THE CARTER CENTER, INC. AND SUBSIDIARY

Consolidated Financial Statements

August 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
The Carter Center, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Carter Center, Inc. and its subsidiary, which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of The Carter Center, Inc. and its subsidiary as of August 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(o) to the consolidated financial statements, in fiscal year 2019, The Carter Center, Inc. and its subsidiary adopted new accounting guidance, Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020 on our consideration of the Center'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 the Center'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 the Center's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
March 23, 2020

THE CARTER CENTER, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

August 31, 2019 and 2018

Assets		2019	2018
Cash and cash equivalents	$	45,791,190	23,285,493
Accounts receivable:			
Due from federal government		3,224,737	3,115,612
Other		953,055	601,888
Total accounts receivable		4,177,792	3,717,500
Contributions receivable, net (note 3)		3,163,448	16,739,344
Inventory (notes 4, 9, and 15)		7,558,523	9,146,650
Investments (notes 5 and 7)		790,258,610	768,788,615
Property, plant, and equipment, net (note 6)		4,591,071	4,984,595
Artwork		2,425,415	2,418,665
Other assets		37,501	235,603
Total assets	$	858,003,550	829,316,465
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	7,643,038	6,868,587
Deferred revenue		2,046,809	2,363,257
Annuity obligations (note 7)		5,321,752	5,536,036
Total liabilities		15,011,599	14,767,880
Net assets (note 11):			
Without donor restrictions		300,681,066	281,801,620
With donor restrictions		542,310,885	532,746,965
Total net assets		842,991,951	814,548,585
Commitments and contingencies (notes 7, 8, and 16)			
Total liabilities and net assets	$	858,003,550	829,316,465

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year ended August 31, 2019
(with comparative totals for 2018)

	Without donor restrictions	With donor restrictions	Totals 2019	Totals 2018
Revenue and support:				
Contributions and grants:				
Operating	$ 34,347,587	—	34,347,587	34,184,226
Programs:				
Health	17,600,101	25,972,990	43,573,091	44,908,711
Peace	13,445,087	3,804,510	17,249,597	14,693,259
Cross-program	—	142,297	142,297	144,300
Time restricted	—	—	—	91,500
In-kind gifts (note 9):				
Health	—	116,066,345	116,066,345	253,590,984
Peace	—	—	—	811,000
Operating	83,419	—	83,419	268,254
Endowment	—	139,675	139,675	4,989,288
Total contributions and grants	65,476,194	146,125,817	211,602,011	353,681,522
Endowment fund earnings	12,142,782	21,031,371	33,174,153	31,174,127
Appreciation of endowment investments, net	7,398,735	12,467,879	19,866,614	27,367,498
Facilities use income	354,675	—	354,675	381,359
Interest and investment income	99,466	10,492	109,958	62,754
Net assets released from restrictions:				
Health	166,220,706	(166,220,706)	—	—
Peace	3,547,658	(3,547,658)	—	—
Cross-program	197,333	(197,333)	—	—
Time restricted	105,942	(105,942)	—	—
Total revenue and support	255,543,491	9,563,920	265,107,411	412,667,260
Expenses:				
Program:				
Health	189,289,549	—	189,289,549	317,552,645
Peace	25,479,577	—	25,479,577	25,571,009
Cross-program	851,190	—	851,190	627,655
Fundraising	11,247,831	—	11,247,831	11,293,238
General and administrative	9,795,898	—	9,795,898	17,465,096
Total expenses	236,664,045	—	236,664,045	372,509,643
Change in net assets	18,879,446	9,563,920	28,443,366	40,157,617
Net assets at beginning of year	281,801,620	532,746,965	814,548,585	774,390,968
Net assets at end of year	$ 300,681,066	542,310,885	842,991,951	814,548,585

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year ended August 31, 2018

	Without donor restrictions	With donor restrictions	2018
Revenue and support:			
Contributions and grants:			
Operating	$ 34,184,226	—	34,184,226
Programs:			
Health	18,190,266	26,718,445	44,908,711
Peace	11,237,974	3,455,285	14,693,259
Cross-program	—	144,300	144,300
Time restricted	—	91,500	91,500
In-kind gifts (note 9):			
Health	—	253,590,984	253,590,984
Peace	—	811,000	811,000
Operating	268,254	—	268,254
Endowment	—	4,989,288	4,989,288
Total contributions and grants	63,880,720	289,800,802	353,681,522
Endowment fund earnings	11,572,741	19,601,386	31,174,127
Appreciation of endowment investments, net	10,226,973	17,140,525	27,367,498
Facilities use income	381,359	—	381,359
Interest and investment income	62,376	378	62,754
Net assets released from restrictions:			
Health	285,811,228	(285,811,228)	—
Peace	4,195,076	(4,195,076)	—
Cross-program	225,756	(225,756)	—
Time restricted	19,575	(19,575)	—
Total revenue and support	376,375,804	36,291,456	412,667,260
Expenses:			
Program:			
Health	317,552,645	—	317,552,645
Peace	25,571,009	—	25,571,009
Cross-program	627,655	—	627,655
Fundraising	11,293,238	—	11,293,238
General and administrative	17,465,096	—	17,465,096
Total expenses	372,509,643	—	372,509,643
Change in net assets	3,866,161	36,291,456	40,157,617
Net assets at beginning of year	277,935,459	496,455,509	774,390,968
Net assets at end of year	$ 281,801,620	532,746,965	814,548,585

