KPMG

THE CARTER CENTER, INC.

Consolidated Financial Statements

August 31, 2017 and 2016

(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, 2017 and 2016, 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, 2017 and 2016, 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

August 31, 2018

THE CARTER CENTER, INC.

Consolidated Statements of Financial Position

August 31, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	33,924,847	48,673,553
Accounts receivable:			
Due from federal government		4,180,826	4,512,313
Other		498,308	432,733
Total accounts receivable		4,679,134	4,945,046
Contributions receivable, net (note 3)		25,392,879	33,243,270
Inventory (notes 4, 9 and 14)		6,532,168	3,722,630
Investments (notes 5 and 7)		719,008,992	639,246,581
Property, plant, and equipment, net (note 6)		4,741,246	5,091,731
Artwork		2,405,765	2,312,165
Other assets		277,504	142,409
Total assets	$	796,962,535	737,377,385
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	7,554,024	7,917,004
Deferred revenue		9,224,116	8,000,880
Annuity obligations (note 7)		5,793,427	5,962,437
Total liabilities		22,571,567	21,880,321
Net assets (note 11):			
Unrestricted		277,935,459	253,747,507
Temporarily restricted		336,490,283	303,231,872
Permanently restricted		159,965,226	158,517,685
Total net assets		774,390,968	715,497,064
Commitments and contingencies (notes 7, 8, and 15)			
Total liabilities and net assets	$	796,962,535	737,377,385

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Activities

Year ended August 31, 2017
(with comparative totals for 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	Totals 2017	Totals 2016
Revenue and support:					
Contributions and grants:					
Operating	$ 29,672,832	—	—	29,672,832	28,618,705
Programs:					
Health	12,079,836	32,462,089	—	44,541,925	45,311,066
Peace	10,603,137	2,574,681	—	13,177,818	11,122,067
Cross-program	—	37,704	—	37,704	309,323
Time-restricted	—	—	—	—	2,918,655
In-kind gifts (note 9):					
Health	—	294,877,857	—	294,877,857	202,777,551
Peace	—	707,155	—	707,155	906,569
Operating	539,650	—	—	539,650	125,000
Endowment	—	—	1,447,541	1,447,541	14,467,049
Total contributions and grants	52,895,455	330,659,486	1,447,541	385,002,482	306,555,985
Endowment fund earnings	11,067,887	18,569,585	—	29,637,472	26,828,758
Appreciation (Depreciation) of endowment investments, net	14,709,048	25,017,248	—	39,726,296	(14,997,577)
Facilities use income	461,918	—	—	461,918	439,128
Interest and investment income	60,392	29,033	—	89,425	61,418
Net assets released from restrictions:					
Health	333,485,520	(333,485,520)	—	—	—
Peace	4,413,934	(4,413,934)	—	—	—
Cross-program	203,832	(203,832)	—	—	—
Time-restricted	2,913,655	(2,913,655)	—	—	—
Total revenue and support	420,211,641	33,258,411	1,447,541	454,917,593	318,887,712
Expenses:					
Program:					
Health	351,874,252	—	—	351,874,252	290,372,147
Peace	22,716,649	—	—	22,716,649	18,658,137
Cross-program	1,091,636	—	—	1,091,636	746,220
Fundraising	11,130,968	—	—	11,130,968	10,007,910
General and administrative	9,210,184	—	—	9,210,184	8,482,601
Total expenses	396,023,689	—	—	396,023,689	328,267,015
Change in net assets	24,187,952	33,258,411	1,447,541	58,893,904	(9,379,303)
Net assets at beginning of year	253,747,507	303,231,872	158,517,685	715,497,064	724,876,367
Net assets at end of year	$ 277,935,459	336,490,283	159,965,226	774,390,968	715,497,064

