

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

CARE USA and Subsidiaries
Year Ended June 30, 2022
With Report of Independent Auditors

Ernst & Young LLP



CARE USA and Subsidiaries
Consolidated Financial Statements and Supplementary Information;
And Reports and Schedule Related to Uniform Guidance Audit

Year Ended June 30, 2022

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Report of Independent Auditors

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

Opinion

We have audited the 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, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CARE USA at June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CARE USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CARE USA’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CARE USA’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CARE USA’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated November 10, 2022 on our consideration of CARE USA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CARE USA’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CARE USA’s internal control over financial reporting and compliance.



November 10, 2022

CARE USA and Subsidiaries
Consolidated Statements of Activities
For the Year Ended June 30, 2022
(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
Support			
Contributions of financial assets			
Private contributions	\$ 149,790	\$ 133,476	\$ 283,266
United States government	240,781	–	240,781
CARE International	199,785	–	199,785
Other institutional donors	124,535	–	124,535
Contributions of nonfinancial assets	–		
Private contributions	–	8,221	8,221
United States government	25,276	–	25,276
Other institutional donors	2,603	–	2,603
Other revenue	3,436	25	3,461
Satisfaction of restrictions	92,441	(92,441)	–
Total support	838,647	49,281	887,928
Expenses			
Program activities	747,914	–	747,914
Supporting activities	70,515	–	70,515
Total expenses	818,429	–	818,429
Investment income and other gains (losses)	(4,284)	(20,539)	(24,823)
Total changes in net assets	15,934	28,742	44,676
Net assets, beginning of year	92,307	292,101	384,408
Net assets, end of year	\$ 108,241	\$ 320,843	\$ 429,084

See accompanying notes.

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>
Support			
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)	–
Total support	731,979	(2,066)	729,913
Expenses			
Program activities	658,572	–	658,572
Supporting activities	56,703	–	56,703
Total expenses	715,275	–	715,275
Investment income and other gains (losses)	8,881	28,993	37,874
Total changes in net assets	25,585	26,927	52,512
Net assets, beginning of year	66,722	265,174	331,896
Net assets, end of year	\$ 92,307	\$ 292,101	\$ 384,408

See accompanying notes.

CARE USA and Subsidiaries
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2022
(in thousands)

	Program Activities				Supporting Activities			2022 Total
	Humanitarian	Development	Public Information	Total	Fund Raising	Management & General	Total	
Personnel costs	\$ 88,405	\$ 120,403	\$ 4,460	\$ 213,268	\$ 9,951	\$ 18,646	\$ 28,597	\$ 241,865
Grants/subgrants	114,741	104,022	–	218,763	–	–	–	218,763
Materials and services	109,809	67,341	589	177,739	21,417	1,546	22,963	200,702
Professional services	15,364	23,549	927	39,840	6,861	3,547	10,408	50,248
Travel and transportation	14,088	18,998	77	33,163	85	337	422	33,585
Occupancy	6,644	10,330	126	17,100	522	801	1,323	18,423
Financing/depreciation/miscellaneous	3,550	5,393	92	9,035	2,300	751	3,051	12,086
Equipment	3,168	3,206	131	6,505	1,153	1,971	3,124	9,629
Agricultural commodities/contributions in-kind	22,924	8,205	1,372	32,501	627	–	627	33,128
Total operating expenses	\$ 378,693	\$ 361,447	\$ 7,774	\$ 747,914	\$ 42,916	\$ 27,599	\$ 70,515	\$ 818,429

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
Total operating expenses	\$ 328,120	\$ 317,494	\$ 12,958	\$ 658,572	\$ 34,219	\$ 22,484	\$ 56,703	\$ 715,275

See accompanying notes.

CARE USA and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021
(in thousands)

Operating activities	2022	2021
Changes in net assets	\$ 44,676	\$ 52,512
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,238	5,655
(Provision) recovery for subsidiary microfinance loan losses	126	(41)
Net realized and unrealized (gain) loss on investments	14,498	(16,115)
(Increase) decrease in value of split interest agreements	17,356	(20,489)
Changes in assets and liabilities		
Increase in receivables	(13,185)	(7,196)
Increase in program advances and other assets	(7,731)	(19,652)
(Increase) decrease in split interest agreements	(227)	471
Increase in accounts payable and accrued expenses	5,214	9,319
Increase (decrease) in donor advances	(21,744)	19,901
Increase (decrease) in accrued salaries and benefits	2,007	(613)
Net cash provided by operating activities	<u>46,228</u>	<u>23,752</u>
Investing activities		
Purchases of investments	(29,020)	(138,616)
Proceeds from sales of investments	34,838	159,945
Purchases of property and equipment	(4,741)	(6,378)
Proceeds from sales of property and equipment	102	80
Net cash provided by investing activities	<u>1,179</u>	<u>15,031</u>
Financing activities		
Payments on subsidiary loans payable	(165)	(247)
Payments to gift annuitants	(1,098)	(1,156)
Increase in liability for split interest agreements	414	959
Net cash used for financing activities	<u>(849)</u>	<u>(444)</u>
Net change in cash and cash equivalents	46,558	38,339
Cash and cash equivalents, beginning of year	<u>134,143</u>	<u>95,804</u>
Cash and cash equivalents, end of year	<u>\$ 180,701</u>	<u>\$ 134,143</u>
Supplemental cash flow information:		
Noncash contributions	<u>\$ 17,288</u>	<u>\$ 19,517</u>
Cash paid for interest	<u>\$ 3</u>	<u>\$ 22</u>

See accompanying notes.

