

CONSOLIDATED FINANCIAL STATEMENTS

CARE USA and Subsidiaries  
Years Ended June 30, 2015 and 2014  
With Report of Independent Auditors

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## **Report of Independent Auditors**

Management and the Board of Directors  
Cooperative for Assistance and Relief Everywhere, Inc.

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Cooperative for Assistance and Relief Everywhere, Inc. and subsidiaries (CARE USA) which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Access Africa Fund LLC, a majority owned subsidiary, which statements reflect total assets constituting 4% in 2015 and 3% in 2014, total liabilities constituting 8% in 2015 and 6% in 2014, net assets constituting 1% in 2015 and 1% in 2014 and total revenues constituting 1% in 2015 and 1% in 2014 of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Access Africa Fund LLC, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CARE USA as of June 30, 2015 and 2014 and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

February 26, 2016

## CARE USA and Subsidiaries

### Consolidated Balance Sheets (In thousands)

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 71,764	\$ 58,612
Restricted cash	196	2,191
Investments, at fair value	164,840	156,786
Receivables, net	81,271	113,879
Inventory	1,454	6,343
Deposits and other assets	43,761	69,625
Property and equipment, net	19,707	21,609
Trusts held by third parties	124,474	129,511
<b>Total assets</b>	<b>\$ 507,467</b>	<b>\$ 558,556</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 49,379	\$ 54,804
Program advances	77,777	109,072
Liability for split interest agreements	14,751	16,503
Benefits accrued for employees	23,112	25,789
Subsidiary loans payable	18,900	21,139
Minority interest in subsidiary	516	537
<b>Total liabilities</b>	<b>184,435</b>	<b>227,844</b>
<b>Net assets</b>		
Unrestricted	77,908	73,356
Temporarily restricted	104,315	112,104
Permanently restricted	140,809	145,252
<b>Total net assets</b>	<b>323,032</b>	<b>330,712</b>
<b>Total liabilities and net assets</b>	<b>\$ 507,467</b>	<b>\$ 558,556</b>

*See accompanying notes.*

# CARE USA and Subsidiaries

## Consolidated Statements of Activities

For the Year Ended June 30, 2015

(In Thousands)

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total 2015</b>
<b>Support</b>				
Private support				
Contributions	\$ 73,865	\$ 67,745	\$ 282	\$ 141,892
CARE International	167,600	—	—	167,600
Total private support	<b>241,465</b>	<b>67,745</b>	<b>282</b>	<b>309,492</b>
Government and other support				
U.S. government	126,460	—	—	126,460
Others	79,025	—	—	79,025
Total government and other support	<b>205,485</b>	<b>—</b>	<b>—</b>	<b>205,485</b>
Other revenue				
Interest and dividends, net	3,426	3,480	—	6,906
Rent and miscellaneous	8,714	—	—	8,714
Total other revenue	<b>12,140</b>	<b>3,480</b>	<b>—</b>	<b>15,620</b>
Net assets released from restrictions				
Satisfaction of program restrictions	78,658	(78,658)	—	—
Total net assets released from restrictions	<b>78,658</b>	<b>(78,658)</b>	<b>—</b>	<b>—</b>
<b>Total operating support and revenue</b>	<b>537,748</b>	<b>(7,433)</b>	<b>282</b>	<b>530,597</b>
<b>Expenses</b>				
Program				
Emergency	93,320	—	—	93,320
Development	373,902	—	—	373,902
Public information	6,791	—	—	6,791
Supporting activities				
Fund raising	25,788	—	—	25,788
Management and general	24,785	—	—	24,785
<b>Total operating expenses</b>	<b>524,586</b>	<b>—</b>	<b>—</b>	<b>524,586</b>
<b>Operating support and revenue over expenses</b>	<b>13,162</b>	<b>(7,433)</b>	<b>282</b>	<b>6,011</b>
<b>Other nonoperating changes in net assets</b>				
Minority interest in subsidiary income	124	—	—	124
Foreign exchange loss	(7,687)	(131)	—	(7,818)
Actuarial gain on annuity obligations	398	—	—	398
Actuarial gain on split interest agreements	11	20	—	31
Net realized and unrealized loss on investments	(1,456)	(245)	—	(1,701)
Decrease in value of trusts held by third parties	—	—	(4,725)	(4,725)
<b>Total other nonoperating changes in net assets</b>	<b>(8,610)</b>	<b>(356)</b>	<b>(4,725)</b>	<b>(13,691)</b>
Total changes in net assets	4,552	(7,789)	(4,443)	(7,680)
Net assets, beginning of year	73,356	112,104	145,252	330,712
<b>Net assets, end of year</b>	<b>\$ 77,908</b>	<b>\$ 104,315</b>	<b>\$ 140,809</b>	<b>\$ 323,032</b>

See accompanying notes.

## CARE USA and Subsidiaries

### Consolidated Statements of Activities (continued)

For the Year Ended June 30, 2014

(In Thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
<b>Support</b>				
Private support				
Contributions	\$ 71,160	\$ 78,342	\$ 1,015	\$150,517
CARE International	157,587	-	-	157,587
Total private support	<u>228,747</u>	<u>78,342</u>	<u>1,015</u>	<u>308,104</u>
Government and other support				
U.S. government	130,137	-	-	130,137
Others	85,769	-	-	85,769
Total government and other support	<u>215,906</u>	<u>-</u>	<u>-</u>	<u>215,906</u>
Other revenue				
Interest and dividends, net	2,992	2,123	-	5,115
Rent and miscellaneous	4,149	10	-	4,159
Total other revenue	<u>7,141</u>	<u>2,133</u>	<u>-</u>	<u>9,274</u>
Net assets released from restrictions				
Satisfaction of program restrictions	69,652	(69,652)	-	-
Total net assets released from restrictions	<u>69,652</u>	<u>(69,652)</u>	<u>-</u>	<u>-</u>
<b>Total operating support and revenue</b>	<b>521,446</b>	<b>10,823</b>	<b>1,015</b>	<b>533,284</b>
<b>Expenses</b>				
Program				
Emergency	95,012	-	-	95,012
Development	363,532	-	-	363,532
Public information	5,792	-	-	5,792
Supporting activities				
Fund raising	26,259	-	-	26,259
Management and general	27,002	-	-	27,002
<b>Total operating expenses</b>	<b>517,597</b>	<b>-</b>	<b>-</b>	<b>517,597</b>
<b>Operating support and revenue over expenses</b>	<b>3,849</b>	<b>10,823</b>	<b>1,015</b>	<b>15,687</b>
<b>Other nonoperating changes in net assets</b>				
Minority interest in subsidiary income	395	-	-	395
Foreign exchange gain	708	11	-	719
Actuarial loss on annuity obligations	(145)	-	-	(145)
Actuarial gain/(loss) on split interest agreements	259	(265)	-	(6)
Net realized and unrealized gain on investments	4,160	6,449	-	10,609
Increase in value of trusts held by third parties	-	-	11,484	11,484
Net change in pension liability	1,700	-	-	1,700
<b>Total other nonoperating changes in net assets</b>	<b>7,077</b>	<b>6,195</b>	<b>11,484</b>	<b>24,756</b>
Total changes in net assets	10,926	17,018	12,499	40,443
Net assets, beginning of year	62,430	95,086	132,753	290,269
<b>Net assets, end of year</b>	<b>\$ 73,356</b>	<b>\$112,104</b>	<b>\$145,252</b>	<b>\$330,712</b>

See accompanying notes.

