

CARE USA and Subsidiaries

Consolidated Financial Statements  
Years Ended June 30, 2021 and 2020  
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.

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, 2021 and 2020, 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CARE USA and subsidiaries at June 30, 2021 and 2020, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

November 30, 2021

CARE USA and Subsidiaries  
Consolidated Statements of Activities  
For the Year Ended June 30, 2021  
(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>
<b>Support</b>			
Contributions of financial assets			
Private contributions	\$ 72,768	\$ 106,892	\$ 179,660
United States government	204,096	–	204,096
CARE International	196,591	–	196,591
Other institutional donors	108,583	–	108,583
Contributions of nonfinancial assets			
Private contributions	–	11,994	11,994
United States government	20,354	–	20,354
CARE International	352	–	352
Other institutional donors	4,664	–	4,664
Other revenue	3,516	103	3,619
Satisfaction of restrictions	121,055	(121,055)	–
<b>Total support</b>	<b>731,979</b>	<b>(2,066)</b>	<b>729,913</b>
<b>Expenses</b>			
Program activities	658,572	–	658,572
Supporting activities	56,703	–	56,703
<b>Total expenses</b>	<b>715,275</b>	<b>–</b>	<b>715,275</b>
<b>Investment income and other gains and losses</b>	<b>8,881</b>	<b>28,993</b>	<b>37,874</b>
<b>Total changes in net assets</b>	<b>25,585</b>	<b>26,927</b>	<b>52,512</b>
Net assets, beginning of year	66,722	265,174	331,896
<b>Net assets, end of year</b>	<b>\$ 92,307</b>	<b>\$ 292,101</b>	<b>\$ 384,408</b>

*See accompanying notes.*

CARE USA and Subsidiaries  
Consolidated Statements of Activities  
For the Year Ended June 30, 2020  
(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>
<b>Support</b>			
Contributions of financial assets			
Private contributions	\$ 76,493	\$ 28,501	\$ 104,994
United States government	172,299	–	172,299
CARE International	189,791	–	189,791
Other institutional donors	103,912	–	103,912
Contributions of nonfinancial assets			
Private contributions	–	13,379	13,379
United States government	25,678	–	25,678
Other institutional donors	1,105	–	1,105
Other revenue	3,352	17	3,369
Satisfaction of restrictions	86,002	(86,002)	–
<b>Total support</b>	<b>658,632</b>	<b>(44,105)</b>	<b>614,527</b>
<b>Expenses</b>			
Program activities	608,130	–	608,130
Supporting activities	51,210	–	51,210
<b>Total expenses</b>	<b>659,340</b>	<b>–</b>	<b>659,340</b>
<b>Investment income and other gains and losses</b>	<b>2,584</b>	<b>(1,873)</b>	<b>711</b>
<b>Total changes in net assets</b>	<b>1,876</b>	<b>(45,978)</b>	<b>(44,102)</b>
Net assets, beginning of year	64,846	311,152	375,998
<b>Net assets, end of year</b>	<b><u>\$ 66,722</u></b>	<b><u>\$ 265,174</u></b>	<b><u>\$ 331,896</u></b>

*See accompanying notes.*

CARE USA and Subsidiaries  
Consolidated Statements of Functional Expenses  
For the Year Ended June 30, 2021  
*(in thousands)*

	Program Activities				Supporting Activities			2021 Total
	Development	Humanitarian	Public Information	Total	Fund Raising	Management & General	Total	
Personnel costs	\$ 113,487	\$ 77,000	\$ 4,463	\$ 194,950	\$ 10,769	\$ 18,429	\$ 29,198	\$ 224,148
Grants/subgrants	100,253	80,989	–	181,242	–	–	–	181,242
Materials and services	56,070	101,802	1,020	158,892	14,616	1,401	16,017	174,909
Professional services	18,106	10,976	832	29,914	5,045	(1,466)	3,579	33,493
Travel and transportation	14,264	11,367	16	25,647	8	147	155	25,802
Occupancy	9,089	7,091	117	16,297	619	1,052	1,671	17,968
Equipment	3,691	3,121	100	6,912	1,072	2,018	3,090	10,002
Financing/depreciation/miscellaneous	5,135	2,775	97	8,007	1,782	854	2,636	10,643
Agricultural commodities/contributions in-kind	8,025	22,373	6,313	36,711	308	49	357	37,068
<b>Total operating expenses</b>	<b>\$ 328,120</b>	<b>\$ 317,494</b>	<b>\$ 12,958</b>	<b>\$ 658,572</b>	<b>\$ 34,219</b>	<b>\$ 22,484</b>	<b>\$ 56,703</b>	<b>\$ 715,275</b>