CARE USA and Subsidiaries
Consolidated Balance Sheets
(in thousands)

	June 30, 2022	June 30, 2021
Assets		
Cash and cash equivalents	\$ 180,701	\$ 134,143
Receivables, net	124,325	111,140
Program advances and other assets	54,452	46,847
Split interest agreements	138,904	156,033
Investments, at fair value	101,371	121,687
Property and equipment, net	18,311	18,910
Total assets	\$ 618,064	\$ 588,760
 Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 61,302	\$ 56,088
Donor advances	87,076	108,820
Accrued salaries and benefits	30,097	28,090
Liability for split interest agreements	10,064	10,748
Other	441	606
Total liabilities	188,980	204,352
 Net assets		
Without donor restrictions	108,241	92,307
With donor restrictions	320,843	292,101
Total net assets	429,084	384,408
 Total liabilities and net assets	 \$ 618,064	 \$ 588,760

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:

- **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, 2022 and 2021 humanitarian work represented 51% and 48%, respectively, of total program expenses, reflecting ongoing conflicts and natural disasters in countries that we operate. For fiscal year 2022 and 2021, our largest humanitarian efforts were in Turkey, Yemen, Ethiopia and Somalia.
- **Development.** CARE USA works 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, 2022 and 2021 development work represented 48% and 50%, respectively, of total program expenses.
- **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 1% and 2% of total program costs for fiscal years 2022 and 2021, respectively.

Within these broad areas, CARE USA focuses on food and water security, health, education and work, climate, equality and other sectors.

Structure and Related Parties

CARE USA is a member of CARE International, a confederation that coordinates 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.

CARE USA and Subsidiaries
Consolidated Financial Statements

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 the 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 are placed in service, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as satisfaction of 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. The most significant area of estimate and judgement relates to the fair value of split interest agreements. 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.

CARE USA and Subsidiaries
Consolidated Financial Statements

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.

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. Revenue recognition is deferred until the provisions are met if specific timing requirements are included, or if the award includes cost-sharing and match requirements. 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.

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. Contribution revenue 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.

CARE USA and Subsidiaries
Consolidated Financial Statements

Awards signed but not yet implemented and recognized as contributions as of June 30, 2022 are based on the total award amount, less amounts recognized to date.

	<u>2022</u>	<u>2021</u>
Conditional promises:		
Private contributions	\$ 65,104	\$ 61,393
United States government	155,534	169,863
CARE International	129,985	163,506
Other institutional donors	63,793	67,262
	<u>\$ 414,416</u>	<u>\$ 462,024</u>

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.

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 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 \$129.7 million and \$47.7 million, as of June 30, 2022 and 2021 respectively, and cash and cash equivalents held outside the United States were \$51.0 million and \$86.5 million as of June 30, 2022 and 2021, respectively. Certain donors require cash be held in separate accounts available for current use. Donor segregated cash accounts comprise of about 20% and 17% of overseas cash and cash equivalents equal to \$10.1 million and \$14.7 million as of June 30, 2022 and 2021, 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 30% and 31% of CARE USA's total support for the years ended June 30, 2022 and 2021, 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.

CARE USA and Subsidiaries
Consolidated Financial Statements

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, 2022 and 2021, 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 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 recognized when distributed, or 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. A discount rate of 7.0% for the years ended June 30, 2022 and 2021 was used to determine the present value of estimated future payments.

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 as the majority of the investment portfolio is held with different issuers.

CARE USA and Subsidiaries
Consolidated Financial Statements

Property and Equipment

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

<u>Asset</u>	<u>Estimated Useful Life</u>
Buildings	25 years
Building improvements	7 years
Software	3 to 10 years
Equipment	3 to 5 years
Leasehold improvements	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 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 10, 2022, 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. CARE USA will adopt Topic 842 in fiscal year 2023 using the modified retrospective transition method. CARE USA does not expect the adoption will have a material impact on net assets.

CARE USA and Subsidiaries
Consolidated Financial Statements

3. Description of Net Assets Designation and Restriction

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

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Available for operations	\$ 84,902	\$ –	\$ 68,081	\$ –
Property, plant and equipment	18,311	–	18,910	–
Microfinance and social enterprises	1,530	–	888	2
Right to health and gender equality	3,498	2,930	4,428	4,664
Women's economic justice	–	9,846	–	7,028
Right to food, water and nutrition and climate justice	–	7,061	–	6,463
Humanitarian action	–	6,179	–	6,179
Multi-sector and other	–	172,959	–	129,453
Split interest agreements	–	121,868	–	138,312
Total	\$ 108,241	\$ 320,843	\$ 92,307	\$ 292,101

Net assets without donor restrictions include funds designated by CARE USA's Board of Directors for sexual, reproductive and maternal health equal to \$3.5 million and \$4.4 million as of June 30, 2022 and 2021. Income from the split interest agreements in third party trusts is unrestricted.

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 and institutional 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 \$84.9 million and \$68.1 million as of June 30, 2022 and 2021, respectively.

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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, 2022.

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 endowment. The appropriation from the endowment fund income was \$4.3 million and \$1.6 million for the years ended June 30, 2022 and 2021.