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year ended August 31, 2019
(With comparative totals for 2018)

	Program expenses			Supporting expenses		Total	
	Health	Peace	Cross-program	Fundraising	General and administrative	2019	2018
Salaries and benefits	$ 20,316,655	10,029,546	280,644	4,762,063	5,466,058	40,854,966	38,609,476
Consulting	9,246,420	3,384,621	53,754	355,766	1,024,845	14,065,406	14,065,136
Communications	1,746,401	474,594	5,963	2,176,008	229,614	4,632,580	4,644,605
Services	607,145	483,268	7,154	1,505,427	489,469	3,092,463	3,943,917
Office and equipment	1,685,314	923,745	254,030	170,124	448,207	3,481,420	3,529,055
Vehicles	3,924,982	526,302	39	650	1,104	4,453,077	5,664,394
Travel/meetings	18,594,035	4,457,247	49,381	1,441,105	139,780	24,681,548	25,608,455
Interventions (note 2(k))	123,600,671	—	—	—	—	123,600,671	256,008,013
Bad debt expense (note 3)	—	—	—	—	—	—	8,150,033
Other	1,018,479	146,851	3,238	347,594	1,166,033	2,682,195	2,750,551
Grants	7,988,436	4,650,271	167,427	—	—	12,806,134	7,041,165
	188,728,538	25,076,445	821,630	10,758,737	8,965,110	234,350,460	370,014,800
Common area and depreciation	561,011	403,132	29,560	489,094	830,788	2,313,585	2,494,843
Total expenses	$ 189,289,549	25,479,577	851,190	11,247,831	9,795,898	236,664,045	372,509,643

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year ended August 31, 2018

	Program expenses			Supporting expenses		
	Health	Peace	Cross-program	Fundraising	General and administrative	Total
Salaries and benefits	$ 18,809,251	9,830,943	257,171	4,644,633	5,067,478	38,609,476
Consulting	9,011,301	3,626,742	70,341	345,571	1,011,181	14,065,136
Communications	1,860,733	499,370	6,129	2,054,764	223,609	4,644,605
Services	625,197	1,362,129	10,959	1,406,579	539,053	3,943,917
Office and equipment	1,869,248	1,104,477	2,011	164,639	388,680	3,529,055
Vehicles	5,044,097	617,491	46	1,035	1,725	5,664,394
Travel/meetings	17,742,640	5,872,580	75,555	1,750,236	167,444	25,608,455
Interventions (note 2(k))	256,008,013	—	—	—	—	256,008,013
Bad debt expense (note 3)	—	—	—	—	8,150,033	8,150,033
Other	876,585	426,864	6,882	400,400	1,039,820	2,750,551
Grants	5,105,309	1,760,856	175,000	—	—	7,041,165
	316,952,374	25,101,452	604,094	10,767,857	16,589,023	370,014,800
Common area and depreciation	600,271	469,557	23,561	525,381	876,073	2,494,843
Total expenses	$ 317,552,645	25,571,009	627,655	11,293,238	17,465,096	372,509,643

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended August 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	28,443,366	40,157,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		658,805	675,427
Bad debt expense		—	8,150,033
Appreciation of endowment investments, net		(19,866,614)	(27,367,498)
Appreciation of non-endowment investments, net		(32,033)	(116,677)
Donated artwork		(6,750)	(12,900)
Permanently restricted contributions		(139,675)	(4,989,288)
Net change in inventory balances due to noncash contributions and distributions		1,588,127	(2,614,482)
Changes in operating assets and liabilities:			
Accounts receivable		(460,292)	961,634
Contributions receivable, net of donor endowment		5,575,896	2,762,062
Other assets		198,102	41,901
Accounts payable and accrued expenses, deferred revenue, and annuity obligations		1,235,566	(6,731,101)
Net cash provided by operating activities		17,194,498	10,916,728
Cash flows from investing activities:			
Purchase of property and equipment, net of related payables		(320,488)	(913,368)
Endowment fund earnings		(33,174,153)	(31,174,127)
Purchase of investments		(8,248,304)	(3,958,837)
Sale of investments		39,604,823	12,452,568
Net cash used in investing activities		(2,138,122)	(23,593,764)
Cash flows from financing activities:			
Permanently restricted contributions, net		8,139,675	2,730,728
Payments on annuities and trusts		(690,354)	(693,046)
Net cash provided by financing activities		7,449,321	2,037,682
Net change in cash and cash equivalents		22,505,697	(10,639,354)
Cash and cash equivalents at beginning of year		23,285,493	33,924,847
Cash and cash equivalents at end of year	$	45,791,190	23,285,493

