



I am powerful





When Peter Bell joined CARE as president and CEO in 1995, he took the helm of an organization with 50 years' experience relieving suffering around the world. We excelled at managing complex logistical systems during emergencies and at meeting the dire needs of people in extremely poor communities. Yet, by the time of Peter's arrival, it had become increasingly clear that we, like other international development agencies, needed to do more. We needed to transform ourselves into positive forces for sustainable change in an ever more complex world.

Over the past decade, Peter has led CARE through a remarkable transformation. Guided by his extraordinary moral leadership, talents and skills, sheer hard work and commitment to CARE's mission, we have put human dignity at the very heart of our work. We are becoming more effective at supporting poor communities in the struggle to fulfill such basic human rights as decent health, education and livelihoods. We are becoming more adept at policy advocacy to elevate global poverty on the national agenda, increasing public support for the cause. And we are including a greater diversity of voices in decision-making, so that CARE is better able to address the challenges of a diverse world.

As Peter steps down and our new president and CEO, Helene Gayle, takes over in early 2006, we know that we can embrace the future with confidence and optimism. Helene is an inspirational appointment for CARE and for the entire humanitarian and development community. With her passion for social justice and her ability to foster communication and collaboration, Helene offers the promise for CARE to make an even stronger contribution toward achieving our mission.

Together with our partners and supporters, we are pushing ourselves to advance a world of hope, tolerance and social justice, where poverty has been overcome and people live in dignity and security. We will continue to leverage our core strengths: our jointly held vision of a better world, our experience with families, communities, governments and international bodies, our global reach and local responsiveness, our ability to take projects to scale, and our combination of principle and pragmatism.

Looking to the future, we reaffirm our pledge to help build a world in which every man, woman and child realizes her or his full potential. And we remain steadfast in our commitment to the most important cause of our time: ending global poverty.

A handwritten signature in black ink that reads "Lincoln C. Chen". The signature is written in a cursive, flowing style.

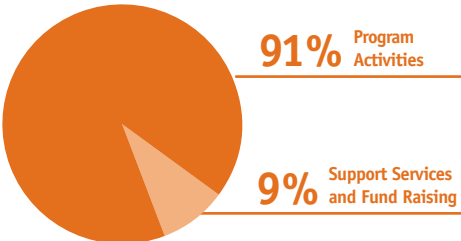
Lincoln C. Chen, *Chair*

CARE'S POVERTY-FIGHTING WORK REACHED 48 MILLION PEOPLE IN FISCAL YEAR 2005 (FY05) through 861 projects in 70 countries. Thanks to our generous and committed donors, CARE USA was able to contribute \$514 million to these efforts. The following are some of the highlights of CARE's work in FY05:

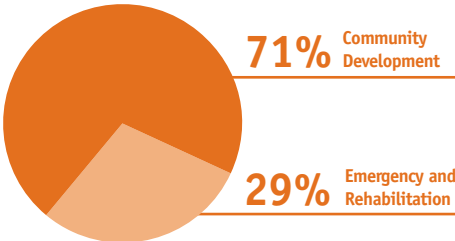
- More than 21 million people received training or other assistance to improve their crops and protect natural resources, creating **sustainable solutions to hunger**.
- 2.8 million children benefited from projects that improve the quality of education and **increase school enrollment**, particularly for girls, who are more likely to miss out on schooling.
- 10.5 million people received **emergency assistance during times of crisis**, with emphasis on the needs of the most vulnerable, especially women and children.
- Nearly 31 million people gained access to **better health services**, allowing them to plan pregnancies, have safe deliveries and enjoy good newborn care.
- More than 23 million people got information that helped them **prevent the spread of HIV/AIDS** and reduce the suffering from one of the worst humanitarian crises of our time.
- More than 2.8 million people, 70 percent of them women, benefited from projects that **teach business skills**, increase access to credit and help people start and sustain small businesses.
- 2.5 million people gained **access to safe water and sanitation**, and learned hygiene skills, which, together, keep families healthy and reduce the burden on women of gathering water and caring for the sick.

The numbers listed here exceed the total number of participants because many CARE projects incorporate more than one programming sector.

How CARE's Expenses are Allocated



CARE's Programs by Activity





Guatemala

SHE HAS THE POWER TO CHANGE HER WORLD

“Thanks to CARE, I have moved out from under the shadow and have emerged as a leader, like the men in our village.” – **Léocadie Mponyoreyeko**

“Women who depended on others are doing things on their own and thinking about the future. We are intoxicated by saving!” – **Madhuri Ghosh**

“I believe in myself now. I realized I am very smart and I can do things for myself.” – **Elizabeth Lingison**

“My aspiration is that my daughter be well educated. I want her to be self-reliant like I am.” – **Gayatri Bera**

“We had difficult pasts, but our futures are bright.” – **Khodeza**

“When I look at my little granddaughter, I know I want to send her to school so she will be wise and her advice sought by people all over the country.” – **Mariama Bouda**

“Success does not come by itself. One has to cross many obstacles to become successful in life.” – **Srijana Bote**

“I see the world much more clearly now that I can rely on my own self.” – **Ladi Abdoulahi**

YOU HAVE THE POWER TO HELP HER DO IT



Ecuador

HER MOTHER RECALLS VIOLETA as the one who was always helping, always looking after her siblings. Today, Violeta uses her CARE training in three projects to improve lives and livelihoods for people in her village of Guadalupe. With tears in her eyes, Violeta says, “When CARE came into my life, it was like a light turned on. The world started looking different. I started working in a different way and learning new things. It’s why I am proud of myself.”



Ethiopia

CARE HELPED LOCO'S COMMUNITY build a water cistern, which has eliminated the need for children like her to walk hours to get water. "CARE is helping us. Water is life," Loco declares. Now free from one time-consuming chore, Loco has more time to attend the nearby school, where CARE has supported building improvements and teacher training. "Loco always takes initiative and steps up in front of the class to answer questions," says her teacher.



Ghana

IN LATIFA'S VILLAGE, most families can afford to send only one child to school, and girls rarely get the privilege. CARE is working with the elders in the community – both men and women – to help spread the word about the importance of education. “If my daughter can read and write,” says one woman in the village, “she can never be cheated or taken advantage of. She will be better prepared to earn an income and help others in the community.”



Afghanistan

IN THE COURSE OF AFGHANISTAN'S TURBULENT PAST, Homiara lost her husband and her home. Now living in the capital, Kabul, Homiara joined CARE's poultry program. With the money she earns selling chickens and eggs, Homiara has sent her children to school. "I hope my children become educated and have a good life," Homiara says. "Before, women had to hide their faces and could not work. Now, I feel very positive about the future."



Ghana

DAKOTO JUNCTION'S FIRST FEMALE CHIEF, Nana Gyetuah, works with CARE to educate and empower the men and women of her community. Madame Koko, as she's more commonly called, is leading the fight to preserve the precious forest resources near her village. "Contract loggers come in here and destroy our farms, our lands, even our roads without our consent and without compensating us," Koko says. "The only thing we had to fight with was our mouths, and CARE taught us how."



Bangladesh

WHEN AMENA BEGAN WORKING WITH CARE, she and her children lived with her mother. Amena's husband had abandoned them, and they were destitute. She earned money for her labor in a CARE project repairing rural roads, and learned how to save a portion of her income and plan a business. Today, she has a herd of six cows, a new house, a new husband and a new baby. Amena rents land to grow rice, but she says her dream is to own 12 cows and buy the land she farms.



Ecuador

FOUR-YEAR-OLD GENESIS is growing up in an era of important change in her community, much of it thanks to her mother, Gloria. Not long ago, the 34 families of Suipira relied on the output of one worn pipe to meet all their water needs. The poor quality and meager supply caused health problems, particularly for children. Gloria and her neighbors petitioned CARE for help building a new water system, which – under Gloria’s attentive management – now supplies each household.



Ghana

MARIA BELONGS TO A WOMEN'S FARMING COOPERATIVE called "Sugru Vella," which means "patience is good." Each month, she and nine other women from the Bowku community meet to learn new farming techniques and discuss how and where to invest profits from the sale of their crops. "Working together has helped increase our production and our profits," Maria says. "We help each other in the field, so, during the dry season, we'll have enough food to feed our families."



