THE CARTER CENTER, INC.

Consolidated Financial Statements

August 31, 2016 and 2015

(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.:

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, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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. 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, 2016 and 2015, 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.

KPMG LLP

February 20, 2017

THE CARTER CENTER, INC.

Consolidated Statements of Financial Position

August 31, 2016 and 2015

Assets		2016	2015
Cash and cash equivalents	$	48,673,553	45,022,022
Accounts receivable:			
Due from federal government		4,512,313	3,586,976
Other		432,733	424,853
Total accounts receivable		4,945,046	4,011,829
Contributions receivable, net (note 3)		33,243,270	27,927,526
Inventory (notes 4, 9 and 14)		3,722,630	33,193,597
Investments (notes 5 and 7)		639,246,581	620,244,211
Property, plant, and equipment, net (note 6)		5,091,731	5,568,629
Artwork		2,312,165	2,303,965
Other assets		142,409	313,437
Total assets	$	737,377,385	738,585,216
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	7,917,004	5,535,005
Deferred revenue		8,000,880	2,259,163
Annuity obligations (note 7)		5,962,437	5,914,681
Total liabilities		21,880,321	13,708,849
Net assets (note 11):			
Unrestricted		253,747,507	249,989,646
Temporarily restricted		303,231,872	330,836,085
Permanently restricted		158,517,685	144,050,636
Total net assets		715,497,064	724,876,367
Commitments and contingencies (notes 7, 8, and 15)			
Total liabilities and net assets	$	737,377,385	738,585,216

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Activities

Year ended August 31, 2016
(with comparative totals for 2015)

		Temporarily	Permanently	Totals	
	Unrestricted	**restricted**	**restricted**	**2016**	**2015**
Revenue and support:					
Contributions and grants:					
Operating	$ 28,618,705	—	—	28,618,705	27,648,303
Programs:					
Health	14,156,648	31,154,418	—	45,311,066	74,253,725
Peace	8,957,596	2,164,471	—	11,122,067	13,748,868
Cross-program	—	309,323	—	309,323	166,854
Time-restricted	—	2,918,655	—	2,918,655	—
In-kind gifts (note 9):					
Health	—	202,777,551	—	202,777,551	255,987,704
Peace	199,414	707,155	—	906,569	707,155
Operating	125,000	—	—	125,000	262,720
Endowment	—	—	14,467,049	14,467,049	12,329,763
Total contributions and grants	52,057,363	240,031,573	14,467,049	306,555,985	385,105,092
Endowment fund earnings	10,162,336	16,666,422	—	26,828,758	24,100,743
Depreciation of endowment investments, net	(5,516,275)	(9,481,302)	—	(14,997,577)	(31,001,438)
Facilities use income	439,128	—	—	439,128	364,448
Interest and investment income	49,317	12,101	—	61,418	38,823
Net assets released from restrictions:					
Health	270,576,982	(270,576,982)	—	—	—
Peace	3,807,402	(3,807,402)	—	—	—
Cross-program	448,623	(448,623)	—	—	—
Total revenue and support	332,024,876	(27,604,213)	14,467,049	318,887,712	378,607,668
Expenses:					
Program:					
Health	290,372,147	—	—	290,372,147	295,006,191
Peace	18,658,137	—	—	18,658,137	19,073,833
Cross-program	746,220	—	—	746,220	582,348
Fundraising	10,007,910	—	—	10,007,910	9,793,486
General and administrative	8,482,601	—	—	8,482,601	7,362,536
Total expenses	328,267,015	—	—	328,267,015	331,818,394
Change in net assets	3,757,861	(27,604,213)	14,467,049	(9,379,303)	46,789,274
Net assets at beginning of year	249,989,646	330,836,085	144,050,636	724,876,367	678,087,093
Net assets at end of year	$ 253,747,507	303,231,872	158,517,685	715,497,064	724,876,367