5. Contributions of Non-financial Assets

Contributed nonfinancial assets were utilized in programs and activities consistent with donor restrictions and comprised of the following for fiscal year 2022 and 2021:

General Category	Utilization in Programs and Activities	Valuation Techniques and Inputs	2022	2021
Agricultural commodities	Humanitarian and development programs	Lower of cost or market or net realizable value	\$ 16,212	\$ 11,245
Ocean and inland freight	Shipping agricultural commodities for humanitarian and development programs	Cost of transportation provided by shipping company	9,138	9,218
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.	4,931	7,789
Supplies	Humanitarian	Fair value provided by donor	4,106	7,464
Software	General and administrative	Fair value provided by donor	914	729
Professional and other services	Humanitarian, general and administrative	Fair value provided by donor	781	749
Vehicles	General and administrative	Fair market value in specific country	17	170
			\$ 36,100	\$ 37,364

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6. Investment income and other gains (losses)

Other non-operating changes in net assets were comprised of the following for the year ended June 30, 2022:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Foreign exchange gain	\$ 3,850	\$ –	\$ 3,850
Interest and dividends, net	2,111	1,115	3,226
Other gains and losses	(45)	–	(45)
Net realized and unrealized loss on investments	(9,473)	(5,025)	(14,498)
Decrease in value of split interest agreements	(727)	(16,629)	(17,356)
	<u>\$ (4,284)</u>	<u>\$ (20,539)</u>	<u>\$ (24,823)</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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)
	<u>\$ 8,881</u>	<u>\$ 28,993</u>	<u>\$ 37,874</u>

7. Split Interest Agreements

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

	<u>2022</u>	<u>2021</u>
Perpetual trusts	\$ 126,978	\$ 143,435
Charitable lead trusts	9,769	10,373
Charitable remainder trusts	2,125	2,208
Other	32	17
	<u>\$ 138,904</u>	<u>\$ 156,033</u>

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

	<u>2022</u>	<u>2021</u>
Charitable gift annuity payable	\$ 8,511	\$ 9,172
Other	1,553	1,576
	<u>\$ 10,064</u>	<u>\$ 10,748</u>

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.

As of June 30, 2022 and 2021, more than 70% of the value of the trust can be derived from market information. Less than 30% 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.

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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 \$9.5 million and \$9.9 million as of June 30, 2022 and 2021, respectively.

Private contributions from split interest agreements were \$21.0 million and \$20.9 million for the years ended June 30, 2022 and 2021.

8. Endowments

CARE USA's endowments consist of ten individual funds as of June 30, 2022 and 2021 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, 2022 and 2021, endowments of \$29.7 million and \$37.2 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:

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- 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:	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 37,237	\$ 30,429
Additions, investment return and change in value	(3,239)	8,433
Appropriation for expenditure	(4,268)	(1,625)
Endowment net assets, end of year	<u><u>\$ 29,730</u></u>	<u><u>\$ 37,237</u></u>

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

Net assets with donor restrictions:	<u>2022</u>	<u>2021</u>
The portion of perpetual endowment funds subject to time restriction under SPMIFA		
Without purpose restrictions	\$ 737	\$ 3,468
With purpose restrictions	6,609	11,787
Total endowment funds classified as net assets with donor restriction	<u><u>\$ 7,345</u></u>	<u><u>\$ 15,254</u></u>
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u><u>\$ 22,385</u></u>	<u><u>\$ 21,983</u></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

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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.

The following is a summary of the asset allocation guidelines for both years, with allowable ranges for each asset type:

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

9. Fair Value Measurements

CARE USA applies the accounting standard codification (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.

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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, 2020.

- 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 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.

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The following table presents the assets measured at fair value on a recurring basis as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Measurement</u>
Investments				
Money market funds	\$ 665	\$ –	\$ –	\$ 665
Fixed income securities				
US treasury obligations	4,848	–	–	4,848
Agency obligations	–	1,424	–	1,424
Other fixed income securities	–	–	–	–
Exchange traded funds	31,382	–	–	31,382
Other equity securities	–	–	755	755
Mutual funds				
Fixed income funds	15,332	–	–	15,332
Equity funds	43,425	–	–	43,425
Other mutual funds	3,540	–	–	3,540
Total Investments	99,192	1,424	755	101,371
Split interest agreements	–	–	138,904	138,904
	<u>\$ 99,192</u>	<u>\$ 1,424</u>	<u>\$ 139,659</u>	<u>\$ 240,275</u>

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

	Level 1	Level 2	Level 3	Fair Value Measurement
Investments				
Money market funds	\$ 549	\$ –	\$ –	\$ 549
Fixed income securities				
US treasury obligations	5,424	–	–	5,424
Agency obligations	–	1,714	–	1,714
Other fixed income securities	–	–	175	175
Exchange traded funds	28,569	–	–	28,569
Other equity securities	–	–	760	760
Mutual funds				
Fixed income funds	26,112	–	–	26,112
Equity funds	54,280	–	–	54,280
Other mutual funds	4,104	–	–	4,104
Total Investments	119,038	1,714	935	121,687
Split interest agreements	–	–	156,033	156,033
	<u>\$ 119,038</u>	<u>\$ 1,714</u>	<u>\$ 156,968</u>	<u>\$ 277,720</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, 2020	<u>\$ 1,624</u>	<u>\$ 355</u>	<u>\$ 136,015</u>	<u>\$ 137,994</u>
Additions	–	–	869	869
Maturities or redemptions	–	(187)	(1,774)	(1,961)
Increase in value of trusts held by third parties	–	–	20,923	20,923
Net realized and unrealized gain/(loss) on investments	(864)	7	–	(857)
Fair value as of June 30, 2021	<u>\$ 760</u>	<u>\$ 175</u>	<u>\$ 156,033</u>	<u>\$ 156,968</u>
Additions	–	–	225	225
Maturities or redemptions	–	(175)	(766)	(941)
Decrease in value of trusts held by third parties	–	–	(16,588)	(16,588)
Net realized and unrealized gain/(loss) on investments	(5)	–	–	(5)
Fair value as of June 30, 2022	<u>\$ 755</u>	<u>\$ –</u>	<u>\$ 138,904</u>	<u>\$ 139,659</u>

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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:

	<u>2022</u>	<u>2021</u>
Grants and contracts receivable:		
United States government	\$ 39,789	\$ 41,506
CARE International	24,391	16,556
Other institutional donors	24,796	23,430
Private contributions	1,407	491
Contributions receivable:		
Promises to give, net	34,770	30,240
Other	717	283
	<u>125,870</u>	<u>112,506</u>
Allowance for uncollectible accounts	(1,545)	(1,366)
	<u>\$ 124,325</u>	<u>\$ 111,140</u>

As of June 30, 2022 and 2021, receivables, except multi-year promises to give, are expected to be collected within one year.