Ethiopia

THE AFAR PEOPLE FIERCELY GUARD their independence and traditions. They are also among the poorest in Ethiopian society. Abay began working for CARE as a young woman determined to improve the health and education of her people. In the course of her work, Abay confronted Afar leaders and asked them to examine harmful practices, such as female circumcision, that undermine healthy development. Her diligence led to the formation of an “Anti-Harmful Traditional Practices Association” with hundreds of members.



Afghanistan

UNDER THE PRETENSE OF TEACHING SEWING, Fahima thwarted the Taliban's prohibition against educating girls in Afghanistan by running an elementary school for 120 students. Today, Fahima continues her commitment to education by working with CARE to reach older girls who missed out on schooling. Through CARE, they can undertake a "fast-track" curriculum to make up for lost time. Fahima says it's her hope to teach again one day, free from intimidation.



Ethiopia

ASGELI BEGAN HELPING the local traditional birth attendant when she was a little girl. As an adult, she has attended countless births. Asgeli has also performed numerous female circumcisions. Following awareness-raising discussions initiated by CARE, the community has abandoned the practice. "We did the circumcisions because that is what had always been done," says Asgeli. "We were in a dark house and did not know. Now we are in a light house and can see."



Guatemala

FRANCISCA IS AN EXCELLENT STUDENT who excels in science. She wants to be a teacher and knows how important it is to continue her education. Yet her mother, Maria, worries about paying for uniforms and books while raising four girls on her own. Maria eagerly participates in CARE-supported initiatives, including serving as president of a group that is growing mushrooms as a cash crop. Maria says she gets more than economic benefits from the women's association – she gets much-needed emotional support.

SHE HAS THE POWER TO CHANGE HER WORLD

“CARE’s approach to helping a community is to give the staff and partners the freedom and the time to find the right solution.” – **Katharin Dyer**

“I remember as a child sending money to help a child in another country. Later, I saw that I had the opportunity to help make a difference in the lives of people that needed help. Wanting to help others has always been part of what I felt I should do.” – **Ben Russell**

“I decided to send my birthday and tooth fairy money to CARE. Even though \$23 wasn’t much, I knew it would help a little. If I would have kept it, I would have spent it on toys. I have plenty of toys.” – **Bailey DeSaussure**

“When you have the opportunity to ask people in the community about the direct benefits ... it’s right there in front of your eyes: their gratitude, their pride, their confidence, their own sense of self-sufficiency.” – **Deidra Wager**

“It is through CARE that I discover and validate my sense of social responsibility, theology, my political orientation and call to action. I guess that one could say that through CARE, I have found myself and a sense of purpose.” – **Walter Dean**

YOU HAVE THE POWER TO HELP HER DO IT



Afghanistan

Farewell from CARE's President



It is hard to believe I have completed 10 years as president of CARE USA. I would gladly serve another 10. However, institutions like CARE need the right balance of continuity and change, and I am handing over the reins with great expectations for CARE's future.

I came to CARE because it affirmed so much that is important in my life. Since living with a Japanese family in post-war Tokyo as a high school student and building a cinderblock school in a village of Côte d'Ivoire as a college student, I have been deeply committed to peacemaking, social justice, economic development and human rights – not as abstractions, but in the lives of real people. At CARE, I joined a tremendously dedicated and capable group of men and women who share the same commitment. I am proud to have been part of this extended family and to have participated in our shared struggle for a better world.

**“In looking to the next 10 years, hold strongly to CARE’s vision.
Dare to believe that the world can be made better
and that each of us can make a difference.”**

Peter D. Bell
President and Chief
Executive Officer
1995 - 2005



I am also proud of the progress we have made over the last decade – putting human rights at the center of our work, emphasizing diversity at all levels of the organization and striving to be a partner of choice in the global movement to end extreme poverty. I do not take credit for this progress. In fact, I learned long ago that the success of the president of CARE rests with each of you – each colleague who works tirelessly to end poverty and injustice, each donor who reaches out to help a stranger in a far corner of the world and each parent in a poor community who is bent on securing a brighter future for his or her children.

I am confident that, under new leadership, CARE will remain on course, even while evolving in new and exciting ways. CARE has been on a journey for the last 60 years – a shared journey with poor communities to overcome poverty. Guided by the commitment to our vision, mission and programming principles, CARE will continue on that journey.

I will continue on that journey, as well. It has been a joy and a privilege to work with so many people who seek a world of hope, tolerance and social justice, where poverty has been overcome and everyone lives in dignity and security. In looking to the next 10 years, hold strongly to CARE’s vision. Dare to believe that the world can be made better and that each of us can make a difference.

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*President and Chief
Executive Officer*



Debra Neuman
*Senior Vice President,
External Relations*



Patrick Solomon
*Senior Vice President,
Human Resources
(acting)*



Susan Farnsworth
*Senior Vice President,
Program*



Joseph J. Iarocci,
*Senior Vice President,
Strategic Support*



Anne Lynam Goddard
Chief of Staff

“We strive each day to be the kind of leadership team CARE deserves: one that's committed to hard work, focused on results and dedicated to incorporating CARE's core values into all of our decisions.”

Anne Lynam Goddard
Chief of Staff



Dr. Helene Gayle
Dr. Helene Gayle succeeds Peter D. Bell as president and CEO of CARE USA in the spring of 2006.

Report from Management

In fiscal year 2005, CARE USA spent \$514 million, or 91 percent of total spending (\$565 million), to support programs designed to advance our mission and vision around the world.

This program expense includes \$437 million in cash and \$77 million in agricultural commodities and other in-kind contributions that CARE put to work in the fight against poverty. We spent \$224 million – more than 40 percent of our total program spending – in sub-Saharan Africa, the poorest region in the world.

We spent \$365 million in support of programs that promote long-term development, a 17 percent increase from fiscal year 2004, and \$149 million in support of emergency and rehabilitation programs, a 27 percent decrease from fiscal year 2004. In the aftermath of the Indian Ocean tsunami at the end of calendar year 2004, CARE responded with immediate emergency relief, drawing on funds from a wide range of governmental, corporate and individual sources. Indeed, the outpouring of support in the wake of that disaster was extraordinary. We will continue to work with poor communities directly and indirectly affected by the tsunami to rebuild lives and livelihoods over the next several years.

We were well above our plan for direct public support for the year. Though this was largely due to tsunami-related contributions, we were already ahead of plan prior to that tragic event. Our private fund-raising efforts this year yielded \$145 million. Support from the U.S. government of \$267 million did not match the \$336 million from the prior year, which included substantial resources for emergency response in Africa, but the level of that support was consistent with typical levels in prior years. Support obtained through CARE International members increased to \$120 million in fiscal year 2005.

We are grateful to all our donors, public and private, who share our vision of a world where poverty has been overcome and all people live in dignity and security. We are also grateful to our partners in poor communities and staff members around the world who move us closer to that vision every day. We keep our commitment to our donors, partners and staff very much in mind as we meet the highest standards of financial stewardship in the use of CARE's resources.