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Activities

Year ended August 31, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Revenue and support:				
Contributions and grants:				
Operating	$ 27,648,303	—	—	27,648,303
Programs:				
Health	18,812,542	55,441,183	—	74,253,725
Peace	8,760,577	4,988,291	—	13,748,868
Cross-program	—	166,854	—	166,854
In-kind gifts (note 9):				
Health	—	255,987,704	—	255,987,704
Peace	—	707,155	—	707,155
Operating	262,720	—	—	262,720
Endowment	—	—	12,329,763	12,329,763
Total contributions and grants	55,484,142	317,291,187	12,329,763	385,105,092
Endowment fund earnings	9,275,829	14,824,914	—	24,100,743
Depreciation of endowment investments, net	(12,142,302)	(18,859,136)	—	(31,001,438)
Facilities use income	364,448	—	—	364,448
Interest and investment income	38,799	24	—	38,823
Net assets released from restrictions:				
Health	284,128,390	(284,128,390)	—	—
Peace	5,806,296	(5,806,296)	—	—
Cross-program	515,743	(515,743)	—	—
Operating	13,632	(13,632)	—	—
Total revenue and support	343,484,977	22,792,928	12,329,763	378,607,668
Expenses:				
Program:				
Health	295,006,191	—	—	295,006,191
Peace	19,073,833	—	—	19,073,833
Cross-program	582,348	—	—	582,348
Fundraising	9,793,486	—	—	9,793,486
General and administrative	7,362,536	—	—	7,362,536
Total expenses	331,818,394	—	—	331,818,394
Change in net assets	11,666,583	22,792,928	12,329,763	46,789,274
Net assets at beginning of year	238,323,063	308,043,157	131,720,873	678,087,093
Net assets at end of year	$ 249,989,646	330,836,085	144,050,636	724,876,367

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2016
(with comparative totals for 2015)

		Program expenses			Supporting expenses		Total	
		Health	Peace	Cross-program	Fundraising	General and administrative	2016	2015
Salaries and benefits	$	13,976,052	7,473,099	230,689	3,872,062	4,581,283	30,133,185	27,018,457
Consulting		5,057,871	2,320,060	73,449	362,341	596,450	8,410,171	8,983,709
Communications		1,979,367	394,159	6,852	2,074,688	271,882	4,726,948	4,149,026
Services		602,128	1,185,187	88,787	1,267,783	570,851	3,714,736	3,243,266
Office and equipment		1,831,487	988,195	2,179	150,712	283,862	3,256,435	2,599,972
Vehicles		6,065,078	681,915	30	609	1,054	6,748,686	5,381,832
Travel/meetings		15,599,056	3,892,837	85,506	1,287,148	71,311	20,935,858	19,064,007
Interventions (note 2(k))		238,122,423	—	—	—	—	238,122,423	248,066,773
Other		1,466,097	157,690	1,219	334,839	1,037,212	2,997,057	2,538,812
Grants		5,187,299	1,085,242	225,000	—	—	6,497,541	8,249,006
		289,886,858	18,178,384	713,711	9,350,182	7,413,905	325,543,040	329,294,860
Common area and depreciation		485,289	479,753	32,509	657,728	1,068,696	2,723,975	2,523,534
Total expenses	$	290,372,147	18,658,137	746,220	10,007,910	8,482,601	328,267,015	331,818,394

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2015

	Program expenses			Supporting expenses		
	Health	Peace	Cross-program	Fundraising	General and administrative	2015
Salaries and benefits	$ 12,211,018	6,833,228	220,837	3,659,546	4,093,828	27,018,457
Consulting	5,139,529	2,874,020	72,334	343,273	554,553	8,983,709
Communications	1,473,783	484,987	5,685	1,981,688	202,883	4,149,026
Services	550,276	1,081,064	22,342	1,316,125	273,459	3,243,266
Office and equipment	1,429,179	819,448	2,130	165,104	184,111	2,599,972
Vehicles	4,939,676	440,522	30	611	993	5,381,832
Travel/meetings	12,440,886	5,110,231	78,257	1,373,723	60,910	19,064,007
Interventions (note 2(k))	248,066,773	—	—	—	—	248,066,773
Other	1,038,298	154,069	617	344,086	1,001,742	2,538,812
Grants	7,254,446	844,560	150,000	—	—	8,249,006
	294,543,864	18,642,129	552,232	9,184,156	6,372,479	329,294,860
Common area and depreciation	462,327	431,704	30,116	609,330	990,057	2,523,534
Total expenses	$ 295,006,191	19,073,833	582,348	9,793,486	7,362,536	331,818,394