	<u>2022</u>	<u>2021</u>
Promises to give receivable:		
Due within one year	\$ 25,110	\$ 23,082
Due within two to five years	10,140	7,593
	<u>35,250</u>	<u>30,675</u>
Less discount to present value	(480)	(435)
	<u>\$ 34,770</u>	<u>\$ 30,240</u>

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11. Program Advances and Other Assets

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

	<u>2022</u>	<u>2021</u>
Subgrantee and program advances	\$ 27,559	\$ 27,237
Inventory	9,810	5,127
Receivable from CARE International members	1,052	2,086
Prepaid and deposits	5,992	5,447
Vendor and other advances	5,384	3,161
Other assets	4,655	3,789
	<u>\$ 54,452</u>	<u>\$ 46,847</u>

12. Property and Equipment, Net

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

	<u>2022</u>	<u>2021</u>
Land	\$ 3,067	\$ 3,067
Buildings and building improvements	14,694	14,642
Vehicles, equipment and software	75,704	71,105
Leasehold improvements	3,236	3,259
	<u>96,701</u>	<u>92,073</u>
Accumulated depreciation/amortization	(78,390)	(73,163)
	<u>\$ 18,311</u>	<u>\$ 18,910</u>

Depreciation and amortization expense was \$5.2 million and \$5.7 million for the years ended June 30, 2022 and 2021, respectively. Unamortized internal use software costs were \$2.4 million and \$3.2 million, respectively, and the total amount charged to expense for capitalized computer software was \$2.2 million and \$2.4 million as of June 30, 2022 and 2021, respectively.

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13. Donor Advances

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

	2022	2021
Commodity grants	\$ 6,144	\$ 4,189
Advances associated with:		
Private contributions	13,270	22,448
United States government	9,921	11,551
CARE International	37,154	40,589
Other institutional donors	20,587	30,043
	\$ 87,076	\$ 108,820

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 \$3.4 million and \$3.3 million for the years ended June 30, 2022 and 2021, 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, 2022, CARE USA is obligated under non-cancelable operating lease agreements for warehousing, office space and staff housing at minimum rentals as follows:

Year	Amount
2023	6,126
2024	3,358
2025	2,234
2026	1,078
2027	883
	\$ 13,679

Total rent expense was \$14.0 million and \$13.1 million, respectively, for the years ended June 30, 2022 and 2021.

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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 \$12.0 million and \$11.0 million respectively, as of June 30, 2022 and 2021.

CARE USA maintained performance guarantees of \$0 and \$1.7 million as of June 30, 2022 and 2021 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 to the U.S. dollar equivalent. 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, 2022 and 2021 was \$1.6 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.
- 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

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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 2023.

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, 2022:

	Organization Holding Certificate of Exemption		Non-exempt Subsidiaries		Elimination Entries	Total 2022
	CARE USA	CAN	CEI and CSV	AAF		
Support	\$ 886,686	\$ 1,195	\$ 2,141	\$ –	\$ (2,094)	\$ 887,928
Expenses	818,337	592	1,597	11	(2,108)	818,429
Investment income and other gains and losses	(24,827)	–	7	(3)	–	(24,823)
Total changes in net assets	43,522	603	551	(14)	14	44,676
Net assets (deficit), beginning of year	385,248	174	347	265	(1,626)	384,408
Net assets (deficit), end of year	\$ 428,770	\$ 777	\$ 898	\$ 251	\$ (1,612)	\$ 429,084

Balance sheet information for CARE USA and its subsidiaries as of June 30, 2022:

	Organization Holding Certificate of Exemption		Non-exempt Subsidiaries		Elimination Entries	Total 2022
	CARE USA	CAN	CEI and CSV	AAF		
Total assets	\$ 616,396	\$ 785	\$ 1,723	\$ 772	\$ (1,612)	\$ 618,064
Total liabilities	187,626	8	825	521	–	188,980
Net assets (deficit)						
Without donor restrictions	107,927	777	898	251	(1,612)	108,241
With donor restrictions	320,843	–	–	–	–	320,843
Total net assets (deficit)	428,770	777	898	251	(1,612)	429,084
Total liabilities and net assets	\$ 616,396	\$ 785	\$ 1,723	\$ 772	\$ (1,612)	\$ 618,064