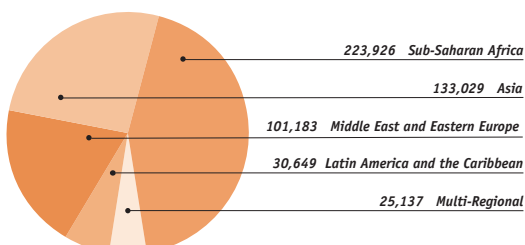


Joseph J. Iarocci,
*Senior Vice President, Strategic Support
& Chief Financial Officer*

Selected Financial Information

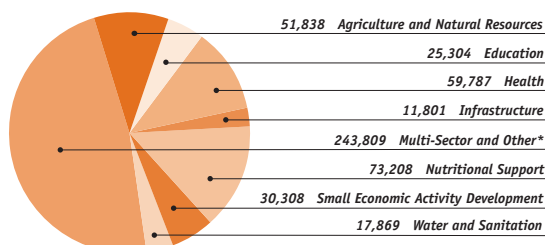
Program Expense by Geographic Region

Total Program Expense by Region for FY2005
\$513,924 (in thousands)



Program Expense by Sector

Total Program Expense by Sector for FY2005
\$513,924 (in thousands)



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

Sources of Support

CARE USA receives support for our programs from charitable contributions, and grants and contracts from government and nongovernment entities. The following describes CARE USA's sources of support and revenue (in thousands):

Donor	Cash	Agricultural Commodities	Non-Food In Kind	2005 Total	2004 Total
U.S. government	\$ 192,470	\$ 74,042	\$ 150	\$ 266,662	\$ 336,300
U.S. direct public support	143,336	-	1,388	144,724	75,091
CARE Australia	3,775	-	-	3,775	1,249
CARE Canada	12,589	-	-	12,589	13,701
CARE Danmark	7,728	-	-	7,728	6,325
CARE Deutschland	5,165	-	-	5,165	2,215
CARE France	7,840	-	-	7,840	5,070
CARE Japan	357	-	-	357	384
CARE Nederland	14,180	-	1	14,181	13,307
CARE Norge	8,215	-	-	8,215	7,222
CARE Österreich	6,248	-	-	6,248	3,438
CARE United Kingdom	53,551	-	-	53,551	45,235
Host governments	28,329	71	150	28,550	18,375
UNHCR	667	-	-	667	2,387
UNICEF	910	-	111	1,021	1,012
WFP	4,205	-	941	5,146	1,862
Other U.N. agencies	6,416	-	-	6,416	3,644
Luxemburg	503	-	-	503	676
Switzerland	16,527	-	-	16,527	3,773
World Bank	3,342	-	-	3,342	2,758
Others (grants, contracts)	24,118	-	184	24,302	23,127
Other revenue (interest, dividends, rents, etc.)	6,847	-	-	6,847	4,944
Support and Revenue 2005	\$ 547,318	\$ 74,113	\$ 2,925	\$ 624,356	
Support and Revenue 2004	\$ 467,290	\$ 103,516	\$ 1,289		\$ 572,095

Our auditors have expressed an unqualified opinion on our financial statements. These financial statements include associated notes that are essential to understanding the information presented herein. The full set of statements and notes is available at CARE USA's Web site, www.careusa.org, and a printed copy may be obtained from CARE USA.

Consolidated Financial Statements

CARE USA Consolidated Balance Sheets

As of June 30, 2005, and 2004 (in thousands)

	2005	2004
Assets		
Cash and cash equivalents	\$ 104,548	\$ 94,692
Investments	195,361	162,341
Receivables, net	47,255	41,713
Subsidiary microcredit loans receivable, net	43,034	30,460
Deposits and other assets	64,996	55,529
Property and equipment, net	7,516	9,119
Perpetual trust held by third party	111,136	109,130
TOTAL ASSETS	\$ 573,846	\$ 502,984
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 45,766	\$ 42,990
Program advances by government and nongovernment agencies	130,304	143,725
Annuities payable, pooled income fund, unitrusts	22,166	23,536
Benefits accrued for overseas national employees	15,992	16,325
Subsidiary loans payable	43,871	27,656
Minority interest in subsidiary	1,633	767
Total Liabilities	259,732	254,999
Commitments and contingencies		
Net Assets		
Unrestricted	79,899	71,519
Temporarily restricted	110,160	54,433
Permanently restricted	124,055	122,033
Total Net Assets	314,114	247,985
TOTAL LIABILITIES AND NET ASSETS	\$ 573,846	\$ 502,984

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Consolidated Financial Statements

CARE USA Consolidated Statements of Activities

For the year ended June 30, 2005, with summarized information for 2004 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2005	Summarized 2004
Support					
Public support					
General purpose	\$ 63,535	\$ -	\$ -	\$ 63,535	\$ 48,727
Temporarily restricted	-	74,389	-	74,389	12,755
Addition to endowment	-	-	15	15	7,642
CARE International	119,649	-	-	119,649	98,146
Interest and dividends on restricted net assets	5,431	1,354	-	6,785	5,967
Net assets released from restrictions	21,991	-	-	21,991	16,321
Satisfaction of program restrictions	-	(21,991)	-	(21,991)	(16,321)
TOTAL PUBLIC SUPPORT	210,606	53,752	15	264,373	173,237
Government and other support					
U.S. government	266,662	-	-	266,662	336,300
Host governments	28,551	-	-	28,551	18,375
Others	57,912	11	-	57,923	39,239
TOTAL GOVERNMENT AND OTHER SUPPORT	353,125	11	-	353,136	393,914
Other Revenue					
Interest and dividends on unrestricted net assets	2,714	-	-	2,714	2,093
Rent and miscellaneous	4,125	8	-	4,133	2,851
TOTAL OTHER REVENUE	6,839	8	-	6,847	4,944
TOTAL OPERATING SUPPORT AND REVENUE	570,570	53,771	15	624,356	572,095
Expenses					
Program	513,924	-	-	513,924	516,875
Fund raising	23,716	-	-	23,716	19,855
Management and general	21,408	-	-	21,408	20,395
Public information	4,304	-	-	4,304	3,308
Grants to CARE International	1,584	-	-	1,584	1,084
TOTAL OPERATING EXPENSES	564,936	-	-	564,936	561,517
Operating Support and Revenue over Expenses	5,634	53,771	15	59,420	10,578
Other Non-Operating Changes in Net Assets					
Minority interest in subsidiary (loss)/income	(273)	-	-	(273)	528
Foreign exchange gain	108	-	-	108	915
Interest and dividends on gift annuity investments	1,114	-	-	1,114	1,201
Actuarial gain/(loss) on annuity obligations	40	-	-	40	(2,182)
Actuarial gain on split interest agreements	-	56	-	56	83
Realized and unrealized gain on investments	1,757	1,900	-	3,657	2,679
Increase in value of trust held by third party	-	-	2,007	2,007	11,801
TOTAL CHANGE IN NET ASSETS	8,380	55,727	2,022	66,129	25,603
NET ASSETS, BEGINNING OF YEAR	71,519	54,433	122,033	247,985	222,382
NET ASSETS, END OF YEAR	\$ 79,899	\$ 110,160	\$ 124,055	\$ 314,114	\$ 247,985

Our auditors have expressed an unqualified opinion on our financial statements. These financial statements include associated notes that are essential to understanding the information presented herein. The full set of statements and notes is available at CARE USA's Web site, www.careusa.org, and a printed copy may be obtained from CARE USA.

Consolidated Financial Statements

CARE USA Consolidated Statements of Functional Expenses

For the year ended June 30, 2005, with summarized information for 2004 (in thousands)

	Program Activities	Fund Raising	Management and General	Public Information	CARE International	2005 Total	2004 Total
Personnel costs	\$ 132,429	\$ 6,840	\$ 12,666	\$ 2,701	\$ -	\$ 154,636	\$ 145,822
Professional services	19,017	2,309	2,248	646	-	24,220	19,565
Equipment	10,375	126	1,000	197	-	11,698	10,511
Materials and services	96,525	12,982	1,197	491	-	111,195	121,126
Travel and transportation	44,530	565	1,164	201	7	46,467	41,459
Occupancy	14,045	432	1,442	28	-	15,947	14,792
Financing/Depn/Misc.	21,907	411	1,606	4	-	23,928	19,063
Grants/Subgrants	98,435	-	-	9	1,577	100,021	84,396
AgCommodities/CIKs	76,661	51	85	27	-	76,824	104,783
Total Operating Expenses for 2005	\$ 513,924	\$ 23,716	\$ 21,408	\$ 4,304	\$ 1,584	\$ 564,936	
Total Operating Expenses for 2004	\$ 516,875	\$ 19,855	\$ 20,395	\$ 3,308	\$ 1,084		\$ 561,517

CARE USA Consolidated Statements of Cash Flows

For the years ended June 30, 2005, and 2004 (in thousands)

