THE CARTER CENTER, INC.

Consolidated Financial Statements

August 31, 2018 and 2017

(With Independent Auditors’ Report Thereon)
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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or 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, 2018 and 2017, 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

April 3, 2019
**THE CARTER CENTER, INC.**

Consolidated Statements of Financial Position

August 31, 2018 and 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 23,285,493</td>
<td>33,924,847</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from federal government</td>
<td>3,115,612</td>
<td>4,180,826</td>
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<tr>
<td>Other</td>
<td>601,888</td>
<td>498,308</td>
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<tr>
<td>Total accounts receivable</td>
<td>3,717,500</td>
<td>4,679,134</td>
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<tr>
<td>Contributions receivable, net (note 3)</td>
<td>16,739,344</td>
<td>25,392,879</td>
</tr>
<tr>
<td>Inventory (notes 4, 9, and 14)</td>
<td>9,146,650</td>
<td>6,532,168</td>
</tr>
<tr>
<td>Investments (notes 5 and 7)</td>
<td>768,788,615</td>
<td>719,008,992</td>
</tr>
<tr>
<td>Property, plant, and equipment, net (note 6)</td>
<td>4,984,595</td>
<td>4,741,246</td>
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<tr>
<td>Artwork</td>
<td>2,418,665</td>
<td>2,405,765</td>
</tr>
<tr>
<td>Other assets</td>
<td>235,603</td>
<td>277,504</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 829,316,465</td>
<td>796,962,535</td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 6,686,587</td>
<td>7,554,024</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,363,257</td>
<td>9,224,116</td>
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<tr>
<td>Annuity obligations (note 7)</td>
<td>5,536,036</td>
<td>5,793,427</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>14,767,880</td>
<td>22,571,567</td>
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</tbody>
</table>

Net assets (note 11):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>281,801,620</td>
<td>277,935,459</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>367,792,451</td>
<td>336,490,283</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>164,954,514</td>
<td>159,965,226</td>
</tr>
<tr>
<td>Total net assets</td>
<td>814,548,585</td>
<td>774,390,968</td>
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</table>

Commitments and contingencies (notes 7, 8, and 15)

| Total liabilities and net assets | $ 829,316,465 | 796,962,535 |

See accompanying notes to consolidated financial statements.
THE CARTER CENTER, INC.
Consolidated Statement of Activities
Year ended August 31, 2018
(with comparative totals for 2017)

Revenue and support:
Contributions and grants:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Totals 2018</th>
<th>Totals 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>$ 34,184,226</td>
<td>—</td>
<td>—</td>
<td>34,184,226</td>
<td>29,672,832</td>
</tr>
<tr>
<td>Programs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>18,190,266</td>
<td>26,718,445</td>
<td>—</td>
<td>44,908,711</td>
<td>44,541,925</td>
</tr>
<tr>
<td>Peace</td>
<td>11,237,974</td>
<td>3,455,285</td>
<td>—</td>
<td>14,693,259</td>
<td>13,177,818</td>
</tr>
<tr>
<td>Cross-program</td>
<td>—</td>
<td>144,300</td>
<td>—</td>
<td>144,300</td>
<td>37,704</td>
</tr>
<tr>
<td>Time restricted</td>
<td>—</td>
<td>91,500</td>
<td>—</td>
<td>91,500</td>
<td>—</td>
</tr>
<tr>
<td>In-kind gifts (note 9):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>—</td>
<td>253,590,984</td>
<td>—</td>
<td>253,590,984</td>
<td>294,877,857</td>
</tr>
<tr>
<td>Peace</td>
<td>—</td>
<td>811,000</td>
<td>—</td>
<td>811,000</td>
<td>707,155</td>
</tr>
<tr>
<td>Operating</td>
<td>268,254</td>
<td>—</td>
<td>—</td>
<td>268,254</td>
<td>539,650</td>
</tr>
<tr>
<td>Endowment</td>
<td>—</td>
<td>—</td>
<td>4,989,288</td>
<td>4,989,288</td>
<td>1,447,541</td>
</tr>
<tr>
<td>Total</td>
<td>63,880,720</td>
<td>284,811,514</td>
<td>4,989,288</td>
<td>353,681,522</td>
<td>385,002,482</td>
</tr>
</tbody>
</table>

Endowment fund earnings 11,572,741 19,601,386 — 31,174,127 29,637,472
Appreciation of endowment investments, net 10,226,973 17,140,525 — 27,367,498 39,726,296
Facilities use income 381,359 — — 381,359 461,918
Interest and investment income 62,376 378 — 62,754 89,425
Net assets released from restrictions:
<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Totals 2018</th>
<th>Totals 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>285,811,228</td>
<td>(285,811,228)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Peace</td>
<td>4,195,076</td>
<td>(4,195,076)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cross-program</td>
<td>225,756</td>
<td>(225,756)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Time restricted</td>
<td>19,575</td>
<td>(19,575)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>376,375,804</td>
<td>31,302,168</td>
<td>4,989,288</td>
<td>412,667,260</td>
<td>454,917,593</td>
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</tbody>
</table>