Supplemental disclosure:

Property, plant, and equipment additions totaling $0 and $55,207 were included in accounts payable and accrued expenses at August 31, 2019 and 2018, respectively.

See accompanying notes to consolidated financial statements.

(1) Organization and Operation

The Carter Center, Inc. (the Center), formerly known as Carter Presidential Library, Inc. and Carter Presidential Center, Inc., was organized on October 26, 1981 under the laws of the State of Georgia as a not-for-profit corporation to be operated exclusively for charitable and educational purposes.

The Center operates programmatically under two main action areas: Peace and Health. The Center also receives broad-based support deemed to be beneficial to all programs and categorized as Cross-program.

Initiatives in Peace include preventing and resolving conflict, protecting basic human rights, promoting rule of law, and monitoring elections in emerging democracies. The Health area strives to improve health in the United States and around the world. Initiatives include disease eradication and control and mental health reform. The Center operates field offices in various African, Asian, and Latin American countries, as needed, to fulfill its programmatic objectives.

The board of trustees (the Board) of the Center consists of President Carter and Mrs. Carter, the president of Emory University, 9 members appointed by Emory University's board of trustees, and 10 members appointed by President Carter and those trustees not appointed by Emory University's board of trustees (Carter Center class of the Center's trustees). Additionally, Emory University's board of trustees has the authority to approve amendments to the Center's articles of incorporation and bylaws. Carter Center of Emory University (CCEU) (an affiliate of CCI) is a department of Emory University that was established to assist with the operations of the Center's programs. The financial data for CCEU is not included in these consolidated financial statements as it is considered part of the Emory University reporting entity.

(2) Summary of Significant Accounting Policies and Other Matters

(a) Basis of Accounting

The consolidated financial statements of the Center have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

(b) Principles of Consolidation

The consolidated financial statements of the Center include the activity of The Carter Center Collaborative, Inc. (CCCI), an affiliated tax-exempt not-for-profit corporation that supports the Center's mission through receipt of in-kind goods and services. All significant intercompany transactions are eliminated on consolidation.

(c) Basis of Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

(d) Cash and Cash Equivalents

The Center's cash and cash equivalents represent liquid financial instruments with an original maturity of three months or less that are not invested as part of the investment assets. These amounts, carried at cost, approximate fair value.

(e) Contributions

Contributions received, including unconditional promises to give, are recognized as revenue when assets or a donor's unconditional commitment is received.

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 the present value of their estimated future cash flows. Unconditional promises to give are discounted using interest rates approximating fair value at the date of the gift. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions are considered to be available for use without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

(f) In-Kind Gifts

Donated materials and equipment, primarily medical supplies, are reflected in the consolidated statements of activities as contributions at their estimated fair values. Donated services are reflected as contributions if the following criteria are met: (1) the services received create or enhance nonfinancial assets or (2) the services require specialized skills are provided by individuals possessing those skills, and would be purchased if not provided by donation. Donated services are recognized at fair value as the services are performed.

(g) Inventory

Inventory primarily consists of Mectizan tablets, which are used to treat onchocerciasis (river blindness), and Zithromax tablets and syrup, which are used for trachoma control. Inventory is received as an in-kind donation and is valued using the first in, first out method at fair value at the time of the gift. Values, as determined by the donor and independent third-party pricing information, are utilized in management's fair value estimate.

(h) Investments

Investments in the pooled investment fund (the Fund) (note 5) are stated at fair value as determined by the manager, Emory University. Emory University's pooled investments in securities and listed funds are valued using quoted prices in active markets, if available; otherwise, if the market is inactive, fair value is determined by Emory University in accordance with its valuation policy.

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Investments in alternative investment fund structures held in the Fund are valued by Emory University using the net asset value (NAV) per share of the investment (or its equivalent), as a practical expedient, if (a) the underlying investment manager's calculation of NAV is fair value based, and (b) Emory University does not currently have plans to sell the investment for an amount different from NAV.