	2005	2004
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Changes in net assets	\$ 66,129	\$ 25,603
Adjustments to reconcile change in net assets to cash flows		
Depreciation and amortization	2,149	2,181
Contributions restricted for investment in endowment	(15)	(7,642)
Realized and unrealized gain on investments	(3,657)	(2,679)
Actuarial (gain)/loss on annuity obligations	(40)	2,182
Actuarial gain on split interest agreements	(56)	(83)
Increase in value of perpetual trust held by third party	(2,007)	(11,801)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(5,542)	19,895
Increase in deposits and other assets	(9,573)	(6,014)
Increase in accounts payable and accrued expenses	2,776	4,501
(Decrease)/increase in program advances	(13,421)	9,866
(Decrease)/increase in benefits accrued for overseas national employees	(333)	974
Net cash and cash equivalents provided by operating activities	36,410	36,983
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchases of investments	(94,234)	(94,216)
Proceeds from sales of investments	64,978	41,230
Purchases of property and equipment	(568)	(1,284)
Sales of property and equipment	22	130
Net cash and cash equivalents used for investing activities	(29,802)	(54,140)
CASH FLOWS USED FOR FINANCING ACTIVITIES:		
Proceeds from contributions restricted for investment in endowment	15	7,642
Increase in subsidiary microcredit loans receivable	(12,574)	(7,370)
Proceeds from loans in subsidiary	26,917	11,487
Gross loans repayment in subsidiary	(10,702)	(2,580)
Increase/(decrease) in minority interest in subsidiary	866	(85)
Principal payments on bonds payable	-	(2,835)
Net decrease in annuities payable, split interest agreements	(1,274)	(751)
Net cash and cash equivalents used for financing activities	3,248	5,508
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,856	(11,649)
CASH AND CASH EQUIVALENTS, beginning of year	94,692	106,341
CASH AND CASH EQUIVALENTS, end of year	\$ 104,548	\$ 94,692
Noncash Contributions	\$ 6,313	\$ 1,815

Cash paid for interest in fiscal years ended June 30, 2005, and 2004 respectively, was \$2,802 and \$1,832.

Our auditors have expressed an unqualified opinion on our financial statements. These financial statements include associated notes that are essential to understanding the information presented herein. The full set of statements and notes is available at CARE USA's Web site, www.careusa.org, and a printed copy may be obtained from CARE USA.



East and Central Africa

CARE USA expended \$114 million on poverty-fighting projects in the following East and Central African countries:

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

Rwanda

THE CENTRAL AFRICAN COUNTRY of Rwanda is home to the highest percentage of orphans of any country in the world. How did tiny Rwanda come to bear such a huge tragedy? The answer lies in the combined effects of two humanitarian disasters: the 1994 genocide and HIV/AIDS.

The United Nations estimates there are 613,000 Rwandan orphans age 14 and under. Louise Mukandori isn't counted among them, as she is already 18, but she and her younger sister, Cresine, have been on their own since 2003. The two girls survive on what they coax out of the small plot of land left by their parents.

Louise recently took an important step for her small family. She joined a tailoring course at a center assisted by CARE's Nkundabana Initiative for Psychosocial Support (NIPS). A "nkundabana" is an adult who acts as a surrogate parent to orphaned children, providing support, advice and affection. Through NIPS and similar projects, CARE is looking after the psychological and social well-being of 2,500 child-headed households in Gitarama province and 15,000 orphans and vulnerable children nationwide. Besides emotional support, children receive training in literacy, job skills and money management.

After a few months, Louise is beginning to see herself in a new light. "Who knew that I could sit

at a sewing machine and actually use it? I would never have been able to if the project had not come to my aid," she says.

"The advice of the CARE staff and the protection of my nkundabana came just in time," Louise continues. "I learned how to economize what little harvest I could get from my garden. I used to consume everything I produced and restart at zero. Now I know that after harvesting, I have to use the harvest to feed my sister and me, but I also save part to buy new things for us or to grow new crops. For example, after I harvest cassava, I will buy coconut seeds and a goat."

It's not just child-headed households that are benefiting from NIPS. The effect of new opportunities for orphans is less thievery and other petty crime. "Thanks to the CARE project, the majority of errant children are busy with vocational training and income-generating activities. The community is now quiet," Louise says. In this way, CARE is playing an important role in Rwandan society: Healing emotional wounds and building skills now should contribute to a more stable, prosperous nation in the future.

Louise is thinking about her own future. "I will earn a living as a seamstress. I will find a location in the market and have clients," she says. "I know that I will no longer suffer from hunger."



Democratic Republic of Congo

FOR MANY CHILDREN in the Democratic Republic of Congo (DRC), a nation at war is the only home they have ever known. What began in the mid-1990s as an effort to oust dictator Mobutu Sese Seko has expanded into a tangled web of conflicts that has claimed an estimated 3.8 million lives since 1997 – many through starvation and disease. Though a peace agreement officially ended civil war in 2002, violence between militia groups continues to claim lives and hinder development.

One common element among all the fighting factions is the use of children in their military campaigns. Whether willing enlistees or forced conscripts, children serve as soldiers, cooks, porters, messengers and “military wives.”

Yet, even as sporadic fighting continues, the Congolese government has a commission to disarm and demobilize combatants. CARE is working with international partners, the government of the DRC and communities to secure the release of children associated with armed forces and assist their reintegration into families.

Vulnerable children, including those recently released by or escaped from militias, gather at a CARE-supported center in Kasongo. Here they learn basic literacy skills, carpentry, soap-making, baking and sewing. Learning these skills, in addition to providing a foundation for earning a living, helps the children gain confidence to face their families and communities again.

More so than boys, girls who have been associated with armed groups face serious prejudice upon return. Many people believe the girls have become imbued with a hostile mentality and are no longer good candidates for marriage. There is also fear that the family may face retaliation if the girl’s military “husband” tries to reclaim her.

A girl named Oma says she dislikes the attitude that men have toward her now. “They say we have no skills to bring into a marriage, just a war mentality. So we want to acquire skills first,” she says. “A woman, no matter how beautiful, is worthless without brains. I would like to advance myself so when I marry, my husband will be proud of me.”

Oma and other girls at the center say they plan to register to vote in elections scheduled for 2006 – the first general elections since the country’s independence in 1960. These young women believe the elections will bring peace, and CARE is doing our part toward that end. CARE presented suggestions from field staff to United Nations Security Council members on how to increase security for civilians, improve governance and provide support for these crucial elections. Recommendations included renewing support for the disarmament and reintegration process, repositioning U.N. peacekeepers, curbing corruption at all levels and communicating openly about the election process and results.

Support and Security



Southern and West Africa

CARE USA expended \$110 million on poverty-fighting projects in the following Southern and West African countries: Angola, Benin, Chad, Ghana, Ivory Coast, Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Sierra Leone, South Africa, Togo, Zambia, Zimbabwe

Malawi

MALAWI, LIKE SO MANY other countries in Africa, has a hungry season. It's not marked on calendars, but on the weary faces of parents trying to stretch meager supplies for another day, another week – however long after one harvest has been consumed and the next is ready to bring in. The hungry season sometimes starts too early and lasts too long, pushing families past their ability to cope. So it was in 2002, when Malawi suffered one of the worst famines in living memory.

Master Binson, a farmer and single father of four from Mengwe, was one among millions struggling to survive that year. CARE worked with the United Nations to bring relief to communities like Mengwe and families like Master's.

Master's neighbors selected him to chair the food distribution committee in charge of identifying the most vulnerable families. Master worked closely with CARE staff to ensure the program ran smoothly. "Our committee made sure that relief food went to rightful people and there was no pilferage," says Master of his responsibilities.

CARE staff recognized Master's natural leadership skills and thought, given the opportunity, he could play an important role in improving conditions in his community.

As the emergency food distribution came to an

end, CARE embarked on a one-year drought recovery project. With CARE's support, the community looked at ways to rebuild household assets depleted during the hungry season. To improve food security and income opportunities, people participated in seed banking, irrigation, cash-for-work on roads and dams, and market and enterprise development. Master Binson was once again selected by the people of his village to be their project chairman; little did he know this was to be a turning point in his life.