*See accompanying notes.*

CARE USA and Subsidiaries  
Consolidated Statements of Functional Expenses  
For the Year Ended June 30, 2020  
*(in thousands)*

	Program Activities				Supporting Activities			2020 Total
	Development	Humanitarian	Public Information	Total	Fund Raising	Management & General	Total	
Personnel costs	\$ 115,344	\$ 64,218	\$ 4,123	\$ 183,685	\$ 10,238	\$ 16,664	\$ 26,902	\$ 210,587
Materials and services	60,020	86,137	437	146,594	11,375	1,136	12,511	159,105
Grants/subgrants	94,484	52,928	–	147,412	–	–	–	147,412
Professional services	17,656	11,176	855	29,687	4,398	608	5,006	34,693
Travel and transportation	19,134	11,708	107	30,949	288	476	764	31,713
Occupancy	9,684	5,208	152	15,044	907	822	1,729	16,773
Financing, depreciation, other	6,123	2,348	163	8,634	1,091	832	1,923	10,557
Equipment	4,418	2,225	189	6,832	1,084	1,061	2,145	8,977
Agricultural commodities/contributions in-kind	12,101	16,691	10,501	39,293	198	32	230	39,523
<b>Total operating expenses</b>	<b>\$ 338,964</b>	<b>\$ 252,639</b>	<b>\$ 16,527</b>	<b>\$ 608,130</b>	<b>\$ 29,579</b>	<b>\$ 21,631</b>	<b>\$ 51,210</b>	<b>\$ 659,340</b>

*See accompanying notes.*

CARE USA and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2021 and 2020  
(in thousands)

<b>Operating activities</b>	<b>2021</b>	<b>2020</b>
Changes in net assets	\$ 52,512	\$ (44,102)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,655	4,944
(Provision) recovery for subsidiary microfinance loan losses	(41)	59
Net realized and unrealized (gain) loss on investments	(16,115)	1,720
(Increase) decrease in value of split interest agreements	(20,489)	2,768
Changes in assets and liabilities		
(Increase) decrease in receivables	(7,196)	30,878
(Increase) decrease in program advances and other assets	(19,652)	6,757
Decrease in split interest agreements	471	11,863
Increase in accounts payable and accrued expenses	9,319	4,379
Increase in donor advances	19,901	6,726
Increase (decrease) in accrued salaries and benefits	(613)	3,466
Net cash provided by operating activities	<u>23,752</u>	<u>29,458</u>
<b>Investing activities</b>		
Purchases of investments	(138,616)	(154,815)
Proceeds from sales of investments	159,945	157,817
Purchases of property and equipment	(6,378)	(3,032)
Proceeds from sales of property and equipment	80	-
Net cash provided by (used for) investing activities	<u>15,031</u>	<u>(30)</u>
<b>Financing activities</b>		
Payments on subsidiary loans payable	(247)	(335)
Payments to gift annuitants	(1,156)	(1,232)
Increase (decrease) in liability for split interest agreements	959	(2,059)
Net cash provided by (used for) financing activities	<u>(444)</u>	<u>(3,626)</u>
Net change in cash and cash equivalents	38,339	25,802
Cash and cash equivalents, beginning of year	95,804	70,002
Cash and cash equivalents, end of year	<u>\$ 134,143</u>	<u>\$ 95,804</u>
Supplemental cash flow information:		
Noncash contributions	<u>\$ 19,517</u>	<u>\$ 20,002</u>
Cash paid for interest	<u>\$ 22</u>	<u>\$ 6</u>

*See accompanying notes.*



CARE USA and Subsidiaries  
Consolidated Balance Sheets  
*(in thousands)*

	June 30, 2021	June 30, 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 134,143	\$ 95,804
Receivables, net	111,140	103,944
Program advances and other assets	46,847	27,154
Split interest agreements	156,033	136,015
Investments, at fair value	121,687	126,901
Property and equipment, net	18,910	18,267
<b>Total assets</b>	<b>\$ 588,760</b>	<b>\$ 508,085</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 56,088	\$ 46,769
Donor advances	108,820	88,919
Accrued salaries and benefits	28,090	28,703
Liability for split interest agreements	10,748	10,945
Other	606	853
<b>Total liabilities</b>	<b>204,352</b>	<b>176,189</b>
<b>Net assets</b>		
Without donor restrictions	92,307	66,722
With donor restrictions	292,101	265,174
<b>Total net assets</b>	<b>384,408</b>	<b>331,896</b>
<b>Total liabilities and net assets</b>	<b>\$ 588,760</b>	<b>\$ 508,085</b>

*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 the Americas.

