

CARE USA and Subsidiaries

Consolidated Financial Statements
Years Ended June 30, 2019 and 2018
With Report of Independent Auditors

Ernst & Young LLP



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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, 2019 and 2018, 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CARE USA and subsidiaries as of June 30, 2019 and 2018, 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.



November 8, 2019

CARE USA and Subsidiaries
 For the Years Ended June 30, 2019 and 2018
 Consolidated Statements of Activities
 For the Year Ended June 30, 2019
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Support			
Private contributions	\$ 70,887	\$ 88,883	\$ 159,770
United States government	187,084	—	187,084
CARE International	175,799	—	175,799
Other institutional donors	85,629	—	85,629
Other revenue	5,204	15	5,219
Satisfaction of restrictions	90,962	(90,962)	—
Total support	615,565	(2,064)	613,501
Expenses			
Program activities	554,366	—	554,366
Supporting activities	56,307	—	56,307
Total expenses	610,673	—	610,673
Investment income and other gains and losses	8,429	3,772	12,201
Total changes in net assets	13,321	1,708	15,029
Net assets, beginning of year	51,525	309,444	360,969
Net assets, end of year	\$ 64,846	\$ 311,152	\$ 375,998

See accompanying notes.

For the Year Ended June 30, 2018
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Support			
Private contributions	\$ 63,492	\$ 106,485	\$ 169,977
United States government	170,357	—	170,357
CARE International	180,193	—	180,193
Other institutional donors	80,859	—	80,859
Other revenue	3,027	63	3,090
Satisfaction of restrictions	86,233	(86,233)	—
Total support	584,161	20,315	604,476
Expenses			
Program activities	544,634	—	544,634
Supporting activities	57,341	—	57,341
Total expenses	601,975	—	601,975
Investment income and other gains and losses	6,834	6,277	13,111
Total changes in net assets	(10,980)	26,592	15,612
Net assets, beginning of year	62,505	282,852	345,357
Net assets, end of year	\$ 51,525	\$ 309,444	\$ 360,969

See accompanying notes.

CARE USA and Subsidiaries
 For the Years Ended June 30, 2019 and 2018
 Consolidated Statements of Functional Expenses
 For the Year Ended June 30, 2019
(in thousands)

	Program Activities					Supporting Activities				2019	
	Development	Humanitarian	Public Information	Total		Fund Raising	Management & General	Total		2019 Total	
Personnel costs	\$ 109,052	\$ 57,253	\$ 4,697	\$ 171,002		\$ 11,150	\$ 17,980	\$ 29,130		\$ 200,132	
Materials and services	54,923	80,746	624	136,293		11,755	1,916	13,671		149,964	
Grants/subgrants	99,006	31,504	—	130,510		20	10	30		130,540	
Travel and transportation	22,126	12,053	328	34,507		611	994	1,605		36,112	
Professional services	17,735	8,321	809	26,865		5,227	1,538	6,765		33,630	
Occupancy	8,977	5,385	195	14,557		267	928	1,195		15,752	
Financing/depreciation/miscellaneous	4,578	2,280	108	6,966		872	587	1,459		8,425	
Equipment	3,670	2,077	209	5,956		1,088	1,099	2,187		8,143	
Agricultural commodities/contributions in-kind	9,052	14,814	3,844	27,710		194	71	265		27,975	
Total expenses	\$ 329,119	\$ 214,433	\$ 10,814	\$ 554,366		\$ 31,184	\$ 25,123	\$ 56,307		\$ 610,673	

See accompanying notes.

CARE USA and Subsidiaries
 For the Years Ended June 30, 2019 and 2018
 Consolidated Statements of Functional Expenses
 For the Year Ended June 30, 2019
(in thousands)

	Program Activities					Supporting Activities					2018 Total
	Development	Humanitarian	Public Information	Total		Fund Raising	Management & General	Total			
Personnel costs	\$ 102,507	\$ 49,998	\$ 4,390	\$ 156,895		\$ 10,094	\$ 17,905	\$ 27,999			\$ 184,894
Materials and services	52,750	66,795	634	120,179		11,424	2,245	13,669			133,848
Grants/subgrants	96,894	32,933	—	129,827		—	—	—			129,827
Travel and transportation	24,804	12,074	270	37,148		1,108	1,341	2,449			39,597
Professional services	22,852	8,417	2,018	33,287		6,001	2,796	8,797			42,084
Occupancy	8,770	4,828	267	13,865		504	952	1,456			15,321
Financing/depreciation/miscellaneous	4,283	2,611	101	6,995		562	159	721			7,716
Equipment	4,713	2,776	215	7,704		756	1,221	1,977			9,681
Agricultural commodities/contributions in-kind	13,677	21,468	3,589	38,734		200	73	273			39,007
Total operating expenses	\$ 331,250	\$ 201,900	\$ 11,484	\$ 544,634		\$ 30,649	\$ 26,692	\$ 57,341			\$ 601,975

See accompanying notes.

