

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION; AND REPORTS AND
SCHEDULE RELATED TO TITLE 2 U.S. CODE OF
FEDERAL REGULATIONS PART 200, UNIFORM
ADMINISTRATIVE REQUIREMENTS, COST
PRINCIPLES, AND AUDIT REQUIREMENTS FOR
FEDERAL AWARDS (UNIFORM GUIDANCE)

CARE USA and Subsidiaries
Year Ended June 30, 2016
With Report of Independent Auditors

Ernst & Young LLP



Building a better
working world

CARE USA and Subsidiaries

Consolidated Financial Statements and Supplementary Information
and Reports and Schedule Related to Uniform Guidance Audit

Year Ended June 30, 2016

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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, 2016 and 2015, and the related consolidated statements of activities, 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 2016 and 2015, total liabilities constituting 8% in 2016 and 2015, net assets constituting 1% in 2016 and 2015 and total revenues constituting 1% in 2016 and 2015 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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. The financial statements of the Access Africa Fund LLC were not audited in accordance with *Government Auditing Standards*.

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 and subsidiaries as of June 30, 2016 and 2015, 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 16, 2016 on our consideration of the CARE USA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CARE USA's internal control over financial reporting and compliance.

December 16, 2016

CARE USA and Subsidiaries

Consolidated Balance Sheets
(In thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Cash and cash equivalents	\$ 74,445	\$ 71,764
Restricted cash	576	196
Investments, at fair value	152,583	164,840
Receivables, net	69,775	81,271
Inventory	1,691	1,454
Deposits and other assets	38,956	43,761
Property and equipment, net	17,357	19,707
Trusts held by third parties	115,206	124,474
Total assets	<u>\$ 470,589</u>	<u>\$ 507,467</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 44,802	\$ 49,379
Program advances	67,775	77,777
Liability for split interest agreements	14,111	14,751
Accrued salaries and benefits	23,925	23,112
Subsidiary loans payable	18,051	18,900
Minority interest in subsidiary	442	516
Total liabilities	<u>169,106</u>	<u>184,435</u>
Net assets		
Unrestricted	69,507	77,908
Temporarily restricted	99,685	104,315
Permanently restricted	132,291	140,809
Total net assets	<u>301,483</u>	<u>323,032</u>
Total liabilities and net assets	<u>\$ 470,589</u>	<u>\$ 507,467</u>

See accompanying notes.

CARE USA and Subsidiaries
Consolidated Statements of Activities

For the Year Ended June 30, 2016
(In thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
Support				
Private support				
Contributions	\$ 58,006	\$ 83,078	\$ 1,225	\$ 142,309
CARE International	154,419	—	—	154,419
Total private support	<u>212,425</u>	<u>83,078</u>	<u>1,225</u>	<u>296,728</u>
Government and other support				
United States government	144,738	—	—	144,738
Others	77,524	—	—	77,524
Total government and other support	<u>222,262</u>	<u>—</u>	<u>—</u>	<u>222,262</u>
Other revenue				
Interest and dividends, net	2,788	3,034	—	5,822
Rent and miscellaneous	5,615	78	—	5,693
Total other revenue	<u>8,403</u>	<u>3,112</u>	<u>—</u>	<u>11,515</u>
Net assets released from restrictions				
Satisfaction of program restrictions	89,701	(89,701)	—	—
Total net assets released from restrictions	<u>89,701</u>	<u>(89,701)</u>	<u>—</u>	<u>—</u>
Total operating support and revenue	532,791	(3,511)	1,225	530,505
Expenses				
Program				
Emergency	126,064	—	—	126,064
Development	355,406	—	—	355,406
Public information	6,000	—	—	6,000
Supporting activities				
Fund raising	24,820	—	—	24,820
Management and general	26,591	—	—	26,591
Total operating expenses	<u>538,881</u>	<u>—</u>	<u>—</u>	<u>538,881</u>
Operating support and revenue over (under) expenses	(6,090)	(3,511)	1,225	(8,376)
Other nonoperating changes in net assets				
Minority interest in subsidiary income	72	—	—	72
Foreign exchange loss	(2,298)	—	—	(2,298)
Actuarial loss on annuity obligations	(493)	—	—	(493)
Actuarial gain/(loss) on split interest agreements	(91)	68	—	(23)
Net realized and unrealized loss on investments	499	(1,187)	—	(688)
Decrease in value of trusts held by third parties	—	—	(9,743)	(9,743)
Total other nonoperating changes in net assets	<u>(2,311)</u>	<u>(1,119)</u>	<u>(9,743)</u>	<u>(13,173)</u>
Total changes in net assets	(8,401)	(4,630)	(8,518)	(21,549)
Net assets, beginning of year	77,908	104,315	140,809	323,032
Net assets, end of year	<u>\$ 69,507</u>	<u>\$ 99,685</u>	<u>\$ 132,291</u>	<u>\$ 301,483</u>

See accompanying notes.

CARE USA and Subsidiaries

Consolidated Statements of Activities (continued)

For the Year Ended June 30, 2015

(In thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
Support				
Private support				
Contributions	\$ 73,865	\$ 67,745	\$ 282	\$ 141,892
CARE International	167,600	-	-	167,600
Total private support	241,465	67,745	282	309,492
Government and other support				
United States government	126,460	-	-	126,460
Others	79,025	-	-	79,025
Total government and other support	205,485	-	-	205,485
Other revenue				
Interest and dividends, net	3,426	3,480	-	6,906
Rent and miscellaneous	8,714	-	-	8,714
Total other revenue	12,140	3,480	-	15,620
Net assets released from restrictions				
Satisfaction of program restrictions	78,658	(78,658)	-	-
Total net assets released from restrictions	78,658	(78,658)	-	-
Total operating support and revenue	537,748	(7,433)	282	530,597
Expenses				
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
Total operating expenses	524,586	-	-	524,586
Operating support and revenue over (under) expenses	13,162	(7,433)	282	6,011
Other nonoperating changes in net assets				
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 losses on investments	(1,456)	(245)	-	(1,701)
Decrease in value of trusts held by third parties	-	-	(4,725)	(4,725)
Total other nonoperating changes in net assets	(8,610)	(356)	(4,725)	(13,691)
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
Net assets, end of year	\$ 77,908	\$ 104,315	\$ 140,809	\$ 323,032

See accompanying notes.

CARE USA and Subsidiaries

Consolidated Statements of Functional Expenses

For the Year Ended June 30, 2016

(In thousands)

	Program Activities				Supporting Activities			2016 Total
	Emergency	Development	Public Information	Total	Fund Raising	Management & General	Total	
Personnel costs	\$ 24,797	\$ 98,382	\$ 3,094	\$ 126,273	\$ 5,964	\$ 14,323	\$ 20,287	\$ 146,560
Grants/subgrants	24,114	120,430	160	144,704	–	89	89	144,793
Materials and services	31,932	51,205	705	83,842	13,936	2,173	16,109	99,951
Travel and transportation	6,577	27,863	259	34,699	645	1,863	2,508	37,207
Professional services	4,447	20,414	1,257	26,118	2,686	4,837	7,523	33,641
Occupancy	2,695	10,333	309	13,337	629	1,170	1,799	15,136
Financing/depreciation/miscellaneous	1,056	8,650	59	9,765	321	1,463	1,784	11,549
Equipment	1,253	5,052	157	6,462	243	569	812	7,274
Agricultural commodities/contributions in-kind	29,193	13,077	–	42,270	396	104	500	42,770
Total operating expenses	\$ 126,064	\$ 355,406	\$ 6,000	\$ 487,470	\$ 24,820	\$ 26,591	\$ 51,411	\$ 538,881

See accompanying notes.