CARE USA's program activities were comprised of the following:

- **Development.** CARE USA is working with partners to 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, 2021 and 2020 development work represented 50% and 56%, 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, 2021 and 2020 humanitarian work represented 48% and 41%, respectively, of total program expenses, reflecting COVID relief, ongoing conflicts and natural disasters in countries that we operate. For fiscal year 2021, our largest humanitarian efforts were in Turkey, Yemen, Ethiopia and Somalia.
- **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 USA 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% and 3% of total program costs for fiscal years 2021 and 2020, respectively.

Within these broad areas, CARE USA focuses 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, a confederation that coordinates various agreed upon functions and activities common across the membership, including program activities. In the regular course of business, 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.

During fiscal year 2021, CARE USA assumed lead membership for four additional country offices in Africa. While strategic in nature, the impact on the financial statements is immaterial as of and for the year ended June 30, 2021.

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**COVID-19**

The novel coronavirus (COVID-19) pandemic developed and spread rapidly in 2020 and 2021 with significant disruptions in global operations. CARE USA has taken measures to prevent, mitigate and contain the effects of COVID-19 through the implementation of safety, health and educational measures for employees, communities and beneficiaries and active promotion of vaccination. CARE USA's COVID response includes providing access to clean water, hygiene kits and nutritious food, cash or vouchers, sexual and reproductive health and gender-based violence services and education about COVID-19 through two-way dialogue and mass media. CARE USA has raised \$120 million for COVID-19 through a crisis response campaign since the beginning of the pandemic.

In response to COVID-19, CARE USA took immediate action to ensure financial stability including the participation in the US government's Payroll Protection Program (PPP), established to encourage employers to keep workers on payroll during the pandemic. CARE USA received a loan of \$6.3 million in April 2020 which was used to cover personnel costs in accordance with the loan requirements. CARE USA applied and was approved for loan forgiveness in the amount of \$5.6 million, which was recognized as a US Government contribution in fiscal year 2021, and the remaining balance was repaid.

**2. Summary of Significant Accounting Policies**

The consolidated financial statements of CARE USA includes 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.

Contributions are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Unconditional donor restricted contributions received in the same year in which the restrictions are met are recorded as increases to donor restricted support at the time of receipt. Upon fulfillment or expiration of donor restrictions, or when the donor restricted assets

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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.

**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.

**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 grant or promise to give has been made. Conditional contributions are recorded once the conditions are met. Contributions are recorded as with or without donor restrictions depending on the existence or absence of donor-imposed restrictions.

CARE USA also serves as a resource provider, making contributions to partners and sub-grantees in connection with program implementation. Effective July 1, 2020, CARE USA adopted ASU2018-08 *Clarifying Scope and Accounting Guidance for Contributions Made*. The adoption did not impact the consolidated financial statements.

**Private Contributions**

CARE USA receives funding from private donors that may be subject to both donor conditions and restrictions. Donor-imposed barriers applicable to private contributions include match or cost-sharing requirements, and when the donor stipulates CARE USA has limited discretion over the conduct of the program activity. If specific timing requirements are included, contributions with cost-sharing and match requirements are deferred until the provisions have been met. Contributions from private donors determined to be conditional due to limited discretion are recognized based on program expenditures. Funds received in advance of satisfying the donor-imposed conditions are reported as Donor advances in the consolidated balance sheets.

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**Contributions from US Government, CARE International and Other Institutional Donors**

CARE USA receives funding under grants and agreements from the US government, CARE International and other institutional donors. These funds are subject to donor conditions and restrictions which are typically met by incurring qualifying expenses for a program. Contributions from the US government are conditional and must comply with applicable federal cost principles included in *Title 2 US Code of Federal Regulations Part 200* and is subject to review by grantor agencies. Contributions on these agreements is recognized based on program expenditures. Audits and reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on historical experience, management believes that any costs ultimately disallowed would not materially affect CARE USA's consolidated financial position.