Expenses:
Program:
<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Totals 2018</th>
<th>Totals 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>317,552,645</td>
<td>—</td>
<td>—</td>
<td>317,552,645</td>
<td>351,874,252</td>
</tr>
<tr>
<td>Peace</td>
<td>25,571,009</td>
<td>—</td>
<td>—</td>
<td>25,571,009</td>
<td>22,716,649</td>
</tr>
<tr>
<td>Cross-program</td>
<td>627,655</td>
<td>—</td>
<td>—</td>
<td>627,655</td>
<td>1,091,636</td>
</tr>
<tr>
<td>Fundraising</td>
<td>11,293,238</td>
<td>—</td>
<td>—</td>
<td>11,293,238</td>
<td>11,130,968</td>
</tr>
<tr>
<td>General and administrative</td>
<td>17,465,096</td>
<td>—</td>
<td>—</td>
<td>17,465,096</td>
<td>9,210,184</td>
</tr>
<tr>
<td>Total</td>
<td>372,509,643</td>
<td>—</td>
<td>—</td>
<td>372,509,643</td>
<td>396,023,689</td>
</tr>
</tbody>
</table>

Change in net assets 3,866,161 31,302,168 4,989,288 40,157,617 58,893,904

Net assets at beginning of year 277,935,459 336,490,283 159,965,226 774,390,968 715,497,064
Net assets at end of year $ 281,801,620 367,792,451 164,954,514 814,548,585 774,390,968

See accompanying notes to consolidated financial statements.
### Consolidated Statement of Activities

**Year ended August 31, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions and grants:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating</strong></td>
<td>$29,672,832</td>
<td></td>
<td></td>
<td>29,672,832</td>
</tr>
<tr>
<td><strong>Programs:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>12,079,836</td>
<td>32,462,089</td>
<td></td>
<td>44,541,925</td>
</tr>
<tr>
<td>Peace</td>
<td>10,603,137</td>
<td>2,574,681</td>
<td></td>
<td>13,177,818</td>
</tr>
<tr>
<td>Cross-program</td>
<td></td>
<td>37,704</td>
<td></td>
<td>37,704</td>
</tr>
<tr>
<td><strong>In-kind gifts (note 9):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td></td>
<td>294,877,857</td>
<td></td>
<td>294,877,857</td>
</tr>
<tr>
<td>Peace</td>
<td></td>
<td>707,155</td>
<td></td>
<td>707,155</td>
</tr>
<tr>
<td>Operating</td>
<td>539,650</td>
<td></td>
<td></td>
<td>539,650</td>
</tr>
<tr>
<td>Endowment</td>
<td></td>
<td></td>
<td>1,447,541</td>
<td>1,447,541</td>
</tr>
<tr>
<td><strong>Total contributions and grants</strong></td>
<td>52,895,455</td>
<td>330,659,486</td>
<td>1,447,541</td>
<td>385,002,482</td>
</tr>
<tr>
<td>Endowment fund earnings</td>
<td>11,067,887</td>
<td>18,569,585</td>
<td></td>
<td>29,637,472</td>
</tr>
<tr>
<td>Appreciation of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>endowment investments, net</td>
<td>14,709,048</td>
<td>25,017,248</td>
<td></td>
<td>39,726,296</td>
</tr>
<tr>
<td>Facilities use income</td>
<td>461,918</td>
<td></td>
<td></td>
<td>461,918</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>60,392</td>
<td>29,033</td>
<td></td>
<td>89,425</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>333,485,520</td>
<td>(333,485,520)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peace</td>
<td>4,413,934</td>
<td>(4,413,934)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-program</td>
<td>203,832</td>
<td>(203,832)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time restricted</td>
<td>2,913,655</td>
<td>(2,913,655)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td>420,211,641</td>
<td>33,258,411</td>
<td>1,447,541</td>
<td>454,917,593</td>
</tr>
</tbody>
</table>

| **Expenses:**             |              |                        |                        |              |
| Program                   |              |                        |                        |              |
| Health                    | 351,874,252  |                        |                        | 351,874,252  |
| Peace                     | 22,716,649   |                        |                        | 22,716,649   |
| Cross-program             | 1,091,636    |                        |                        | 1,091,636    |
| Fundraising               | 11,130,968   |                        |                        | 11,130,968   |
| General and administrative| 9,210,184    |                        |                        | 9,210,184    |
| **Total expenses**        | 396,023,689  |                        |                        | 396,023,689  |
| **Change in net assets**  | 24,187,952   | 33,258,411             | 1,447,541              | 58,893,904   |
| **Net assets at beginning of year** | 253,747,507  | 303,231,872            | 158,517,685            | 715,497,064  |
| **Net assets at end of year** | $277,935,459 | 336,490,283            | 159,965,226            | 774,390,968  |