Working with CARE, the people of Mengwe identified activities that would help in their struggle to overcome poverty. They proposed an eight-kilometer road network linking a school, clinic and markets, all to be constructed under cash-for-work. But the biggest idea was a dam to provide irrigation for 185 households. More than 350 residents built the dam over eight months, uniting the community of Mengwe as nothing had before.

Master and the other farmers realized the benefits from the dam almost immediately. Harvests increased, and proceeds from the sale of fish raised in the dam's reservoir are put into a community savings fund. Despite the hungry season looming in Malawi this year, Master Binson asserts his community will not want for food.



Togo

WHEN ADZO AZIAHO'S FAMILY could no longer afford her school fees, she was forced to drop out. Twelve years old, with limited education and a strong desire to contribute to the household income, Adzo was lured away from her tiny village by the promise of a better life in the capital city of Lomé. Yet, as in so many other cases, it was a promise no one had any intention of fulfilling.

Adzo was the targeted victim of a child trafficking scheme, where young girls from poor, rural communities are enticed from their homes with the assurance they will earn good wages to send back to their parents. These girls then work under deplorable conditions for years on end – often with no compensation.

Adzo narrowly escaped this sad outcome. Thanks to CARE's COMBAT project – to combat child trafficking and exploitation through education – community members were on the alert about the growing problem of child labor in their area.

"Adzo had gone off to wash clothes on the day she should have been on the farm," recalls the girl's grandmother. "I had a feeling something was wrong, so I talked to the CARE community agent in our village. I didn't even know if he would be able to help, but I had to do something.

"I'm old, tired and unable to improve my life at this point," she continues, "but I want a

better life for my granddaughter. When I'm gone, I want to know that my grandchildren will be able to take care of themselves."

CARE learned that Adzo had been promised a job in the city, working as a maid and salesgirl for a wealthy businesswoman. But she says, "The only reason I even thought about leaving home was that I couldn't go to school."

With help from CARE and our local partner, the Association for Humane Promotion, Adzo's tuition has been paid and she is now attending secondary school. "CARE gave her hope on the spot when we told her we would pay her school fees," says project manager Nestor Atinyo. "But we don't just want to get children back in school; we want to keep them there. Adzo says she wants to be a nurse when she completes her education."

To that end, community agents meet with families monthly to make sure children are in school and to identify potential obstacles to attendance. In all, 18 girls from Adzo's village have been reunited with their families and are enrolled in school or learning a trade, like hairdressing, sewing or batik print-making.

CARE works with villages throughout Togo to help families and community members identify at-risk children – especially orphans and those who have had to drop out for financial reasons.

Leadership and Education



Asia

CARE USA expended \$133 million on poverty-fighting projects in the following Asian countries:

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

Tajikistan

THERE ARE PARALLELS to be found in the troubling story of Malika and her nation of Tajikistan. Years ago, Malika was married and happily raising seven children. Her family was not wealthy, but they had all they needed. Tajikistan in the Soviet era was a stable, if authoritarian and impoverished, nation. The poorest of 15 Soviet republics, Tajikistan was still a place where children were educated, health care was available and most people felt relatively safe. But when the Soviet Union collapsed and Tajikistan gained independence, society began to unravel. When Malika's husband was abducted and shot during the ensuing civil war, her world, too, began to unravel.

It soon became difficult for Malika to clothe and feed seven children. She did not work outside her home and none of her relatives could help her. Eventually, Malika bought milk, eggs and yogurt from her neighbors and sold them in the market at a slight profit. With this money, she barely managed to get by.

The time spent in the market exposed Malika to illicit forms of earning a living. She became "a woman who had taken a wrong turn in life," as her neighbors would say. The children were left to fend for themselves.

When CARE's Women's Economic Opportunities

Project started in Malika's village, she was among the first to receive a small loan. The women were taught business skills and learned about finding untapped markets or unmet needs in their community. It was an important opportunity for Malika, yet she struggled to work side-by-side with neighbors who scorned her previous activities.

Still, Malika was determined to change her life for her children's sake. She used credit provided by CARE to plant potatoes. After selling the harvest, Malika repaid her loan and spent the rest of the money on a cow with calf. With a second loan, Malika bought two goats, which then gave birth to kids. This kept Malika busy, and her children were pleased to have her time and attention at home.

Today, Malika and her nation are both rebuilding after being shaken to the core. Tajikistan is still the poorest of the former Soviet republics, able to produce only half the grain it needs and offering little employment, especially for single women. In the absence of established financial markets and formal training opportunities, CARE's work to build skills and make resources available fills a critical niche. It will take more than potatoes and goats to repair the country, but if Malika's countrymen share her resilience and determination, there is reason to be hopeful.



Nepal

THE FIRST 30 YEARS of Sita Bishwokarma's life were much like those of other Dalit women in western Nepal. She had never gone to school, married at age 13 and remained illiterate. As members of a so-called "untouchable" caste, Sita, her husband and their two children were relegated to the fringes of society in a region of the country torn by conflict.

Being a landless family, they depend on the nearby forest to collect firewood for cooking and thatch for roofing. In 1998, the government of Nepal ceded ownership of the forest to communities, but when the land was turned over to residents of Sita's village, it immediately fell into the hands of local elites. Neither Dalits nor other poor people were elected to the management committee.

The committee chairperson allocated forest user fees for projects such as construction of an irrigation canal, road and temple. However, those activities didn't benefit poor, Dalit families. Without any land, what good is an irrigation canal? Similarly, Dalits are not allowed to enter a temple, so it seemed unfair they were paying to build one. Despite being compelled to pay user fees, they were denied access to the forest itself.

In the last year, however, Sita's life and indeed her whole community have begun to change, despite the upheaval caused by conflict. It started when she joined a literacy class supported by CARE. In addition to learning to read simple words

and write her name, Sita learned of CARE's work to improve local governments and increase women's participation in their communities.

CARE facilitators invited the community to assess the forest management committee and encouraged Dalits and women to participate. "I got an opportunity to participate in such a meeting for the first time in my life," says Sita. "I came to know that each and every individual has equal rights."

With advocacy training from CARE, Sita and others decided to take action. As a group, they approached the forest committee, but their demands were ignored. "We had to formulate another process to influence the committee," Sita says. "We realized this problem is deeply rooted, so we cannot fight alone to address it." With support from other organizations, Sita's group again appealed to the forest committee. After several meetings, the committee agreed to some important changes: Women and Dalits were guaranteed seats on the committee, 15 percent of the user group funds were allocated to programs to benefit Dalit and poor households, and budget decisions were made public.

Today, Sita is vice chairperson of the committee. She has found her voice, but understands there is much work to be done. "I realized that Dalits are lagging behind. We need social, political and economic empowerment. The CARE program opened our eyes."

Opportunity and Equal Rights



Tsunami Update

Natural disasters dominated headlines in 2005, starting just days before the dawn of the new year. We have seen nature's wrath in hurricanes, earthquakes and drought, but no single event compares in magnitude to the tsunami of December 26, 2004.

FROM THE BEGINNING, CARE COMMITTED TO A LONG-TERM RECOVERY PROCESS that would empower communities and enable them to address underlying causes of their vulnerability. We are proud of accomplishments achieved in partnership with tsunami-affected communities in the months following the disaster.

India – CARE is helping more than 100,000 people rebuild their lives by meeting a variety of needs, including shelter, income generation, clean water and trauma counseling. We have improved access to clean water and sanitation systems for some 20,000 families, built more than 500 transitional shelters and plan to build more than 2,000 permanent disaster-resistant homes. CARE also trained 1,200 people – including teachers, village health workers and other community members – in the skills to provide trauma counseling. CARE expects to have spent \$9 million on our tsunami response in India by the end of calendar year 2005.

Indonesia – CARE is assisting approximately 350,000 survivors in Banda Aceh, Aceh Besar and the island of Simelue. CARE has committed to building several thousand homes in these areas. We distributed more than 1 million bottles of a solution to purify water, as well as some 700,000 one-month rations of food. Survivors were able to

earn income by working for CARE to clear debris from waterways. CARE expects to have spent \$22 million on assisting tsunami survivors in Indonesia by the end of December 2005.