Contributions from CARE International and other institutional donors include grants and other awards raised by CARE International members from foreign governments and institutions. These contributions are conditional agreements which are required to adhere to the respective cost principles and requirements of foreign governmental agencies, and are recognized based on program expenditures as CARE USA is entitled to the funds once the conditions have been met. CARE USA adopted the simultaneous release option for donor-restricted grants that are recognized and used within the same reporting period and are therefore reported as net assets without donor restrictions.

Awards signed but not yet implemented and not recognized as contributions as of June 30, 2021 are based on the total award amount, less amounts recognized to date.

	<u>2021</u>	<u>2020</u>
Conditional promises to give:		
Private contributions	\$ 61,393	\$ 55,355
United States government	169,863	152,718
CARE International	163,506	159,224
Other institutional donors	67,262	50,236
	<u>\$ 462,024</u>	<u>\$ 417,533</u>

**Contributions of Non-Financial Assets**

In fiscal year 2021, CARE USA adopted ASU 2020-07 *Not-for-Profit Entities (Topic 958) on Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires organizations to present contributed nonfinancial assets as a separate line item in the Statements of Activities and disaggregated into various categories of the nonfinancial assets. The update was applied on a retrospective basis to the contributions recognized in fiscal years ending June 30, 2021 and 2020. The adoption did not have material impact on CARE USA's consolidated financial statements.

Donated goods and services that meet the criteria for recognition are recorded at estimated fair value when received and recorded as expense when utilized.

**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

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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 creditworthiness 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 \$47.7 million and \$35.4 million, as of June 30, 2021 and 2020 respectively, and cash and cash equivalents held outside the United States were \$86.5 million and \$60.4 million as of June 30, 2021 and 2020, respectively. Certain donors require cash be held in separate accounts which is available for current use. Donor segregated cash accounts comprise about 17% and 31% of overseas cash and cash equivalents equal to \$14.7 million and \$18.4 million as of June 30, 2021 and 2020, respectively.

**Significant Donors and Concentration of Credit Risk**

CARE USA depends on continuous funding from major donors such as U.S. Agency for International Development (USAID). Grants and contracts revenue from the United States government, including agricultural commodities and ocean freight, were 31% and 32% of CARE USA's total support for the years ended June 30, 2021 and 2020, respectively.

**Receivables**

Receivables include grants and contracts receivable, 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 a 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 0.062% and 3.0% for the years ending June 30, 2021 and 2020, respectively.

**Program Advances and Other Assets**

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

Sub-grantee advances are recorded when cash is disbursed. As the sub-grantee meets the conditions and 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 or held in storage at the intended recipient country. For agricultural commodities for distribution, contribution and expense are

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recognized when the agricultural commodities are distributed, or the title is transferred to a partner organization. For agricultural commodities to be monetized, contribution and expense are recognized when the proceeds are utilized for the related project activities.

**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 is discounted using an investment rate of return and a discount rate of 7.0% for the years ended June 30, 2021 and 2020.

**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 held with different issuers.

**Property and Equipment**

CARE USA capitalizes assets with a valuer of \$5,000 or greater and a useful life of two years or more. Assets are depreciated on a straight-line basis over the estimated useful life. Property and equipment are recorded at acquisition cost or estimated fair value on the date of contribution.

<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	Shorter of 5 years or life of the lease

**Donor advances**

Donor advances represent cash received before the related conditions are met.

**Foreign Currency Translation**

The US dollar is the functional currency for CARE USA's operations worldwide. Transactions in currencies other than US 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 investment income and other gains and losses.

**Fair Value of Financial Instruments**

CARE USA's financial instruments consist of cash and cash equivalents, investments, receivables, split interest agreements and associated liability, accounts payable and accrued expenses, and subsidiary

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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 a cost which approximates fair value.

### Subsequent Events

Subsequent events have been evaluated through November 30, 2021, 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

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance intends 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 terms exceeding twelve months. There will be an increase in assets and liabilities on the consolidated balance sheets of CARE USA because of the adoption of this standard. While the amount of the 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. The standard will be effective for CARE USA in fiscal year 2023.

The FASB issued ASU 2020-02 *Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842)*, that addresses the measurement of current expected credit losses for financial assets assessed at amortized cost basis, net investments in leases recognized by lessors, reinsurance recoverables and certain off-balance-sheet credit exposures. At each reporting date, an entity shall record an allowance for credit losses on financial assets measured at amortized cost basis and net investments in leases and shall record a liability for credit losses on certain off balance sheet exposures not accounted for as insurance or derivatives, loan commitments letters of credit and financial guarantees. The adoption of the standard is effective for fiscal year 2023 and the impact of adoption is still being evaluated.