All other investments are stated at fair value based on quoted market prices. Investment return, including net realized and unrealized gains or losses, is recognized when earned and reported in the consolidated statement of activities.

The values of the investments in the pooled endowment fund determined by Emory University are evaluated by management of the Center who has concluded that such values are reasonable estimates of fair value at August 31, 2019 and 2018.

Investments are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the Center's consolidated financial statements.

The Fund may hold investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates. This can have an effect on the reported value of these assets.

The Fund's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk that the issuer of a debt security may be unable to pay interest or repay principal when it is due.

The value of securities held by the Fund may decline in response to certain economic events. Such events impacting valuation may include (but are not be limited to) economic changes; market fluctuations; regulatory changes; global and political instability; and currency, interest rate, and commodity price fluctuations.

(i) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or at fair value at the date of donation, in the case of gifts. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

(j) Artwork

The Center has capitalized works of art and collectibles received since its inception at the estimated fair value at the date of acquisition. Works of art with service potential that diminishes very slowly over time are not subject to depreciation.

(k) Functional Allocation of Expenses

The costs of providing the Center's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Intervention expenses included within the Center's health program service comprise the distribution of donated medications, primarily Mectizan and Zithromax, as well as filter cloth distribution, epidemiological surveys, and health education training and material. Expenses attributable to more than one functional expense category and the basis for allocation is as follows:

Expense	Allocation basis
Depreciation	Square footage
IT department	Estimates of time and costs of specific technology utilized

(l) Federal and Other Government Grants

Federal and other government grant revenue is recognized as revenue and support without donor restrictions to the extent that the Center incurs actual expenditures under program agreements with federal or other government agencies. Amounts recorded as accounts receivable due from the federal government are for program grant expenses incurred in advance of the reimbursement of funds. Funds received in advance of program grant expenses are recorded as deferred revenue in the consolidated statements of financial position.

For the years ended August 31, 2019 and 2018, the Center received 4,078,835 GBP ($5,191,352) and 893,843 GBP ($1,187,153), respectively, in support of the Center's project, Electoral Observation in the Democratic Republic of Congo from the United Kingdom Department for International Development (DFID). DFID also contributed 331,336 GBP ($424,010) and 333,196 GBP ($444,170) in support of Building Civil Society Capacity to Improve Industrial Mining Revenue Governance in the Democratic Republic of Congo for the years ended August 31, 2019 and 2018, respectively. Finally, DFID contributed 6,250,000 GBP ($7,908,053) and 2,226,205 GBP ($3,014,118) for the years ended August 31, 2019 and 2018, respectively, in support of Guinea Worm Eradication Program.

For the year ended August 31, 2019, Irish Aid contributed 200,000 Euros ($224,576) to support Advancing Women's Right of Access to Information in Liberia.

For the year ended August 31, 2018, Irish Aid contributed 130,000 Euros ($150,087) to support Empowering Women and Girls in Sub-Saharan Africa. Also, the Governance Facility, a Secretariat for donor funds from the United Kingdom, Denmark, and Switzerland, contributed $451,327 in support of Election Monitoring in Nepal during 2018.

(m) Tax Status

The Center has received a determination letter from the Internal Revenue Service (IRS) dated December 16, 1991, and CCCI has received a determination letter from the IRS dated March 22, 2007, each indicating recognition as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a) of the Code, is subject to federal income tax.

The Center applies Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 740, *Income Taxes* (ASC 740), which addresses the accounting for uncertainty in income tax positions. It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is currently no impact on the consolidated financial statements as a result of ASC 740.

(n) Use of Estimates

The preparation of the consolidated financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the fair value of inventory; fair values of investments without readily determinable fair value; and obligations under split-interest agreements. Actual results could differ from those estimates.

(o) Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for the Center for fiscal years beginning after December 15, 2018 (as amended in August 2015 by ASU No. 2015-14, *Deferral of Effective Date*). The Center has not yet completed its assessment of the impact of the new standard on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which clarifies whether grants (or similar transactions) should be accounted for as contributions or exchange transactions. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The Center has not yet determined the impact of the new standard on its current policies.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost, such as long-term debt. The Center has not yet determined the impact of the new standard on its current policies.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840, *Leases*. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for

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the Center's fiscal year beginning after December 15, 2019. The Center has not yet determined the impact of the new standard on its current policies.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Non-for-Profit Entities* (ASU 2016-14). ASU 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Center has adopted the provisions of ASU 2016-14 as of August 31, 2019 and applied the changes retrospectively. As a result of adopting this standard, certain prior year amounts have been reclassified.