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Activities

Year ended August 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Revenue and support:				
Contributions and grants:				
Operating	$ 28,618,705	—	—	28,618,705
Programs:				
Health	14,156,648	31,154,418	—	45,311,066
Peace	8,957,596	2,164,471	—	11,122,067
Cross-program	—	309,323	—	309,323
Time-restricted	—	2,918,655	—	2,918,655
In-kind gifts (note 9):				
Health	—	202,777,551	—	202,777,551
Peace	199,414	707,155	—	906,569
Operating	125,000	—	—	125,000
Endowment	—	—	14,467,049	14,467,049
Total contributions and grants	52,057,363	240,031,573	14,467,049	306,555,985
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)
Facilities use income	439,128	—	—	439,128
Interest and investment income	49,317	12,101	—	61,418
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
Expenses:				
Program:				
Health	290,372,147	—	—	290,372,147
Peace	18,658,137	—	—	18,658,137
Cross-program	746,220	—	—	746,220
Fundraising	10,007,910	—	—	10,007,910
General and administrative	8,482,601	—	—	8,482,601
Total expenses	328,267,015	—	—	328,267,015
Change in net assets	3,757,861	(27,604,213)	14,467,049	(9,379,303)
Net assets at beginning of year	249,989,646	330,836,085	144,050,636	724,876,367
Net assets at end of year	$ 253,747,507	303,231,872	158,517,685	715,497,064

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2017
(with comparative totals for 2016)

	Program expenses			Supporting expenses		Total	
	Health	Peace	Cross-program	Fundraising	General and administrative	2017	2016
Salaries and benefits	$ 16,057,729	9,214,805	257,743	4,324,352	4,685,069	34,539,698	30,133,185
Consulting	6,801,985	2,920,829	46,089	363,314	1,290,995	11,423,212	8,410,171
Communications	1,560,620	460,239	6,693	1,981,199	234,950	4,243,701	4,726,948
Services	582,910	1,370,251	4,914	1,449,225	640,183	4,047,483	3,714,736
Office and equipment	2,389,557	910,011	411,912	168,249	308,932	4,188,661	3,256,435
Vehicles	3,286,013	427,583	29	536	862	3,715,023	6,748,686
Travel/meetings	17,467,285	5,045,480	118,525	1,675,378	147,353	24,454,021	20,935,858
Interventions (note 2(k))	295,273,772	—	—	—	—	295,273,772	238,122,423
Other	1,018,327	338,014	7,272	636,991	1,045,949	3,046,553	2,997,057
Grants	6,853,898	1,568,132	210,000	—	—	8,632,030	6,497,541
	351,292,096	22,255,344	1,063,177	10,599,244	8,354,293	393,564,154	325,543,040
Common area and depreciation	582,156	461,305	28,459	531,724	855,891	2,459,535	2,723,975
Total expenses	$ 351,874,252	22,716,649	1,091,636	11,130,968	9,210,184	396,023,689	328,267,015

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2016

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

See accompanying notes to consolidated financial statements.

THE CARTER CENTER, INC.

Consolidated Statements of Cash Flows

Years ended August 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	58,893,904	(9,379,303)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		686,614	953,159
(Appreciation) depreciation of endowment investments, net		(39,726,296)	14,997,577
Donated artwork		(93,600)	(8,200)
Permanently restricted contributions		(1,447,451)	(14,467,049)
Net change in inventory balances due to noncash contributions and distributions		(2,809,538)	29,470,967
Changes in operating assets and liabilities:			
Accounts receivable		265,912	(933,217)
Contributions receivable, net of permanently restricted		7,725,196	(5,315,744)
Other assets		(135,095)	171,028
Accounts payable and accrued expenses, deferred revenue, and annuity obligations		2,054,211	8,128,305
Net cash provided by operating activities		25,413,857	23,617,523
Cash flows from investing activities:			
Purchase of property and equipment, net of related payables		(329,497)	(433,094)
Purchase of investments		(47,193,524)	(39,299,836)
Sale of investments		6,472,611	5,299,889
Net cash used in investing activities		(41,050,410)	(34,433,041)
Cash flows from financing activities:			
Permanently restricted contributions		1,572,646	14,467,049
Annuity Payments		(684,799)	—
Net cash provided by financing activities		887,847	14,467,049
Net change in cash and cash equivalents		(14,748,706)	3,651,531
Cash and cash equivalents at beginning of year		48,673,553	45,022,022
Cash and cash equivalents at end of year	$	33,924,847	48,673,553

Supplemental disclosure:

Property, plant, and equipment additions totaling $49,799 and $43,167 were included in accounts payable and accrued expenses at August 31, 2017 and 2016, 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, Asian 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. 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 (see note 5) are stated at fair value as determined by the manager, Emory University. Emory University's pooled investments in securities (the Fund) 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 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, 2017 and 2016.