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

The net assets designations as of June 30 are as follows:

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Available for operations	\$ 68,081	\$ –	\$ 41,083	\$ –
Property, plant and equipment	18,910	–	18,267	–
Microfinance and social enterprises	888	2	2,631	114
Sexual, reproductive and maternal health and gender based violence	4,428	4,664	4,741	6,475
Women's economic empowerment	–	7,028	–	10,612
Food and nutrition security and resilience to climate change	–	6,463	–	6,590
Humanitarian action	–	6,179	–	6,179
Multi-sector and other	–	129,453	–	116,964
Third party trusts	–	138,312	–	118,240
<b>Total</b>	<b>\$ 92,307</b>	<b>\$ 292,101</b>	<b>\$ 66,722</b>	<b>\$ 265,174</b>



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Net assets without donor restrictions include funds designated by CARE USA's Board of Directors for sexual, reproductive and maternal health equal to \$4.4 million and \$4.7 million as of June 30, 2021 and 2020.

**4. Liquidity and Availability of Resources**

CARE USA regularly monitors the financial resources required to meet operating 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 USA 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 were \$68.1 million and \$41.1 million as of June 30, 2021 and 2020, respectively.

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 exceeded the operating reserve and other liquidity targets as of June 30, 2021.

CARE USA's endowment funds consist of donor restricted endowments that are part of net assets with donor restrictions. Income from these endowments is restricted for specific purposes and is 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 endowment. The appropriation from the endowment fund income was \$1.6 million and \$1.5 million for the years ended June 30, 2021 and 2020.

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**5. Contributions of Non-financial Assets**

Contributed nonfinancial assets utilized in programs and activities consisted of the following for the fiscal year ending June 30, 2021 and 2020:

General Category	Utilization in Programs and Activities	Valuation Techniques and Inputs	2021	2020
Agricultural commodities	Humanitarian and development programs	Lower of cost or market or net realizable value	\$ 11,245	\$ 11,982
Ocean and inland freight	Shipping agricultural commodities for humanitarian and development programs	Cost of transportation provided by shipping company	9,218	10,863
Public service announcements (PSA) and advertising credits	Humanitarian, fundraising and public info	Market value of PSA from the service provider. Ad credits based on dollar value equivalent.	7,789	10,501
Professional and other services	Humanitarian, general and administrative	Fair value provided by donor	749	979
Supplies	Humanitarian	Fair value provided by donor	7,464	5,122
Software	General and administrative	Fair value provided by donor	729	715
Vehicles	General and administrative	Fair market value in specific country	170	–
			<b><u>\$ 37,364</u></b>	<b><u>\$ 40,162</u></b>

The above non-financial assets were utilized in programs and activities consistent with donor restrictions, where applicable. Ocean and inland freight includes \$3.7 million freight of monetization commodities for Bangladesh development program for the year ended June 30, 2020.

**6. Investment income and other gains and losses**

Other non-operating changes in net assets were comprised of the following for the year ended June 30, 2021:

	Without Donor Restriction	With Donor Restriction	Total
Increase in value of split interest agreements	\$ 242	\$ 20,247	\$ 20,489
Net realized and unrealized gain on investments	8,705	7,410	16,115
Interest and dividends, net	1,561	1,366	2,927
Minority interest in subsidiary income	88	–	88
Net loss on country office transition	(318)	–	(318)
Foreign exchange loss	(1,397)	(30)	(1,427)
	<b><u>\$ 8,881</u></b>	<b><u>\$ 28,993</u></b>	<b><u>\$ 37,874</u></b>

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Other non-operating changes in net assets were comprised of the following for the year ended June 30, 2020:

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Interest and dividends, net	\$ 1,699	\$ 1,871	\$ 3,570
Foreign exchange gain/(loss)	1,479	(6)	1,473
Minority interest in subsidiary income	156	–	156
Net realized and unrealized gains (losses) on investments	22	(1,742)	(1,720)
Decrease in value of split interest agreements	(772)	(1,996)	(2,768)
	<b><u>\$ 2,584</u></b>	<b><u>\$ (1,873)</u></b>	<b><u>\$ 711</u></b>

### 7. Split Interest Agreements

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

	<b>2021</b>	<b>2020</b>
Perpetual trusts	\$ 143,435	\$ 123,267
Charitable lead trusts	10,373	10,794
Charitable remainder trusts	2,208	1,948
Other	17	6
	<b><u>\$ 156,033</u></b>	<b><u>\$ 136,015</u></b>