Net asset reclassifications as of August 31, 2018 resulting from the adoption of ASU 2016-14 are as follows:

	ASU 2016-14 classifications	
	Without donor restrictions	With donor restrictions
Net asset classifications, as previously presented:		
Unrestricted net assets	$ 281,801,620	—
Temporarily restricted net assets	—	367,792,451
Permanently restricted net assets	—	164,954,514
	$ 281,801,620	532,746,965

In March 2019, the FASB issued ASU No. 2019-03, *Non-for-Profit Entities (Topic 958) – Updating the Definition of Collections* (ASU 2019-03). The amendments in ASU 2019-03 modify the definition of the term *collections* and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (i.e., removed from a collection). If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, the ASU requires that the collection holding entity disclose its definition of direct care. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2019. The Center has not yet determined the impact of the new standard on its current policies.

(3) Contributions Receivable

Contributions receivable consist of the following at August 31, 2019 and 2018:

		2019	2018
With donor restrictions:			
Endowment	$	199,323	8,199,323
Health		2,914,125	8,344,123
Cross-program		50,000	99,398
Time restricted		—	96,500
	$	3,163,448	16,739,344

The anticipated receipts of these receivables are as follows at August 31, 2019 and 2018:

		2019	2018
Less than one year	$	1,787,902	12,673,710
One to five years		1,400,000	4,150,000
More than five years		—	—
Less unamortized discount		(24,454)	(84,366)
	$	3,163,448	16,739,344

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. During fiscal year 2019, these contributions were discounted using interest rates approximating fair value at the date of the gift at rates ranging from 1.22% to 1.70%. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. In the opinion of the Center's management, all contributions receivable recorded at August 31, 2019 and 2018 are deemed fully collectible, with the exception of the following item.

The Center recorded a seven-year $10 million pledge for river blindness control in Nigeria in fiscal year 2015. An initial payment of $1.4 million was made that same year. As of August 31, 2018, no subsequent payment had been received, and the Center's management deemed this pledge fully uncollectible. The remaining balance at present value of $8,150,033 was written off in fiscal year 2018. During fiscal year 2019, no pledges have been written off.

(4) Inventory

Inventory was comprised of Zithromax medication in the amount of $7,558,523 and $9,146,650 as of August 31, 2019 and 2018, respectively.

(5) Investments

The Center invests the majority of its investments in a pooled investment fund managed and held in trust by Emory University. The Center's investments also include assets invested for its charitable gift annuities and charitable remainder trusts. These investments are presented in the accompanying consolidated statements of financial position at their fair values.

	Fair value 2019	Fair value 2018
Pooled investments held at Emory University	$ 780,191,924	758,184,387
Cash and cash equivalents	60,468	89,066
Fixed-income securities:		
Domestic mutual funds	3,688,578	3,675,599
Equities:		
Domestic stocks	4,795,497	5,301,682
Domestic mutual funds	666,433	665,815
International mutual funds	855,710	872,066
	$ 790,258,610	768,788,615

As of August 31, 2019 and 2018, respectively, the Center's investment in the pooled investment fund totaled $780,191,924 and $758,184,387, representing approximately 11.0% and 10.9% of the pool at each of these dates. The composition of total pooled investments held at Emory University is as follows (in thousands):

	2019	2018
Short-term investments and cash equivalents	$ 154,842	214,645
Public equity	2,981,734	2,815,109
Absolute return/fixed income	1,456,245	1,658,539
Private equity/venture capital	1,786,839	1,504,784
Real assets	727,957	737,395
Derivative instruments	16,394	(2,133)
	$ 7,124,011	6,928,339

During the year ended August 31, 2019, Emory University revised its investment classifications presented above to align more closely with its recently updated investment policy statement and internal reporting. Global equity securities and commingled funds – equity, as well as alternative investments pursuing such strategies, have been recategorized as public equity. Investments in fixed-income securities and commingled funds – fixed income, along with alternative investments pursuing similar credit or opportunistic strategies, have been recategorized as absolute return/fixed income. Private markets, as well as investments in private securities, have been recategorized as private equity/venture capital, and natural resources and real estate partnerships have been recategorized as real assets. Prior year comparative amounts have been reclassified to conform to the current year's presentation.

Emory University is subject to limitations and restrictions on its ability to redeem or sell certain of the investments included in its pooled investment fund. Such restrictions vary by investment type and range from required notice periods (generally 30 to 180 days after initial lockup periods) to specified terms at inception (generally 10 years). While there are no stated limits relative to the Center's withdrawals of its investment in Emory University's pooled investment fund, the timing and availability of future redemptions may be impacted by these restrictions.