## CARE USA and Subsidiaries

### Consolidated Statements of Functional Expenses

For the Year Ended June 30, 2015  
(In Thousands)

	Program Activities			Supporting Activities			2015 Total	
	Emergency	Development	Public Information	Total	Fund Raising	Management & General		Total
Personnel costs	\$ 24,239	\$ 106,282	\$ 2,838	\$ 133,359	\$ 6,048	\$ 12,447	\$ 18,495	\$ 151,854
Professional services	2,755	18,638	1,031	22,424	2,809	5,603	8,412	30,836
Equipment	1,131	5,469	123	6,723	265	982	1,247	7,970
Materials and services	27,178	57,165	689	85,032	14,486	2,178	16,664	101,696
Travel and transportation	6,263	29,445	157	35,865	619	1,311	1,930	37,795
Occupancy	2,821	11,142	287	14,250	630	1,155	1,785	16,035
Financing/depreciation/miscellaneous	1,051	16,264	71	17,386	327	949	1,276	18,662
Grants/subgrants	19,636	119,795	503	139,934	13	4	17	139,951
Agricultural commodities/contributions in-kind	8,246	9,702	1,092	19,040	591	156	747	19,787
<b>Total operating expenses</b>	<b>\$ 93,320</b>	<b>\$ 373,902</b>	<b>\$ 6,791</b>	<b>\$ 474,013</b>	<b>\$ 25,788</b>	<b>\$ 24,785</b>	<b>\$ 50,573</b>	<b>\$ 524,586</b>

See accompanying notes.



CARE USA and Subsidiaries

Consolidated Statements of Functional Expenses (continued)

For the Year Ended June 30, 2014  
(In Thousands)

	Program Activities			Supporting Activities		2014 Total	
	Emergency	Development	Public Information	Total	Fund Raising & General		Total
Personnel costs	\$ 23,430	\$ 104,370	\$ 2,730	\$ 130,530	\$ 6,245	\$ 14,422	\$ 151,197
Professional services	2,600	21,403	1,294	25,297	2,433	4,381	32,111
Equipment	2,217	5,025	90	7,332	332	555	8,219
Materials and services	28,038	48,733	884	77,655	14,724	2,185	94,564
Travel and transportation	6,303	28,706	121	35,130	507	1,316	36,953
Occupancy	2,985	11,551	127	14,663	389	2,030	17,082
Financing/depreciation/miscellaneous	798	8,556	92	9,446	588	1,973	12,007
Grants/subgrants	16,404	112,205	20	128,629	14	101	128,744
Agricultural commodities/contributions in-kind	12,237	22,983	434	35,654	1,027	39	36,720
<b>Total operating expenses</b>	<b>\$ 95,012</b>	<b>\$ 363,532</b>	<b>\$ 5,792</b>	<b>\$ 464,336</b>	<b>\$ 26,259</b>	<b>\$ 27,002</b>	<b>\$ 517,597</b>

See accompanying notes.

**CARE USA and Subsidiaries**  
**Consolidated Statements of Cash Flows**

For the Years Ended June 30, 2015 and 2014  
*(In Thousands)*

<b>Operating activities</b>	<b>2015</b>	<b>2014</b>
Changes in net assets	\$ (7,680)	\$ 40,443
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	5,428	6,034
Provision (recovery) for subsidiary microfinance loan losses	2,501	(1,473)
Net realized and unrealized loss (gain) on investments	1,701	(10,609)
Actuarial loss (gain) on annuity obligations	(31)	145
Actuarial loss (gain) on split interest agreements	(398)	6
Decrease (increase) in value of trusts held by third parties	4,725	(11,484)
Changes in assets and liabilities		
(Increase) decrease in receivables	32,608	(20,136)
Decrease in inventory	4,889	39
(Increase) decrease in deposits and other assets	23,363	(4,962)
(Increase) decrease in other trusts held by third parties	312	(3,266)
Increase (decrease) in accounts payable and accrued expenses	(5,425)	14,374
Decrease in program advances	(31,295)	(1,443)
Decrease in benefits accrued for employees	(2,677)	(4,821)
Net cash provided by operating activities	<u>28,021</u>	<u>2,847</u>
<b>Investing activities</b>		
Purchases of investments	(151,745)	(177,326)
Proceeds from sales of investments	141,990	179,421
Decrease in restricted cash	1,995	805
Purchases of property and equipment	(5,199)	(6,798)
Proceeds from sales of property and equipment	1,673	565
Net cash used in investing activities	<u>(11,286)</u>	<u>(3,333)</u>
<b>Financing activities</b>		
Decrease in subsidiary loans payable	(2,239)	(4,038)
Decrease (increase) in minority interest in subsidiary	(21)	537
Payments on split interest agreements	(1,842)	(2,054)
Increase in liability for split interest agreements	519	632
Net cash used in financing activities	<u>(3,583)</u>	<u>(4,923)</u>
Net change in cash and cash equivalents	13,152	(5,409)
Cash and cash equivalents, beginning of year	<u>58,612</u>	<u>64,021</u>
Cash and cash equivalents, end of year	<u>\$ 71,764</u>	<u>\$ 58,612</u>
Supplemental cash flow information:		
Noncash contributions	<u>\$ 10,083</u>	<u>\$ 20,605</u>
Cash paid for interest	<u>\$ 612</u>	<u>\$ 909</u>

*See accompanying notes.*

CARE USA and Subsidiaries  
Consolidated Financial Statements

Notes to Consolidated Financial Statements

Year Ended June 30, 2015 and 2014

**1. Organization**

The Cooperative for Assistance and Relief Everywhere, Inc. (“CARE USA or the Organization”) is a not-for-profit organization formed in 1945 under the laws of the District of Columbia. Its headquarters are located in Atlanta, Georgia. CARE USA operates programs in more than 40 countries throughout Africa, Asia, Europe, and Latin America. CARE USA’s mission is to serve individuals and families in the poorest communities in the world. CARE USA promotes innovative solutions and is an advocate for global responsibility.

CARE USA is a member of CARE International, an umbrella organization that coordinates the program activities of the CARE International member organizations. In the regular course of its operations, CARE USA makes certain grants to CARE International and its member organizations and receives certain funding from members of CARE International.

CARE USA programs provide both life-saving relief through humanitarian action and promote innovative solutions through long term development programs to achieve lasting impact. Working with our partners, CARE USA uses effective models and approaches to support the most marginalized communities to overcome poverty, social injustice and humanitarian crises. CARE USA then uses and apply the evidence and learning of the programs to influence broader change and to scale up effective solutions.

- a. Humanitarian action (“Emergency”).** In emergencies, CARE USA responds to save lives, with special attention to the needs of women and girls and the most marginalized. CARE USA’s humanitarian action includes preparedness and early action, emergency response and recovery, and encourages future resilience and equitable development.
- b. Promoting lasting change and innovative solutions (“Development”).** CARE USA and partners trigger innovative solutions for sustainable development through supporting new ways of supplying or strengthening essential service delivery, building capacities, building resilience for reducing risk, and empowering the most vulnerable, particularly women and girls. They are based on a deep, historical understanding of the drivers of poverty and social injustice in a particular context and tailored to the needs of the most marginalized.

CARE USA has a special focus in the areas of:

**Sexual, reproductive and maternal health and a life free of violence**

- Partner with communities to challenge and transform the inequitable gender norms that restrict women’s and girls’ ability to realize their Sexual Reproductive and Maternal Health rights.
- Mobilize women and girls to understand and claim their Sexual Reproductive and Maternal Health rights; elevate women’s voices in advocacy efforts and policy debates.

# CARE USA and Subsidiaries

## Consolidated Financial Statements

### 1. Organization (continued)

- Strengthen health systems to ensure that women and girls have access to quality, responsive and rights-based Sexual Reproductive and Maternal Health services.
- Link community and health systems in a virtuous cycle of quality improvement and respectful, rights-based care.
- Support service integration of Sexual Reproductive and Maternal Health and Gender Based Violence prevention and treatment.
- Prevent Gender Based Violence at household, community and broader levels with a focus on women's economic empowerment, engaging men and boys, facilitating community dialogues, strengthening community governance, and supporting movements and national advocacy for policy change.
- Convene diverse actors to prevent and respond to Gender Based Violence to support marginalized communities to represent and negotiate their rights.