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statements of Cash Flows

Years ended August 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (9,379,303)	46,789,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	953,159	902,126
Depreciation of endowment investments, net	14,997,577	31,001,438
Donated artwork	(8,200)	(48,050)
Permanently restricted contributions	(14,467,049)	(12,329,763)
Net change in inventory balances due to noncash contributions and distributions	29,470,967	(11,547,418)
Changes in operating assets and liabilities:		
Accounts receivable	(933,217)	(1,740,990)
Contributions receivable, net of permanently restricted	(5,315,744)	(11,011,940)
Other assets	171,028	503
Accounts payable and accrued expenses, deferred revenue, and annuity obligations	8,128,305	(2,649,490)
Net cash provided by operating activities	23,617,523	39,365,690
Cash flows from investing activities:		
Purchase of property and equipment, net of related payables	(433,094)	(599,540)
Purchase of investments	(39,299,836)	(43,271,093)
Sale of investments	5,299,889	5,362,201
Net cash used in investing activities	(34,433,041)	(38,508,432)
Cash flows from financing activities:		
Permanently restricted contributions	14,467,049	12,329,763
Decrease in permanently restricted contributions receivable, net	—	10,000
Net cash provided by financing activities	14,467,049	12,339,763
Net change in cash and cash equivalents	3,651,531	13,197,021
Cash and cash equivalents at beginning of year	45,022,022	31,825,001
Cash and cash equivalents at end of year	$ 48,673,553	45,022,022

Supplemental disclosure:

Property, plant, and equipment additions totaling $43,167 and $92,082 were included in accounts payable and accrued expenses at August 31, 2016 and 2015, respectively.

See accompanying notes to consolidated financial statements.

(1) Organization and Operation

The Carter Center, Inc. (CCI), 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.

CCI operates programmatically under two main action areas: Peace and Health. CCI 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. CCI operates field offices in various African and Latin American countries as needed to fulfill its programmatic objectives.

The board of trustees of CCI 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 CCI trustees). Additionally, Emory University's board of trustees has the authority to approve amendments to CCI's articles of incorporation and bylaws and to approve the annual and capital budgets of CCI. Carter Center of Emory University (CCEU) (an affiliate of CCI) is a department of Emory University which was established to assist with the operations of CCI'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 CCI have been prepared on the accrual basis of accounting.

(b) Principles of Consolidation

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

(c) Basis of Presentation

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

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may or will be met either by actions of CCI and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that must be maintained permanently by CCI. Generally, the donors of these assets permit CCI to use all or part of the income earned on related investments for general or specific purposes.

(d) Cash and Cash Equivalents

CCI's cash equivalents represent liquid financial instruments with an original maturity of three months or less.

(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 unrestricted use 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 temporarily restricted or permanently restricted support that increases those net asset classes.

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 restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

(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 endowment fund and pooled cash management fund (see note 5) are stated at fair value as determined by the manager, Emory University. Emory University's pooled (the Fund) investments in securities include both U.S. and non U.S. equities and fixed income instruments. Fair value for these investments is measured based upon quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying managers and reviewed by Emory University after considering various sources of information. Due to variations in trading volumes and the lack of quoted market prices for fixed maturities, the fair value of fixed maturities is normally derived through recent reported trades for identical or similar securities, making adjustments through the financial reporting date based upon available market observable data described above.

Investments in funds primarily include investments in commingled equity and fixed income funds and other investments in funds (hedged strategies, private market investments, real estate partnerships and natural resources) and are reported at fair value as determined by Emory University in accordance with Emory University's valuation policies and procedures. Emory University has estimated the fair value of the majority of its investments in investment funds on the basis of 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) the NAV has been calculated by the fund manager as of August 31, Emory University' fiscal year end. If the reported NAV is not as of Emory University's fiscal year end date or is not fair value based, Emory University will adjust the NAV, if deemed necessary. If Emory University determines it is not practicable to calculate an adjusted NAV as of Emory University's fiscal year end date, the practical expedient will not be utilized and other valuation methodologies will be used. Typically, real estate partnerships and funds are valued based on appraisals of underlying properties held and conducted by third party appraisers retained by the general partner or investment manager. General partners of oil and gas partnerships also use third party appraisers to value properties.