CARE USA and Subsidiaries

Consolidated Statements of Functional Expenses (continued)

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
Grants/subgrants	19,636	119,795	503	139,934	13	4	17	139,951
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
Professional services	2,755	18,638	1,031	22,424	2,809	5,603	8,412	30,836
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
Equipment	1,131	5,469	123	6,723	265	982	1,247	7,970
Agricultural commodities/contributions in-kind	8,246	9,702	1,092	19,040	591	156	747	19,787
Total operating expenses	\$ 93,320	\$ 373,902	\$ 6,791	\$ 474,013	\$ 25,788	\$ 24,785	\$ 50,573	\$ 524,586

See accompanying notes.

CARE USA and Subsidiaries
Consolidated Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015
(In thousands)

Operating activities	<u>2016</u>	<u>2015</u>
Changes in net assets	\$ (21,549)	\$ (7,680)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	5,548	5,428
Provision for subsidiary microfinance loan losses	313	2,501
Net realized and unrealized loss on investments	1,685	1,701
Actuarial loss (gain) on annuity obligations	493	(398)
Actuarial loss (gain) on split interest agreements	23	(31)
Decrease in value of trusts held by third parties	9,743	4,725
Changes in assets and liabilities		
Decrease in receivables	11,496	32,608
(Increase) decrease in inventory	(237)	4,889
Decrease in deposits and other assets	4,492	23,363
(Increase) decrease in other trusts held by third parties	(475)	312
Decrease in accounts payable and accrued expenses	(4,577)	(5,425)
Decrease in program advances	(10,002)	(31,295)
Increase (decrease) in benefits accrued for employees	813	(2,677)
Net cash (used for) provided by operating activities	<u>(2,234)</u>	<u>28,021</u>
Investing activities		
Purchases of investments	(85,627)	(151,745)
Proceeds from sales of investments	96,199	141,990
(Increase) decrease in restricted cash	(380)	1,995
Purchases of property and equipment	(3,225)	(5,199)
Proceeds from sales of property and equipment	27	1,673
Net cash (used for) provided by investing activities	<u>6,994</u>	<u>(11,286)</u>
Financing activities		
Decrease in subsidiary loans payable	(849)	(2,239)
Decrease in minority interest in subsidiary	(74)	(21)
Payments to gift annuitants	(1,672)	(1,842)
Increase in liability for split interest agreements	516	519
Net cash used for financing activities	<u>(2,079)</u>	<u>(3,583)</u>
Net change in cash and cash equivalents	2,681	13,152
Cash and cash equivalents, beginning of year	71,764	58,612
Cash and cash equivalents, end of year	<u>\$ 74,445</u>	<u>\$ 71,764</u>
Supplemental cash flow information:		
Noncash contributions	<u>\$ 11,469</u>	<u>\$ 10,083</u>
Cash paid for interest	<u>\$ 557</u>	<u>\$ 612</u>

See accompanying notes.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

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 work around the globe to save lives, defeat poverty and achieve social justice.

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 applies 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.
- c. **Public Information.** CARE USA aims to inform the public about poverty, the systematic discrimination and marginalization of women and girls around the world. CARE puts women and girls in the center because we know that we cannot overcome poverty until all people have equal rights and opportunities.

Within these broad areas, CARE USA has a special focus on Sexual and Reproductive Health and Rights, Food and Nutrition Security and Resilience to Climate Change, and Women’s Economic Empowerment.

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 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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization (continued)

CARE USA's subsidiaries include:

- Access Africa Fund, LLC (AAF) is a majority owned subsidiary. The fund was formed with dual investment objectives to enable sub-Saharan micro-finance institutions to expand financial services by making debt and equity investments. 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. CARE USA owns 91% of the class A capital stock.
- CARE Enterprises, LLC is a for-profit subsidiary with a social enterprise subsidiary, JITA. CARE Enterprises owns 67% shares of JITA. CARE Enterprises is a business venture started by CARE to bridge the gap between demand and supply that exists between formal markets and many of the world's poorest communities. It identifies, develops and scales innovative platforms to efficiently distribute essential and high quality consumer products and services to consumers at the bottom of the pyramid.
- CARE Action Now (CAN) is a 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 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.
- SEEDFINANCE Corporation (SEED) is a for-profit majority owned subsidiary located in the Philippines. It was engaged in providing micro-credit loans. CARE USA owns 57% of SEED's common stock. SEED is no longer active with its lending operations and has filed for liquidation.
- MOFAD is wholly owned non-profit subsidiary in Afghanistan that is currently non-operational.

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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

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. The principal areas of judgement include (1) receivables, including the allowance for doubtful accounts; (2) fair value of investments; and (3) assessment of loss contingencies. Actual results could differ from those estimates.

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. Restricted cash includes cash and cash equivalents pledged by AAF as collateral for hedging instruments and cash held for the purpose of serving as a debt service reserve for AAF's credit facility. Restricted cash is held at cost, which approximates fair value.

Cash and cash equivalents held in the United States were \$41.8 million and \$24.0 million, including \$576,000 and \$196,000 of restricted cash held in escrow, for the years ended June 30, 2016 and 2015, respectively. Cash and cash equivalents held outside the United States were \$33.2 million and \$48.0 million, for the years ended June 30, 2016 and 2015, respectively. Certain donors require cash be held in separate accounts. Donor restricted cash accounts totaled \$6.2 million and \$10.1 million for the years ended June 30, 2016 and 2015, 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

Notes to 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 \$14.0 million and \$14.6 million at June 30, 2016 and 2015, 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 \$211,000 and \$277,000 are netted against interest and dividend income for the years ended June 30, 2016 and 2015, 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 a 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

Notes to 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, 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.

As of June 30, 2016 and 2015, CARE USA has a 34.4% and 34.7% non-controlling interest in MicroVest General Partner Holding Company, respectively. CARE USA has 8.3% in MicroVest II Limited Partnership as of June 30, 2016 and 2015. CARE USA also had a non-controlling interest of 24.4% in MicroVest I Self-liquidating Trust which was closed and final distribution made on December 31, 2015. The investments are accounted for using the equity method.

Property and Equipment

Property and equipment are recorded at cost when 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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. The ranges of estimated useful lives are 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
Leasehold 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.

Interest in charitable remainder 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, 2016 and 2015.

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. 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 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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

As of June 30, 2016 and 2015, more than 84% of the value of the trust can be derived from market information. Less than 16% 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%.

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.