#### **Food and nutrition security and resilience to climate change**

- Support sustainable, productive, equitable and climate resilient smallholder agriculture systems.
- Support gender inclusive value chains responsive to climate change and the environment; engage and influence the private sector to create dignified employment and income opportunities; promote access to inclusive financial services.
- Strengthen the capacity of country level partners to manage and promote gender sensitive community nutrition programs, and address gender and power inequalities that affect the nutritional status of people of all genders.
- Develop information and planning systems, monitor contributing factors to vulnerabilities, and develop capacities, including to climate vulnerabilities.

#### **Women's economic empowerment**

- Support women to have the capability, knowledge, skills and confidence to identify, pursue and achieve their own economic aspirations and interests.
- Increase financial inclusion by expanding the current Village Savings & Loans program.
- Develop options for access to formal financial products and services and expand the impact group with a greater focus on youth/adolescent women.
- Promote gender inclusive value chains where women have the ability to capture equitable and increased gains and have greater control over resources.
- Develop options for equal access to work that is dignified, safe and fairly rewarded.
- Reduce women's vulnerability to shocks and crisis and increase their economic and livelihood resilience by adapting and applying economic empowerment strategies in fragile and humanitarian contexts.
- Work with the private sector, government and other partners to improve the enabling environment for women's equitable engagement in economic activities.

All of CARE USA's work seeks to impact in and beyond the communities in which we directly work. Together with our partners CARE USA uses the evidence, learning and innovation from our

# CARE USA and Subsidiaries

## Consolidated Financial Statements

### 1. Organization (continued)

humanitarian action and long-term development programs to influence broader social change, at significant scale.

CARE USA and its subsidiaries have certain operations in developing foreign markets and may be subject to increased risks due to political and regulatory environments, and overall market and economic factors.

Certain information concerning CARE USA's subsidiaries is as follows:

SEEDFINANCE Corporation (SEED) is a for-profit majority owned subsidiary located in the Philippines. It was engaged in providing micro-credit loans to Filipino individuals and organizations. CARE USA owns 57% of SEED's common stock. SEED is no longer active with its lending operations. It has assigned all of its receivables to its creditors as payments for its outstanding loans and is in the process of negotiating for a settlement and release. It will continue to be inactive until July 2016 after which it will cease to exist.

MOFAD is wholly owned non-profit subsidiary in Afghanistan that is currently non-operational.

CARE India Trust (CIT) is a wholly owned non-profit subsidiary operating in India. It is primarily engaged in administering health and nutrition programs funded by the Indian government.

Access Africa Fund, LLC (AAF) is a majority owned subsidiary. The fund was formed with an investment objective to provide social impact and capital appreciation by making strategic equity investments in microfinance institutions located throughout sub-Saharan Africa to improve the lives of the entrepreneurial poor. AAF is considered an investment company and is therefore accounted for under Accounting Standards Codification (ASC) Topic 946, *Financial Services – Investments Companies*. The Organization has retained the specialized industry accounting principles of these investment products in its Consolidated Financial Statements.

As of June 30, 2015, CARE USA has invested \$8.0 million in AAF and owns 91% of the class A capital stock.

CARE Enterprises, LLC is a for-profit subsidiary with a social enterprise subsidiary (JITA) operating globally and locally. CARE Enterprises owns 67% shares of JITA.

CARE Action Now (CAN) is a wholly owned non-profit subsidiary operating exclusively for the purpose of educating the public, legislative, executive, and judiciary policy-makers on the appropriate and sustainable provision of relief, rehabilitation and development to underprivileged people.

# CARE USA and Subsidiaries

## Consolidated Financial Statements

### 2. Summary of Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements include the accounts of CARE USA and its subsidiaries that are consolidated in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany transactions have been eliminated. Consolidated subsidiaries include: SEED, MOFAD, CIT, AAF, CARE Enterprises and CAN. Gains and losses from the translation of foreign currency are recorded in the Consolidated Statements of Activities.

#### Reclassification

Certain amounts as previously reported have been reclassified in order to conform to the current year presentation.

#### Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to cash on demand without penalty, and having maturities of three months or less, when purchased, with the exception of cash held for reinvestment which is included in investments.

Cash and cash equivalents held in the United States are insured according to FDIC regulations. The majority of cash and cash equivalents are held in accounts with balances exceeding the insured limit. Cash amounts maintained overseas are largely uninsured. Cash and cash equivalents held in the United States were \$24.0 million and \$14.6 million, including \$196,000 and \$2.2 million of restricted cash held in escrow, for the years ended June 30, 2015 and 2014, respectively. Cash and cash equivalents held outside the United States were \$48.0 million and \$46.2 million, for the years ended June 30, 2015 and 2014, respectively.

Certain donors require cash be held in separate accounts. Donor restricted cash accounts totaled \$10.1 million and \$10.0 million for the years ended June 30, 2015 and 2014, respectively.

#### Investments

Investments with readily determinable fair values are recorded at fair value. All other investments are recorded at fair value. Investment income and net appreciation (depreciation) on investments of donor restricted amounts are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or relevant state law require that they be added back to the principal of the permanently restricted contributions;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift or state law impose restrictions on the use of the investment income or net appreciation (depreciation); and
- As increases (decreases) in unrestricted net assets in all other cases.

**CARE USA and Subsidiaries**  
**Consolidated Financial Statements**

**2. Summary of Significant Accounting Policies (continued)**

Charitable gift annuities are maintained in separate portfolios and are invested in accordance with applicable laws. CARE USA maintains assets sufficient to meet the annuity requirements stipulated by the various state laws. CARE USA is required to hold reserves related to the gift annuity program based on the laws of certain states, such reserves totaled \$14.6 million and \$16.3 million at June 30, 2015 and 2014, respectively.

CARE USA's investments are diversified across strategies, managers and geography. There are no significant concentrations of market risk in as much as the investment portfolio is diversified among issuers. Management fees and expenses of \$277,000 and \$545,000 are netted against interest and dividend income for the years ended June 30, 2015 and 2014, respectively.

**Receivables**

Receivables represent grants and contracts receivables, ocean freight receivable from the United States Agency for International Development (USAID), contributions receivable on split interest agreements and legacy/bequests receivable. Grants and contracts receivable are expected to be collected within one year and are recorded at net realizable value. Ocean freight receivables and a corresponding liability due to the freight line are recorded when agricultural commodities are shipped to their destination port. These amounts are due from USAID.

**Inventory**

Inventories are stated at lower of cost or market and include supplies and agricultural commodities. Cost is determined using the weighted average method.

CARE USA receives agricultural commodities from agencies of the U.S. government, the United Nations and others for the following: distribution via projects, monetization with the cash proceeds to be used in CARE USA projects, or monetization with the proceeds to be distributed to other nonprofit organizations. Inventory includes all agricultural commodities in which title has passed to CARE USA regardless of whether the agricultural commodities are in transit from the United States or held in storage in primary warehouses at the intended recipient country. For agricultural commodities to be distributed, revenue and expense are recognized when the agricultural commodities are distributed or the title is transferred to partner organization. For agricultural commodities to be monetized, revenue and expense are recognized when the proceeds are utilized for the related project activities.

**Deposits and Other Assets**

Deposits and other assets include sub-grantee advances to partner organizations and CARE International members, project advances to project managers, receivables from CARE International members, microfinance loans and interest receivable, equity investments, prepaid expenses and other miscellaneous assets.

CARE USA and Subsidiaries  
Consolidated Financial Statements

**2. Summary of Significant Accounting Policies (continued)**

Sub-grantee advances are recorded when cash is disbursed to the partner organization or CARE International member. As the sub-grantee performs its contractual obligations in accordance with the grant objectives and expense reports are received, the receivable is reduced and the related income and expense are recognized.

Microcredit loans receivable are recorded in the Consolidated Balance Sheets at their unpaid principal amounts adjusted for the net unamortized deferred loan origination costs and fees and allowance for possible losses. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan. The accrual of interest is discontinued when, in management's judgment, it is determined that the collectability of interest or principal is doubtful.