Supplementary Information and
Reports and Schedule

CARE USA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency/Subdivision	Award Reference Number	Assistance Listing	Pass-Through Entity	Pass-Through Entity Reference Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Payments to Subrecipients
US Department of Agriculture	FFE4722018/00800	10.608			Timor Leste	5,079,193	697,153	5,776,346	4,006,157
		Assistance Listing # 10.608 Food for Education				5,079,193	697,153	5,776,346	4,006,157
Non-COVID-19 Funded Grants									
US Department of Labor	IL327411875K	17.401			Ghana	1,028,014	-	1,028,014	183,370
US Department of Labor	IL356292075K	17.401			Ethiopia	453,677	-	453,677	-
		Assistance Listing # 17.401 International Labor Programs				1,481,691	-	1,481,691	183,370
COVID-19 Funded Grants									
US Department of Labor	IL356292075K	17.401			Ethiopia	139,182	-	139,182	125,299
		Assistance Listing # 17.401 COVID-19 - International Labor Programs				139,182	-	139,182	125,299
		Assistance Listing # 17.401 TOTAL - International Labor Programs				1,620,873	-	1,620,873	308,669
Non-COVID-19 Funded Grants									
US DoS	SLMAQM19CA2173	19.345	Vital Voices Global Partnership Inc.	SLMAQM19CA2173	Bangladesh	395,316	-	395,316	84,947
		Assistance Listing # 19.345 International Programs to Support Democracy, Human Rights and Labor				395,316	-	395,316	84,947
COVID-19 Funded Grants									
US DoS	SLMAQM19CA2173	19.345	Vital Voices Global Partnership Inc.	SLMAQM19CA2173	Bangladesh	1,292	-	1,292	-
		Assistance Listing # 19.345 COVID-19 - International Programs to Support Democracy, Human Rights and Labor				1,292	-	1,292	-
		Assistance Listing # 19.345 TOTAL -International Programs to Support Democracy, Human Rights and Labor				396,608	-	396,608	84,947
US DoS BPRM	SPRMCO20CA0106	19.517			Egypt	452,814	-	452,814	-
US DoS BPRM	SPRMCO20CA0150	19.517			Chad	1,151,714	-	1,151,714	52,874
US DoS BPRM	SPRMCO21CA3080	19.517			Egypt	668,455	-	668,455	579,957
US DoS BPRM	SPRMCO21CA3135	19.517			Chad	1,072,847	-	1,072,847	25,946
		Assistance Listing # 19.517 Overseas Refugee Assistance Programs for Africa				3,345,830	-	3,345,830	658,777
US DoS BPRM	SPRMCO19CA0213	19.518			Peru	556,029	-	556,029	498,872
US DoS BPRM	SPRMCO20CA0196	19.518			Ecuador	695,126	-	695,126	321,679
US DoS BPRM	SPRMCO21CA3220	19.518			Ecuador	2,427,438	-	2,427,438	1,066,640
US DoS BPRM	SPRMCO21CA3222	19.518			Peru	1,961,351	-	1,961,351	1,743,743
		Assistance Listing # 19.518 Overseas Refugee Assistance Programs for Western Hemisphere				5,639,944	-	5,639,944	3,630,934
US DoS BPRM	SPRMCO19CA0198	19.519			Jordan	(1,426)	-	(1,426)	-
US DoS BPRM	SPRMCO20CA0177	19.519			Jordan	701,922	-	701,922	3,448
US DoS BPRM	SPRMCO20CA0218	19.519			Turkey	417,974	-	417,974	-
US DoS BPRM	SPRMCO21CA3178	19.519			Turkey	2,978,077	-	2,978,077	-
US DoS BPRM	SPRMCO21CA3194	19.519			Jordan	1,749,992	-	1,749,992	-
		Assistance Listing # 19.519 Overseas Refugee Assistance Program for Near East and South Asia				5,846,539	-	5,846,539	3,448

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CARE USA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency/Subdivision	Award Reference Number	Assistance Listing	Pass-Through Entity	Pass-Through Entity Reference Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Payments to Subrecipients
Non-COVID-19 Funded Grants									
US DoS BPRM	SPRMC019CA0144	19.522	Global Women Institute of GWU	19-S15-INT	Lebanon	49,627	-	49,627	44,677
					Cameroon, Iraq, Lebanon, Myanmar	1,619,515	-	1,619,515	526,119
US DoS BPRM	SPRMC020CA0163	19.522	Assistance Listing # 19.522 Overseas Refugee Assistance Programs for Strategic Global Priorities			1,669,142	-	1,669,142	570,796
COVID-19 Funded Grants									
US DoS BPRM	SPRMC021CA3284	19.522	Norwegian Refugee Council	SPRMC021CA3284	Afghanistan	339,267	-	339,267	-
			Assistance Listing # 19.522 COVID-19 - Overseas Refugee Assistance Programs for Strategic Global Priorities			339,267	-	339,267	-
			Assistance Listing # 19.522 TOTAL -Overseas Refugee Assistance Programs for Strategic Global Priorities			2,008,409	-	2,008,409	570,796
US Department of State	SLMAQM21GR3001	19.750	Assistance Listing # 19.750 Bureau of Western Hemisphere Affairs (WHA) Grant Programs (Including Energy and Climate Partnership for the Americas)			379,917	-	379,917	156,809
						379,917	-	379,917	156,809
US Department of State	SLMAQM20CA2119	19.801	Assistance Listing # 19.801 Office of Global Women's Issues			626,997	-	626,997	179,237
						626,997	-	626,997	179,237
United States Department of State Total						18,244,244	-	18,244,244	5,284,948
Non-COVID-19 Funded Grants									
US Center for Disease Control	NU2GGH002064010	93.318	Assistance Listing # 93.318 Protecting and Improving Health Globally: Building and Strengthening, Public Health Impact, Systems, Capacity and Security			1,164,506	-	1,164,506	22,630
						1,164,506	-	1,164,506	22,630
COVID-19 Funded Grants									
US Center for Disease Control	NU2GGH002064010	93.318	Assistance Listing # 93.318 COVID-19 - Protecting and Improving Health Globally: Building and Strengthening, Public Health Impact, Systems, Capacity and Security			1,235,954	-	1,235,954	77,745
						1,235,954	-	1,235,954	77,745
			Assistance Listing # 93.318 TOTAL - Protecting and Improving Health Globally: Building and Strengthening, Public Health Impact, Systems, Capacity and Security			2,400,460	-	2,400,460	100,375
United States Department of Health and Human Services Total						2,400,460	-	2,400,460	100,375
Non-COVID-19 Funded Grants									
USAID	72027919CA00001	98.001				1,031,610	-	1,031,610	-
USAID	72030618CA00007	98.001				2,543,251	-	2,543,251	-
USAID	72036722CA00002	98.001				19,186	-	19,186	-