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 or relevant state law require that they be added back to the principal of the permanently restricted contribution.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Contributions of non-financial assets consist of public service announcements and donated professional services. CARE USA recognized total contribution revenue of \$0.9 million and \$2.1 million for public service announcements and donated professional services for the years ended June 30, 2016 and 2015, 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. Direct support from US government agencies is subject to independent audit under the Office of Management and Budget's Single Audit guidelines found in 2CFR200 and subject to review by grantor agencies.

These audits and reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, management believes that any costs ultimately disallowed would not materially affect CARE USA's consolidated financial position.

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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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 under IRC Section 501(c)(4).

Subsequent Events

Management has disclosed all subsequent events through December 16, 2016, the date the financial statements were issued. There were no subsequent events that required recognition in the consolidated financial statements.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which, when effective, will supersede the guidance in former ASC 605, *Revenue Recognition*. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application of the new standard may result in significant changes to current practice. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date*, which provides an optional one-year deferral of the effective date. Therefore, this standard is effective for the year ending June 30, 2019. We are currently evaluating the impact of the standard on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which when effective will require organizations that lease assets to recognize assets and liabilities for the rights and obligations created by the leases on balance sheet. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The guidance is effective for the year ended June 30, 2019 and early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which makes several improvements to current financial reporting for non-for-profits. This guidance is effective for annual financial statements issued for the year ended June 30, 2019 with early application permitted. The most significant provisions of this Update require two classes of net assets, rather than the currently required three classes. As this update is primarily related to changes in disclosure and presentation, adoption of this standard is not expected to have an impact on our consolidated financial position.

CARE USA and Subsidiaries

Notes to 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*):

	2016		2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Food and Nutrition Security and Resilience to Climate Change	\$ 11,661	\$ -	\$ 14,012	\$ -
Women's Economic Empowerment	14,871	-	12,082	-
Sexual, Reproductive and Maternal Health and a Life Free from Violence	41,230	-	46,956	-
Humanitarian Intervention	16,759	1,006	10,747	1,006
Multi-Sector and Other	14,448	512	18,842	512
Time Restricted	716		1,676	
Unrestricted	-	130,773	-	139,291
Total	\$ 99,685	\$ 132,291	\$ 104,315	\$ 140,809

4. Endowments

CARE USA's endowment consists of nine individual 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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

4. Endowments (continued)

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;
- 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, 2016, are as follows (*in thousands*):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,906	\$ 18,358	\$ 25,264
Contributions received	-	-	375	375
Investment income	-	1,683	-	1,683
Net depreciation (realized and unrealized)	-	(1,024)	-	(1,024)
Total investment return	-	659	375	1,034
Appropriation of endowment assets for expenditure	-	(77)	-	(77)
Endowment net assets, end of year	\$ -	\$ 7,488	\$ 18,733	\$ 26,221

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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)
Endowment net assets, end of year	\$ -	\$ 6,906	\$ 18,358	\$ 25,264

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

4. Endowments (continued)

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

	2016	2015
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to time restriction under SPMIFA:		
Without purpose restrictions	1,285	746
With purpose restrictions	6,203	6,160
Total Endowment funds classified as temporarily restricted net assets	\$ 7,488	\$ 6,906
 Permanently Restricted Net Assets:		
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA	\$ 18,733	\$ 18,358

Endowment 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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

4. Endowments (continued)

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type in 2016 and 2015.

<u>Asset Category</u>	<u>2016</u>			<u>2015</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%

CARE spending policy is authorized by the board of directors. CARE appropriated approximately \$77,000 and \$1.2 million for the years ended June 30, 2016 and 2015, respectively.

5. Investments

The total return on cash balances and investments was as follows for the years ending June 30, 2016 (*in thousands*):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends included in operating revenue	\$ 2,788	\$ 3,034	\$ -	\$ 5,822
Net realized and unrealized losses	499	(1,187)	-	(688)
Total return on investments	\$ 3,287	\$ 1,847	\$ -	\$ 5,134

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

	<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)
Total return on investments	\$ 1,970	\$ 3,235	\$ -	\$ 5,205

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

6. Fair Value Measurements

CARE USA reports certain assets at fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. 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. U.S. GAAP 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:

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, 2014.

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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

6. Fair Value Measurements (continued)

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

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

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.

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 include AAF promissory notes, senior loans and equity investments in ten low income financial institutions, which extend credit to small enterprises and low income populations in Sub-Saharan Africa. These are also classified as Level 3 investments. The original term of the debt investments ranges from 2 to 24 months, with a weighted-average original term of 15 months. The weighted-average remaining term was 5 months as of June 30, 2016. The promissory notes are unsecured notes bearing interest at rates ranging from 5.5% to 16.0%, with a weighted-average rate of 8.78%, and maturing at various dates through June 2017.

At June 30, 2015, AAF had a term deposit, promissory notes, senior loans and an equity investment in twelve LIFIs directly, which extend credit to small and micro enterprises and low-income populations in sub-Saharan Africa. The original term of the debt investments ranged from 3 to 24 months, with a weighted-average original term of 15 months. The weighted-average remaining term was 9 months as of June 30, 2015. The promissory notes were unsecured notes bearing interest at rates ranging from 5.5% to 21%, with a weighted-average rate of 12.27%.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

6. Fair Value Measurements (continued)

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 \$13.7 million and \$14.7 million for the years ended 2016 and 2015, respectively. All AAF investments are reported as Level 3 in 2015, but \$921,000 are reported as Level 2 in 2016, since those are investments in Barak Structured Trade Finance Segregated Portfolio, whose fair value is estimated using the practical expedient of reported NAV.

The following table presents the assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 (*in thousands*):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
Investments				
Money market funds	\$ 10,924	\$ -	\$ -	\$ 10,924
Fixed income securities				
US treasury obligations	16,236	-	-	16,236
Agency obligations				
Fannie Mae	-	3,048	-	3,048
Freddie Mac	-	1,809	-	1,809
Federal home loan bank	-	1,345	-	1,345
Other collateralized mortgage obligations (CMO)	-	18	-	18
Total agency obligations	-	6,220	-	6,220
Corporate bonds	-	12,864	-	12,864
Other fixed income securities	-	248	9,525	9,773
Exchange traded funds	45,199	-	-	45,199
Other equity securities	-	1,340	3,213	4,553
Mutual funds				
Fixed income funds	11,739	-	-	11,739
Equity funds	34,687	39	-	34,726
Overseas time deposits	-	349	-	349
Total investments	118,785	21,060	12,738	152,583
Trusts held by third parties	-	-	115,206	115,206
	\$ 118,785	\$ 21,060	\$ 127,944	\$ 267,789

CARE USA and Subsidiaries

Notes to 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>
Investments				
Money market funds	\$ 17,970	\$ -	\$ -	\$ 17,970
Fixed income securities				
US treasury obligations	16,251	-	-	16,251
Agency obligations				
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)	-	696	-	696
Total Agency obligations	-	6,477	-	6,477
Corporate bonds	-	14,586	-	14,586
Other fixed income securities	-	-	11,859	11,859
Exchange traded funds	46,955	-	-	46,955
Other equity securities	-	-	2,874	2,874
Mutual funds				
Fixed income funds	12,133	-	-	12,133
Equity funds	35,385	-	-	35,385
Overseas time deposits	-	350	-	350
Total investments	128,694	21,413	14,733	164,840
Trusts held by third parties	-	-	124,474	124,474
	\$ 128,694	\$ 21,413	\$ 139,207	\$ 289,314