CARE USA and Subsidiaries
For the Years Ended June 30, 2019 and 2018
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018
(in thousands)

Operating activities	2019	2018
Changes in net assets	\$ 15,029	\$ 15,612
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	4,554	4,595
Recovery for subsidiary microfinance loan losses	–	(68)
Net realized and unrealized gain on investments	(3,140)	(3,844)
Net realized gain on deconsolidation of subsidiary	(1,069)	–
(Increase) decrease in value of split interest agreements	(408)	(3,033)
Changes in assets and liabilities		
Increase in receivables	(22,822)	(6,978)
(A)crease (decrease) in program advances and other assets	7,517	(1,733)
(A)crease (decrease) in split interest agreements	(9,779)	917
Increase (decrease) in accounts payable and accrued expenses	(4,188)	2,367
Increase in deferred revenue	14,429	14,063
Increase (decrease) in accrued salaries and benefits	(297)	2,991
Net cash provided by (used for) operating activities	<u>(174)</u>	<u>24,889</u>
Investing activities		
Purchases of investments	(185,327)	(121,058)
Proceeds from sales of investments	203,371	116,737
Decrease in restricted cash	–	196
Purchases of property and equipment	(9,550)	(7,136)
Proceeds from sales of property and equipment	136	1,890
Net cash provided by (used for) investing activities	<u>8,630</u>	<u>(9,371)</u>
Financing activities		
Decrease in subsidiary loans payable and minority interest in subsidiary	(2,890)	(5,511)
Payments to gift annuitants	(1,198)	(1,377)
Increase in liability for split interest agreements	1,576	709
Net cash used for financing activities	<u>(2,512)</u>	<u>(6,179)</u>
Net change in cash and cash equivalents	5,944	9,339
Cash and cash equivalents, beginning of year	64,058	54,719
Cash and cash equivalents, end of year	<u>\$ 70,002</u>	<u>\$ 64,058</u>
Supplemental cash flow information:		
Noncash contributions	<u>\$ 10,012</u>	<u>\$ 7,595</u>
Cash paid for interest	<u>\$ 32</u>	<u>\$ 274</u>

See accompanying notes.

CARE USA and Subsidiaries
 For the Years Ended June 30, 2019 and 2018
 Consolidated Balance Sheets
(in thousands)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets		
Cash and cash equivalents	\$ 70,002	\$ 64,058
Receivables, net	134,822	112,000
Program advances and other assets	33,970	41,487
Split interest agreements	147,878	138,099
Investments, at fair value	131,623	146,570
Property and equipment, net	20,179	15,320
Total assets	<u>\$ 538,474</u>	<u>\$ 517,534</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 42,390	\$ 46,578
Deferred revenue	82,193	67,764
Accrued salaries and benefits	25,237	25,534
Liability for split interest agreements	11,468	11,500
Subsidiary loans payable and minority interest	1,188	5,189
Total liabilities	<u>162,476</u>	<u>156,565</u>
Net assets		
Without donor restrictions	64,846	51,525
With donor restrictions	311,152	309,444
Total net assets	<u>375,998</u>	<u>360,969</u>
Total liabilities and net assets	<u>\$ 538,474</u>	<u>\$ 517,534</u>

See accompanying notes.

CARE USA and Subsidiaries
Consolidated Financial Statements

1. Organization, Mission and Structure

Mission

The Cooperative for Assistance and Relief Everywhere, Inc. (CARE USA or the Organization) is an international humanitarian organization delivering emergency relief and long-term international development programs. CARE USA's mission is to work around the globe to save lives, defeat poverty and achieve social justice. CARE USA operates programs in more than 40 countries throughout Africa, Asia, Europe, and Latin America.

CARE USA's program activities were comprised of the following for the fiscal years ended June 30, 2019 and 2018:

- **Development.** CARE USA and partners provide innovative solutions for sustainable development through supporting new ways of supplying or strengthening essential service delivery, building capacity, building resilience for reducing risk, and empowering the most vulnerable, particularly women and girls. For the years ended June 30, 2019 and 2018 development work represented 59% and 61%, respectively, of total program expenses.
- **Humanitarian.** In times of conflict or disaster, 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. For the years ended June 30, 2019 and 2018 humanitarian work represented 39% and 37%, respectively, of total program expenses, reflecting ongoing conflicts and natural disasters in countries that we operate. For fiscal 2019, our largest humanitarian efforts were in Yemen, Syria, Somalia and Ethiopia.
- **Public Information.** CARE USA aims to inform the public about poverty, and the systematic discrimination and marginalization of women and girls around the world. CARE puts women and girls in the center based on the belief that poverty cannot be overcome until all people have equal rights and opportunities. Public information represents 2% of total program costs for both years.

