<u>(164,584)</u>
	<u>\$ 1,595,206</u>	<u>\$ 1,768,713</u>

Principal repayments over the next five years are as follows:

2011	\$ 173,507
2012	182,914
2013	192,831
2014	203,285
2015	214,307
Thereafter	801,869

The fair value of the mortgage approximates the book value.

8. 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>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 293,020	\$ 338,100
Amount amortized to revenue	<u>(45,080)</u>	<u>(45,080)</u>
Balance, end of year	<u>\$ 247,940</u>	<u>\$ 293,020</u>

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2010

9. 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;
- d) to invest funds in financial instruments that conform with investment policy and which present a low risk for CARE Canada.

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.

10. INVESTED IN CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,132,253	\$ 2,261,992
Acquisitions	84,733	351,204
Amortization of capital assets	(362,768)	(545,382)
Amortization of deferred contributions related to capital assets	45,080	45,080
Disposals	(19,058)	(135,773)
Repayment of long-term debt	164,584	155,132
Balance, end of year	<u>\$ 2,044,824</u>	<u>\$ 2,132,253</u>

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2010

11. RESTRICTED DONATIONS

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

	<u>2010</u>	<u>2009</u>
Venture and Emergency Fund donations	\$ 388,608	\$ 570,107
Less amounts recognized as unrestricted donations in the Annual Fund	<u>(38,861)</u>	<u>(57,011)</u>
	<u>\$ 349,747</u>	<u>\$ 513,096</u>

12. CONTRIBUTIONS-IN-KIND

	<u>2010</u>	<u>2009</u>
Food Programss		
Zimbabwe	\$ 16,169,814	\$ 52,665,619
Cuba	-	23,783
Kenya	12,148,687	5,427,040
Zambia	817,446	469,036
Indonesia	<u>728,120</u>	<u>-</u>
	<u>\$ 29,864,067</u>	<u>\$ 58,585,478</u>

13. 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 \$207,694 (2009 - \$205,683) during the year. Pension benefits are recorded as an expense in the period incurred.

CARE CANADA

Notes to the Financial Statements

year ended June 30, 2010

14. 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. The outstanding amount due to CEP Investment Trust at June 30, 2010 under this commitment was \$NIL (2009 - \$50,720). As at December 31, 2009, CEP Investment Trust had total assets of \$512,760 (2008 - \$461,477), total liabilities of \$520,612 (2008 - \$465,110) and its capital deficiency was \$7,852 (2008 - \$3,633). Total revenues in 2009 were \$1,307 (2008 - \$5,262) and expenses were \$5,526 (2008 - \$5,582).

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 2011 to 2014. Minimum annual payments for the next four years are as follows:

2011	\$ 855,348
2012	433,625
2013	162,453
2014	99,413
	<hr/>
	\$ 1,500,839

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.

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2010

15. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Letter of credit

CARE Canada issued a letter of credit in the amount of \$1,000,000 in favor 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.

16. 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.

17. 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.

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Notes to the Financial Statements
year ended June 30, 2010

17. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

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

	<u>2010</u> (CDN \$)	<u>2009</u> (CDN \$)
Country Offices		
United States Dollars	\$ 12,578,884	\$ 24,837,002
Chad XAF	1,155,953	1,911,097
Cuban Pesos	36,577	141,499
Indonesian Rupiah	3,412,186	4,124,832
Kenyan Shilling	3,735,206	2,081,755
Zambia Kwacha	663,493	708,817
Zimbabwe Dollars	530	8,295
	<u>21,582,829</u>	<u>33,813,297</u>
Headquarters		
United States Dollars	<u>2,121,235</u>	<u>1,329,693</u>
	<u>\$ 23,704,064</u>	<u>\$ 35,142,990</u>

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

	<u>2010</u> (CDN \$)	<u>2009</u> (CDN \$)
Country Offices		
United States Dollars	\$ 11,519,405	\$ 20,870,855
Chad XAF	879,156	1,731,908
Indonesian Rupiah	3,085,639	4,521,303
Kenya Shilling	3,266,441	3,168,080
Zambia Kwacha	1,051,588	1,003,997
Zimbabwe Dollars	94,589	159,371
	<u>19,896,818</u>	<u>31,455,514</u>
Headquarters		
United States Dollars	<u>635,888</u>	<u>371,506</u>
	<u>\$ 20,532,706</u>	<u>\$ 31,827,020</u>

CARE CANADA
Notes to the Financial Statements
year ended June 30, 2010

17. FINANCIAL INSTRUMENTS (Continued)

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.

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.

18. 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 the disclosure of donations that are receipted for income tax purposes. During the year, CARE Canada issued donation receipts for income tax purposes in the amount of \$6,952,801 (2009 - \$5,833,199).

Schedule

CARE CANADA
Program Activities According to Sectors
year ended June 30, 2010

	Humanitarian and Emergency Assistance	Environment and Natural Resource Management	Health and HIV	Multi-Sectoral Integrated Programs	Enterprise Development	2010	2009
Advocacy	\$ 153,138	\$ -	\$ -	\$ 217,992	\$ 983,004	\$ 1,354,134	\$ 1,694,308
Agriculture and Natural Resources	2,389,359	5,927,687	142,692	156,596	1,069,756	9,686,090	6,781,442
Child Health	21,739	-	3,309,744	-	-	3,331,483	3,737,931
Education	159,062	-	102,015	1,490,778	2,011,719	3,763,574	5,523,213
Infrastructure	7,170,096	-	-	26,404	-	7,196,500	9,065,754
Integrated and Other Health	2,084,436	-	5,226,976	103,698	-	7,415,110	7,239,556
Multi-Sector projects	81,444	-	-	613,760	1,120,669	1,815,873	5,328,344
Nutritional Support	48,127,814	947,076	185,954	153,588	535	49,414,967	83,335,115
Other	10,637,384	1,083,379	906,010	8,412,217	942,812	21,981,802	22,403,656
Program Management	-	-	-	313,983	35,502	349,485	921,173
Reproductive Health	139,911	-	3,312,050	-	-	3,451,961	2,219,960
Small Economic Activity Development	5,146	2,535,865	140,938	65,976	3,434,047	6,181,972	5,328,515
Support	-	-	-	18,732	-	18,732	-
Water Supply and Sanitation	3,746,840	5,542,484	3,693,077	-	-	12,982,401	12,414,593
	\$ 74,716,369	\$ 16,036,491	\$ 17,019,456	\$ 11,573,724	\$ 9,598,044	\$ 128,944,084	\$ 165,993,560