All other investments are stated at fair value based on quoted market prices. Net realized and unrealized gains or losses on investments are reflected in the consolidated statements of activities.

The values of the investments in the pooled endowment fund and pooled cash management fund determined by Emory University are evaluated by management of CCI who has concluded that such values are reasonable estimates of fair value at August 31, 2016 and 2015.

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 CCI'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.

(Continued)

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 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 date of acquisition, or fair value at 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

CCI 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 CCI'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 CCI'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.

(l) Federal and Other Government Grants

Federal and other government grant revenue is recognized as unrestricted revenue and support to the extent that CCI 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 year ended August 31, 2016 and 2015, CCI received 1,000,000 NOK (114,157 USD) and 2,000,000 NOK (270,348 USD), respectively, from the Norwegian Ministry of Foreign Affairs in support of CCI's project International Election Observation Mission in Tunisia. Under two separate agreements from the United Kingdom Department for International Development (DFID), CCI also received 676,418 GBP (967,945 USD) and 279,759 GBP (401,791 USD) during the year ended August 31, 2016 in support of CCI's project Electoral Observation in the Democratic Republic of Congo and Building Civil Society Capacity to Improve Industrial Mining Revenue Governance in the Democratic Republic of Congo, respectively. CCI received 7,000,000 SEK ($827,195) and 5,000,000 SEK ($614,544) for the year ended August 31, 2016 from the Swedish International Development

Cooperation Agency in support of the Human Rights Defenders Protection and Capacity Building Program in the Democratic Republic of the Congo and to support related Youth Activities in the Democratic Republic of the Congo, respectively. Finally, during the year ended August 31, 2016, CCI received from the Swiss Confederation Federal Department of Foreign Affairs $103,149 for Extractive Industry Multi-stakeholder Dialogue in the Democratic Republic of Congo and $157,000 in support of Support for the Peace Process and Political Transition in Syria.

For the year ended August 31, 2015, CCI received 350,000 GBP (536,979 USD) from the United Kingdom Department for International Development (DFID) in support of CCI's project Election Observation in Mozambique. Under a separate agreement from DFID, for the year ended August 31, 2015, CCI received 81,482 GBP (124,589 USD), in support of CCI's project Mining Reform in the Democratic Republic of Congo.

(m) Tax Status

CCI 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.

CCI applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, 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 consolidated financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and 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 useful lives of property, plant, and equipment, carrying values of contributions receivable and other receivables, inventory, fair values of investments without readily determinable fair value, contributed items, obligations under split interest agreements, and various employment arrangements. Actual results could differ from those estimates.

(o) New Accounting Pronouncements

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. The new standard is effective for CCI for fiscal years beginning after December 31,

(Continued)

2018 (as amended in August 2015 by ASU No. 2015-14, *Deferral of Effective Date*). CCI has not yet completed its assessment of the impact of the new standard on its consolidated financial statements.

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. CCI 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). The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. 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. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. 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 all business entities for fiscal years beginning after December 15, 2019. CCI has not yet determined the impact of the new standard on its current policies for lessee accounting.

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. CCI has not yet determined the impact of the new standard on its current policies.

(3) Contributions Receivable

Contributions receivable consists of the following at August 31, 2016 and 2015:

		2016	2015
Temporarily restricted:			
Health	$	24,242,633	20,718,241
Peace		20,000	1,371,735
Cross-program		246,414	149,741
Time-restricted		2,918,655	—
Permanently restricted:			
Endowment		5,815,568	5,687,809
	$	33,243,270	27,927,526

The anticipated receipts of these receivables are as follows at August 31, 2016 and 2015:

		2016	2015
Less than one year	$	17,128,738	9,588,196
One to five years		11,088,228	11,926,727
More than five years		8,000,000	9,600,000
Less unamortized discount		(2,973,696)	(3,187,397)
	$	33,243,270	27,927,526

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor imposed restrictions on the contributions. Unconditional promises received during fiscal 2016 were discounted using interest rates approximating fair value at the date of the gift at rates ranging from 0.86% to 2.15%. In the opinion of CCI’s management, all contributions receivable recorded at August 31, 2016 and 2015 are deemed fully collectible.