See accompanying notes to the Schedule of Expenditures of Federal Awards

CARE USA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency/Subdivision	Award Reference Number	Assistance Listing	Pass-Through Entity	Pass-Through Entity Reference Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Payments to Subrecipients
USAID	72038621CA00007	98.001			India	1,216,625	-	1,216,625	985,914
USAID	72038819CA00002	98.001			Bangladesh	1,070,368	-	1,070,368	-
USAID	72038820CA00007	98.001			Bangladesh	1,198,902	-	1,198,902	477,503
USAID	72038821CA00003	98.001			Bangladesh	317,702	-	317,702	16,121
USAID	72068722GR00002	98.001			United States of America	85,788	-	85,788	85,788
USAID	7200AA20CA00005	98.001	IMA World Health	MIHR-CARE-001	South Sudan	575,817	-	575,817	-
USAID	72030620CA00007	98.001	Jhpiego Corporation	21-SBA-046	Afghanistan, Malawi	1,131,574	-	1,131,574	-
USAID	72030621CA00002	98.001	Catholic Relief Services - United States	72030621CA00002	Afghanistan	849,663	-	849,663	-
USAID	72049219CA00008	98.001	Cardno Emerging Markets USA, Ltd.	4752-003-CRA-004	Papua New Guinea	207,232	-	207,232	182,754
					Australia, Papua New Guinea, Vanuatu	178,326	-	178,326	155,684
USAID	72049221CA00002	98.001	The Pacific Community (SPC)	GA 21/667	Guinea, Vanuatu	178,326	-	178,326	155,684
USAID	72062418CA00004	98.001	National Democratic Institute	19-18107-COT.0-1645	Côte d'Ivoire	336,644	-	336,644	-
USAID	72066320CA00002	98.001	Mercy Corps	33399S001	Ethiopia	1,314,874	-	1,314,874	-
USAID	72068520CA00001	98.001	Cultivate New Frontiers in Agriculture	72068520CA00001-CARE-01	Niger	83,040	-	83,040	-
USAID	72068821CA00003	98.001			Mali	3,503,599	-	3,503,599	1,207,320
USAID	72069621CA00002	98.001	Water For People	RWUS21-CA	Rwanda	491,014	-	491,014	191,378
USAID	720BHA21CA00007	98.001	World Vision International (WVI)	720BHA21CA00007	Somalia	177,104	-	177,104	-
USAID	720BHA21GR00354	98.001	Norwegian Refugee Council	720BHA21GR00354	Honduras	583,417	-	583,417	108,068
USAID	720BHA22GR00061	98.001	Action Against Hunger	720BHA22GR00061	Philippines	1,171,982	-	1,171,982	329,785
USAID	720BHA22IO00035	98.001	Intl Organization for Migration	720BHA22IO00035	Philippines	1,112,896	-	1,112,896	177,419
USAID	720BHA21GR00029	98.001			Honduras	1,964,844	-	1,964,844	1,129,227
USAID	720BHA21GR00065	98.001			Vanuatu	93,830	-	93,830	78,108
USAID	720BHA21GR00083	98.001			Ethiopia	4,472,584	-	4,472,584	1,483,529
USAID	720BHA21GR00128	98.001			Bangladesh	812,992	-	812,992	139,099
USAID	720BHA21GR00129	98.001			Guatemala	4,251,568	-	4,251,568	767,525
USAID	720BHA21GR00200	98.001			Turkey	44,765,957	-	44,765,957	32,780,767
USAID	720BHA21GR00208	98.001			Honduras, Mali	21,083	-	21,083	18,980
USAID	720BHA21GR00259	98.001			Bangladesh	1,365,528	-	1,365,528	332,614
USAID	720BHA22GR00016	98.001			Ethiopia	1,174,420	-	1,174,420	-
USAID	720BHA22GR00023	98.001			Mozambique	309,185	-	309,185	90,931
USAID	720BHA22GR00054	98.001			Yemen	718,266	-	718,266	-
USAID	720BHA22GR00067	98.001			United States of America	134,875	-	134,875	115,124
USAID	720FDA19CA00028	98.001			Pakistan	24,190	-	24,190	(524)
					Ecuador, Nigeria, Philippines, South Sudan, Syria, Turkey	493,713	-	493,713	-
USAID	720FDA19CA00061	98.001							
USAID	720FDA19GR00043	98.001			Bangladesh	2,569,780	-	2,569,780	591,974
USAID	720FDA19GR00055	98.001			Mozambique	69,882	-	69,882	63,156
USAID	720FDA19GR00071	98.001			Vanuatu	262,556	-	262,556	236,030
USAID	720FDA19GR00240	98.001			United States of America	83,569	-	83,569	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CARE USA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency/Subdivision	Award Reference Number	Assistance Listing	Pass-Through Entity	Pass-Through Entity Reference Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Payments to Subrecipients
					Kenya, Madagascar, Mozambique, Malawi, Zimbabwe	962,798	-	962,798	84,597
USAID	720FDA20CA00047	98.001							
USAID	720FDA20CA00083	98.001			Turkey	4,342,223	-	4,342,223	2,923,579
USAID	720FDA20GR00044	98.001			Ethiopia	360,100	-	360,100	-
					Democratic Republic of the Congo	3,302,941	-	3,302,941	-
USAID	720FDA20GR00240	98.001			Yemen	8,144,589	-	8,144,589	-
USAID	720FDA20GR00268	98.001			Somalia	1,036,505	-	1,036,505	366,679
USAID	720FDA20GR00276	98.001			South Sudan	59,822	-	59,822	53,732
USAID	720FDA20GR00325	98.001			Lebanon	364,341	-	364,341	323,265
USAID	720FDA20GR00354	98.001			Somalia	2,130,869	-	2,130,869	-
USAID	72DFFP19GR00054	98.001			Turkey	6,153,291	-	6,153,291	2,896,329
USAID	72DFFP20GR00045	98.001			Yemen	9,406,437	-	9,406,437	-
USAID	72DFFP20GR00053	98.001			Cameroon	6,016,349	-	6,016,349	5,198,512
USAID	AID624A1400003	98.001			Ghana	1,424,507	-	1,424,507	475,446