CARE USA and Subsidiaries

Notes to 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>
Fair value as of June 30, 2014	\$ 3,487	\$ 12,432	\$ 129,511	\$ 145,430
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)
Fair value as of June 30, 2015	\$ 2,874	\$ 11,859	\$ 124,474	\$ 139,207
Additions	-	-	513	513
Purchases or transfers	-	6,800	-	6,800
Maturities or redemptions	(22)	(10,267)	(38)	(10,327)
Increase/(decrease) in value of trusts held by third parties	-	-	(9,743)	(9,743)
Net realized and unrealized gain on investments	361	1,133	-	1,494
Fair value as of June 30, 2016	\$ 3,213	\$ 9,525	\$ 115,206	\$ 127,944

The amount of gain or loss for the period included in the change in net assets and attributed to the change in unrealized gains and losses are included in net realized and unrealized gains and losses on investments in the Consolidated Statements of Activities.

7. Receivables, net

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

	<u>2016</u>	<u>2015</u>
Grants and contracts receivable		
U.S. government agencies	\$ 24,435	\$ 27,681
CARE International members	28,202	33,268
Others	12,557	17,536
Contributions receivable	5,579	3,903
	\$ 70,773	\$ 82,388
Allowance for uncollectible accounts	(998)	(1,117)
	\$ 69,775	\$ 81,271

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

7. Receivables, net (continued)

As of June 30, 2016, \$70.0 million of the total receivables are due within one year or less with \$800,000 due in more than one year. As of June 30, 2015, \$80.9 million of the total receivables are due within one year or less with \$1.5 million due in more than one year.

Conditional Pledges

Pledges are recognized as revenue when the donor makes a promise to give unconditionally. CARE USA had \$52.0 million and \$51.3 million of conditional pledges at June 30, 2016 and 2015, 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>2016</u>	<u>2015</u>
Deposits:		
Subgrantee and project advances	\$ 18,661	\$ 21,258
Other Assets:		
Investment in MicroVest	5,648	5,103
Microfinance loans and interest receivable, net	48	344
Receivable from CARE International members	3,225	1,684
Prepaid expenses	4,642	5,910
Travel advances	402	705
Advances	3,176	4,918
Other receivables	3,154	3,839
	<u>\$ 38,956</u>	<u>\$ 43,761</u>

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

9. Property and Equipment, net

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

	2016	2015
Land	\$ 3,067	\$ 3,078
Buildings and building improvements	12,167	12,122
Vehicles, equipment and software	54,824	52,540
Leasehold improvements	1,701	1,374
	\$ 71,759	\$ 69,114
Accumulated depreciation/amortization	(54,402)	(49,407)
	\$ 17,357	\$ 19,707

Unamortized internal use software costs were \$7.1 million and \$8.8 million, respectively, for the years ended June 30, 2016 and 2015. Depreciation and amortization expense was \$5.5 million and \$5.4 million for the years ended June 30, 2016 and 2015, respectively.

10. Defined Contribution Plans

Effective January 1, 1992, CARE USA adopted a defined contribution plan for employees who meet certain eligibility conditions. 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, 2016 and 2015 were \$2.3 million.

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 and Subsidiaries

Notes to Consolidated Financial Statements

11. Program Advances

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

	<u>2016</u>	<u>2015</u>
Commodity grants	\$ 7,760	\$ 998
Grants and contracts		
U.S. government agencies	3,860	8,049
CARE International members	33,427	40,054
Others	22,728	28,676
	<u>\$ 67,775</u>	<u>\$ 77,777</u>

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. On November 17, 2015, AAF renegotiated the terms of the credit facility, effectively extending the maturity of each note by one year. Each note is a bullet loan.

As of June 30, 2016 and 2015, AAF had drawn \$13.5 million under the credit facility. The promissory notes mature between December 2017 and June 2019, and bear current interest between 1.67% and 2.52% per annum payable.

AAF debt maturities total \$13.5 million and are \$7 million and \$6.5 million for the years ended June 30, 2018 and 2019, respectively.

For the years ended June 30, 2016 and 2015, interest expense and fees related to the credit facility and draws were \$346,000 and \$474,000, respectively. For the years ended June 30, 2016 and 2015, AAF obtained a waiver from its lender to cure its noncompliance with two financial ratio covenants.

Total debt obligations for SEED were \$3.4 million and \$4.1 million for the years ended June 30, 2016 and 2015, respectively. This debt bears interest rates ranging from 4.00% to 10.00%. SEED has filed for liquidation.

MOFAD’s total outstanding obligations associated with the Microfinance Investment and Support Facility in Afghanistan (MISFA) were \$1.2 million and \$1.3 million for the years ended June 30, 2016 and 2015, respectively. This loan is payable on demand and carries interest rate of 5.00%.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

13. Commitments and Other Matters

As of June 30, 2016, CARE USA is obligated under non-cancelable operating lease agreements for warehousing, office space and staff housing at minimum rentals as follows (*in thousands*):

<u>Year</u>	<u>Amount</u>
2017	5,531
2018	2,962
2019	2,201
2020	1,345
2021	563
2022-2023	439
	<u><u>\$ 13,041</u></u>

Total rent expense was \$11.7 million and \$13.2 million, respectively, for the years ended June 30, 2016 and 2015.

AAF has outstanding future commitments under foreign currency exchange contracts of \$6.3 million and \$7.9 million at June 30, 2016 and June 30, 2015, respectively.

CARE USA maintained performance guarantees totaling \$11.4 million and \$4.0 million for the years ended June 30, 2016 and 2015, respectively, on behalf of CARE Netherlands to the European Commission Development and Cooperation Europe Aid, also on behalf of CARE Country offices to other CI members or various restricted grants. All guarantees are foreign currency denominated and therefore subject to fluctuations in USD equivalent value. Expiration or cancellation of each guarantee is contingent upon fulfilment of the underlying terms associated with the guarantee.

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 \$5.8 million and \$4.7 million respectively, as of June 30, 2016 and 2015.

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 \$1.5 million as of June 30, 2016 and \$1.8 million as of June 30, 2015.

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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

14. 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.

15. Contingencies

Management is aware of approximately \$3.9 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 has \$2.5 million and \$3.7 million accrued for questioned and disallowed costs as of June 30, 2016 and 2015, respectively. Based on prior experience, CARE USA believes that costs ultimately disallowed, if any, would not materially affect its consolidated financial position.

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, and the Supreme Court in Bolivia affirmed one of the lower court decisions in July, 2016. 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.