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.

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.

(Continued)

For the years ended August 31, 2017 and 2016, CCI received 666,241 GBP ($849,144) and 676,418 GBP ($967,945), respectively, in support of CCI's project Electoral Observation in the Democratic Republic of Congo from the United Kingdom Department for International Development (DFID). DIFD also contributed 238,341 GBP ($300,704) and 279,759 GBP ($401,791) 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, 2017 and 2016 respectively. In addition, the Norwegian Peacebuilding Resource Center contributed 600,000 NOK ($71,872) during 2017 in support of Syria Transition Planning.

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. 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. Finally, for the year ended August 31, 2016, CCI received 1,000,000 NOK ($114,157) from the Norwegian Ministry of Foreign Affairs in support of CCI's project International Election Observation Mission in Tunisia.

(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, fair value of 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) 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. The new standard is effective for CCI for fiscal years beginning after December 31, 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.

(Continued)

(3) Contributions Receivable

Contributions receivable consists of the following at August 31, 2017 and 2016:

		2017	2016
Temporarily restricted:			
Health	$	19,298,916	24,242,633
Peace		—	20,000
Cross-program		148,200	246,414
Time-restricted		5,000	2,918,655
Permanently restricted:			
Endowment		5,940,763	5,815,568
	$	25,392,879	33,243,270

The anticipated receipts of these receivables are as follows at August 31, 2017 and 2016:

		2017	2016
Less than one year	$	9,564,097	17,128,738
One to five years		10,672,388	11,088,228
More than five years		8,000,000	8,000,000
Less unamortized discount		(2,843,606)	(2,973,696)
	$	25,392,879	33,243,270

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 2017 were discounted using interest rates approximating fair value at the date of the gift at rates ranging from 0.95% to 1.68%. In the opinion of CCI's management, all contributions receivable recorded at August 31, 2017 and 2016 are deemed fully collectible.

(4) Inventory

Inventory at August 31, 2017 and 2016 is comprised of:

		2017	2016
Medication:			
Mectizan	$	1,278,748	2,966,400
Zithromax		5,253,420	695,430
Praziquantel		—	60,800
	$	6,532,168	3,722,630

(5) Investments

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

As of August 31, 2017 and 2016, respectively, CCI's investment in the pooled investment fund totaled $708,399,782 and $628,832,615, representing approximately 10.7% and 10.6% of the pool at each of these dates. The composition of said pooled investments held at Emory University is as follows (in thousands):

		2017	2016
Short-term investments and cash equivalents	$	403,569	301,320
Investments in securities:			
Global equity securities:			
U.S. equity securities		434,227	357,601
Non-U.S. equity securities		140,524	167,598
Fixed income securities:			
U.S. government securities		258,365	224,315
Domestic bonds and long-term notes		167,867	51,596
International bonds and long-term notes		51,507	8,556
Investments in private securities		16,287	14,765
Commingled funds – equity		639,331	552,448
Commingled funds – fixed income		209,155	287,285
Investments in funds:			
Hedged strategies		2,251,918	2,175,228
Private market investments		1,230,637	1,024,840
Real estate partnerships		281,339	326,398
Natural resources		518,985	457,034
Derivatives		(10,644)	192
	$	6,593,067	5,949,176

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 2017	Fair value 2016
Pooled investments held at Emory	$ 708,399,782	628,832,615
Cash and cash equivalents	587,126	166,732
Fixed income securities:		
Domestic mutual funds	3,560,388	3,695,646
Equities:		
Domestic stocks	4,876,150	5,004,053
Domestic mutual funds	675,687	540,729
International mutual funds	909,859	1,006,806
	$ 719,008,992	639,246,581

(6) Property, Plant, and Equipment

The components of property, plant, and equipment at August 31, 2017 and 2016 are as follows:

	2017	2016	Estimated useful lives
Land	$ 636,732	636,732	N/A
Buildings	17,216,712	17,216,712	30 years
Building improvements	2,210,597	2,205,562	15 years
Grounds and land improvements	185,823	194,658	10 years
Furniture and fixtures	886,242	759,444	10 years
Office equipment	486,866	438,255	5 years
Computer equipment	232,795	260,541	3 years
	21,855,767	21,711,904	
Less accumulated depreciation	(17,114,521)	(16,620,173)	
	$ 4,741,246	5,091,731	