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

	<b>2021</b>	<b>2020</b>
Charitable gift annuity payable	\$ 9,172	\$ 9,389
Other	1,576	1,556
	<b><u>\$ 10,748</u></b>	<b><u>\$ 10,945</u></b>

### Perpetual Trusts

CARE USA is the beneficiary of certain perpetual irrevocable trusts held and administered by independent trustees. Under the terms of 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, 2021 and 2020, more than 80% of the value of the trust can be derived from market information. Less than 20% 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 that may not be indicative of the net realizable value or reflective of future fair values. 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 are 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 made to CARE USA over the trust's term. Upon termination of 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 \$9.9 million and \$10.5 million as of June 30, 2021 and 2020, respectively.

Private contributions from split interest agreements were \$20.9 million and \$18.7 million for the years ended June 30, 2021 and 2020.

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**8. Endowments**

CARE USA's endowments consist of ten individual funds as of June 30, 2021 and 2020 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, 2021 and 2020, endowments of \$37.2 million and \$30.4 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 to determine 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:

<b>Net assets with donor restrictions:</b>	<b>2021</b>	<b>2020</b>
Endowment net assets, beginning of year	\$ 30,429	\$ 29,947
Additions and investment return	8,433	2,022
Appropriation for expenditure	(1,625)	(1,540)
<b>Endowment net assets, end of year</b>	<b>\$ 37,237</b>	<b>\$ 30,429</b>

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Donor restricted endowment net assets as of June 30 consist of the following:

<b>Net assets with donor restrictions:</b>	<u>2021</u>	<u>2020</u>
The portion of perpetual endowment funds subject to time restriction under SPMIFA		
Without purpose restrictions	\$ 3,468	\$ 733
With purpose restrictions	<u>11,786</u>	<u>8,271</u>
Total endowment funds classified as net assets with donor restriction	<u><b>\$ 15,254</b></u>	<u><b>\$ 9,004</b></u>
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u><b>\$ 21,983</b></u>	<u><b>\$ 21,425</b></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 allocate five percent of the three-year average of the fair market value from investment earnings annually 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 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 conditions, 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 the necessary capital to fund the spending policy.

Actual returns in any given year may vary. Considering 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:

Asset Class	2021			2020		
	Minimum	Maximum	Target	Minimum	Maximum	Target
Investment Grade Fixed Income	28%	58%	42%	25%	50%	35%
Other Fixed Income	–	16%	6%	–	–	–
US Equity	27%	47%	37%	50%	75%	65%
Non-US Equity	5%	25%	15%	–	–	–

## 9. 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, 2019.

- 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

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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.

The following table presents the assets measured at fair value on a recurring basis as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
<b>Investments</b>				
<b>Money market funds</b>	\$ 549	\$ –	\$ –	\$ 549
<b>Fixed Income Securities</b>				
US treasury obligations	5,424	–	–	5,424
Agency obligations	–	1,714	–	1,714
Other fixed income securities	–	–	175	175
<b>Exchange traded funds</b>	28,569	–	–	28,569
<b>Other equity securities</b>	–	–	760	760
<b>Mutual Funds</b>				
Fixed income funds	26,112	–	–	26,112
Equity funds	54,280	–	–	54,280
Other mutual funds	4,104	–	–	4,104
<b>Total Investments</b>	<b>119,038</b>	<b>1,714</b>	<b>935</b>	<b>121,687</b>
<b>Split interest agreements</b>	–	–	156,033	156,033
	<u><b>\$ 119,038</b></u>	<u><b>\$ 1,714</b></u>	<u><b>\$ 156,968</b></u>	<u><b>\$ 277,720</b></u>

The following table presents the assets measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
<b>Investments</b>				
<b>Money market funds</b>	\$ 24,310	\$ –	\$ –	\$ 24,310
<b>Fixed income securities</b>				
US treasury obligations	16,411	–	–	16,411
Agency obligations	–	2,504	–	2,504
Corporate bonds	–	11,583	–	11,583
Other fixed income securities	–	–	355	355
<b>Exchange traded funds</b>	34,478	–	–	34,478
<b>Other equity securities</b>	–	–	1,624	1,624
<b>Mutual funds</b>				
Fixed income funds	9,356	–	–	9,356
Equity funds	26,280	–	–	26,280
<b>Total investments</b>	<b>110,835</b>	<b>14,087</b>	<b>1,979</b>	<b>126,901</b>
<b>Split interest agreements</b>	–	–	136,015	136,015
	<u><b>\$ 110,835</b></u>	<u><b>\$ 14,087</b></u>	<u><b>\$ 137,994</b></u>	<u><b>\$ 262,916</b></u>