(4) Inventory

Inventory at August 31, 2016 and 2015 is comprised of:

		2016	2015
Medication:			
Mectizan	$	2,966,400	908,228
Zithromax		695,430	30,205,369
Praziquantel		60,800	2,080,000
	$	3,722,630	33,193,597

(5) Investments

CCI invests the majority of its investments in a pooled investment fund managed by Emory University.

As of August 31, 2016 and 2015, respectively, CCI's investment in the pooled investment fund totaled $628,832,615 and $609,862,012, representing approximately 10.6% and 10.3% of the pool at each of these dates. The composition of all pooled investments held at Emory University is as follows (in thousands):

		2016	2015
Short-term investments and cash equivalents	$	301,320	228,725
Investments in securities:			
Global equity securities:			
U.S. equity securities		357,601	406,148
Non-U.S. equity securities		167,598	185,786
Fixed income securities:			
U.S. government securities		224,315	172,638
Domestic bonds and long-term notes		51,596	80,002
International bonds and long-term notes		8,556	33,685
Investments in private securities		14,765	—
Commingled funds – equity		552,448	579,169
Commingled funds – fixed income		287,285	254,261
Investments in funds:			
Hedged strategies		2,175,228	2,087,824
Private market investments		1,024,840	1,198,986
Real estate partnerships		326,398	240,735
Natural resources		457,034	455,584
Derivatives		192	10,278
	$	5,949,176	5,933,821

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 lock up periods) to specified terms at inception (generally 10 years). While there are no stated limits relative to CCI withdrawals of its investment in Emory University's pooled investment fund, the timing and availability of future redemptions may be impacted by these restrictions.

CCI'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 2016	Fair value 2015
Pooled investments held at Emory	$ 628,832,615	609,862,012
Cash and cash equivalents	166,732	128,913
Fixed income securities:		
Domestic mutual funds	3,695,646	5,317,805
Equities:		
Domestic stocks	5,004,053	3,887,878
Domestic mutual funds	540,729	97,588
International mutual funds	1,006,806	950,015
	$ 639,246,581	620,244,211

(6) Property, Plant, and Equipment

The components of property, plant, and equipment at August 31, 2016 and 2015 are as follows:

	2016	2015	Estimated useful lives
Land	$ 636,732	636,732	N/A
Buildings	17,216,712	17,216,712	30 years
Building improvements	2,205,562	2,128,050	15 years
Grounds and land improvements	194,658	207,117	10 years
Furniture and fixtures	759,444	732,045	10 years
Office equipment	438,255	302,510	5 years
Computer equipment	260,541	272,797	3 years
	21,711,904	21,495,963	
Less accumulated depreciation	(16,620,173)	(15,927,334)	
	$ 5,091,731	5,568,629	

Depreciation expense totaled $953,159 and $902,126 during 2016 and 2015, respectively.

(7) Split Interest Agreements

CCI is beneficiary under several types of split interest agreements, primarily charitable gift annuities. Under these agreements, CCI 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, CCI 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 CCI believes they have 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 $10,413,966 and $10,382,199 at August 31, 2016 and 2015, respectively. The annuity liability related to these agreements is $5,962,437 and $5,914,681 at August 31, 2016 and 2015, respectively. The net contribution revenue reported for split interest agreements totaled $55,873 and $28,283 during the years ended August 31, 2016 and 2015, respectively.

(8) Leases

CCI leases space to various entities under noncancelable operating leases with various terms. CCI leases to CCEU approximately 20% of CCI’s space under a lease for a term of 99 years with a rental payment of $1 per year. A business agreement with CCI’s caterer has no annual rent; rather, CCI 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, 2016 and 2015 are as follows:

	2016	2015
Health:		
Medication	$ 202,533,012	255,342,940
Other	244,539	644,764
	202,777,551	255,987,704
Peace:		
Vehicles	199,414	—
Web hosting	707,155	707,155
	906,569	707,155
Operating:		
Transportation	125,000	262,720
	$ 203,809,120	256,957,579

Donations of medication were received primarily from two pharmaceutical companies during the years ended August 31, 2016 and 2015.