Somalia – The tsunami extended as far west as Africa's coast, including Somalia, where CARE is responding to the needs of some 32,000 people. We distributed 491 tons of food to these families, who represent about 70 percent of the tsunami-affected population. CARE has also delivered water to more than 3,300 families in 45 communities. In addition, we are installing water systems and building private latrines. We plan to have spent \$5.1 million for our tsunami response in Somalia by December 2005.

Sri Lanka – CARE is working in seven of the nine most severely affected districts. We built more than 1,500 transitional shelters that include water and sanitation facilities. CARE also distributed food and essential relief items to 32,000 families and helped keep 24,000 families healthy with clean water and latrines. With our support in training, provision of tools and equipment, and cash-for-work programs, some 2,000 families – including farmers, fishermen and small traders – have started to earn an income again. Other plans include the construction of thousands of permanent homes; nearly 3,000 building sites were



confirmed by autumn 2005. By the end of the calendar year, we expect to have spent \$13.5 million on our recovery efforts in the country.

Thailand – In the immediate aftermath of the tragedy, CARE provided food and basic relief items to some 2,400 survivors and temporary shelters for 760 displaced people. Through a revolving loan system, we helped more than 2,300 families – including fishermen and women, small traders and farmers – start to earn an income again. We plan to establish an additional 87 loan funds in early 2006 to benefit another 4,100 families. CARE will help communities replant mangroves, which serve as an important part of the ecosystem and also act as a natural buffer from the sea. We plan to have spent \$5.1 million on tsunami response in Thailand through December 2005.

None of these accomplishments would be possible without the extraordinary support of CARE donors around the world. In fiscal year 2005, CARE USA received \$53 million for our immediate and long-term tsunami response. The following are just some examples of the creativity and generosity the tsunami inspired:

- Zach Mathews, 14, and his sister, Victoria, 11, of New Jersey, raised more than \$50,000 from donors across the country, a feat that earned them national recognition.
- In Seattle, Washington, musicians from Alice in Chains, Heart, Nirvana and Children of the Revolution as well as Sir Mix-A-Lot joined forces in the K-Rock Continued CARE Reconstruction Benefit concert, raising more than \$110,000 for CARE's response to the tsunami.

- The Boeing Company awarded CARE a total of \$1.2 million for tsunami relief through direct corporate gifts and employee contribution matches. Boeing also engages in an ongoing education campaign to inform employees about how and where their gifts are used.
- Each of the nation's "Big Three" automakers donated generously to CARE's tsunami response, including employee gifts, matching gifts and outright gifts. DaimlerChrysler gave \$650,000; Ford Motor Company gave \$287,066; and General Motors gave \$230,472.
- To improve the lives of underserved children and their families in India, the Michael and Susan Dell Foundation gave \$500,000 to CARE for tsunami relief.
- The Kresge Foundation in Troy, Michigan, awarded CARE a \$3.5 million grant to benefit communities neighboring tsunami-affected areas. This grant will help inland, but equally poor, neighbors of tsunami survivors.
- Board members of the Cardinal Health Foundation designated \$1 million per year for three years for long-term rehabilitation in tsunami-affected countries. This was in addition to a foundation match for all employee gifts, as well as the delivery of medical supplies and equipment immediately after the disaster.

CARE is grateful for each gift and proud to be the trusted choice to deliver compassionate assistance on behalf of our donors. For a more detailed report of our tsunami-response activities, please visit www.care.org/tsunami.



Latin America and the Caribbean

CARE USA expended \$101 million on poverty-fighting projects in the following Latin American and Caribbean countries:

Bolivia, Brazil, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Peru

Ecuador

ABIGAIL ELIZALDE RAISED her children and sent them to school before CARE began working in her community of Valle Nuevo, Ecuador, so she was well aware of the limitations of the local school system. The building itself was in poor shape, the teacher was perpetually absent and there weren't even basic bathroom facilities. It is a testament to Abigail and her husband Samuel Cordoba's fervent belief in the benefits of education that the children completed their primary schooling and went on to high school in a larger community nearby.

"I know that education will help us," says Abigail. "I have sent my children to high school, and I tell them they should get the most out of it and work hard. Now I see that this is what I will leave them." Abigail's legacy will reach beyond her own family – her work with CARE today will touch the lives of children in Valle Nuevo for years to come.

As one of the most enthusiastic participants in CARE's EDUCAVIDA (Quality Education for Life) project, Abigail regularly organizes and participates in community meetings and workshops. Together, parents, teachers and CARE staff developed a school quality index to establish priorities and set a baseline to measure progress.

This spirit of collaboration has been crucial to

the success of EDUCAVIDA in Valle Nuevo, and it sometimes means people get involved even when they thought they had nothing to offer. For example, Abigail and other mothers with little education supervise as their children complete homework assignments. "In the school for mothers, they taught me to do that; that I should be there even if I did not understand the assignments," Abigail says. "Even now that they are in high school, I do that. I know my presence helps them, and they do what they have to do."

Abigail has gained new responsibilities outside her home, as well. Husband Samuel encourages her to take the lead in making decisions and voting on issues raised during meetings with CARE staff and representatives from the municipality. "I tell other women in the meetings that they have to decide because they are here for a reason; not just to see, but to make decisions." The decisions they have made are improving education: Unmotivated or unqualified teachers have been replaced, teachers have been given training to make lessons more effective, schools are now more sanitary and attendance has gone up.

"As long as I can, I will struggle so that my children are educated," promises Abigail. "Since I am stubborn, I will continue forward until all of us get out of poverty."



Nicaragua

EVENTS OF OCTOBER 2005 reminded us all how susceptible Central America is to natural disasters. Hurricane Stan prompted devastating mudslides in Guatemala, and the storm's effects in El Salvador were multiplied by the eruption of the Santa Ana volcano. It was a reminder farmer Reynaldo Ortiz, who lives within sight of Nicaragua's San Cristobal volcano, could have done without.

The specter of a volcanic eruption is just one threat to life and property; this area – like so many in Central America – is also prone to hurricanes, floods and landslides during the rainy season and droughts at other times. Earthquakes, tsunamis and fires are rarer, but do occur. Despite these possible calamities, poverty is the immediate concern, and the people in Reynaldo's community of El Mohon must farm this fertile land in order to make a living.

In 2001, CARE introduced a project to help communities in Nicaragua, Honduras, El Salvador and Guatemala prepare to deal with natural disasters. To make the project sustainable, CARE aimed to build local and national governments' ability to help the poorest, most vulnerable people. In Nicaragua, along with municipal governments and Civil Defense – the military's emergency response wing – CARE began talking to people to assess the dangers they face. Together, we designed a handbook of risk management for each community and

established volunteer emergency management teams. Reynaldo's community chose him as their team's president.

With guidance from CARE, the 480 residents of El Mohon got to work. They strengthened two bridges, improved roads and created 368 meters of drains to reduce the impact of floods. They conducted drills on what to do in case of a fire, flood or other emergency. Today, when new people move into the community, the team invites them to a meeting where they are informed of safe locations to build houses and municipal construction codes.

CARE worked with Civil Defense to strengthen its ability to deal with natural disasters. With data collected from the communities, CARE designed training curriculums for Civil Defense staff and provided supplies such as helmets, harnesses and radios. Civil Defense is now helping 124 municipalities prevent or at least reduce the impact of disasters. It is a new way of looking at emergencies: "We used to work for the short term, for specific periods, and we were only reactive, with no planning," says Mario Perez Cassar, the director of Civil Defense. "Now, we intervene in the causes that create the disasters."

The people of El Mohon long ago came to terms with the unpredictability and volatility of their environment. But they are not powerless. "Before, I had no information," says Reynaldo. "Now, I sleep easier at night."