Microcredit loans receivable represents credit services for rural and urban micro-enterprises. The allowance for loan losses is maintained at such level that in management's best judgment is sufficient to cover potential losses in the loan portfolio at the consolidated balance sheet dates. Management considers the loan loss factors as well as delinquencies over 60 days in determining the allowance. The allowance is based on assessments of certain factors, including historical loan loss experience of similar types of loans, CARE USA's loan loss experience, the amount of past due and nonperforming loans, specific known risks, and current and anticipated economic and interest rate conditions. Evaluation of these factors involves subjective estimates and judgments that may change. Additions to the allowance are provided through a reduction to net assets. Subsequent recoveries, if any, are credited to the allowance.

CARE USA has a 34.7% non-controlling interest in MicroVest General Partner Holding Company. In addition, CARE USA has a non-controlling interest in MicroVest I Self-liquidating Trust and MicroVest II Limited Partnership of 24.4% and 8.3%, respectively. The investments are accounted for using the equity method.

**Property and Equipment**

Property and equipment are recorded at cost, if purchased. Contributions of assets are recorded at their estimated fair value at the date of receipt and are recorded as unrestricted support unless the use of such contributed assets is restricted by a donor-imposed restriction. If donors contribute assets with stipulations as to how long the assets must be used or with any other restrictions, such contributions are recorded as temporarily restricted support.

CARE USA does not imply time restrictions on the contributions of long lived assets (or of other assets restricted to the purchase of long lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long lived assets are reported as temporarily restricted revenue that increases temporarily restricted net assets; those restrictions expire when the long lived assets are placed in service.



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**2. Summary of Significant Accounting Policies (continued)**

The costs of software licenses and associated consulting costs, installation 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. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings	25 years
Building improvements	7 years
Software	3 to 10 years
Equipment	3 to 5 years
Leashold improvements	5 years or life of the lease (if shorter)

**Trusts Held by Third Parties**

Trusts held by third parties include amounts related to both charitable remainder trusts and perpetual trusts. These amounts are recorded at their fair values.

**Charitable Remainder Trusts**

Charitable remainder trusts include trusts established by a donor that have independent trustees under which specified distributions are to be made to a designated beneficiary or beneficiaries over the trust's term.

Trusts are recorded at fair value. Contributions from split interest agreements are recorded at the fair value of the trust assets, less the present value of the estimated future payments to be made to other beneficiaries under the specific terms of the trust. The present value of the estimated future payments was discounted using an investment rate of return and a discount rate of 7.0% in both years, 2015 and 2014.

Upon termination of the trust, CARE USA receives the assets remaining in the trust. Charitable remainder trusts are initially recognized as temporarily restricted contributions from split-interest agreements at fair value based on CARE USA's estimated future cash flows from the related trust. Any subsequent adjustments to these trusts are recorded as a change in the value of split-interest agreements.

**Perpetual Trusts**

CARE USA is the beneficiary of certain perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, CARE USA has the irrevocable right to receive the income earned on the trust assets in perpetuity. The fair value is recognized as an asset and as permanently restricted contribution revenue at the date the trust is established. The estimate of fair value is based on fair value information received from the trustees. Perpetual trusts are initially recorded as permanently restricted contributions from split-interest agreements at fair value based on CARE USA's interest in the fair value of the underlying trust assets at the time of the gift. Subsequent

# CARE USA and Subsidiaries

## Consolidated Financial Statements

### **2. Summary of Significant Accounting Policies (continued)**

changes to the trust's fair value are reported as permanently restricted increases (decreases) in value of trusts held by third parties in the consolidated statements of activities. Income received from these trusts is reported as temporarily restricted or unrestricted public support, depending on the existence or absence of donor-imposed restrictions.

As of June 30, 2015 and 2014, more than 85% of the value of the trust can be derived from market information. Less than 15% of the trust value is associated with alternative investments, estimates for which are provided by the fund managers retained by the trustees.

The valuation methods for the alternative investments may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while CARE USA believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### **Charitable Gift Annuities**

Charitable gift annuities obligations are included in liability for split interest agreements in the Consolidated Balance Sheets. Donors have contributed assets to CARE USA in exchange for a promise by CARE USA to pay a fixed amount or percentage of assets contributed for a specified period of time to the donor or to individuals or organizations designated by the donor. Under the terms of such agreements, the assets received are recorded as assets and included in investments and the related annuity liability is an obligation of CARE USA. The liability is recorded at the present value of expected future payments based on Annuity 2000 table. The obligations have been discounted at rates ranging from 0.41% to 11.30% in 2015 and 2014.

#### **Program Advances**

Program advances relate to cash received directly from government and nongovernmental agencies, proceeds received from monetization, and inventory related to distribution and monetization of agricultural commodities.

#### **Accounting for Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes or in perpetuity are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Consolidated Statements of Activities as satisfaction of program restrictions.

CARE USA and Subsidiaries  
Consolidated Financial Statements

**2. Summary of Significant Accounting Policies (continued)**

Permanently restricted net assets reflect the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity. The investment income may be expended for a purpose specified by the donor or other general purposes and is reflected as temporarily restricted revenue, unless the terms of the gift of relevant state law require that they be added back to the principal of the permanently restricted contribution.

Contributions of non-financial assets consist of public service announcements and donated professional services. CARE USA recognized \$1.3 million and \$1.2 million of public service announcements for the years ended June 30, 2015 and 2014, respectively.

**Grant Revenue**

Grant revenue on cost-reimbursement grants or contracts is recognized by CARE USA when the program expenditures have been incurred and is reflected as government and other support in the Consolidated Statements of Activities. Certain direct support from government agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies.

**Nonfood Gifts-in-Kind**

Gifts-in-kind received that meet the criteria for recognition are recorded at estimated fair value when received.

In countries where CARE USA operates, government and local communities supply labor to the programs in which they participate. The value of these gifts is generally not recorded in the consolidated financial statements as they do not meet the criteria for revenue recognition.

**Foreign Currency Translation**

The U.S. dollar is the functional currency for CARE USA's operations worldwide. Transactions in currencies other than dollars are translated into U.S. dollars at the rates of exchange in effect during the month of the transaction. Property and equipment purchased with non-U.S. currency are translated into US dollars at the exchange rate in effect at the time of purchase. Current assets and liabilities denominated in non-U.S. currency are translated into U.S. dollars at the exchange rate in effect at the date of the Consolidated Balance Sheets. Net transaction and translation gains and losses are included in the accompanying Consolidated Statements of Activities in the non-operating section as foreign exchange gains or losses.

**Operating and Non-operating Results**

Operating Support and Revenue and Operating Expenses reflect the normal income and expense from receiving and using resources for program activities and support functions.

# CARE USA and Subsidiaries

## Consolidated Financial Statements

### **2. Summary of Significant Accounting Policies (continued)**

Other Non-operating Changes in Net Assets reflect activities not central to the Organization's mission including actuarial changes in value of split interest agreements and realized and unrealized gains and losses on investments.

#### **Fair Value of Financial Instruments**

CARE USA's financial instruments consist of cash and cash equivalents, restricted cash, investments, receivables, trusts held by third parties, accounts payable and accrued expenses, liability for split-interest agreements and subsidiary loans payable. Receivables are recorded at net realizable value which approximates fair value. Investments and trusts held by third parties are recorded at their fair values. The liability for split interest agreements is recorded at net present value which approximates fair value. All other financial instruments are stated at cost which approximates fair value.

#### **Tax Status**

CARE USA is a tax-exempt organization under Section 501(c) (3) of the U.S. Internal Revenue Code ("IRC") and is therefore exempt from federal taxation under Section 501(a) of the IRC. In addition, under IRC Section 509(a) (1), CARE USA is a public charity and, thus, donations to CARE USA qualify for the maximum allowable charitable deduction. CARE USA's subsidiaries MOFAD and CIT are tax-exempt in the countries they are incorporated. SEED is taxable in the Philippines, where it is incorporated. AAF is a limited liability corporation treated as a partnership for federal income tax purposes in the USA; and CARE Enterprises is taxable in the USA. CAN is tax exempt in the USA.