Within these broad areas, CARE USA has a special focus on food and nutrition security, women's economic empowerment, sexual and reproductive health and rights and other sectors.

Structure and Related Parties

CARE USA is a member of CARE International, an organization that coordinates various agreed upon functions and activities common across the membership, including program activities in certain cases. In the regular course of its operations, CARE USA receives and provides funding through grants and other contributions to and from CARE International and member organizations. Support from CARE International members, as well as amounts due to and due from members, are disclosed in the accompanying consolidated financial statements.

CARE USA and Subsidiaries
Consolidated Financial Statements

2. Summary of Significant Accounting Policies

The consolidated financial statements of CARE USA include the assets, liabilities, revenues and expenses of all wholly-owned subsidiaries, majority owned subsidiaries and related entities over which CARE USA exercises control and has an economic interest. The general condition for control is ownership or a majority of the voting interests of an entity. All intercompany accounts and transactions have been eliminated from the consolidated financial statements. CARE USA makes up more than 99% of the net assets in the accompanying consolidated balance sheets.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, CARE USA's net assets and changes therein are classified and reported as follows:

- Without donor restrictions – net assets that are not subject to donor-imposed restrictions, the donor restrictions have expired or been satisfied by actions of organization.
- With donor restrictions – net assets that are subject to time or purpose restrictions, donor restricted endowments and trusts held by third parties.

Revenue is reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Donor restricted contributions received in the same year in which the restrictions are met are recorded as an increase to donor restricted support at the time of receipt. Upon fulfillment or expiration of donor restrictions, or when the donor restricted assets are placed in service, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as release from restrictions in the consolidated statements of activities.

Allocation of Functional Expenses

CARE USA allocates expenses based on nature and function among its various programs and supporting services. Expenses that can be identified with a specific program or support service are charged directly. Other expenses that are common to one or more program and support functions are allocated by various statistical bases. All country office expenses are charged to program expenses. Program support, including finance and technology, are allocated based on estimate of time, effort and costs of specific technology used. Rent, utilities, depreciation and amortization and certain communication costs are allocated based on the headcount of employees involved in program and supporting activities.

Revenue Recognition

Contributions

Contributions are recorded at fair value when an unconditional promise to give has been made. Conditional promises to give are not recorded until the conditions are met. Contributions are recorded as with or without donor restrictions depending on the existence or absence of donor-imposed restrictions.

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Conditional promises to give were \$11.3 million and \$8.6 million as of June 30, 2019 and 2018, respectively. Recognition of these gifts is contingent upon meeting donor stipulations and meeting match requirements.

Grant Revenue

Funds provided under grants or contracts are deemed to be earned and reported as contributions without donor restrictions, when the program expenditures have been incurred to achieve objectives of the grant agreement and is reflected as either US government, CARE International or other grants and contracts 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

Donated goods and services that meet the criteria for recognition are recorded at estimated fair value when received and recorded as expense when utilized. Contributions of non-financial assets consist of public service announcements and donated professional services. CARE USA recognized contributions totaling \$6.0 million and \$4.5 million for public service announcements and donated professional services for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with US 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 dates of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Areas of estimates and judgement include (1) receivables and the allowance for doubtful accounts; (2) fair value of split interest agreements and investments; and (3) assessment of loss contingencies. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less when purchased. The carrying values of cash and cash equivalents approximate their fair value due to the short-term nature of these instruments. CARE USA maintains amounts on deposit with various financial institutions, which may, at times, exceed federally insured limits. Management periodically evaluates the credit-worthiness of those institutions and has not experienced any losses on such deposits.

Cash amounts maintained overseas are largely uninsured. Cash and cash equivalents held in the United States were \$18.2 million and \$21.5 million, as of June 30, 2019 and 2018 respectively, and cash and cash equivalents held outside the United States were \$51.8 million and \$42.5 million as of June 30, 2019 and 2018, respectively. Certain donors require cash be held in separate accounts which is available for current use. Donor segregated cash accounts comprise about 35% of overseas cash and cash equivalents equal to \$18.3 million and \$14.6 million as of June 30, 2019 and 2018, respectively.

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Consolidated Financial Statements

Significant Donors and Concentration of Credit Risk

CARE USA depends on continuous funding from major donors such as U.S. Agency for International Development. Grants and contracts revenue from United States government including agricultural commodities and ocean freight were 30% and 28% of CARE USA's total operating revenue for the years ended June 30, 2019 and 2018, respectively.

Receivables

Receivables include grants and contracts receivables, ocean freight receivable, and amounts due on unconditional promises to give. Grants and contracts receivable are generally 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.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based on the present value of their estimated future cash flows and discounted at an applicable rate in the year the pledge was made. The discount ranges between 1.7% and 3.0% for the years ending June 30, 2019 and 2018.