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

16. Financial Statements of Subsidiaries

The balance sheets for CARE USA subsidiaries as of June 30, 2016 are as follows (*in thousands*):

	AAF	CAN	CIT	MOFAD	SEED	CARE Enterprises
Assets						
Cash and cash equivalents	\$ 3,121	\$ 3	\$ 68	\$ –	\$ 30	\$ 158
Restricted cash	576	–	–	–	–	–
Investments, at fair value	13,659	–	–	–	–	–
Receivables, net	–	–	110	–	–	–
Inventory	–	–	–	–	–	1
Deposits and other assets	347	369	–	–	–	592
Property and equipment, net	–	–	4	–	62	50
Total assets	17,703	372	182	–	92	801
Liabilities and net assets						
Liabilities						
Accounts payable and accrued expenses	365	–	–	–	1,728	166
Subsidiary loans payable	13,500	–	–	1,181	3,370	–
Minority interest in subsidiary	349	–	–	–	–	93
Total liabilities	14,214	–	–	1,181	5,098	259
Net assets (deficit)						
Unrestricted (deficit)	3,489	372	182	(1,181)	(5,006)	542
Total net assets (deficit)	3,489	372	182	(1,181)	(5,006)	542
Total liabilities and net assets	\$ 17,703	\$ 372	\$ 182	\$ –	\$ 92	\$ 801

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

16. Financial Statements of Subsidiaries (continued)

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

	AAF	CAN	CIT	MOFAD	SEED	CARE Enterprises
Assets						
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
Total assets	17,805	537	191	–	351	524
Liabilities and net assets						
Liabilities						
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
Total liabilities	14,034	37	1	1,328	4,780	242
Net assets (deficit)						
Unrestricted (deficit)	3,771	500	190	(1,328)	(4,429)	282
Total net assets (deficit)	3,771	500	190	(1,328)	(4,429)	282
Total liabilities and net assets	\$ 17,805	\$ 537	\$ 191	\$ –	\$ 351	\$ 524

CARE USA and Subsidiaries

Notes to Consolidated Financial Statements

16. Financial Statements of Subsidiaries (continued)

Statements of Activities for CARE USA subsidiaries for the year ended June 30, 2016 are as follows. Interest and other income are included in government and other support in the accompanying consolidated statements of activities. *(in thousands)*

	AAF	CAN	CIT	MOFAD	SEED	CARE Enterprises
Support						
Contributions	\$ -	\$ 163	\$ -	\$ -	\$ -	\$ -
Interest and dividends	1,256	-	6	-	-	12
Rent and miscellaneous	-	258	-	-	3	426
Total Support	1,256	421	6	-	3	438
Expenses						
Program						
Development	947	549	2	-	505	816
Total Operating Expenses	947	549	2	-	505	816
Operating Support and Revenue over (under) Expenses	309	(128)	4	-	(502)	(378)
Other Nonoperating Changes in Net Assets						
Minority interest in subsidiary income	28	-	-	-	-	44
Foreign exchange gain/(loss)	(132)	-	(12)	147	(75)	(6)
Net realized and unrealized loss on investments	(487)	-	-	-	-	-
Capital contribution to CARE Enterprises	-	-	-	-	-	600
Total Nonoperating Changes in Net Assets	(591)	-	(12)	147	(75)	638
Total Changes in Net Assets	(282)	(128)	(8)	147	(577)	260
Net Assets (deficit), beginning of year	3,771	500	190	(1,328)	(4,429)	282
Net Assets (deficit), end of year	\$ 3,489	\$ 372	\$ 182	\$ (1,181)	\$ (5,006)	\$ 542

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
Support						
Contributions	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -
Interest and dividends	2,203	-	3	-	-	9
Rent and miscellaneous	176	230	(13)	159	(166)	478
Total Support	2,379	730	(10)	159	(166)	487
Expenses						
Program						
Development	1,288	230	16	-	1,606	766
Total Operating Expenses	1,288	230	16	-	1,606	766
Operating Support and Revenue over (under) Expenses	1,091	500	(26)	159	(1,772)	(279)
Other Nonoperating Changes in Net Assets						
Minority interest in subsidiary income	32	-	-	-	-	92
Foreign exchange loss	(743)	-	-	-	(6)	-
Net realized and unrealized loss on investments	(524)	-	-	-	-	-
Total Nonoperating Changes in Net Assets	(1,235)	-	-	-	(6)	92
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
Net Assets (deficit), end of year	\$ 3,771	\$ 500	\$ 190	\$ (1,328)	\$ (4,429)	\$ 282

Supplementary Information and Reports and Schedule

CARE USA

Schedule of Expenditures of Federal Awards

June 30, 2016

Federal Agency	Award Reference Number	CFDA	Pass-Through Entity	Pass-Through Entity Ref Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Provided to Subrecipients
USDA	12-CA-11132762-184	10.684			Sierra Leone	\$ 338,845	\$ -	\$ 338,845	\$
			CFDA # 10.684 International Forestry Programs			338,845	-	338,845	65,424
(USDA) United States Department of Agriculture Total						338,845	-	338,845	65,424
USDS	S-LMAQM-12-CA-1135	19.017			Rwanda, Tanzania, Kenya	2,689	-	2,689	
			CFDA # 19.017 Environmental and Scientific Partnerships and Programs			2,689	-	2,689	2,689
USDS	S-LMAQM-14-GR-1100	19.345			Bolivia	357,643	-	357,643	
			CFDA # 19.345 International Programs to Support Democracy, Human Rights and Labor			357,643	-	357,643	-
USDS BPRM	S-PRMCO-13-CA-1173 □	19.517			Kenya	(5,681)	-	(5,681)	
USDS BPRM	S-PRMCO-14-CA-1048	19.517			Chad	(3,012)	-	(3,012)	
USDS BPRM	S-PRMCO-14-CA-1271	19.517			Kenya	83,360	-	83,360	
USDS BPRM	S-PRMCO-15-CA-1090	19.517			Chad	456,060	-	456,060.00	
USDS BPRM	S-PRMCO-15-CA-1131 □	19.517			Kenya	409,245	-	409,245	
			CFDA # 19.517 Overseas Refugee Assistance Programs for Africa			939,972	-	939,972	824,265
USDS BPRM	S-PRMCO-12-CA-1110	19.519			Jordan	(1,211)	-	(1,211)	
USDS BPRM	S-PRMCO-13-CA-1136	19.519			Jordan	(3,352)	-	(3,352)	
USDS BPRM	S-PRMCO-14-CA-1069	19.519			Jordan	112,325	-	112,325	
USDS BPRM	S-PRMCO-14-CA-1211	19.519			Jordan	391,058	-	391,058	
USDS BPRM	S-PRMCO-15-CA-1187 □	19.519			Lebanon	984,983	-	984,983	
USDS BPRM	S-PRMCO-15-CA-1212	19.519			Jordan	1,017,551	-	1,017,551	
USDS BPRM	S-PRMCO-15-CA-1213	19.519			Egypt	168,904	-	168,904	
			CFDA # 19.519 Overseas Refugee Assistance Program for Near East and South Asia			2,670,258	-	2,670,258	1,171,199
(USDS) United States Department of State Total						3,970,562	-	3,970,562	1,998,153
US Center for Disease Control	5U2GPS001920-05	93.067			Kenya	4,881,039	-	4,881,039	
US Center for Disease Control	5U2GPS002002-03	93.067			South Africa	(1,759)	-	(1,759)	
US Center for Disease Control	5U2GPS002002-04	93.067			South Africa	118	-	118	
US Center for Disease Control	5U2GPS002002-05	93.067			South Africa	64,443	-	64,443	
US Center for Disease Control	5U2GPS002789-05	93.067			Zambia	177,250	-	177,250	
US Center for Disease Control	U2GGH000985	93.067	Elizabeth Glaser Pediatrics AIDS Fdn.	CG-02-9-900-04015-5	Malawi	9,592	-	9,592	
			CFDA # 93.067 Global AIDS			5,130,683	-	5,130,683	4,438,343
US National Institutes of Health	IR01 HD055868-01A1	93.865	Medical College-Wisconsin	IR01 HD055868-01A1	Malawi	(2,013)	-	(2,013)	
			CFDA # 93.865 Child Health and Human Development Extramural Research and Research and Development Cluster			(2,013)	-	(2,013)	-
United States Department of Health and Human Services Total						5,128,670	-	5,128,670	4,438,343