#### **Use of Estimates**

The preparation of consolidated financial statements, in conformity with U.S. GAAP, requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CARE USA and Subsidiaries**  
**Consolidated Financial Statements**

**3. Description of Net Assets Designation and Restriction**

The donor-imposed restrictions listed under Temporarily Restricted and Permanently Restricted net assets as of June 30 are listed below (*in thousands*):

	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Food and Nutrition Security and Resilience to Climate Change	\$ 14,012	\$ -	\$ 7,696	\$ -
Women's Economic Empowerment	12,082	-	8,038	-
Sexual, Reproductive and Maternal Health and a Life Free from Violence	46,956	-	52,210	-
Humanitarian Intervention	10,747	1,006	11,198	1,006
Multi-Sector and Other	18,842	512	30,649	512
Time Restricted	1,676	-	2,313	-
Unrestricted	-	139,291	-	143,734
<b>Total</b>	<b>\$ 104,315</b>	<b>\$ 140,809</b>	<b>\$ 112,104</b>	<b>\$ 145,252</b>

**4. Endowments**

CARE USA's endowment consists of nine individual donor restricted endowment funds established for a variety of purposes. Its endowment only includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

CARE USA has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CARE USA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, CARE USA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund;
- Purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;

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**4. Endowments (continued)**

- Possible effect of inflation and deflation;
- Expected total return from income and the appreciation and depreciation of investments;
- Other resources of CARE USA; and
- Investment policies of CARE USA.

The changes in endowment assets for the year ended June 30, 2015, are as follows (*in thousands*):

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 7,544	\$ 18,325	\$ 25,869
Contributions received	-	-	33	33
Investment income	-	1,873	-	1,873
Net depreciation (realized and unrealized)	-	(1,283)	-	(1,283)
Total investment return	-	590	33	623
Appropriation of endowment assets for expenditure	-	(1,228)	-	(1,228)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 6,906</b>	<b>\$ 18,358</b>	<b>\$ 25,264</b>

The changes in endowment assets for the year ended June 30, 2014, are as follows (*in thousands*):

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 3,949	\$ 18,323	\$ 22,272
Investment income	-	1,310	2	1,312
Net depreciation (realized and unrealized)	-	2,910	-	2,910
Total investment return	-	4,220	2	4,222
Appropriation of endowment assets for expenditure	-	(625)	-	(625)
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 7,544</b>	<b>\$ 18,325</b>	<b>\$ 25,869</b>

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**4. Endowments (continued)**

Description of amount classified as permanently restricted net assets and temporarily restricted net assets for endowments at June 30 (*in thousands*):

	<b>2015</b>	<b>2014</b>
<b>Temporarily Restricted Net Assets:</b>		
The portion of perpetual endowment funds subject to time restriction under SPMIFA:		
Without purpose restrictions	\$ 746	\$ 1,189
With purpose restrictions	6,160	6,355
Total endowment funds classified as temporarily restricted net assets	<b>\$ 6,906</b>	<b>\$ 7,544</b>
<b>Permanently Restricted Net Assets:</b>		
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA	<b>\$ 18,358</b>	<b>\$ 18,325</b>

**Investment Policy**

CARE USA has a spending policy specific to the Endowment Fund, which is monitored by the Finance Committee of its Board of Directors. The policy states that CARE USA will annually allocate five percent (5%) of the three-year average of the fair market value from investment earnings to be spent on operations, unless otherwise specified by the donor. The objective of this policy is to maintain the purchasing power of the endowment funds held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Endowment Fund assets include those assets of donor-restricted funds that CARE USA must hold in perpetuity and changes to the value of these assets.

The investment policy describes the objective for the fund and sets ranges for asset allocation. Asset allocations are determined in accordance with the purpose and restrictions of each specific fund. The objective of the Endowment Fund is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund the spending policy.

Actual returns in any given year may vary. In light of this requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.

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**4. Endowments (continued)**

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type in 2015 and 2014.

<u>Asset Category</u>	<u>2015</u>			<u>2014</u>		
	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Fixed Income	35%	50%	40%	35%	50%	40%
Equity	40%	65%	60%	40%	65%	60%

**5. Investments**

The total return on cash balances and investments was as follows for the years ending June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends included in operating revenue	\$ 3,426	\$ 3,480	\$ -	\$ 6,906
Net realized and unrealized losses	(1,456)	(245)	-	(1,701)
<b>Total return on investments</b>	<b>\$ 1,970</b>	<b>\$ 3,235</b>	<b>\$ -</b>	<b>\$ 5,205</b>

The total return on cash balances, investments and the trusts held by third parties was as follows for the years ending June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends included in operating revenue	\$ 2,992	\$ 2,123	\$ -	\$ 5,115
Net realized and unrealized gains	4,160	6,449	-	10,609
<b>Total return on investments</b>	<b>\$ 7,152</b>	<b>\$ 8,572</b>	<b>\$ -</b>	<b>\$ 15,724</b>

**6. Fair Value Measurements**

CARE USA reports fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosure about fair value measurements. In accordance with this accounting standard, fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:



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**6. Fair Value Measurements (continued)**

**Level 1:** Financial assets and liabilities whose values are based on quoted market prices for identical assets or liabilities to which an entity has access at measurement date.

**Level 2:** Financial assets and liabilities whose values are based on pricing inputs that are either directly observable or that can be delivered or supported from observable data at the measurement date. Level 2 inputs may include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets in markets that are not active
- Observable inputs other than quoted prices for the asset or liability
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

**Level 3:** Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs maybe used with internally developed methodologies that result in management's best estimate of fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies from June 30, 2013.

Money market funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded on the last business day of each period presented using the market approach.

United States treasury and government agency obligations, collateralized mortgage obligations (CMOs) and corporate bonds are valued on the basis of evaluated process provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach.

Other fixed income securities are valued based on the market approach. To estimate fair value, various factors are analyzed, including the portfolio company's historical financial results, payment history, debt exposure, sovereign rating, credit rating, remaining loan term, and loan position.

Overseas time deposits are valued at amortized cost, which approximates fair value.

# CARE USA and Subsidiaries

## Consolidated Financial Statements

### 6. Fair Value Measurements (continued)

Corporate stocks, mutual funds and exchange traded funds are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented using the market approach. Other equity securities are valued based on the market approach. Under the market approach, CARE USA estimates the enterprise value of the portfolio companies in which it invests. There is not one methodology to estimate enterprise value. To estimate the enterprise value of a portfolio company, various factors are analyzed, including a portfolio company's historical financial results, anticipated future results, recent transactions, sovereign rating, and credit rating. Portfolio companies are required to provide annual audited and quarterly unaudited financial statements. Private companies are valued based on multiples of book value or revenues, taking into account factors indicating any perceived deterioration or improvement in financial position or operating results. Fair value of the equity investments is reviewed by the General Partner on at least an annual basis.

Trusts held by third parties are valued using significant unobservable inputs (Level 3). The need to use unobservable inputs generally results from the lack of an active market or marketplace with respect to Trusts held by third parties. CARE USA's Level 3 interest in trusts held by third parties includes both perpetual and non-perpetual trusts.

Perpetual trusts are recorded at fair value based on a market approach of CARE USA's interest in the fair value of the underlying trust assets. Non-perpetual trusts are recorded at their estimated fair value based on the present value of CARE USA's estimated future cash flows from the related trust. Future cash flows are based on an income approach (present value techniques) using internally developed models. Assumptions are made regarding the expected rate of return on the investments in the trust, the discount rate, and expected mortality of the individual(s), if the termination of the agreement is dependent on life expectancy. An expected rate of return on the investments in the trusts is estimated using historical investment returns for various relevant market indices for the estimated asset allocation of these trusts.