(6) Property, Plant, and Equipment

The components of property, plant, and equipment at August 31, 2019 and 2018 are as follows:

	2019	2018	Estimated useful lives
Land	$ 636,732	636,732	N/A
Buildings	17,580,412	17,486,579	30 years
Building improvements	2,235,406	2,374,281	15 years
Grounds and land improvements	221,262	220,062	10 years
Furniture and fixtures	931,141	1,070,336	10 years
Office equipment	403,376	454,075	5 years
Computer equipment	154,464	217,180	3 years
	22,162,793	22,459,245	
Less accumulated depreciation	(17,571,722)	(17,474,650)	
	$ 4,591,071	4,984,595	

Depreciation expense totaled $658,805 and $675,427 during 2019 and 2018, respectively.

(7) Split-Interest Agreements

The Center is a beneficiary under several types of split-interest agreements, primarily charitable gift annuities. Under these agreements, the Center acts as trustee of assets received from donors and remits to the donor or other designee a fixed amount for a specified period of time, normally until the death of the donor or other designee. Assets related to charitable gift annuities are recorded at their fair values when received, and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donor or other designee. At the time of the gift, the Center recognizes contribution revenue for the remainder interest in an amount equal to the difference between the fair value of the assets received and the annuity liability. Discount rates and actuarial assumptions used to determine the annuity liability are typically based on factors, such as applicable federal interest rates and life income beneficiary life expectancies, as determined by mortality tables published by the IRS. The changes in the value of these agreements are included in operating contributions and grants in the accompanying consolidated statements of activities.

Certain states have restrictions on investment allocations. Management of the Center believes it has complied with any known restrictions in states in which it has received charitable gifts subject to such restrictions.

The fair value of the assets related to split-interest agreements is included in investments in the accompanying consolidated statements of financial position and totaled $10,066,686 and $10,604,228 at August 31, 2019 and 2018, respectively. The annuity liability related to these agreements is $5,321,752 and $5,536,036 at August 31, 2019 and 2018, respectively. The net contribution (expense) revenue reported for split-interest agreements totaled $(104,249) and $617,238 during the years ended August 31, 2019 and 2018, respectively.

(8) Leases

The Center leases space to various entities under noncancelable operating leases with various terms. The Center leases to CCEU approximately 20% of the Center's space under a lease for a term of 99 years, with a rental payment of $1 per year. A business agreement with the Center's caterer has no annual rent; rather, the Center receives 5% to 10% of the tenant's gross revenue, as defined in such agreement. Rental income from these leases is included in facilities use income in the accompanying consolidated statements of activities.

(9) In-Kind Gifts

The components of in-kind gifts, donated goods, and services for the years ended August 31, 2019 and 2018 are as follows:

		2019	2018
Health:			
Medication	$	115,830,917	253,377,000
Other		235,428	213,984
		116,066,345	253,590,984
Peace:			
Software		—	811,000
Operating:			
Transportation		83,419	268,254
	$	116,149,764	254,670,238

Donations of medication were received primarily from two pharmaceutical companies during the years ended August 31, 2019 and 2018.

(10) Fair Value of Financial Instruments

The Center’s estimates of fair value for financial assets and liabilities are based on the framework established in ASC Topic 820, *Fair Value* Measurement. This framework is based on the inputs used in valuations and gives the highest priority to quoted prices in active markets and requires observable inputs to be used in the valuations when available. The disclosure of fair value estimates in the hierarchy described below is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Center’s significant market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable; examples include quoted prices in active markets of the underlying assets, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in an inactive market, or valuations based on models where significant inputs are observable or can be corroborated by observable market data.

Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities.

The fair value hierarchy requires the use of observable market data when available. As required by ASC Topic 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements.

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value at August 31, 2019 and 2018 were approximately $322,000 and $2,434,000, respectively, and are classified as Level 3 within the fair value hierarchy.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and deferred revenue approximates fair value because of the relative terms and short maturity of these financial instruments. The carrying value of annuity obligations approximates fair value and is based on the present value of the estimated future cash flows.

NAV was used as a practical expedient estimate of fair value relative to the Center’s interest in the Emory University pooled endowment fund. NAV, in many instances, may not equal fair value that would be determined pursuant to ASC Topic 820. There are no redemption restrictions on the Center with respect to its pooled investments held at Emory University. In accordance with ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) – a consensus of the Emerging Issues Task Force*, investments that are valued using the practical expedient, as described above, are labeled as NAV and are not categorized within the fair value hierarchy. The Center does not

(Continued)

hold any investments that would be categorized as Level 3 investments as of August 31, 2019 and 2018, respectively.