See accompanying notes.

CARE USA

Schedule of Expenditures of Federal Awards (continued)

June 30, 2016

Federal Agency	Award Reference Number	CFDA	Pass-Through Entity	Pass-Through Entity Ref Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Provided to Subrecipients
USAID	624-A-00-10-00079-00	98.001			Cameroon	\$ 30,363	\$ -	\$ 30,363	\$
USAID	AID-367-A-13-00002	98.001			Nepal	359,698	-	359,698	
USAID	AID-486-A-13-00008	98.001			Myanmar	360,430	-	360,430	
USAID	AID-623-A-12-00005	98.001			Congo	5,706,240	-	5,706,240	
USAID	AID-624-A-14-00003	98.001			Cameroon	4,162,439	-	4,162,439	
USAID	AID-641-A-15-00002	98.001			Ghana	2,075,084	-	2,075,084	
USAID	AID-641-A-16-00004	98.001			Ghana	52,283	-	52,283	
USAID	AID-663-A-12-00001	98.001			Ethiopia	5,394,336	-	5,394,336	
USAID	AID-688-A-13-00003	98.001			Mali	2,084,899	-	2,084,899	
USAID	AID-OAA-A-10-00035	98.001			United States	(2,157)	-	(2,157)	
USAID	AID-OAA-A-12-00050	98.001			India	302,383	-	302,383	
USAID	GHN-A-00-08-00006	98.001			United States	(264)	-	(264)	
USAID	AID-FFP-G-13-00028	98.001			Haiti	(2,322)	-	(2,322)	
USAID	AID-FFP-G-14-00014	98.001			Somalia	6,395	-	6,395	
USAID	AID-FFP-G-15-00074	98.001			Sierra Leone	1,053,639	-	1,053,639	
USAID	AID-FFP-G-15-00078	98.001			Somalia	3,051,145	-	3,051,145	
USAID	AID-FFP-G-16-00042	98.001			Haiti	574,787	-	574,787	
USAID	AID-OFDA-A-13-00032	98.001			Turkey	526,106	-	526,106	
USAID	AID-OFDA-A-14-00032	98.001			Somalia	1,151,879	-	1,151,879	
USAID	AID-OFDA-A-15-00048	98.001			Guatemala	134,328	-	134,328	
USAID	AID-OFDA-A-15-00057	98.001			Turkey	2,187,763	-	2,187,763	
USAID	AID-OFDA-A-16-00004	98.001			Syria	8,447	-	8,447	
USAID	AID-OFDA-G-11-00133	98.001			United States	215,811	-	215,811	
USAID	AID-OFDA-G-12-00190	98.001			Malawi	(31,600)	-	(31,600)	
USAID	AID-OFDA-G-12-00200	98.001			South Sudan	1,919	-	1,919	
USAID	AID-OFDA-G-13-00071	98.001			Chad	29,757	-	29,757	
USAID	AID-OFDA-G-13-00135	98.001			Somalia	518,937	-	518,937	
USAID	AID-OFDA-G-14-00056	98.001			South Sudan	(10,718)	-	(10,718)	
USAID	AID-OFDA-G-14-00066	98.001			Mali	72,643	-	72,643	
USAID	AID-OFDA-G-14-00138	98.001			Yemen	329,930	-	329,930	
USAID	AID-OFDA-G-14-00157	98.001			Sudan	643,349	-	643,349	
USAID	AID-OFDA-G-15-00016	98.001			Liberia	428,171	-	428,171	
USAID	AID-OFDA-G-15-00107	98.001			Vanuatu	228,486	-	228,486	
USAID	AID-OFDA-G-15-00167	98.001			Nepal	709,150	-	709,150	
USAID	AID-OFDA-G-15-00181	98.001			Niger	823,422	-	823,422	
USAID	AID-OFDA-G-15-00225	98.001			Mozambique	339,025	-	339,025	
USAID	AID-OFDA-G-15-00241	98.001			Somalia	2,141,780	-	2,141,780	
USAID	AID-OFDA-G-15-00248	98.001			Sudan	1,274,435	-	1,274,435	
USAID	AID-OFDA-G-15-00273	98.001			Chad	558,959	-	558,959	
USAID	AID-OFDA-G-15-00292	98.001			Yemen	745,281	-	745,281	
USAID	AID-OFDA-G-15-00296	98.001			Madagascar	365,532	-	365,532	
USAID	AID-OFDA-G-16-00007	98.001			Vanuatu	237,887	-	237,887	
USAID	621-A-00-10-00320	98.001	Johns Hopkins University	621-A-00-10-00032-00	Tanzania	17	-	17	

See accompanying notes.

CARE USA

Schedule of Expenditures of Federal Awards (continued)