Program Advances and Other Assets

Program advances and other assets include sub-grantee advances to partner organizations and CARE International members, program advances to project managers, inventory, equity investments, receivables from CARE International members, prepaid expenses and other miscellaneous assets.

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.

Inventories are stated at lower of cost or market or net realizable value and include supplies and agricultural commodities. Cost is determined using the weighted average method. CARE USA receives agricultural commodities for distribution via projects or monetization with the cash proceeds to be used in projects. 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.

As of June 30, 2019 and 2018, CARE USA had a 34.4% non-controlling interest in MicroVest General Partner Holding Company and 8.3% in MicroVest II Limited Partnership. The investments are accounted for using the equity method.

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Split Interest Agreements

CARE USA is a beneficiary of various split interest agreements and bequests such as perpetual trusts, charitable lead trusts, charitable remainder trusts and charitable gift annuities. CARE USA recognizes contributions, assets and liabilities received under split interest agreements at fair value. Subsequent 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 the other beneficiaries under specified 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% for the years ended June 30, 2019 and 2018.

Investments

Investments are stated at fair value. 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.

Property and Equipment

All property and equipment is recorded at acquisition cost or estimated fair value on date of contribution. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives by asset class are as follows:

Asset	Estimated Useful Life
Buildings	25 years
Building improvements	7 years
Software	3 to 10 years
Equipment	3 to 5 years
Leasehold improvements	Shorter of 5 years or life of the lease

Deferred Revenue

Deferred revenue represents cash received before program expenditures are made.

Foreign Currency Translation

The US dollar is the functional currency for CARE USA's operations worldwide. Transactions in currencies other than dollars are translated into US dollars at the rates of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-US currency are translated into US dollars at the exchange rate in effect at the date of the consolidated balance sheets. Property and equipment purchased with non-US currency are translated into US dollars at the exchange rate in effect at the time of purchase. Net transaction and translation gains and losses are included in the accompanying consolidated statements of activities in other nonoperating changes in net assets.

Fair Value of Financial Instruments

CARE USA's financial instruments consist of cash and cash equivalents, investments, receivables, split interest agreements, 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 split interest agreements 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.

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Subsequent Events

Subsequent events have been evaluated through November 8, 2019, the date the financial statements were issued. There were no subsequent events that required recognition or disclosure in the consolidated financial statements.

Recently Issued Accounting Standards

CARE adopted ASU 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in fiscal year 2019. The most significant provisions of this standard require two classes of net assets, rather than the previously reported three classes: unrestricted net assets are now reported as net assets without donor restrictions and temporarily restricted and permanently restricted net assets reported as net assets with donor restrictions. The guidance also requires providing quantitative and qualitative disclosures regarding liquidity and availability of resources.

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* superseding the guidance in former ASC 605, *Revenue Recognition*. It 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. The new guidance will be effective for the fiscal year ending June 30, 2020. CARE USA does not expect the adoption to have a material impact on the consolidated financial statements.

The FASB issued ASU 2018-08 *Not-for-Profit Entities (Topic 958-605)* clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance on revenue recognition, to assist entities distinguish between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The effective date of the amendment is fiscal year ending June 30, 2020. The impact of this standard on CARE USA's consolidated financial statements is being evaluated.

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for all leases with the terms exceeding twelve months. The standard requires applying modified retrospective approach at the beginning of the earliest period presented with optional practical expedients. The effective date for this standard is fiscal year ending June 30, 2022 and early adoption is permitted. There will be an increase in assets and liabilities on the consolidated balance sheets of CARE USA as a result of adoption to this standard due to recording of right-of-use assets and corresponding lease liabilities. The amount of that increase will depend on the lease portfolio at the time of the adoption. CARE USA does not expect the adoption to have a material impact on net assets.

CARE USA and Subsidiaries
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3. Description of Net Assets Designation and Restriction

The net assets were comprised of the following designations as of June 30:

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Available for operations	\$ 35,107	\$ –	\$ 26,664	\$ –
Property, Plant and Equipment	20,179	–	15,320	–
Microfinance and social enterprises	4,819	114	5,176	–
Sexual, reproductive and maternal health and a Life Free from Violence	4,741	45,779	4,365	67,835
Women's economic empowerment	–	27,918	–	36,412
Food and nutrition security and resilience to climate change	–	22,464	–	19,785
Humanitarian Action	–	6,179	–	6,179
Multi-sector and other	–	87,983	–	59,279
Third party trusts	–	120,715	–	119,954
Total	\$ 64,846	\$ 311,152	\$ 51,525	\$ 309,444

Net assets without donor restrictions include funds designated by the board of directors for sexual, reproductive and maternal health equal to \$4.7 million and \$4.4 million as of June 30, 2019 and 2018, respectively.