Collaboration and Preparation



Middle East and Eastern Europe

CARE USA expended \$31 million on poverty-fighting projects in the following Middle East and Eastern European countries: Albania, Bosnia & Herzegovina, Croatia, Egypt, Georgia, Iraq, Jordan, Kosovo, Russian Federation (North Caucasus), West Bank/Gaza, Yemen

Bosnia & Herzegovina

THE CIVIL WAR in Bosnia and Herzegovina ended 10 years ago with an uneasy peace and a divided nation. Hundreds of thousands of people fled war and ethnic cleansing. Today, many are coming back to their homes and rebuilding their lives, with the support of CARE and other humanitarian organizations. But they return to a country in economic peril. Bosnia desperately needs educated young people – but without employment opportunities, many give up and leave again.

To help create jobs for formerly displaced people, CARE is tapping into the energy and drive of Bosnian entrepreneurs like Vesna Beganović. After her husband was killed in the war, Vesna was left alone to support two small children. But Vesna stayed in Bosnia and persevered, getting an education and work experience. In 1998, she started a small advertising agency, Via Media.

Vesna had found a good niche. Her company provided a needed service, creating advertising that helped stimulate Bosnia's war-ravaged private sector. But when she wanted to expand in 2000, banks refused her loan applications, and she was stymied by bureaucratic red tape. Women entrepreneurs face special challenges in Bosnia, where men traditionally dominate business.

"I had a clear vision," says Vesna, "But commercial banks didn't have a sense for my ideas.

My proposals were too progressive for the environment."

CARE saw potential in Vesna's plans and selected her business for the European Union-funded Job Creation Initiative. Via Media received \$51,000 in equipment; Vesna agreed to invest some of her own funds to create eight new, full-time jobs. CARE provided technical assistance and training, and helped her create a business plan.

"I knew my chances were small, with over 9,200 businesses applying for support through the Job Creation Initiative," says Vesna. "When we were selected, I was very happy. Finally, someone decided to support a sophisticated project and a team of young, broad-minded people."

Since then, Vesna has exceeded expectations, hiring 10 new staff – most of them former refugees. The company now employs 24 people, with an average age of 25. Its office hums with activity and high-tech design equipment. Via Media is even building its own new, state-of-the-art headquarters building.

Vesna is overjoyed that CARE helped her achieve her vision. "Today, I can say I am satisfied with the results of our work, with the team, and with my family. I have three children, a husband and a new Bosnia," she says. "But, of course, I won't stop with that."



Yemen

PERCHED ON A ROCKY OUTCROP at 5,900 feet and accessible only by a rough dirt road, Al Qarn, Yemen, is isolated from the modern world. Women and girls in Yemen face unique challenges, as tradition dictates almost complete separation of men and women. Gender relations confine women largely to domestic roles, albeit demanding ones.

In rural villages, Yemeni women are expected to contribute to agricultural and household work, including raising livestock, tilling the land, cooking, cleaning and caring for children. Every day, women must fetch water, an arduous task that involves carrying up to five gallons of water up steep rocky paths. Yet, despite all this physical labor, Yemeni women have been traditionally seen as needing male protection. Women's mobility is restricted to the village, and their communication outside the family is limited to other women.

In 2004, CARE organized a women's association in Al Qarn to strengthen their roles in the community and provide access to education. Illiterate for the most part, Yemeni women see education as the basis for improving life and deepening their understanding of the holy book, the Koran. It is common to hear them say, "Education is light and ignorance is darkness." With CARE's support, the Al Qarn women's association provided literacy training to improve livelihoods and health. CARE also helped

the women start a cooperative poultry farm, which provides income for the teacher's salary, books and supplies.

Ibtesam al'Shar, chairwoman of the association, is proud of the recent changes in her life and in her community. In the past, Ibtesam was silent and afraid – afraid to talk to her father and brothers, afraid to move outside her home, afraid to make any decision about herself. Today, Ibtesam is articulate and even outspoken. She exudes self-confidence while talking to men in her village, and her father and brothers look to her for household decisions. What's more, Ibtesam now travels alone to places like the CARE office and the bank, informing male members of her family of her whereabouts, but independent of their permission.

Ibtesam also teaches primary school, a government job she was able to acquire once she became literate. Still, Ibtesam points out that her work with the women's association empowers her even more than teaching. Through the association, she has learned to communicate and negotiate with men and women, establish relationships with people in many different functions and travel to various locations to accomplish her tasks. Through the association, she and other women of Al Qarn are crossing borders previously off-limits. Their world has grown larger and so much more interesting.



Strategic Directions

CARE continued to advance and expand our priority program areas in fiscal year 2005 (FY05). We focused on the areas highlighted below, where we believe CARE can make significant global contributions.

Basic and Girls' Education – CARE seeks to address root causes that prevent children from obtaining a quality basic education: participation in child labor, gender disparities, conflict and crisis situations, and the effects of HIV/AIDS.

In FY05, CARE launched the 20-year Patsy Collins Trust Fund Initiative to promote quality education for the world's most vulnerable girls. CARE created a comprehensive strategy for the initiative and selected programs in Cambodia, Honduras, Mali and Tanzania to be the first to receive support from the trust fund.

CARE also contributed to a manual entitled "Minimum Standards for Education in Emergencies, Chronic Crisis and Early Reconstruction" to guide field staff in project design.

Emergency Response – In FY05, CARE focused on enhanced preparedness planning to improve our humanitarian responses to emergencies. A significant example of this was CARE's simultaneous response to the December 2004 tsunami in five countries – India, Indonesia, Somalia, Sri Lanka and Thailand. In the first 10 months following the disaster, CARE reached approximately 600,000 survivors with lifesaving aid and other assistance to get the rebuilding process underway.

CARE's emergency response capacity was improved through new partnerships and a deliberate focus on improving coordination among CARE International members.

HIV/AIDS – CARE continued our many partnerships and cross-sector work to improve the lives of people affected by HIV/AIDS. In FY05, the Communities Responding to HIV/AIDS (CORE) Initiative, of which CARE is the lead partner, awarded 20 grants to 59 faith-based, community-based and nongovernmental organizations in 16 countries. This represents a commitment of \$2.5 million. The Hope for African Children Initiative, another consortium of which CARE is a member, promoted the strengthening and expansion of projects in nine countries in sub-Saharan Africa. These initiatives improved the economic stability of families and enhanced the capacity of communities to advocate for children made vulnerable by HIV/AIDS. CARE is committed to integrating HIV/AIDS programming into all our development work, thereby combating stigma and discrimination, and helping men, women and children look forward to a better future.

Water and Sanitation – Empowering households, communities and local institutions is the key to CARE's water programming. By improving access to sufficient quantities of affordable water and promoting hygiene and basic sanitation, CARE is able to improve child health, promote participation of women in their communities, decrease the burden of HIV/AIDS and increase school attendance by girls.

Through EMPOWERS, a four-year regional partnership in the West Bank, Jordan and Egypt, CARE builds the capacity of institutions and communities to manage water resources, facilitates dialogue between end-users and local government officials, and links this dialogue with policy-makers in central government. CARE is also part of the Millennium Water Program, which is improving health by installing water points and promoting hygiene and sanitation in Kenya's poorest province.

While we have given special priority to each of these areas in FY05, CARE remains committed to excellence in all our work, in every region and program area.

Advocacy: Shaping Our World

CARE is building a better world by helping poor communities become self-sufficient and by leading advocacy efforts in the United States. The following are highlights of our work in fiscal year 2005 (FY05) to raise the visibility of critical humanitarian issues.



The ONE Campaign – CARE partnered with 10 other global humanitarian organizations in FY05 to create The ONE Campaign. More than a million people signed on to The ONE Campaign to strengthen U.S. commitment to combating global poverty, hunger and disease. CARE’s work with ONE and our independent advocacy efforts complement and reinforce one another.

CARE Action Network – More than 10,000 people have joined the CARE Action Network (CAN) to voice their concerns about global issues and educate their elected representatives in Washington, D.C. In May 2005, over 160 CAN members traveled to the nation’s capital for the CARE National Advocacy Conference. They met other volunteers from across the country, participated in training on how to be an effective advocate and took part in 118 meetings with members of Congress and their staff.