Depreciation expense totaled $686,614 and $953,159 during 2017 and 2016, 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 $10,609,210 and $10,413,966 at August 31, 2017 and 2016, respectively. The annuity liability related to these agreements is $5,793,427 and $5,962,437 at August 31, 2017 and 2016, respectively. The net contribution revenue reported for split interest agreements totaled $714,960 and $55,873 during the years ended August 31, 2017 and 2016, 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, 2017 and 2016 are as follows:

		2017	2016
Health:			
Medication	$	294,736,010	202,533,012
Other		141,847	244,539
		294,877,857	202,777,551
Peace:			
Vehicles		—	199,414
Web hosting		707,155	707,155
		707,155	906,569
Operating:			
Art		258,650	—
Transportation		281,000	125,000
		539,650	125,000
	$	296,124,662	203,809,120

Donations of medication were received primarily from two pharmaceutical companies during the years ended August 31, 2017 and 2016.

(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, 2017 and 2016 were approximately $4,686,000 and $11,185,000, 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, 2017 and 2016, 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, 2017:

	Level 1	NAV	Total
Assets:			
Cash and cash equivalents	$ 34,511,973	—	34,511,973
Fixed income securities:			
Domestic mutual funds	3,560,388	—	3,560,388
Equities:			
Domestic stocks	4,876,150	—	4,876,150
Domestic mutual funds	675,687	—	675,687
International mutual funds	909,859	—	909,859
Interest in Emory University pooled endowment fund	—	708,399,782	708,399,782
Total	$ 44,534,057	708,399,782	752,933,839

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

(11) Net Assets

(a) Unrestricted

As of August 31, 2017 and 2016, unrestricted net assets are as follows:

	2017	2016
Undesignated	$ 10,333,704	11,923,602
Designated for:		
Endowment investment	262,969,343	237,098,395
Program funds	4,132,412	4,225,510
Maintenance of property and equipment	500,000	500,000
	$ 277,935,459	253,747,507

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, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

		2017	2016
Health	$	38,245,413	43,411,636
Peace		626,186	1,482,709
Cross-program		925,169	1,327,893
Time-restricted endowment funds		296,688,515	254,090,979
Time-restricted contributions		5,000	2,918,655
	$	336,490,283	303,231,872

(c) Permanently Restricted

Permanently restricted net assets totaling $159,965,226 and $158,517,685 at August 31, 2017 and 2016, 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 2017 and 2016 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.

(Continued)

Endowment funds consist of the following as of August 31, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	296,688,515	159,965,226	456,653,741
Board-designated endowment funds	262,969,343	—	—	262,969,343
Total funds	$ 262,969,343	296,688,515	159,965,226	719,623,084

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

Changes in endowment funds for the year ended August 31, 2017 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds, August 31, 2016	$ 237,098,395	254,090,979	158,517,685	649,707,059
Contributions	583,572	—	1,447,541	2,031,113
Investment return:				
Endowment fund earnings	11,067,888	18,569,584	—	29,637,472
Appreciation of endowment investments, net	14,709,048	25,017,248	—	39,726,296
Total investment return	25,776,936	43,586,832	—	69,363,768
Appropriation of endowment assets for expenditure	(489,560)	(989,296)	—	(1,478,856)
Endowment funds, August 31, 2017	$ 262,969,343	296,688,515	159,965,226	719,623,084

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

(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 $589,740 and $569,792 during the years ended August 31, 2017 and 2016, respectively, for the provision of these services.

Emory University made unrestricted contributions to CCI of $713,091 and $690,980, respectively, during the years ended August 31, 2017 and 2016. In addition, CCEU made unrestricted contributions to CCI, primarily related to endowment earnings at CCEU, of $443,230 and $429,471 during the years ended August 31, 2017 and 2016, 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 $294,736,010 and $202,533,012, respectively, during the years ended August 31, 2017 and 2016 that are included in the accompanying consolidated statements of activities. Expenses totaling $290,486,472 and $233,443,979 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, 2017 and 2016, respectively. Inventory related to these goods for CCCI totaled $6,532,168 and $3,722,630 as of August 31, 2017 and 2016, respectively, and is included in the accompanying consolidated statements of financial position.

(Continued)

(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, 2017 and through August 31, 2018, 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.