4. Investment income and other gains and losses

Other non-operating changes in net assets were comprised of the following for the years ended June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Interest and dividends, net	\$ 2,095	\$ 2,615	\$ 4,710
Net realized and unrealized gains (losses) on investments	3,449	(309)	3,140
Foreign exchange gain	2,881	–	2,881
Net gain on deconsolidation of subsidiary	1,069	–	1,069
Increase (decrease) in value of split interest agreements	(1,058)	1,466	408
Minority interest in subsidiary income (loss)	(7)	–	(7)
	\$ 8,429	\$ 3,772	\$ 12,201

CARE USA and Subsidiaries
Consolidated Financial Statements

Other non-operating changes in net assets were comprised of the following for the years ended June 30, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividends, net	\$ 2,011	\$ 2,843	\$ 4,854
Net realized and unrealized gains on investments	2,872	972	3,844
Foreign exchange gain	1,341	—	1,341
Increase in value of split interest agreements	571	2,462	3,033
Minority interest in subsidiary income	39	—	39
	<u>\$ 6,834</u>	<u>\$ 6,277</u>	<u>\$ 13,111</u>

5. Split Interest Agreements

Split interest agreements assets, recorded at fair value, were comprised of the following as of June 30:

	2019	2018
Perpetual trusts	\$ 125,738	\$ 125,196
Charitable lead trusts	10,986	10,611
Charitable remainder trusts	10,826	1,968
Other	328	324
	<u>\$ 147,878</u>	<u>\$ 138,099</u>

Liability for split interest agreements, recorded at present value, were comprised of the following as of June 30:

	2019	2018
Charitable gift annuity payable	\$ 9,888	\$ 9,891
Other	1,580	1,609
	<u>\$ 11,468</u>	<u>\$ 11,500</u>

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 contributions from split-interest agreements with donor restriction 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 donor restricted increases (decreases) in the fair value of split interest agreements. Income received from these trusts is reported as support either with or without donor restriction, depending on the existence or absence of donor-imposed restrictions.

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As of June 30, 2019 and 2018, more than 82% of the value of the trust can be derived from market information. Less than 18% 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 lead trusts

Charitable lead trusts provide income payments to at least one qualified charitable organization for a fixed term of years, the lives of one or more individuals, or a combination of the two, after which, trust assets are paid to either the grantor or one or more non-charitable beneficiaries named in the trust instrument. Contributions with donor restriction is recognized at the date each agreement is established, based on the terms, and net of the liability recorded for the present value of future payments to be made to donors and other beneficiaries. Changes in value resulting from changes in actuarial assumptions and accretion of the discount are reported as increases and decreases in the respective net assets class.

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 CARE USA over the trust's term. Upon termination of the trust, CARE USA receives the assets remaining in the trust. Charitable remainder trusts are initially recognized as contributions with donor restrictions 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.

Charitable gift annuity payable

Charitable gift annuities obligations are included in liability for split interest agreements on 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 to the donor or individuals designated by the donor during the annuity recipient's lifetime. 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 2012 Individual Annuity Reserving (IAR) report and table. The obligations have been discounted at rates ranging from 0.41% to 11.30%.

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 \$11.1 million and \$12.1 million as of June 30, 2019 and 2018, respectively.

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Private contributions from split interest agreements were \$24.8 million and \$17.0 million for the years ended June 30, 2019 and 2018. The change in value in split interest agreements were \$400,000 and \$3.0 million increases in value for the years ended June 30, 2019 and 2018, respectively.

6. Endowments

CARE USA's endowments consist of ten individual funds as of June 30, 2019 and 2018 established for a variety of purposes.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2019 and 2018, endowments of \$29.9 million and \$29.6 million, respectively, are included in Investments, at fair value on the consolidated balance sheets.

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 (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 as net assets with donor restrictions 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 as of June 30 are as follows:

Net assets with donor restrictions:	FY19	FY18
Endowment net assets, beginning of year	\$ 29,556	\$ 29,117
Additions and investment return	1,851	2,045
Appropriation of endowment assets for expenditure	(1,460)	(1,606)
Endowment net assets, end of year	\$ 29,947	\$ 29,556

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Description of amount classified as donor restricted net assets for endowments as of June 30:

Net assets with donor restrictions:	2019	2018
The portion of perpetual endowment funds subject to time restriction under SPMIFA		
Without purpose restrictions	\$ 1,646	\$ 1,539
With purpose restrictions	9,369	9,290
Total endowment funds classified as net assets with donor restrictions	<u>\$ 11,015</u>	<u>\$ 10,829</u>
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 18,932</u>	<u>\$ 18,727</u>

Endowment Spending Policy

CARE USA has a spending policy specific to endowments, which is authorized by the Board of Directors and monitored by the Finance Committee. The policy states that CARE USA will annually allocate five percent 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.