Other investments for AAF consisting of promissory notes, senior loans and equity investments in twelve low income financial institutions, that extend credit to small enterprises and low income populations in Sub-Saharan Africa, are also classified as Level 3 investments.

CARE USA also had an investment in MicroVest Short Duration Fund, LP (SDF) at June 30, 2015 and 2014. SDF is an impact investment fund that is designed to provide investors liquidity, security, return, administrative ease and a development impact. SDF provides financing to low income financial institutions globally and allows investors to redeem their investment monthly.

To estimate fair value of AAF investments, various factors are analyzed to determine the appropriate discount yield rate, including, but not limited to, the portfolio company's historical financial results, payment history, borrowing exposures and capacity, sovereign rating and interest rates, credit rating, remaining loan term, and investment seniority position.

AAF investments were \$14.7 million and \$15.9 million for the years ended 2015 and 2014, respectively.

CARE USA and Subsidiaries  
Consolidated Financial Statements

**6. Fair Value Measurements (continued)**

The following table presents the assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 (*in thousands*):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
<b>Investments</b>				
<b>Money market funds</b>	\$ 17,970	\$ -	\$ -	\$ 17,970
<b>Fixed Income Securities</b>				
US treasury obligations	16,251	-	-	16,251
<b>Agency obligations</b>				
Fannie Mae	-	2,620	-	2,620
Freddie Mac	-	1,787	-	1,787
Federal home loan bank	-	1,374	-	1,374
Other collateralized mortgage obligations (CMO)	-	622	-	622
<b>Total Agency obligations</b>	-	<b>6,403</b>	-	<b>6,403</b>
<b>Corporate bonds</b>	-	16,402	-	16,402
<b>CMO</b>	-	696	-	696
<b>Others</b>	-	-	11,859	11,859
<b>Equity securities</b>				
Corporate stocks	4,533	-	-	4,533
Exchange traded fund	35,589	-	-	35,589
Others	-	-	2,874	2,874
<b>Mutual Funds</b>				
Fixed income funds	11,862	271	-	12,133
Equity funds	39,780	-	-	39,780
<b>Overseas time deposits</b>	-	350	-	350
<b>Total Investments</b>	<b>125,985</b>	<b>24,122</b>	<b>14,733</b>	<b>164,840</b>
<b>Trusts held by third parties</b>	-	-	124,474	124,474
	<b>\$ 125,985</b>	<b>\$ 24,122</b>	<b>\$ 139,207</b>	<b>\$ 289,314</b>

CARE USA and Subsidiaries  
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**6. Fair Value Measurements (continued)**

The following table presents the assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 (*in thousands*):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
<b>Investments</b>				
<b>Money market funds</b>	\$ 15,400	\$ -	\$ -	\$ 15,400
<b>Fixed income securities</b>				
US treasury obligations	16,539	-	-	16,539
<b>Agency obligations</b>				
Fannie Mae	-	2,712	-	2,712
Freddie Mac	-	1,827	-	1,827
Federal home loan bank	-	1,963	-	1,963
Other collateralized mortgage obligations (CMO)	-	2,180	-	2,180
<b>Total agency obligations</b>	-	<b>8,682</b>	-	<b>8,682</b>
<b>Corporate bonds</b>	-	10,245	-	10,245
<b>CMO</b>	-	47	-	47
<b>Others</b>	-	-	12,432	12,432
<b>Equity securities</b>				
Corporate stocks	17,942	-	-	17,942
Exchange traded fund	35,151	-	-	35,151
Others	-	-	3,487	3,487
<b>Mutual funds</b>				
Fixed income funds	16,690	-	-	16,690
Equity funds	19,814	-	-	19,814
<b>Overseas time deposits</b>	-	357	-	357
<b>Total Investments</b>	<b>121,536</b>	<b>19,331</b>	<b>15,919</b>	<b>156,786</b>
<b>Trust held by third parties</b>	-	-	129,511	129,511
	<b><u>\$ 121,536</u></b>	<b><u>\$ 19,331</u></b>	<b><u>\$ 145,430</u></b>	<b><u>\$ 286,297</u></b>

The exchange traded fund was classified as Level 2 investment in the prior year Consolidated Financial Statements. It is reflected as Level 1 in the above table to more accurately reflect the inputs used to calculate the fair value of these investments.

CARE USA and Subsidiaries  
Consolidated Financial Statements

**6. Fair Value Measurements (continued)**

The changes in investments measured at fair value for which Level 3 inputs were used to determine the fair value are as follows (*in thousands*):

	<u>Equity Securities</u>	<u>Debt Securities</u>	<u>Third Party Trusts</u>	<u>Total</u>
<b>Fair value as of June 30, 2013</b>	\$ 2,124	\$ 11,519	\$ 114,761	\$ 128,404
Additions	-	-	3,266	3,266
Purchases or transfers	3,497	12,172	-	15,669
Maturities or redemptions	(2,150)	(10,454)	-	(12,604)
Increase in value of trusts held by third parties	-	-	11,484	11,484
Net realized and unrealized gain (loss) on investments	16	(805)	-	(789)
<b>Fair value as of June 30, 2014</b>	<b>\$ 3,487</b>	<b>\$ 12,432</b>	<b>\$ 129,511</b>	<b>\$ 145,430</b>
Additions	-	-	312	312
Purchases or transfers	190	16,677	(123)	16,744
Maturities or redemptions	(900)	(16,292)	(501)	(17,693)
Decrease in value of trusts held by third parties	-	-	(4,725)	(4,725)
Net realized and unrealized gain (loss) on investments	97	(958)	-	(861)
<b>Fair value as of June 30, 2015</b>	<b>\$ 2,874</b>	<b>\$ 11,859</b>	<b>\$ 124,474</b>	<b>\$ 139,207</b>

The amount of total loss for the period included in the change in net assets attributed to the change in unrealized loss related to assets still held as of June 30, 2015 and 2014 were \$861,000 and \$789,000, respectively, and are included in net realized and unrealized gains and losses on investments in the Consolidated Statements of Activities. Purchases or transfers of 123,000 represents transfers from Third Party Trusts to current receivables, or receivables, net line item of the Consolidated Balance Sheets.

**7. Receivables, net**

Receivables, net were comprised of the following at June 30 (*in thousands*):

	<u>2015</u>	<u>2014</u>
Grants and contracts receivable		
U.S. government agencies	\$ 27,681	\$ 30,057
CARE International members	33,268	40,721
Others	17,536	32,142
Contributions receivable	3,903	12,497
Allowance for uncollectible accounts	(1,117)	(1,538)
	<b>\$ 81,271</b>	<b>\$ 113,879</b>

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**7. Receivable, net (continued)**

As of June 30, 2015, \$79.8 million of the total receivables are due within one year or less with \$1.5 million due in greater than one year. As of June 30, 2014, \$113.5 million of the total receivables were due within one year or less with \$386,000 due in greater than one year.

**Conditional Pledges**

Pledges are recognized as revenue when the donor makes a promise to give unconditionally. CARE USA had \$51.3 million and \$101.4 million of conditional pledges at June 30, 2015 and 2014, respectively. The future payments are conditional on meeting the milestones established in the pledge agreement. These pledges are utilized for sexual, reproductive and maternal health, food and nutrition security and resilience against climate change, women's economic empowerment and emergency relief efforts.