June 30, 2016

Federal Agency	Award Reference Number	CFDA	Pass-Through Entity	Pass-Through Entity Ref Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Provided to Subrecipients
USAID	621-A-00-10-00010	98.001	Florida International University	621-A-00-10-00010	Tanzania	\$ 13,500	-	\$ 13,500	\$
USAID	623-A-00-05-00350	98.001	Florida International University	125100550-02	Tanzania	8,078	-	8,078	
USAID	623-A-13-00005	98.001	Millennium Water Alliance (MWA)	28-01-01	Kenya	3,535	-	3,535	
USAID	656-A-00-09-00134	98.001	Pathfinder	656-A-00-09-00134	Mozambique	96,940	-	96,940	
USAID	663-A-00-09-00413	98.001	Save the Children Federation	663-A-00-09-00413	Ethiopia	(287)	-	(287)	
USAID	663-G-00-09-00420	98.001	The International Potato Center	2643-000-00-CARE-01	Ethiopia	225,466	-	225,466	
USAID	AID-0AA-A-12-00031	98.001	World Vision International (WVI)	AID-OAA-A-12-00031	Ethiopia	165,476	-	165,476	
USAID	AID-294-A-16-00001	98.001	International Medical Corps	103049.100.51	West Bank and Gaza	128,197	-	128,197	
USAID	AID-367-A-11-00003	98.001	World Wildlife Fund	Agreement # BA56	Nepal	2,457,212	-	2,457,212	
USAID	AID-367-A-16-00006	98.001	Helen Keller International	1854-16-520X-01	Nepal	3,516	-	3,516	
USAID	AID-388-A-13-00001	98.001	Dhaka Ahsania Mission	DAM/EDS/1737.1/2013	Bangladesh	654,037	-	654,037	
USAID	AID-522-A-11-00003	98.001	(AIR) American Institute for Research	00853-03090	Honduras	233,664	-	233,664	
USAID	AID-596-A-13-00002	98.001	The Tropical Agricultural Research CATIE	AID-596-A-13-00002	Guatemala	75,713	-	75,713	
USAID	AID-611-A-13-00003	98.001	Zambia Centre for Communication Program	ZCCP-GBV 2013/03	Zambia	83,221	-	83,221	
USAID	AID-612-A-11-00003	98.001	Jhpiego Corporation	AID-612-A-11-00003	Malawi	1,460,235	-	1,460,235	
USAID	AID-612-A-12-00001	98.001	Family Health International (FHI 360)	AID-612-A-12-00001	Malawi	63,604	-	63,604	
USAID	AID-615-A-15-00008	98.001	Millennium Water Alliance (MWA)	# 41-01-01	Kenya	67,228	-	67,228	
USAID	AID-617-A-11-00001	98.001	AVSI Uganda	AID-617-A-11-00001	Uganda	1,065,557	-	1,065,557	
USAID	AID-623-A-11-00034	98.001	Mercy Corps	32039S001	Somalia	2,108,683	-	2,108,683	
USAID	AID-623-A-12-00018	98.001	Save the Children Federation	AID-623-A-12-00018	Congo	315,014	-	315,014	
USAID	AID-663-A-11-00012	98.001	International Rescue Committee	AID-663-A-11-00012	Ethiopia	1,392,977	-	1,392,977	
USAID	AID-663-A-12-00014	98.001	Mercy Corps	32206S001	Ethiopia	4,958,387	-	4,958,387	
USAID	AID-OAA-A-10-00040	98.001	Family Health International	1292	Mali, Zambia	1,728,924	-	1,728,924	
USAID	AID-OAA-A-10-00066	98.001	George Town University	RX 4270-269-CB	Benin	295,331	-	295,331	
USAID	AID-OAA-A-11-00022	98.001	World Wildlife Fund	Agreement # FV27	Peru	146,159	-	146,159	
USAID	AID-OAA-A-12-00047	98.001	JSI Research & Training Institute, Inc.	APC-GM-0077	United States	37,221	-	37,221	
USAID	AID-OAA-A-15-00019	98.001	Catholic Relief Services	MW.15.SUBAGR.8281.08	Malawi	2,032,178	-	2,032,178	
USAID	AID-OAA-A-13-00006	98.001	Family Health International (FHI 360)	3569-022-CARE-LOA	Congo, Malawi	458,281	-	458,281	
USAID	EPP-A-00-04-00015	98.001	Florida International University	8000011150580000000	Ghana	209,500	-	209,500	
USAID	EPP-A-00-05-00007	98.001	Florida International University	800000586-03	Tanzania	2,175	-	2,175	
USAID	AID-OFDA-G-16-00036	98.001	International Rescue Committee	AID-OFDA-G-16-00036	Sierra Leone	33,855	-	33,855	
USAID	AID-OFDA-A-12-00016	98.001	International Rescue Committee	AID-OFDA-A-12-00016	Ethiopia	227,436	-	227,436	
USAID	AID-OFDA-G-15-00237	98.001	International Rescue Committee	AID-OFDA-G-15-00237	Sierra Leone	303,393	-	303,393	
USAID	AID-FFP-G-13-00053	98.001	Mercy Corps	CARE FFP 32360S0001	Yemen	1,105,215	-	1,105,215	
			CFDA # 98.001 USAID Foreign Assistance for Programs Overseas			60,999,695	-	60,999,695	21,308,355
USAID	OAA-A-10-00006	98.005	Save the Children Federation	999000623	United States	26	-	26	
			CFDA # 98.005 Institutional Capacity Building			26	-	26	-

See accompanying notes.

CARE USA

Schedule of Expenditures of Federal Awards (continued)

June 30, 2016

Federal Agency	Award Reference Number	CFDA	Pass-Through Entity	Pass-Through Entity Ref Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Provided to Subrecipients
USAID	AID-FFP-A-10-00010	98.007			Bangladesh	\$ 1,565,175	68,347	\$ 1,633,522	\$
USAID	AID-FFP-A-13-00005	98.007			Haiti	20,839,742	1,999,685	22,839,427	
USAID	AID-FFP-A-15-00009	98.007			Bangladesh	3,738,323	-	3,738,323	
USAID	AID-FFP-A-15-00013	98.007			Mali	2,711,310	-	2,711,310	
USAID	AID-FFP-G-14-00010	98.007			Bangladesh, Haiti	-	732,789	732,789	
USAID	AID-FFP-G-16-00034	98.007			Bangladesh	-	2,775,475	2,775,475	
USAID	AID-FFP-A-13-00003	98.007	World Vision International (WVI)	AID-FFP-A-13-00003	Zimbabwe	2,345,407	1,718,626	4,064,033	
USAID	AID-FFP-A-14-00006	98.007	Catholic Relief Services	MW.15.SUBAGR.8267.00	Malawi	264,549	705,441	969,990	
USAID	AID-OAA-A-15-00002	98.007	Save the Children Federation	AID-OAA-A-15-00002	Nepal	467,453	-	467,453	
CFDA # 98.007 Food for Peace Development Assistance Program						31,931,959	8,000,363	39,932,322	17,642,445
USAID	AID-FFP-A-12-00009	98.008	Catholic Relief Services	AID-FFP-A-12-00009	Ethiopia	3,678,993	27,623,792	31,302,785	
CFDA # 98.008 Food for Peace Emergency Program						3,678,993	27,623,792	31,302,785	-
Total Foreign Food Aid Donation Cluster						35,610,952	35,624,155	71,235,107	17,642,445
USAID	AID-OAA-A-12-00048	98.011	Independent Television Service	AID-OAA-A-12-00048	Bangladesh, Jordan, India, Kenya, Peru	174,366	-	174,366	
CFDA # 98.011 Global Development Alliance						174,366	-	174,366	93,608
(USAID) United States Agency for International Development Total						96,785,039	35,624,155	132,409,194	39,044,408
GRAND TOTAL						\$ 106,223,116	\$ 35,624,155	\$ 141,847,271	\$ 45,546,328

See accompanying notes.

CARE USA and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal expenditures of CARE USA under programs of the federal government for the year ended June 30, 2016. Because the Schedule presents only a selected portion of the operations of CARE USA, it is not intended to and does not present the financial position, results of operations, or cash flows of CARE USA.