If market value is less than its historical dollar value due to unfavorable market condition, CARE USA will not appropriate funds for spending until the investment accounts related to the endowment fund recover its losses. If a donor defines in the agreement that distributions should occur under the standard spending formula guidelines with no restrictions due to underwater amount, the donor's wishes will override CARE USA's spending policy and the full amount will be distributed.

Strategies Employed to Achieve Endowment Investment Objectives

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

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

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The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type in 2019 and 2018.

Asset Class	Minimum	Maximum	Target
Fixed Income	25%	50%	35%
Equity	50%	75%	65%

7. Fair Value Measurements

CARE USA applies the accounting standard ASC Topic 820, *Fair Value Measurements and Disclosures* that establishes a framework for measuring fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) between market participants at the measurement date. The standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted market prices for identical assets or liabilities in active markets that are accessible at measurement date.

Level 2: Inputs other than quoted prices that are either directly or indirectly observable for the asset or liability, including inputs in markets that are not considered to be active. 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 and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

CARE USA uses the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value. There have been no changes in the methodologies from June 30, 2017.

- 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. 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 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

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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 fixed income and equity investments include Access Africa Fund (AAF) debt and equity investments in four and five low income financial institutions as of June 30, 2019 and 2018, respectively, which extend credit to small and micro enterprises and low-income populations in Sub-Saharan Africa. The original tenor of the debt investments ranges from 3 to 36 months, with a weighted-average original tenor of 16 months. As of June 30, 2019, the weighted-average remaining term was 10.2 months. The certificate of deposits bear interest rate of 5% and maturing at various dates through August 2021. As of June 30, 2018 the weighted average remaining term was six months. The promissory notes were unsecured notes bearing interest at rates ranging from 6.5% to 7.0%, with a weighted-average rate of 6.75% and maturing at various dates through December 2018.
- To estimate the 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 and future financial and operating results, payment history, sovereign and credit rating.
- AAF investments were \$3.7 million and \$6.1 million as of June 30, 2019 and 2018, respectively and were reported as Level 3.

The following table presents the assets measured at fair value on a recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
Investments				
Money market funds	\$ 22,381	\$ –	\$ –	\$ 22,381
Fixed income securities				
US treasury obligations	16,737	–	–	16,737
Agency obligations	–	2,598	–	2,598
Corporate bonds	–	12,063	–	12,063
Other fixed income securities	–	–	555	555
Exchange traded funds	37,363	–	–	37,363
Other equity securities	–	–	3,098	3,098
Mutual funds				
Fixed income funds	8,194	–	–	8,194
Equity funds	28,634	–	–	28,634
Total investments	<u>113,309</u>	<u>14,661</u>	<u>3,653</u>	<u>131,623</u>
Split interest agreements	–	–	147,878	147,878
	<u>\$ 113,309</u>	<u>\$ 14,661</u>	<u>\$ 151,531</u>	<u>\$ 279,501</u>

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The following table presents the assets measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Fair Value Measurement
Investments				
Money market funds	\$ 18,677	\$ –	\$ –	\$ 18,677
Fixed income securities				
US treasury obligations	17,096	–	–	17,096
Agency obligations	–	3,533	–	3,533
Corporate bonds	–	12,644	–	12,644
Other fixed income securities	–	–	3,313	3,313
Exchange traded funds	45,070	–	–	45,070
Other equity securities	–	–	2,829	2,829
Mutual funds				
Fixed income funds	9,027	–	–	9,027
Equity funds	34,381	–	–	34,381
Total investments	<u>124,251</u>	<u>16,177</u>	<u>6,142</u>	<u>146,570</u>
Split interest agreements	–	–	138,099	138,099
	<u><u>\$ 124,251</u></u>	<u><u>\$ 16,177</u></u>	<u><u>\$ 144,241</u></u>	<u><u>\$ 284,669</u></u>

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

	Equity Securities	Debt Securities	Split Interest Agreements	Total
Fair value as of June 30, 2017	<u><u>\$ 2,547</u></u>	<u><u>\$ 6,777</u></u>	<u><u>\$ 136,646</u></u>	<u><u>\$ 145,970</u></u>
Additions	–	–	4,047	4,047
Maturities or redemptions	–	(3,195)	(4,905)	(8,100)
Increase in value of split interest agreements	–	–	2,311	2,311
Net realized and unrealized gain/(loss) on investments	282	(269)	–	13
Fair value as of June 30, 2018	<u><u>\$ 2,829</u></u>	<u><u>\$ 3,313</u></u>	<u><u>\$ 138,099</u></u>	<u><u>\$ 144,241</u></u>
Additions	–	–	12,746	12,746
Maturities or redemptions	–	(2,765)	(4,434)	(7,199)
Increase in value of split interest agreements	–	–	1,467	1,467
Net realized and unrealized gain on investments	269	7	–	276
Fair value as of June 30, 2019	<u><u>\$ 3,098</u></u>	<u><u>\$ 555</u></u>	<u><u>\$ 147,878</u></u>	<u><u>\$ 151,531</u></u>

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.