(10) Fair Value of Financial Instruments

CCI's estimates of fair value for financial and nonfinancial 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 valuation 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 CCI'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, 2016 and 2015 were approximately $11,185,000 and $19,965,000, 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 CCI's interest in the Emory University pooled endowment fund. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to ASC Topic 820. There are no redemption restrictions on CCI with respect to its pooled investments held at Emory University. In accordance with ASU 2015 07, investments which are valued using the practical expedient as described above are labeled as NAV and are not categorized within the fair value hierarchy. CCI does not hold any investments that would be categorized as Level 3 investments as of August 31, 2016 and 2015, respectively.

The following table summarizes the valuation of CCI's financial instruments, which are recorded at fair value by the ASC Topic 820 fair value hierarchy levels as of August 31, 2016:

		Level 1	NAV	Total
Assets:				
Cash and cash equivalents	$	48,840,285	—	48,840,285
Fixed income securities:				
Domestic mutual funds		3,695,646	—	3,695,646
Equities:				
Domestic stocks		5,004,053	—	5,004,053
Domestic mutual funds		540,729	—	540,729
International mutual funds		1,006,806	—	1,006,806
Interest in Emory University pooled endowment fund		—	628,832,615	628,832,615
Total	$	59,087,519	628,832,615	687,920,134

The following table summarizes the valuation of CCI's financial instruments, which are recorded at fair value by the ASC Topic 820 fair value hierarchy levels as of August 31, 2015:

		Level 1	NAV	Total
Assets:				
Cash and cash equivalents	$	45,150,935	—	45,150,935
Fixed income securities:				
Domestic mutual funds		5,317,805	—	5,317,805
Equities:				
Domestic stocks		3,887,878	—	3,887,878
Domestic mutual funds		97,588	—	97,588
International mutual funds		950,015	—	950,015
Interest in Emory University pooled endowment fund		—	609,862,012	609,862,012
Total	$	55,404,221	609,862,012	665,266,233

(Continued)

(11) Net Assets

(a) Unrestricted

As of August 31, 2016 and 2015, unrestricted net assets are as follows:

		2016	2015
Undesignated	$	11,923,602	12,005,011
Designated for:			
Endowment investment		237,098,395	230,316,860
Program funds		4,225,510	7,167,775
Maintenance of property and equipment		500,000	500,000
	$	253,747,507	249,989,646

Unrestricted net assets include funds internally designated as additions for endowment investment and program funding. These amounts are classified as unrestricted net assets due to the lack of explicit donor stipulations that temporarily or permanently restrict their use. Unrealized gains or losses on internally designated endowment funds are classified as changes in unrestricted net assets.

(b) Temporarily Restricted

As of August 31, 2016 and 2015, temporarily restricted net assets are available for the following purposes:

		2016	2015
Health	$	43,411,636	80,039,731
Peace		1,482,709	2,418,485
Cross-program		1,327,893	1,193,492
Time-restricted endowment funds		254,090,979	247,184,375
Time-restricted contributions		2,918,655	—
	$	303,231,872	330,836,083

(c) Permanently Restricted

Permanently restricted net assets totaling $158,517,685 and $144,050,636 at August 31, 2016 and 2015, respectively, are required by donors to be invested in perpetuity, and the income from these assets is expendable to support activities of CCI.

(12) Endowment Funds

CCI's endowment funds consist of individual donor restricted endowment funds and funds designated by the board of trustees (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.

CCI applies the provisions of ASC Subtopic 958 205, *Presentation of Financial Statements*. ASC Subtopic 958 205 provides guidance on the net asset classification of donor restricted endowment funds for a not for profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and also requires enhanced disclosures about an organization's endowment funds, both donor restricted endowment funds and board designated endowment funds.

CCI has interpreted 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, CCI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CCI in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, CCI 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 CCI 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 CCI; and
- The investment policies of CCI.

CCI invests its endowment assets in a pooled investment fund managed by Emory University. CCI's 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.