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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
<b>Fair value as of June 30, 2019</b>	<b>\$ 3,098</b>	<b>\$ 555</b>	<b>\$ 147,878</b>	<b>\$ 151,531</b>
Additions	–	–	4,276	4,276
Maturities or redemptions	–	(187)	(14,124)	(14,311)
Decrease in value of split interest agreements	–	–	(2,015)	(2,015)
Net realized and unrealized losses on investments	(1,474)	(13)	–	(1,487)
<b>Fair value as of June 30, 2020</b>	<b>\$ 1,624</b>	<b>\$ 355</b>	<b>\$ 136,015</b>	<b>\$ 137,994</b>
Additions	–	–	869	869
Maturities or redemptions	–	(187)	(1,774)	(1,961)
Increase in value of split interest agreements	–	–	20,923	20,923
Net realized and unrealized gains (losses) on investments	(864)	7	–	(857)
<b>Fair value as of June 30, 2021</b>	<b>\$ 760</b>	<b>\$ 175</b>	<b>\$ 156,033</b>	<b>\$ 156,968</b>

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.

## 10. Receivables, Net

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

	2021	2020
Grants and contracts receivable:		
United States government	\$ 41,506	\$ 23,206
CARE International	16,556	15,143
Other institutional donors	23,430	21,438
Private contributions	491	–
Contributions receivable:		
Promises to give, net	30,240	44,391
Other	283	717
	<b>112,506</b>	<b>104,895</b>
Allowance for uncollectible accounts	(1,366)	(951)
	<b>\$ 111,140</b>	<b>\$ 103,944</b>

As of June 30, 2021 and 2020, receivables, except multi-year promises to give, are expected to be collected within one year. Promises to give receivables are presented at net realizable value as follows:

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	<u>2021</u>	<u>2020</u>
Promises to give receivable:		
Due within one year	\$ 23,082	\$ 38,653
Due within two to five years	7,593	6,196
	<u>30,675</u>	<u>44,849</u>
Less discount to present value (average rate of 0.062% to 3.0%)	(435)	(458)
	<u><b>\$ 30,240</b></u>	<u><b>\$ 44,391</b></u>

### 11. Program Advances and Other Assets

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

	<u>2021</u>	<u>2020</u>
Subgrantee and program advances	\$ 27,237	\$ 11,892
Inventory	5,127	1,646
Investment in MicroVest	1,566	1,356
Receivable from CARE International members	2,086	2,651
Prepaid and deposits	5,447	4,889
Vendor and other advances	3,161	2,138
Other assets	2,223	2,582
	<u><b>\$ 46,847</b></u>	<u><b>\$ 27,154</b></u>

As of June 30, 2021 and 2020, 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.

### 12. Property and Equipment, Net

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

	<u>2021</u>	<u>2020</u>
Land	\$ 3,067	\$ 3,067
Buildings and building improvements	14,642	15,155
Vehicles, equipment and software	71,105	65,546
Leasehold improvements	3,259	2,371
	<u><b>92,073</b></u>	<u><b>86,139</b></u>
Accumulated depreciation/amortization	(73,163)	(67,872)
	<u><b>\$ 18,910</b></u>	<u><b>\$ 18,267</b></u>

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Depreciation and amortization expense was \$5.7 million and \$4.9 million for the years ended June 30, 2021 and 2020, respectively. Unamortized internal use software costs were \$3.2 million and \$4.9 million, respectively, as of June 30, 2021 and 2020.

### 13. Donor Advances

Donor advances was comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Commodity grants	\$ 4,189	\$ 832
Advances associated with:		
Private contributions	22,448	21,063
United States government	11,551	24,683
CARE International	40,589	27,387
Other institutional donors	<u>30,043</u>	<u>14,954</u>
	<u><b>\$ 108,820</b></u>	<u><b>\$ 88,919</b></u>

### 14. 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 also allows employee after-tax contributions. Employer contributions were \$3.3 million and \$3.1 million for the years ended June 30, 2021 and 2020, respectively.

Within the various countries in which CARE USA operates outside the United States, most employees who are paid locally 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.