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8. Liquidity and Availability of Resources

CARE USA regularly monitors the financial resources required to meet operating needs and other commitments through forecasting of donor receipts and expenditures, as well as maximizing the investment of available funds. The primary sources of liquidity are CARE USA's cash accounts and assets without donor restrictions invested in money market and marketable securities. CARE receives awards from three major donor groups which are essential to furthering our mission. Primary funding sources include contributions from private donors, grants from the US government and CARE International.

Liquidity is managed by ensuring that funding sources are available prior to or shortly after expenses are incurred. Expenses associated with programs with donor restrictions are not incurred if funding is not committed and available. Program activities are funded using donor restricted resources where cash is either provided in advance or collectable within ninety days. Programs funded by the United States government are typically reimbursed within thirty days through the Federal Reserve Letter of Credit program. Private donations and certain investment income without donor restrictions are used to fund general expenditures, including supporting activities, with expenses made in accordance with the annual board approved budget. CARE USA's financial assets available within one year of the balance sheet date for general expenditures as of June 30, 2019 is \$35.1 million.

CARE USA has established performance measures which serve as indicators of liquidity, including operating reserves. CARE USA defines operating reserves as discretionary net assets divided by average monthly expenses without donor restrictions, or general expenditures. CARE USA met the operating reserve and other liquidity targets as of June 30, 2019.

CARE USA's endowment funds consist of donor restricted endowments that are part of net assets with donor restrictions. Income from these endowments are restricted for specific purposes and are not available for general expenditures. According to CARE USA's endowment spending policy, 5% of the three-year moving average balance on endowments is available for expenditures consistent with the restriction of each specific endowment. The appropriation from the endowment fund income was \$1.5 million and \$1.6 million for the years ended June 30, 2019 and 2018, respectively.

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9. Receivables, Net

Receivables, net were comprised of the following as of June 30:

	2019	2018
Grants and contracts receivable:		
US government agencies	\$ 30,118	\$ 22,745
CARE International members	13,445	13,495
Other grants and contracts	11,995	8,533
Contributions receivable:		
Promises to give, net	79,438	67,484
Other	784	489
	135,780	112,746
Allowance for uncollectible accounts	(958)	(746)
	\$ 134,822	\$ 112,000

As of June 30, 2019, \$112.9 million of the total receivables are due within one year or less, \$22.9 million of contributions receivable is due in more than one year but less than five years. As of June 30, 2018, \$87.5 million of the total receivables was due within one year or less, and \$25.2 million of contributions receivable was due in more than one year but less than five years.

Promises to give have been reflected at net realizable value net of discount of \$776,000 and \$898,000 as of June 30, 2019 and 2018, respectively.

10. Program Advances and Other Assets

Program advances and other assets were comprised of the following as of June 30:

	2019	2018
Subgrantee and program advances	\$ 16,863	\$ 10,602
Inventory	2,655	13,186
Investment in MicroVest	2,263	3,835
Receivable from CARE International Members	2,202	3,103
Prepaid and deposits	5,016	4,364
Vendor and other advances	2,260	3,355
Other assets	2,711	3,042
	\$ 33,970	\$ 41,487

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11. Property and Equipment, Net

Property and equipment are comprised of the following as of June 30:

	2019	2018
Land	\$ 3,067	\$ 3,067
Buildings and building improvements	14,862	10,138
Vehicles, equipment and software	62,869	58,669
Leasehold improvements	2,309	2,087
	83,107	73,961
Accumulated depreciation and amortization	(62,928)	(58,641)
	\$ 20,179	\$ 15,320

Depreciation and amortization expense was \$4.6 million for the years ended June 30, 2019 and 2018. Unamortized internal use software costs were \$5.6 million and \$6.7 million, respectively, for the years ended June 30, 2019 and 2018.

12. Deferred Revenue

Deferred revenue was comprised of the following as of June 30:

	2019	2018
Commodity grants	\$ 5,200	\$ 12,916
Grants and contracts		
US government agencies	14,440	11,095
CARE International members	30,007	27,776
Other grants and contracts	32,546	15,977
	\$ 82,193	\$ 67,764

13. Defined Contribution Plans

CARE USA has a defined contribution plan under Internal Revenue Code Section 401(k) for employees that meet 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, 2019 and 2018 were \$3.1 million and \$2.8 million, respectively.

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.

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14. Commitments and Other Matters

As of June 30, 2019, CARE USA is obligated under non-cancelable operating lease agreements for warehousing, office space and staff housing at minimum rentals as follows:

Year	Amount
2019	6,279
2020	2,634
2021	1,316
2022	218
2023	13
\$	<u>10,460</u>

Total rent expense was \$12.6 million and \$12.0 million, respectively, for the years ended June 30, 2019 and 2018.