USAID	AID641A1500002	98.001			Ghana	1,228,753	-	1,228,753	540,195
USAID	AID656A1600010	98.001	Family Health International (FHI 360)	102248.001.002.005	Mozambique	1,085,082	-	1,085,082	350,552
USAID	720FDA20GR00350	98.001	Women's Refugee Commission Inc.	720FDA20GR00350	Columbia, Turkey	228,777	-	228,777	100,100
USAID	720FDA20GR00307	98.001	International Rescue Committee	720FDA20GR00307	Ethiopia	228,363	-	228,363	-
USAID	AID367A1600006	98.001	Helen Keller International	21854-01-001	Nepal	667,866	-	667,866	-
USAID	AID663A1700001	98.001			Ethiopia	7,150,986	-	7,150,986	3,163,100
USAID	AID687A1700002	98.001			Madagascar	7,213,724	-	7,213,724	6,175,067
					Assistance Listing # 98.001 USAID Foreign Assistance for Programs Overseas	144,297,759	-	144,297,759	64,395,427
COVID-19 Funded Grants									
USAID	72027919CA00001	98.001			Yemen	260,346	-	260,346	-
USAID	72030621CA00002	98.001	Catholic Relief Services - United States	72030621CA00002	Afghanistan	60	-	60	-
USAID	72038819CA00002	98.001			Bangladesh	40,210	-	40,210	-
USAID	720BHA21CA00021	98.001			Somalia	19,200,958	-	19,200,958	619,254
USAID	720BHA21GR00208	98.001			Honduras, Mali	173,138	-	173,138	-
USAID	720BHA21GR00393	98.001			Zimbabwe	1,086,979	-	1,086,979	-
USAID	720FDA20GR00058	98.001			Australia	653,138	-	653,138	572,421
USAID	720FDA20GR00268	98.001			Yemen	21,467	-	21,467	-
USAID	720FDA20GR00325	98.001			South Sudan	2,315,831	-	2,315,831	65,773
USAID	72DFFP20GR00053	98.001			Yemen	10,638	-	10,638	-
USAID	AID624A1400003	98.001			Cameroon	18,818	-	18,818	12,227
USAID	AID641A1600004	98.001			Ghana	576,553	-	576,553	-
USAID	AID663A1700001	98.001			Ethiopia	(44,297)	-	(44,297)	22,639
					Assistance Listing # 98.001 COVID-19 - USAID Foreign Assistance for Programs Overseas	24,313,839	-	24,313,839	1,292,314
					Assistance Listing # 98.001 TOTAL - USAID Foreign Assistance for Programs Overseas	168,611,598	-	168,611,598	65,687,741
USAID	720BHA21CA00036	98.007	World Vision International (WVI)	720BHA21CA00036-CARE	Ethiopia	3,487,843	3,641,121	7,128,964	-
USAID	720BHA21GR00371	98.007			Niger	-	585,672	585,672	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CARE USA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency/Subdivision	Award Reference Number	Assistance Listing	Pass-Through Entity	Pass-Through Entity Reference Number	Country	Cash Expenditures	Non Cash Expenditures	Total Expenditures	Payments to Subrecipients
USAID	72DFFP18CA00004	98.007			Niger	5,993,052	970,199	6,963,251	1,109,514
USAID	72DFFP19CA00004	98.007			Malawi	14,677,816	-	14,677,816	7,125,833
USAID	72DFFP19LA00001	98.007	Save the Children Federation	FAA - 999002740	Niger	4,987	-	4,987	-
USAID	72DFFP19LA00001	98.007	Save the Children Federation	SA#: 999003591	United States of America	64,409	-	64,409	22,577
USAID	72DFFP19LA00001	98.007	University Of Arizona	72DFFP19LA00001	Bangladesh	18,316	-	18,316	-
USAID	72DFFP19LA00001	98.007	Save the Children Federation	999004230	United States of America	16,303	-	16,303	-
USAID	72DFFP20CA00007	98.007			Zimbabwe	9,339,338	1,524,832	10,864,170	2,048,599
USAID	72DFFP20GR0006	98.007			Niger	-	(82,222)	(82,222)	-
USAID	AIDFFPA1500009	98.007			Bangladesh	9,842,454	-	9,842,454	2,417,196
USAID	AIDFFPA1500013	98.007			Mali	15,419	-	15,419	14,029
USAID	AIDFFPA1600008	98.007	World Vision International (WVI)	AIDFFPA1600008-CARE	Ethiopia	1,307,860	-	1,307,860	-
			Assistance Listing # 98.007 Food for Peace Development Assistance Program (DAP)			44,767,797	6,639,603	51,407,400	12,737,748
USAID	AIDFFPA1200009	98.008	Catholic Relief Services - United States	AIDFFPA1200009	Ethiopia	4,275,823	19,745,117	24,020,940	-
			Assistance Listing # 98.008 Food for Peace Emergency Program (EP)			4,275,823	19,745,117	24,020,940	-
			Total Foreign Food Aid Donation Cluster			49,043,620	26,384,719	75,428,339	12,737,748
USAID	AIDOAAA1600027	98.011	Global Env & Tech Foundation	AIDOAAA1600027	Ghana	48,279	-	48,279	-
			Assistance Listing # 98.011 Global Development Alliance			48,279	-	48,279	-
USAID	72038822FA00003	98.U01			Bangladesh	275	-	275	-
USAID	72044021C00001	98.U01	Deloitte Consulting LLP USAID	109224-1	Vietnam	118,720	-	118,720	62,645
USAID	72065622C00002	98.U01	Tetra Tech ARD	1108-CARE-001	United States of America	4,239	-	4,239	-
USAID	72065622GR00001	98.U01			Mozambique	72,935	-	72,935	-
USAID	72066821C00007	98.U01	Development Alternatives, Inc	1004715-S21-36946-00	South Sudan	48,499	-	48,499	-
USAID	72066821C00009	98.U01	DT GLOBAL, Inc.	2647.SUDN.1068.0001.01	South Sudan	94,652	-	94,652	-
			Assistance Listing # 98.U01			339,320	-	339,320	62,645
United States Agency for International Development Total						218,042,817	26,384,719	244,427,536	78,488,134
GRAND TOTAL						245,387,587	27,081,872	272,469,459	88,188,283