For purposes of the Schedule, federal awards include all grants entered into directly, and via pass-through, between CARE USA and agencies and departments of the federal government.

2. Summary of Significant Accounting Policies

For the purpose of the Schedule, expenditures for federal award programs are recognized on the accrual basis of accounting. Negative amounts on the Schedule are adjustments to expenditures reported in the prior year.

Agricultural and other commodities are recorded as inventory when shipped to a CARE USA country office or held in storage in the destination country prior to distribution. Revenue and expense (program activity) are recognized when the commodities are distributed, on a first-in, first-out basis. Freight expense is recognized as expense when incurred. Agricultural and other commodities are recorded at an ascribed amount representing the market valuation placed thereon by the Commodity Credit Corporation (as an agency of the United States government). Donated ocean freight is recorded based on the carrier's bill of lading.

Amounts passed through to sub-recipients presented in the Schedule represent non-cash and cash disbursements made to sub-recipients. The non-cash expense includes agricultural commodities and ocean freight. Sub-recipient advances which are disbursed using CARE's funds are not included in the Schedule until the expenses are incurred by the sub-recipient.

3. Indirect Cost Rate

CARE did not elect to use the 10% de minimis cost rate permitted by the Uniform Guidance.

In connection with its ongoing relationship with USAID and the regulatory provision for its Negotiated Indirect Cost Rate Agreement (NICRA), CARE has been involved in finalizing provisional rates. As of the end of fiscal year on June 30, 2016, CARE has finalized rates through fiscal year 2014 of 12.44% and has been given a provisional rate for 2015 and 2016 of 13.06%.



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Cooperative for Assistance and Relief Everywhere, Inc. and subsidiaries (CARE USA), which comprise the consolidated balance sheet as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 16, 2016. Our report includes a reference to other auditors who audited the financial statements of Access Africa Fund LLC, a majority owned subsidiary, as described in our report on CARE USA's consolidated financial statements. The financial statements of Access Africa Fund LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CARE USA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CARE USA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CARE USA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist, that were not identified. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2016-001).

Compliance and Other Matters

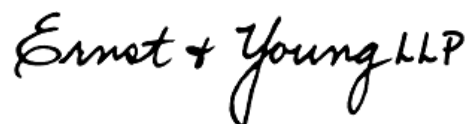
As part of obtaining reasonable assurance about whether CARE USA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CARE USA's Response to Finding

CARE USA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CARE USA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 16, 2016



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Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Management and the Board of Directors
Cooperative for Assistance and Relief Everywhere USA

Report on Compliance for Each Major Federal Program

We have audited Cooperative for Assistance and Relief Everywhere USA's (CARE USA) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of CARE USA's major federal programs for the year ended June 30, 2016. CARE USA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CARE's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CARE USA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CARE's compliance.

Opinion on Each Major Federal Program

In our opinion, CARE USA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of CARE USA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CARE USA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CARE USA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ernst & Young LLP

February 23, 2017

CARE USA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (*unmodified, qualified, adverse or disclaimer*):

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified?	_____ X _____	yes	_____	none reported
Noncompliance material to financial statements noted?	_____	yes	_____ X _____	no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified?	_____	yes	_____ X _____	none reported

Type of auditor’s report issued on compliance for major federal programs (*unmodified, qualified, adverse or disclaimer*):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	_____	yes	_____ X _____	no
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CARE USA

Schedule of Findings and Questioned Costs (continued)

Identification of major federal programs:

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
98.007/98.008	Foreign Food Aid Donation Cluster
19.519	Overseas Refugee Assistance Program for Near East and South Asia

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

_____ **yes** X **no**

CARE USA

Schedule of Findings and Questioned Costs (continued)

Section II—Financial Statement Findings

This section should identify the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

See Finding 2016-001 which is reported as a significant deficiency in the “Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*” as follows:

CARE USA

Schedule of Findings and Questioned Costs (continued)

Finding 2016-001 Financial Reporting

Criteria

In accordance with *Government Auditing Standards*, the Auditor should communicate in the report on internal control over financial reporting significant deficiencies and material weaknesses based upon the work performed.

Condition

We noted a significant deficiency related to financial reporting in connection with our audit of the CARE USA consolidated financial statements for the year ended June 30 2016.

Significant Deficiency

During our audit, we noted the following matter involving internal control over financial reporting and its operation that we consider to be a significant deficiency.

Insufficient monitoring controls

We noted that CARE USA has insufficient monitoring controls over certain financial statement account reconciliations and balances. We believe this is a deficiency in the design and operation of the monitoring controls as: (a) properly designed controls do not operate as designed; or (b) the individuals performing the controls do not possess the necessary authority or competence to perform the controls effectively. There are certain financial statement accounts that are not being monitored and adjusted on a regular basis resulting in significant delays in recording material transactions, and/or numerous audit adjustments including:

- Grants and contracts – Audit adjustments were recorded to correct errors in the grants and contracts receivable and payable balances. We noted a net overstatement of grants and contracts receivable and payable balances at year end in certain fund codes.

Cause/Effect

CARE USA's insufficient monitoring controls resulted in audit adjustments to correct errors in the grants and contracts receivable and payable balances at year end in certain fund codes.

CARE USA

Schedule of Findings and Questioned Costs (continued)

Recommendation

We recommend that management consider the following:

- Evaluate the existing monitoring procedures (both prevent and detect controls) to ensure all activity is recorded in the correct fund code. This would include a periodic review of fund codes that have minimal or no activity to ensure they are being closed in a timely manner. We also recommend that an aging of these accounts be generated and reviewed on a monthly basis to ensure all uncollectible or incorrect balances are identified and adjusted in a timely manner.
- It is important that any enhancements to the review function be designed and implemented to ensure that transactions are recorded timely, classified correctly and valued appropriately. This review process should include verification of supporting documentation to ensure that errors are detected as part of the review process. In addition, the process should include procedures to ensure that all errors detected are corrected in a timely manner. Finally, the review should include appropriate evidence to demonstrate that the process is being performed.

Views of responsible officials and planned corrective actions

CARE agrees with the recommendations and has made significant progress in remediating old grants and contract receivable and payable account balances and continues to enhance the monitoring controls over active and new fund codes.

During fiscal year 2016, CARE undertook a comprehensive effort to identify, validate and adjust the receivable and payable balances for each fund code. This effort will be completed in April 2017. Active and newly established fund codes are subject to new monitoring controls. During fiscal year 2016, CARE established additional monitoring controls for grants and contracts receivables and payable including the following:

- Performance metrics to provide visibility on the status of grants and contract monitoring to relevant stakeholders
- Improved monthly close procedures related to fund transfers from donors, revenue and application of donor receipts
- Continued and improved communications with country office personnel

CARE USA

Schedule of Findings and Questioned Costs (continued)

- Design and implementation of enhanced aging report planned for implementation in fiscal year 2018.
- Ongoing financial management and compliance workshops to improve and sustain the consistent application of standard month end procedures and periodic financial reviews.

Refer to separate corrective action plan.

CARE USA

Schedule of Findings and Questioned Costs (continued)

Section III—Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and material abuse).

Findings: None noted

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