AAF has outstanding future commitments under foreign currency exchange contracts of \$500,000 and \$2.9 million as of June 30, 2019 and 2018, respectively. These are designated by AAF management as fair value hedging instruments.

CARE USA maintained performance guarantees totaling \$7.0 million and \$8.5 million for the years ended June 30, 2019 and 2018, respectively, on behalf of CARE Country offices, 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 was 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 to CARE Peru of \$9.0 million and \$8.0 million respectively, as of June 30, 2019 and 2018.

CARE USA provided a loan to the CARE International Revolving Fund in the amount of \$1.5 million and \$1.6 million as of June 30, 2019 and 2018, respectively. It is used by CARE International to advance money to other members.

15. Contingencies

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.

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The Government of Bolivia has served CARE USA with tax claims of approximately \$21.8 million for the commercial sale and distribution of commodities during the calendar years 2002 – 2007. CARE USA has filed lawsuits in Bolivia contesting the validity of these claims. A lower court ruled in CARE USA's favor on two lawsuits. The Supreme Court in Bolivia, the highest court, affirmed one of the lower court decisions in July 2016 and sent the other case back to the lower court. Although CARE USA no longer has operations in Bolivia, the outcome of this matter is currently not determinable, and management is monitoring the situation closely. No definitive estimate can be made of the potential liability.

16. Subsidiary Information and Other Required Disclosures

Consolidated entities include:

- Access Africa Fund, LLC (AAF) is a non-exempt, majority owned subsidiary operating with dual investment objectives to enable sub-Saharan micro-finance institutions to expand financial services by making debt and equity investments. CARE USA owns 91% of the class A capital stock. AAF gradual wind down is extended through December 2021.
- CARE Enterprises, Inc. (CEI) is a non-exempt fully owned subsidiary launched in 2013, that was created to accelerate and invest in for-benefit, financially-viable ventures that alleviate poverty by creating dignified employment opportunities and access to markets. For-benefit describes those business ventures that aim to earn a profit while delivering on a social mission. CEI also includes the work focused on growing social enterprise ventures.
- CARE Action Now (CAN) is a related but separate 501(c)4 organization operating exclusively for the purpose of educating the public and influencing legislative, executive, and judiciary policy-makers on the appropriate and sustainable provision of development and humanitarian assistance to underprivileged people.

Tax Status

CARE USA is a tax-exempt organization under Section 501(c) (3) of the US 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. AAF is a limited liability corporation treated as a partnership for federal income tax purposes in the USA; CARE Enterprises is taxable in the USA. CAN is tax exempt in the USA under IRC Section 501(c)(4).

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

AAF had outstanding balances of \$828,000 and \$3.8 million under the credit facility as of June 30, 2019 and 2018, respectively. For the year ended June 30, 2019 and 2018 interest expense and fees related to the credit facility were \$30,000 and \$101,000 respectively.

Minority interest in subsidiaries was \$260,000 and \$278,000 for the years ended June 30, 2019 and 2018, respectively.

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17. Subsidiary Financial Information

Statement of activities for CARE USA and its subsidiaries for the year ended June 30, 2019:

	Organization Holding Certificate of Exemption			Non-exempt Subsidiaries		Elimination Entries	Total 2019
	CARE USA	CAN	Other	CARE Enterprises	AAF		
Support	\$ 613,537	\$ 534	\$ —	\$ 1,587	\$ —	\$ (2,157)	\$ 613,501
Expenses	609,617	588	—	1,664	161	(1,357)	610,673
Investment income and other gains and losses	10,939	—	1,069	32	311	(150)	12,201
Total Changes in Net Assets	14,859	(54)	1,069	(45)	150	(950)	15,029
Net Assets (deficit), beginning of year	361,769	200	(1,069)	69	2,431	(2,431)	360,969
Net Assets (deficit), end of year	\$ 376,628	\$ 146	\$ —	\$ 24	\$ 2,581	\$ (3,381)	\$ 375,998

Balance sheet information for CARE USA and its subsidiaries as of June 30, 2019:

	Organization Holding Certificate of Exemption			Non-exempt Subsidiaries		Elimination Entries	Total 2019
	CARE USA	CAN	Other	CARE Enterprises	AAF		
Total assets	536,845	499	—	617	3,894	(3,381)	538,474
Total liabilities	160,217	353	—	593	1,313	—	162,476
Net assets (deficit)							
Without donor restrictions	65,476	146	—	24	2,581	(3,381)	64,846
With donor restrictions	311,152	—	—	—	—	—	311,152
Total net assets (deficit)	376,628	146	—	24	2,581	(3,381)	375,998
Total liabilities and net assets	\$ 536,845	\$ 499	\$ —	\$ 617	\$ 3,894	\$ (3,381)	\$ 538,474

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