The following table summarizes the valuation of the Center's financial instruments, which are recorded at fair value by the ASC Topic 820 fair value hierarchy levels as of August 31, 2019:

	Level 1	NAV	Total
Assets:			
Cash and cash equivalents	$ 45,851,658	—	45,851,658
Fixed-income securities:			
Domestic mutual funds	3,688,578	—	3,688,578
Equities:			
Domestic stocks	4,795,497	—	4,795,497
Domestic mutual funds	666,433	—	666,433
International mutual funds	855,710	—	855,710
Interest in Emory University pooled endowment fund	—	780,191,924	780,191,924
Total	$ 55,857,876	780,191,924	836,049,800

The following table summarizes the valuation of the Center's financial instruments, which are recorded at fair value by the ASC Topic 820 fair value hierarchy levels as of August 31, 2018:

	Level 1	NAV	Total
Assets:			
Cash and cash equivalents	$ 23,374,559	—	23,374,559
Fixed-income securities:			
Domestic mutual funds	3,675,599	—	3,675,599
Equities:			
Domestic stocks	5,301,682	—	5,301,682
Domestic mutual funds	665,815	—	665,815
International mutual funds	872,066	—	872,066
Interest in Emory University pooled endowment fund	—	758,184,387	758,184,387
Total	$ 33,889,721	758,184,387	792,074,108

(Continued)

(11) Net Assets

(a) Net assets without donor restrictions

As of August 31, 2019 and 2018, net assets without donor restrictions are as follows:

	2019	2018
Undesignated	$ 21,068,899	7,344,655
Board-designated for:		
Endowment investment, subject to spending policy and appropriation	279,612,167	274,456,965
	$ 300,681,066	281,801,620

Net assets without donor restrictions include funds internally designated for endowment investment and program funding. These amounts are classified as net assets without donor restrictions due to the lack of explicit donor stipulations that restrict their use. Unrealized gains or losses on internally designated endowment funds are classified as changes in net assets without restrictions.

(b) Net assets with donor restrictions

As of August 31, 2019 and 2018, net assets with donor restrictions are available for the following purposes:

	2019	2018
Donor-restricted for specified purposes:		
Health	$ 17,127,208	33,539,522
Peace	1,574,857	817,717
Cross-program	831,628	861,270
	19,533,693	35,218,509
Donor-restricted endowments subject to spending policy and appropriation, to support the following purposes:		
Health	15,641,445	15,246,390
Peace	2,279,759	2,240,651
Cross-program	340,094	333,510
General activities	504,515,894	479,611,405
	522,777,192	497,431,956
Subject to passage of time	—	96,500
	$ 542,310,885	532,746,965

(12) Endowment Funds

The Center's endowment funds consist of individual donor-restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowment, are classified and reported based on the existence or absence of donor imposed restrictions.

(a) Interpretation of Relevant Law

The Center has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Georgia, as providing, among other things, expanded spending flexibility by allowing, subject to a standard of prudence, spending from an endowment without regard to the book value of the corpus of the fund. As a result of this interpretation, the Center classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policies of the Center.

The Center invests its endowment assets in a pooled investment fund managed by Emory University. The Board follows the investment return objectives and the spending policy, as directed and managed by Emory University's board of trustees, as set forth in more detail below.

(b) Return Objectives and Risk Parameters

The Center supports Emory University's investment and spending policies, the objective of which is to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this investment policy, as approved by Emory University's board of trustees, the endowment assets are invested within risk tolerances of Emory University to provide an expected total return in excess of spending and inflation over the long term.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term return objectives, the Center relies on Emory University's total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Emory University employs a diversified asset allocation strategy across public equity, absolute return/fixed income, private equity/venture capital, real assets, and derivative instruments to achieve its long-term return objectives within a prudent risk framework.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center follows Emory University's total return endowment spending policy that establishes the maximum amount of endowment investment return available to support current operating and capital needs. The Center considered the expected return on its endowment, including the effect of inflation in setting the annual appropriation amount. Accordingly, the Center expects the current spending policy to allow its endowment to maintain its purchasing power if projected growth rates are achieved. Additional real growth will be provided by new gifts and any excess investment return.

Endowment funds consist of the following as of August 31, 2019:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	522,777,192	522,777,192
Board-designated endowment funds		279,612,167	—	279,612,167
Total funds	$	279,612,167	522,777,192	802,389,359

Endowment funds consist of the following as of August 31, 2018:

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	497,431,956	497,431,956
Board-designated endowment funds		274,456,965	—	274,456,965
Total funds	$	274,456,965	497,431,956	771,888,921

There were no underwater endowment funds during the fiscal year ended August 31, 2019 or 2018.