**8. Deposits and Other Assets**

Deposits and other assets were comprised of the following at June 30 (*in thousands*):

	<u>2015</u>	<u>2014</u>
<b>Deposits:</b>		
Subgrantee and project advances	\$ 21,258	\$ 44,962
<b>Other Assets:</b>		
Investment in MicroVest	5,103	5,521
Microfinance loans and interest receivable, net	344	2,846
Receivable from CARE International Members	1,684	-
Prepaid expenses	5,910	6,698
Travel advances	705	942
Advances	4,918	4,892
Other receivables	3,839	3,764
	<u>\$ 43,761</u>	<u>\$ 69,625</u>

**9. Property and Equipment, net**

Property and equipment are as follows at June 30 (*in thousands*):

	<u>2015</u>	<u>2014</u>
Land	\$ 3,078	\$ 3,078
Buildings and building improvements	12,122	11,990
Vehicles, equipment and software	52,540	51,367
Leasehold improvements	1,374	1,230
Accumulated depreciation/amortization	(49,407)	(46,056)
	<u>\$ 19,707</u>	<u>\$ 21,609</u>

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**9. Property and Equipment, net (continued)**

Unamortized internal use software costs were \$8.8 million and \$10.9 million, respectively, for the years ended June 30, 2015 and 2014. Depreciation and amortization expense was \$5.4 million and \$6.0 million for the years ended June 30, 2015 and 2014, respectively.

**10. Defined Contribution Plans**

Effective January 1, 1992, CARE USA adopted a defined contribution plan for employees who meet certain eligibility conditions. Within the various countries in which CARE USA operates outside the United States, most employees are citizens of the host country. These employees are generally not eligible for the CARE USA defined contribution plan, but they are eligible for local government or CARE USA-sponsored plans appropriate for that country.

These plans generally require payment to the employee at time of employment termination. The payments are calculated based on the number of years employed. There are certain host country nationals who do not meet the eligibility conditions for the CARE USA defined contribution plan. These employees participate in the CARE USA Retirement Savings Plan for Nonresident Alien Employees. CARE USA contributes to a participant's account an amount equal to 4% of the participant's gross salary and matches up to 4% of a participant's contribution. The plan allows employee after-tax contributions.

Employer contributions for the years ended June 30, 2015 and 2014 were \$2.3 million.

**11. Program Advances**

Program advances by government and nongovernment agencies for the years ended June 30 were comprised of the following (*in thousands*):

	<u>2015</u>	<u>2014</u>
Commodity grants	\$ 998	\$ 5,136
Grants and contracts		
U.S. government agencies	8,049	11,063
CARE International members	40,054	44,627
Others	28,676	48,246
	<u>\$ 77,777</u>	<u>\$ 109,072</u>

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**12. Subsidiary Loans Payable**

Loan proceeds are used primarily for lending to microfinance institutions.

On December 16, 2011 AAF entered into a seven-year \$20.0 million Loan Agreement with the Overseas Private Investment Corporation (“OPIC”), a division of the U.S. Government to fund new portfolio debt investments. AAF may draw on the credit facility quarterly over three years. Each draw is evidenced by a promissory note. Each note is a bullet loan and matures no later than five years after the draw; however, all notes must mature no later than seven years from the initial draw, or February 29, 2019.

As of June 30, 2015 and 2014, AAF had drawn \$13.5 million under the credit facility. The promissory notes mature between December 2016 and September 2017, and bear current interest between 2.67% and 2.84% per annum payable quarterly and deferred interest of 0.25% per annum payable on maturity of the note.

AAF debt maturities for the year ended June 30 are as follows (in thousands):

2017	7,000
2018	<u>6,500</u>
	<u><b>\$ 13,500</b></u>

For the years ended June 30, 2015 and 2014, interest expense and fees related to the credit facility and draws were \$474,000 and \$457,000, respectively. For the year ended June 30, 2015, AAF obtained a waiver from its lender to cure its noncompliance with two financial ratio covenants.

Total debt obligations for SEED were \$4.1 million and \$6.2 million for the years ended June 30, 2015 and 2014, respectively. These loans are currently past due and SEED is in the process of negotiating for a settlement and release for its outstanding debt. This debt bears interest rates ranging from 4.00% to 10.00%.

MOFAD’s total outstanding obligations toward Microfinance Investment and Support Facility in Afghanistan (MISFA) were \$1.3 million and \$1.5 million for the years ended June 30, 2015 and 2014, respectively. This loan is payable on demand and carries interest rate of 5.00%.



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**13. Financial Statements of Subsidiaries**

The balance sheets for CARE USA subsidiaries as of June 30, 2015 are as follows (*in thousands*):

	AAF	CAN	CIT	MOFAD	SEED	CARE Enterprises
<b>Assets</b>						
Cash and cash equivalents	\$ 2,122	\$ -	\$ 62	\$ -	\$ 130	\$ 201
Restricted cash	196	-	-	-	-	-
Investments, at fair value	14,733	-	-	-	-	-
Receivables, net	-	-	116	-	-	-
Inventory	-	-	-	-	-	5
Deposits and other assets	754	537	8	-	142	237
Property and equipment, net	-	-	5	-	79	81
<b>Total assets</b>	<b>\$ 17,805</b>	<b>\$ 537</b>	<b>\$ 191</b>	<b>\$ -</b>	<b>\$ 351</b>	<b>\$ 524</b>
<b>Liabilities and net assets</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 157	\$ 37	\$ 1	\$ -	\$ 708	\$ 103
Subsidiary loans payable	13,500	-	-	1,328	4,072	-
Minority interest in subsidiary	377	-	-	-	-	139
<b>Total liabilities</b>	<b>14,034</b>	<b>37</b>	<b>1</b>	<b>1,328</b>	<b>4,780</b>	<b>242</b>
<b>Net assets (deficit)</b>						
Unrestricted (deficit)	3,771	500	190	(1,328)	(4,429)	282
<b>Total net assets (deficit)</b>	<b>3,771</b>	<b>500</b>	<b>190</b>	<b>(1,328)</b>	<b>(4,429)</b>	<b>282</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,805</b>	<b>\$ 537</b>	<b>\$ 191</b>	<b>\$ -</b>	<b>\$ 351</b>	<b>\$ 524</b>

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**13. Financial Statements of Subsidiaries (continued)**

The balance sheets for CARE USA subsidiaries as of June 30, 2014 are as follows (*in thousands*):

	AAF	CAN	CIT	MOFAD	SEED	CARE Enterprises
<b>Assets</b>						
Cash and cash equivalents	\$ 1,834	\$ -	76	\$ -	\$ 1,064	\$ 368
Restricted cash	196	-	-	-	-	-
Investments, at fair value	15,920	-	-	-	-	-
Receivables, net	-	-	123	-	-	-
Deposits and other assets	166	-	11	-	2,467	316
Property and equipment, net	-	-	6	-	139	108
<b>Total assets</b>	<b>\$ 18,116</b>	<b>\$ -</b>	<b>\$ 216</b>	<b>\$ -</b>	<b>\$ 3,670</b>	<b>\$ 792</b>
<b>Liabilities and net assets</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 116	\$ -	-	\$ -	448	\$ 92
Subsidiary loans payable	13,500	-	-	1,487	6,152	-
Minority interest in subsidiary	585	-	-	-	(279)	231
<b>Total liabilities</b>	<b>14,201</b>	<b>-</b>	<b>-</b>	<b>1,487</b>	<b>6,321</b>	<b>323</b>
<b>Net assets (deficit)</b>						
Unrestricted (deficit)	3,915	-	216	(1,487)	(2,651)	469
<b>Total net assets (deficit)</b>	<b>3,915</b>	<b>-</b>	<b>216</b>	<b>(1,487)</b>	<b>(2,651)</b>	<b>469</b>
<b>Total liabilities and net assets</b>	<b>\$ 18,116</b>	<b>\$ -</b>	<b>\$ 216</b>	<b>\$ -</b>	<b>\$ 3,670</b>	<b>\$ 792</b>

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**13. Financial Statements of Subsidiaries (continued)**

Statements of Activities for CARE USA subsidiaries for the year ended June 30, 2015 are as follows (*in thousands*):