### 15. Commitments and Other Matters

As of June 30, 2021, CARE USA is obligated under non-cancelable operating lease agreements for warehousing, office space and staff housing at minimum rentals as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 7,180
2023	3,118
2024	2,301
2025	1,795
2026	<u>1,260</u>
	<u><b>\$ 15,654</b></u>

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Total rent expense was \$13.1 million and \$14.2 million, respectively, for the years ended June 30, 2021 and 2020.

CARE USA has committed to provide funding to CARE Peru in the aggregate amount of \$24 million to be paid from fiscal years 2012 through 2034. The commitment to disburse annual funding amounts is conditional upon CARE Peru meeting agreed-upon program expenditures levels each year, and additional program quality and impact targets if expenditures fall below certain thresholds. CARE USA has made cumulative contributions to CARE Peru of \$11.0 million and \$10.0 million respectively, as of June 30, 2021 and 2020.

CARE USA maintained performance guarantees totaling \$1.7 million and \$3.5 million as of June 30, 2021 and 2020, respectively, on behalf of CARE USA 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 fulfillment of the underlying terms associated with the guarantee.

CARE USA provided a loan to the CARE International Revolving Fund to advance money to other members. The balance as of June 30, 2021 and 2020 was \$1.6 million and \$1.5 million.

## **16. 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.

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.

## **17. Subsidiary Information and Other Required Disclosures**

Consolidated entities include:

- 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 policymakers on the appropriate and sustainable provision of development and humanitarian assistance to underprivileged people.
- CARE Social Ventures, Inc (CSV) is a non-exempt wholly owned subsidiary that bridges the gap between philanthropy and commerce, and uses power of business and markets to reduce poverty. It aims to transform businesses into financially self-sustaining social enterprises and provide jobs, income and services for people lifting themselves out of poverty.

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- CARE Enterprises, Inc. (CEI) is a non-exempt wholly owned subsidiary, 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.
- 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 2022.

**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. CAN is tax exempt in the USA under IRC Section 501(c)(4). CEI and CSV are taxable in the USA. AAF is a limited liability corporation treated as a partnership for federal income tax purposes in the USA.

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.

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**18. Subsidiary Financial Information**

Statement of activities for CARE USA and its subsidiaries for the year ended June 30, 2021:

	Organization Holding Certificate of Exemption		Non-exempt Subsidiaries		Elimination Entries	Total 2021
	CARE USA	CAN	CEI and CSV	AAF		
Support	\$ 729,449	\$ 653	\$ 1,081	\$ –	\$ (1,270)	\$ 729,913
Expenses	714,305	752	1,168	110	(1,060)	715,275
Investment income and other gains and losses	37,764	–	–	(765)	875	37,874
<b>Total changes in net assets</b>	<b>52,908</b>	<b>(99)</b>	<b>(87)</b>	<b>(875)</b>	<b>665</b>	<b>52,512</b>
Net assets (deficit), beginning of year	332,340	273	434	1,140	(2,291)	331,896
<b>Net assets (deficit), end of year</b>	<b>\$ 385,248</b>	<b>\$ 174</b>	<b>\$ 347</b>	<b>\$ 265</b>	<b>\$ (1,626)</b>	<b>\$ 384,408</b>

Balance sheet information for CARE USA and its subsidiaries as of June 30, 2021:

	Organization Holding Certificate of Exemption		Non-exempt Subsidiaries		Elimination Entries	Total 2021
	CARE USA	CAN	CEI and CSV	AAF		
<b>Total assets</b>	<b>\$ 588,037</b>	<b>\$ 201</b>	<b>\$ 1,067</b>	<b>1,081</b>	<b>\$ (1,626)</b>	<b>\$ 588,760</b>
<b>Total liabilities</b>	<b>202,789</b>	<b>27</b>	<b>720</b>	<b>816</b>	<b>–</b>	<b>204,352</b>
<b>Net assets (deficit)</b>						
Without donor restrictions	93,147	174	347	265	(1,626)	92,307
With donor restrictions	292,101	–	–	–	–	292,101
<b>Total net assets (deficit)</b>	<b>385,248</b>	<b>174</b>	<b>347</b>	<b>265</b>	<b>(1,626)</b>	<b>384,408</b>
<b>Total liabilities and net assets</b>	<b>\$ 588,037</b>	<b>\$ 201</b>	<b>\$ 1,067</b>	<b>\$ 1,081</b>	<b>\$ (1,626)</b>	<b>\$ 588,760</b>