CAN members also went online through can.care.org to communicate with policy-makers about poverty-related issues. CAN members sent more than 52,000 messages in FY05 on a variety of issues, including President Bush’s Emergency Plan for AIDS Relief. They supported CARE’s call for members of Congress and the administration to oppose any legislative efforts that limit the range of proven and effective strategies to fight HIV/AIDS.

Millennium Development Goals – Through CAN and ONE, CARE has played an important role in pressing the U.S. government to fulfill its commitment to achieving the Millennium Development Goals (MDGs), which seek to cut extreme poverty in half by 2015. CARE worked on an MDG Resolution, introduced in the House of Representatives in May 2005, to affirm the commitment and leadership of the United States to improve the lives of the world’s poor.

Sudan – On January 9, 2005, the government of Sudan and the Sudanese People’s Liberation Movement signed a comprehensive peace accord, ending Sudan’s 21-year civil war. CARE supported this historic agreement, while continuing to draw attention to the violence and human rights abuses that rage in the western Sudanese state of Darfur. CARE has also advocated for humanitarian and development initiatives that go hand in hand with the peace process, and for a long-term commitment from the international community to support the full implementation of the accord.

Tsunami – Following the December 2004 tsunami, CARE helped lead an advocacy response that resulted in the passage of almost \$1 billion in U.S. supplemental emergency funding for the affected region. In addition, CARE USA President Peter Bell testified before Congress in January 2005. Bell urged the United States to follow through on its assistance pledges, noted the need for additional funding dedicated to long-term reconstruction efforts and cited less visible emergencies in Africa that should not be forgotten.

Water and Sanitation – Because of our extensive experience managing water and sanitation projects, CARE is widely recognized as an authority on the issue. CARE helped to develop legislation that would increase access to water and sanitation for poor communities around the world. CARE’s leading water expert, Peter Lochery, addressed the current global water crisis and offered ideas to ameliorate water challenges in developing countries when he testified before the House International Relations Committee in June 2005.



CARE International

CARE USA is part of CARE International, a confederation of 12 national members coordinated by a secretariat in Geneva. CARE International collaborates on poverty-fighting projects, as well as fund raising, policy recommendations and advocacy, and building relationships with governments.

CARE International had an intense and challenging year, with the critical issue of staff security occupying much of our time and attention. The abduction and murder of CARE's director in Iraq, Margaret Hassan, tested CARE International's endurance and capacity to continue our work throughout the rest of the world while putting all possible energy into trying to secure her release. Just months after that tremendous blow to CARE staff and the humanitarian community, CARE project manager Clementina Cantoni was abducted in Afghanistan. For Clementina, tragedy was averted, and CARE International remains grateful to all those who worked tirelessly on her behalf.

A crisis of another nature arrived abruptly in December 2004: the Indian Ocean tsunami. This unprecedented natural disaster elicited an outpouring of support unlike any CARE had seen before, and the response was truly global. From Norway to Thailand and Canada to Japan, CARE members were inundated with donations and offers of assistance. The magnitude of the disaster and CARE's response demanded of CARE International a new level of coordination and integration. Under the leadership of CARE International's emergency response director and team, the secretariat organized members to respond efficiently, eliminate duplication, adopt a unified request for donors and ensure the highest level of financial accountability. The experience confirmed the organization's goal to work together in all major emergencies in order to have a stronger, faster and more effective response.

CARE International Leadership

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Lydia M. Marshall

Secretary General

Denis Caillaux

Australia

Robert Glasser

France

Philippe Lévêque

Österreich

Ulrike Schelander

Canada

A. John Watson

Japan

Chitose Noguchi

Thailand

Promboon Panitchpakdi

Danmark

Niels Tofte

Nederland

Guus Eskens

United Kingdom

Geoffrey Dennis

Deutschland

Wolfgang Jamann

Norge

Gunnar Andersen

United States

Peter D. Bell

Fund-raising Highlights

CARE's fund-raising successes in fiscal year 2005 (FY05) were dominated by the response to the Indian Ocean tsunami. U.S. private support for CARE's response to the tragedy reached \$53 million. Below are some other creative and inspiring contributions to our work around the world.



- More than 500 people, including members of Congress and the diplomatic corps, attended CARE's 59th Anniversary Celebration in Washington, D.C., which raised over \$460,000. The Ambassador of Belgium, Franciskus van Daele, and his wife, Baroness van Daele, served as the International Chairs and hosted a special reception to commemorate the sending of the first CARE Package to war-torn Europe in 1946.
- After visiting CARE sanitation projects in Vietnam that he supported last year with a gift of \$49,000, donor T.D. Poole of North Carolina was inspired to contribute an additional \$63,851.
- CARE initiated the CARE International Council for Pakistan to build awareness of development issues in Pakistan and to garner financial support for the establishment of a long-term presence in the country.

Foundations and Organizations – The Bill and Melinda Gates Foundation granted CARE \$3 million for The ONE Campaign and \$5.2 million for an emergency capacity-building initiative. Both grants support partnerships involving other leading nongovernmental organizations. The John D. and Catherine T. MacArthur Foundation awarded CARE \$1.5 million to respond to the tsunami and “forgotten emergencies” in Sudan, Democratic Republic of Congo and northern Uganda. Under the leadership of CARE International Chair Lydia Marshall, and with outstanding gifts from the Starr Foundation, The MathWorks and the Women's Initiative of New York, CARE surpassed our goal of raising \$1 million for our Campaign for Education. Volunteer organization Zonta International, dedicated to advancing the status of women worldwide, raised \$300,000 to support women's savings and loans groups and HIV/AIDS programs in Niger.

Estate Giving – We were once again humbled that so many of our loyal donors made CARE a part of their extended families and remembered us in their estate plans. The hundreds of estate gifts we received in FY05 totaled more than \$7.5 million.

Direct Marketing and Online Giving – Thanks to our 357,000 friends who renewed their support and more than 190,500 new donors who joined CARE in FY05, direct marketing activities raised a record \$43.1 million. Online giving also set a record in FY05, reaching \$13.5 million. A substantial portion of Web revenue was directed toward CARE's immediate and long-term tsunami response.

Corporate Giving and Alliances – FY05 was an outstanding year in corporate giving. More than 1,100 corporations donated money to CARE's tsunami rehabilitation efforts. Johnson & Johnson joined CARE to fight HIV/AIDS in Haiti with a generous contribution of cash and medical supplies. CARE and Borders Group launched an alliance to encourage a lifelong love of learning and to raise awareness and funds for CARE by selling purple wristbands in more than 1,200 Borders and Waldenbooks stores.

Thank You to Our Donors



Each of us possesses a remarkable gift: the power to help. We exercise it by listening to one another, lending a hand, sharing resources and showing kindness. CARE's donors demonstrate this power each day and, by doing so, enable others around the world to tap into their own power.

CARE thanks our donors for trusting us with their generosity. Each gift, significant in its own right, becomes even more powerful when joined together with the tens of thousands of other gifts CARE receives each year.

On the following pages, CARE recognizes foundations and corporations that contributed \$5,000 or more during fiscal year 2005, as well as those supporters whose cumulative gifts total \$1 million or more.

Thank You to Our Donors

Cumulative Gifts of \$1 Million and Above

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United States Sports Academy
Universal Atlantic Systems Inc.
Vermont Community Foundation
The Wachovia Foundation
Walter Wyckoff Associates
The Wapack Foundation
The Warburg Pincus Foundation
Weeden & Co. LP
Wells Fargo
Steve White Volkswagen
Wilco
J.M. Wilkerson Construction
The Xerox Foundation

Staff Memorial



CARE is fortunate to have a staff of extraordinarily talented and dedicated employees.

Some staff members are on the front lines, challenging themselves to find innovative, effective ways to tackle the most complex issues facing the world today. Others are supporting their colleagues in countless crucial ways, providing services without which CARE could not function.

Each helps make CARE the organization it is, and the loss of one touches us all.

To the families and friends of CARE staff members who died last year, we express our heartfelt condolences. Inspired by their service, we honor their memories by continuing our mission to reduce – and ultimately end – extreme poverty.