(a) Return Objectives and Risk Parameters

CCI 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 the Emory University Board of Trustees, the endowment assets are invested in a manner to attain a real total return of at least 8% (including inflation) over the long term. Over shorter time periods, the endowment assets performance will be measured versus a policy benchmark. The policy benchmark represents the weighted average of benchmark returns to each asset class in the policy asset allocation.

The performance objective is to outperform the policy benchmark by at least 50 basis points, net of fees, on average. It is not expected that the performance target will be met for every three year period.

(b) Strategies Employed for Achieving Objectives

To satisfy its long term rate of return objectives, CCI 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 global equities, fixed income, marketable alternatives and private investment to achieve its long term return objectives within prudent risk constraints.

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

CCI 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 maximum distribution of endowment income in 2016 and 2015 was based on 4.75% of the average fair value of the endowment over the previous 12 months' ending value on December 31. CCI considered the expected return on its endowment, including the effect of inflation in setting the annual appropriation amount. Accordingly, CCI 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, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	254,090,979	158,517,685	412,608,664
Board-designated endowment funds	237,098,395	—	—	237,098,395
Total funds	$ 237,098,395	254,090,979	158,517,685	649,707,059

Endowment funds consist of the following as of August 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	247,184,375	144,050,636	391,235,011
Board-designated endowment funds	230,316,860	—	—	230,316,860
Total funds	$ 230,316,860	247,184,375	144,050,636	621,551,871

Changes in endowment funds for the year ended August 31, 2016 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds, August 31, 2015	$	230,316,860	247,184,375	144,050,636	621,551,871
Contributions		2,609,631	—	14,467,049	17,076,680
Investment return:					
Endowment fund earnings		10,162,336	16,666,422	—	26,828,758
Depreciation of endowment investments, net		(5,516,275)	(9,481,302)	—	(14,997,577)
Total investment return		4,646,061	7,185,120	—	11,831,181
Appropriation of endowment assets for expenditure		(474,157)	(278,516)	—	(752,673)
Endowment funds, August 31, 2016	$	237,098,395	254,090,979	158,517,685	649,707,059

Changes in endowment funds for the year ended August 31, 2015 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds, August 31, 2014	$	230,444,062	251,502,041	131,720,873	613,666,976
Contributions		3,178,889	—	12,329,763	15,508,652
Investment return:					
Endowment fund earnings		9,275,829	14,824,914	—	24,100,743
Depreciation of endowment investments, net		(12,142,302)	(18,859,136)	—	(31,001,438)
Total investment return		(2,866,473)	(4,034,222)	—	(6,900,695)
Appropriation of endowment assets for expenditure		(439,618)	(283,444)	—	(723,062)
Endowment funds, August 31, 2015	$	230,316,860	247,184,375	144,050,636	621,551,871

(13) Related Party Transactions

Emory University provides certain administrative functions to CCI, including, but not limited to, payroll administration, investment management, information technology, and legal services. CCI paid Emory University $569,792 and $554,604 during the years ended August 31, 2016 and 2015, respectively, for the provision of these services.

Emory University made unrestricted contributions to CCI of $690,980 and $660,782, respectively, during the years ended August 31, 2016 and 2015. In addition, CCEU made unrestricted contributions to CCI, primarily related to endowment earnings at CCEU, of $429,471 and $410,700 during the years ended August 31, 2016 and 2015, respectively.

CCI is currently affiliated with two separately incorporated organizations, Carter Center U.K. and Carter Center U.K. Foundation.

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

CCCI received donations of in kind goods for the benefit of CCI totaling $202,533,012 and $255,342,940, respectively, during the years ended August 31, 2016 and 2015 that are included in the accompanying consolidated statements of activities. Expenses totaling $233,443,979 and $243,795,522 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, 2016 and 2015, respectively. Inventory related to these goods for CCCI totaled $3,722,630 and $33,193,597 as of August 31, 2016 and 2015, respectively, and is included in the accompanying consolidated statements of financial position.

(15) Commitments and Contingencies

Federal Financial Assistance

Federally funded programs are routinely subject to special audits that could result in claims against the resources of CCI. 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 CCI.

(16) Subsequent Events

CCI evaluated events subsequent to August 31, 2016 and through February 20, 2017, the date on which the consolidated financial statements were issued and determined that all significant events and disclosures are included in the consolidated financial statements.