See accompanying notes to the Schedule of Expenditures of Federal Awards

CARE USA and Subsidiaries
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal expenditures of CARE USA under programs of the federal government for the year ended June 30, 2022. Because the Schedule presents only a selected portion of the operations of CARE USA, it is not intended to and does not present the financial position, results of operations, or cash flows of CARE USA.

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

2. Summary of Significant Accounting Policies

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

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

For the year ended June 30, 2022 the non-cash expenses provided to sub-recipients have been added to the Payments to Sub-recipients. The non-cash expense includes agricultural commodities and ocean freight.

3. Indirect Cost Rate

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Cooperative for Assistance and Relief Everywhere, Inc. and subsidiaries (CARE USA), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young LLP

November 10, 2022



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

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

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cooperative for Assistance and Relief Everywhere USA's (CARE USA) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of CARE USA's major federal programs for the year ended June 30, 2022. CARE USA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CARE USA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CARE USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of CARE USA's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CARE USA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CARE USA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CARE USA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CARE USA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CARE USA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CARE USA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as follows:

Finding No.	Assistance Listing No.	Program (or Cluster) Name	Compliance Requirement
2022-001	98.007/98.008	Foreign Food Aid Donation Cluster	Reporting

Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on CARE USA’s response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. CARE USA’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Ernst + Young LLP

November 10, 2022

CARE USA
 Schedule of Findings and Questioned Costs
 for the Year Ended June 30, 2022

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

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

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

Identification of major federal program:

Assistance Listing numbers

- 19.519
- 98.007/90.008

Name of federal program or cluster

- USDS Overseas Refugee Assistance Program for Near East and South Asia
- USAID Foreign Food Aid Donation Cluster

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

\$ 3,000,000

Auditee qualified as low-risk auditee?

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

CARE USA
Schedule of Findings and Questioned Costs
for the Year Ended June 30, 2022

Section II—Financial Statement Findings

Findings: No matters were reported.

Section III—Federal Award Findings and Questioned Costs

Finding 2022-001 Reporting – Federal Funding Accountability and Transparency Act (FFATA)

Assistance Listing Number: 98.007/98.008

Program Name: USAID Foreign Food Aid Donation Cluster

Granting Agency: U.S. Agency for International Development (USAID)

Federal Award Identification number and Award Year: 72DFFP19CA00004 – 2019 - 2024

72DFFP20CA00007 – 2020-2025

Criteria: As per 2 CFR 200.170, direct recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). The subaward information should be reported no later than the end of the month following the month in which the obligation was made.

Condition: During our testing of the FFATA reporting compliance, we tested a sample of seven (7) FFATA reports that were submitted to FSRS and found that two (2) reports from our sample were not submitted within the required time frame.

Cause:

The information needed for FFATA reporting is provided by the implementing partner and Country Office to CARE USA's Shared Service Center (SSC) for submission. In these two instances, the information was not processed, and the reports were not prepared, on a timely basis.

Effect or potential effect: The delay in submission of the reports resulted in CARE USA not reporting the required information in FSRS within the required time frame; thereby resulting in noncompliance with the reporting requirements. Although the two reports were not submitted within the required time frame, we noted that upon their eventual submission, the information submitted was complete and accurate and met all other compliance requirements.

Questioned Costs: None.

CARE USA
Schedule of Findings and Questioned Costs
for the Year Ended June 30, 2022

Section III—Federal Award Findings and Questioned Costs (continued)

Context: Of the seven (7) FFATA reports tested, we noted delays in submission of two (2) reports.

Identification as a repeat finding, if applicable: Not applicable

Recommendation:

We recommend CARE USA continue to reinforce the importance of timely submission of required documents to all business units involved in the FFATA reporting process and continue to monitor the appropriate compliance with timely reporting.

Views of responsible officials:

This finding was first noted in the fiscal 2021 audit. Shortly thereafter, CARE USA designed and implemented a corrective action plan which was in place by February 2022. The two FFATA reports noted during the 2022 audit relate to the period before the corrective actions were taken.

These corrective actions included:

- CARE held refresher training and provided additional guidance to all business units involved with FFATA reporting.
- CARE implemented a preventative control to reduce future non-compliance, which includes working with partners to ensure information needed for FFATA reporting is provided prior to execution of the partner funding agreement (PFA) and inclusion of FFATA data collection during the award set up process.
- CARE established an escalation protocol to notify Country Directors of FFATA reporting non-compliance with a copy of the notification to relevant CARE senior management.
- CARE enhanced the monitoring controls of (i) first tier partner funding spending against obligation under USG awards to anticipate potential modifications, (ii) USG Awards spending and set up in the system, (iii) the completeness of USG Awards and PFA documents, and (iv) Shared Services Center in their monthly meetings with CARE country offices, will include a review of upcoming 1st tier subaward modifications for any obligation increases as these will trigger a FFATA reporting requirement.

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