	AAF	CAN	CIT	MOFAD	SEED	CARE Enterprises
<b>Revenue</b>						
Contributions	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -
Interest and dividends	2,203	-	3	-	-	9
Rent and miscellaneous	176	230	(13)	159	(166)	478
<b>Total revenue</b>	<b>2,379</b>	<b>730</b>	<b>(10)</b>	<b>159</b>	<b>(166)</b>	<b>487</b>
<b>Total operating support and revenue</b>	<b>2,379</b>	<b>730</b>	<b>(10)</b>	<b>159</b>	<b>(166)</b>	<b>487</b>
<b>Expenses</b>						
Program Development	1,288	230	16	-	1,606	766
<b>Total Operating Expenses</b>	<b>1,288</b>	<b>230</b>	<b>16</b>	<b>-</b>	<b>1,606</b>	<b>766</b>
<b>Operating support and revenue over (under) expenses</b>	<b>1,091</b>	<b>500</b>	<b>(26)</b>	<b>159</b>	<b>(1,772)</b>	<b>(279)</b>
<b>Other nonoperating changes in net assets</b>						
Minority interest in subsidiary income	32	-	-	-	-	92
Foreign exchange loss	(743)	-	-	-	(6)	-
Net realized and unrealized loss on investments	(524)	-	-	-	-	-
<b>Total nonoperating changes in net assets</b>	<b>(1,235)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>92</b>
Total changes in net assets	(144)	500	(26)	159	(1,778)	(187)
Net assets (deficit), beginning of year	3,915	-	216	(1,487)	(2,651)	469
<b>Net assets (deficit), end of year</b>	<b>\$ 3,771</b>	<b>\$ 500</b>	<b>\$ 190</b>	<b>\$ (1,328)</b>	<b>\$ (4,429)</b>	<b>\$ 282</b>

Statements of Activities for CARE USA subsidiaries for the year ended June 30, 2014 are as follows (*in thousands*):

	AAF	CAN	CIT	MOFAD	SEED	CARE Enterprises
<b>Revenue</b>						
Interest and dividends	\$ 1,805	\$ -	\$ 5	\$ -	\$ -	\$ 23
Rent and miscellaneous	-	247	(3)	6	(883)	643
<b>Total revenue</b>	<b>1,805</b>	<b>247</b>	<b>2</b>	<b>6</b>	<b>(883)</b>	<b>666</b>
<b>Total operating support and revenue</b>	<b>1,805</b>	<b>247</b>	<b>2</b>	<b>6</b>	<b>(883)</b>	<b>666</b>
<b>Expenses</b>						
Program Development	1,306	247	15	-	551	706
<b>Total operating expenses</b>	<b>1,306</b>	<b>247</b>	<b>15</b>	<b>-</b>	<b>551</b>	<b>706</b>
<b>Operating support and revenue over (under) expenses</b>	<b>499</b>	<b>-</b>	<b>(13)</b>	<b>6</b>	<b>(1,434)</b>	<b>(40)</b>
<b>Other nonoperating changes in net assets</b>						
Minority interest in subsidiary income	124	-	-	-	261	11
Foreign exchange loss	(1,234)	-	-	-	(35)	-
Net realized and unrealized loss on investments	(627)	-	-	-	-	-
<b>Total nonoperating changes in net assets</b>	<b>(1,737)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226</b>	<b>11</b>
Total changes in net assets	(1,238)	-	(13)	6	(1,208)	(29)
Net assets (deficit), beginning of year	5,153	-	229	(1,493)	(1,443)	498
<b>Net assets (deficit), end of year</b>	<b>\$ 3,915</b>	<b>\$ -</b>	<b>\$ 216</b>	<b>\$ (1,487)</b>	<b>\$ (2,651)</b>	<b>\$ 469</b>

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**13. Financial Statements of Subsidiaries (continued)**

Interest and other income are included in government and other support in the accompanying consolidated statements of activities. Interest expense is included in financing, depreciation and miscellaneous expenses in the accompanying consolidated statements of functional expenses. Program expenses are included in the appropriate natural classification in the accompanying Consolidated Statements of Functional Expenses.

**14. Commitments and Other Matters**

As of June 30, 2015, CARE USA is obligated under non-cancelable operating lease agreements for warehousing, office space and staff housing at minimum rentals as follows (*in thousands*):

<b>Year</b>	<b>Amount</b>
2016	6,467
2017	2,680
2018	1,868
2019	1,425
2020	767
2021-2023	877
	<b>\$ 14,084</b>

Total rent expense was \$13.2 million and \$13.4 million, respectively, for the years ended June 30, 2015 and 2014.

AAF has outstanding future commitments under foreign currency exchange contracts of \$7.9 million and \$2.9 million at June 30, 2015 and June 30, 2014, respectively.

CARE USA maintained performance guarantees totaling \$4.0 million and \$4.8 million for the years ended June 30, 2015 and 2014, respectively, on behalf of CARE Netherlands to the European Commission Development and Cooperation Europe Aid. Both guarantees are Euro-denominated and therefore subject to fluctuations in USD-equivalent value. Expiration of the guarantee is contingent upon completion of the related grant.

CARE USA has committed to provide funding to CARE Peru in the aggregate amount of \$24 million. This commitment is to be paid from fiscal years 2012 through 2034 in accordance with CARE USA and CARE Peru framework agreement payment terms. The commitment is conditional upon CARE Peru meeting agreed-upon program expenditures, which has not occurred to date. CARE USA made cumulative contributions of \$4.7 million and \$3.6 million respectively, as of June 30, 2015 and 2014.

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**14. Commitments and Other Matters (continued)**

CARE USA loaned money to the CARE International Revolving Fund. It is used by CARE International to advance money to other members. The direct loan to the CARE International Revolving Fund was \$1.8 million as of June 30, 2015 and \$1.9 million as of June 30, 2014.

In the normal course of business, CARE USA is party to various claims and assessments. In the opinion of management, these matters will not have a material effect on the consolidated financial position, consolidated changes in net assets or consolidated cash flows.

**15. Related Parties**

Members of CARE USA's Board of Directors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Organization. The Organization requires annual disclosure of significant financial interests in, or employment or consulting relationship with, entities doing business with the Organization. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the Organization.

The Organization has a written conflict of interest policy that requires, among other things, that no member of the Board of Directors can participate in any decision in which he or she (or an immediate family member) has a material financial interest.

Each Board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the Organization does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Organization, and in accordance with conflict of interest laws. No such associations are considered to be significant.

**16. Contingencies**

Management is aware of approximately \$6.2 million in questioned costs resulting from various audits, of which \$3.4 million is currently under appeal. The US Agency for International Development (USAID) is reviewing supporting documentation submitted by management to clear these questioned costs. CARE USA had accrued \$3.7 million and \$2.3 million as a liability for these questioned costs for the years ended June 30, 2015 and 2014, respectively.

No estimate can be made of the possible range of loss, if any, related to these questioned costs. Based on prior experience, CARE USA believes that costs ultimately disallowed, if any, would not materially affect the consolidated financial position of CARE USA.

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**16. Contingencies (continued)**

The Government of Bolivia has served CARE USA with tax claims of approximately \$21.8 million for the commercial sale and distribution of commodities during the calendar years 2002 – 2007. CARE USA has filed lawsuits in Bolivia contesting the validity of these claims. A lower court ruled in CARE USA's favor on two lawsuits. The Government of Bolivia appealed both of those decisions. CARE USA currently has one case pending in the Bolivian Supreme Court relying, among other defenses, on the Statute of Limitations defense. The Supreme Court has ruled favorably on the Statute of Limitations defense in 4 cases filed by 2 other NGOs. The majority of the lawsuits are still pending at the lowest court level. Although the outcome of this matter is currently not determinable, management is monitoring the situation closely. No estimate can be made of the possible range of loss, if any.

**17. Subsequent Events**

Subsequent to year end CARE USA entered in performance guarantees of \$3.9 million on behalf of CARE Netherlands and CARE Mali.

Management has disclosed all subsequent events through February 26, 2016, the date the financial statements were issued. There were no subsequent events that required recognition in the consolidated financial statements.