Changes in endowment funds for the year ended August 31, 2019 are as follows:

		Without donor Restrictions	With donor Restrictions	Total
Endowment funds, August 31, 2018	$	274,456,965	497,431,956	771,888,921
Contributions		111,769	139,675	251,444
Investment return:				
Endowment fund earnings		12,142,782	21,031,371	33,174,153
Appreciation of endowment investments, net		7,398,735	12,467,879	19,866,614
Total investment return		19,541,517	33,499,250	53,040,767
Appropriation of endowment assets for expenditure		(14,498,084)	(8,293,689)	(22,791,773)
Endowment funds, August 31, 2019	$	279,612,167	522,777,192	802,389,359

Changes in endowment funds for the year ended August 31, 2018 are as follows:

		Without donor Restrictions	With donor Restrictions	Total
Endowment funds, August 31, 2017	$	262,969,343	456,653,741	719,623,084
Contributions		159,890	4,989,288	5,149,178
Investment return:				
Endowment fund earnings		11,572,741	19,601,386	31,174,127
Appreciation of endowment investments, net		10,226,973	17,140,525	27,367,498
Total investment return		21,799,714	36,741,911	58,541,625
Appropriation of endowment assets for expenditure		(10,471,982)	(952,984)	(11,424,966)
Endowment funds, August 31, 2018	$	274,456,965	497,431,956	771,888,921

(13) Liquidity and Availability of Financial Assets

The Center's financial assets available for general expenditure within one year of August 31, 2019 are as follows:

		2019
Total assets	$	858,003,550
Less:		
Net assets with donor restrictions for specified purpose, net of inventory		(11,975,170)
Donor-restricted and board-designated endowment funds		(802,389,359)
Inventory		(7,558,523)
Property and equipment		(4,591,071)
Artwork		(2,425,415)
Other assets		(37,501)
Deferred revenue		(2,046,809)
Annuity obligations		(5,321,752)
	$	21,657,950

The primary sources of liquidity for the Center are cash accounts at headquarters and in the field. The Center structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of unanticipated liquidity needs, the Center's board of trustees may turn to the portion of the Center's endowment classified as without donor restrictions for consideration.

(14) Related-Party Transactions

Emory University provides certain administrative functions to the Center, including, but not limited to, payroll administration, investment management, information technology, and legal services. The Center paid Emory University $622,980 and $607,428 during the years ended August 31, 2019 and 2018, respectively, for the provision of these services.

Emory University made unrestricted contributions to the Center of $740,064 and $715,730, respectively, during the years ended August 31, 2019 and 2018. In addition, CCEU made unrestricted contributions to CCI, primarily related to endowment earnings at CCEU, of $459,987 and $444,853 during the years ended August 31, 2019 and 2018, respectively.

The Center is currently affiliated with two separately incorporated organizations, Carter Centre U.K. and Carter Centre U.K. Foundation. On November 6, 2018, The Carter Centre U.K. and The Carter Centre U.K. Foundation were dissolved. The Carter Centre U.K. Foundation was also removed from the Central Register of Charities in the United Kingdom on November 21, 2018.

(15) The Carter Center Collaborative, Inc. (CCCI)

CCCI received donations of in-kind goods for the benefit of the Center totaling $115,830,917 and $253,377,000, respectively, during the years ended August 31, 2019 and 2018 that are included in the accompanying consolidated statements of activities. Expenses totaling $117,445,704 and $250,762,250 related to the use or grant of these donations are also included in the accompanying consolidated statements of activities for the years ended August 31, 2019 and 2018, respectively. Inventory related to these goods for CCCI totaled $7,558,523 and $9,146,650 as of August 31, 2019 and 2018, respectively, and is included in the accompanying consolidated statements of financial position.

(16) Commitments and Contingencies

Federal Financial Assistance

Federally funded programs are routinely subject to special audits that could result in claims against the resources of the Center. Management does not believe that there will be any claims arising from such audits that could have a material adverse effect on the financial position of the Center.

(17) Subsequent Events

The Center has evaluated subsequent events from the consolidated balance sheet date through March 23, 2020, the date at which the consolidated financial statements were available to be issued, and identified the following subsequent event:

Subsequent to fiscal year-end, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world and in the U.S. during the first quarter of 2020 has caused significant volatility in the global financial markets, including those in the U.S. There is continued uncertainty as to the breadth and duration of this pandemic and the resultant market disruption. The Center is currently unable to determine the impact on its operations and financial condition of potential adverse effects specific to the Center, including impacts to contributions and programming, and market-driven downward valuation of equity securities, among others. Management believes the Center's strong statement of financial position should lessen the eventual impact and allow the Center to weather any negative financial impact.