See accompanying notes to consolidated financial statements.
### Program expenses

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

### Supporting expenses

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administrative</td>
<td>5,067,478</td>
<td>1,011,181</td>
</tr>
<tr>
<td>Total</td>
<td>38,609,476</td>
<td>14,065,136</td>
</tr>
<tr>
<td>Common area and depreciation</td>
<td>876,073</td>
<td>876,073</td>
</tr>
<tr>
<td>Total</td>
<td>372,509,643</td>
<td>396,023,689</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
THE CARTER CENTER, INC.
Consolidated Statement of Functional Expenses
Year ended August 31, 2017

<table>
<thead>
<tr>
<th>Program expenses</th>
<th>Health</th>
<th>Peace</th>
<th>Cross-program</th>
<th>Supporting expenses</th>
<th>General and administrative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>$16,057,729</td>
<td>9,214,805</td>
<td>257,743</td>
<td>4,324,352</td>
<td>4,685,069</td>
<td>34,539,698</td>
</tr>
<tr>
<td>Consulting</td>
<td>6,801,985</td>
<td>2,920,829</td>
<td>46,089</td>
<td>363,314</td>
<td>1,290,995</td>
<td>11,423,212</td>
</tr>
<tr>
<td>Communications</td>
<td>1,560,620</td>
<td>460,239</td>
<td>6,693</td>
<td>1,981,199</td>
<td>234,950</td>
<td>4,243,701</td>
</tr>
<tr>
<td>Services</td>
<td>582,910</td>
<td>1,370,251</td>
<td>4,914</td>
<td>1,449,225</td>
<td>640,183</td>
<td>4,047,483</td>
</tr>
<tr>
<td>Office and equipment</td>
<td>2,389,557</td>
<td>910,011</td>
<td>411,912</td>
<td>168,249</td>
<td>308,932</td>
<td>4,188,661</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3,286,013</td>
<td>427,583</td>
<td>29</td>
<td>536</td>
<td>862</td>
<td>3,715,023</td>
</tr>
<tr>
<td>Travel/meetings</td>
<td>17,467,285</td>
<td>5,045,480</td>
<td>118,525</td>
<td>1,675,378</td>
<td>147,353</td>
<td>24,454,021</td>
</tr>
<tr>
<td>Interventions (note 2(k))</td>
<td>295,273,772</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>295,273,772</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1,018,327</td>
<td>338,014</td>
<td>7,272</td>
<td>636,991</td>
<td>1,045,949</td>
<td>3,046,553</td>
</tr>
<tr>
<td>Grants</td>
<td>6,853,898</td>
<td>1,568,132</td>
<td>210,000</td>
<td>—</td>
<td>—</td>
<td>8,632,030</td>
</tr>
<tr>
<td></td>
<td>351,292,096</td>
<td>22,255,344</td>
<td>1,063,177</td>
<td>10,599,244</td>
<td>8,354,293</td>
<td>393,564,154</td>
</tr>
</tbody>
</table>

| Common area and depreciation | 582,156 | 461,305 | 28,459 | 531,724 | 855,891 | 2,459,535 |
| Total expenses | $351,874,252 | 22,716,649 | 1,091,636 | 11,130,968 | 9,210,184 | 396,023,689 |

See accompanying notes to consolidated financial statements.
THE CARTER CENTER, INC.

Consolidated Statements of Cash Flows
Years ended August 31, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$40,157,617</td>
<td>58,893,904</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>675,427</td>
<td>686,614</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>8,150,033</td>
<td>—</td>
</tr>
<tr>
<td>Appreciation of endowment investments, net</td>
<td>(27,367,498)</td>
<td>(39,726,296)</td>
</tr>
<tr>
<td>Appreciation of non-endowment investments, net</td>
<td>(116,677)</td>
<td>—</td>
</tr>
<tr>
<td>Donated artwork</td>
<td>(12,900)</td>
<td>(93,600)</td>
</tr>
<tr>
<td>Permanently restricted contributions</td>
<td>(4,989,288)</td>
<td>(1,447,451)</td>
</tr>
<tr>
<td>Net change in inventory balances due to noncash contributions and distributions</td>
<td>(2,614,482)</td>
<td>(2,809,538)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>961,634</td>
<td>265,912</td>
</tr>
<tr>
<td>Contributions receivable, net of permanently restricted</td>
<td>2,762,062</td>
<td>7,725,196</td>
</tr>
<tr>
<td>Other assets</td>
<td>41,901</td>
<td>(135,095)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses, deferred revenue, and annuity obligations</td>
<td>(6,731,101)</td>
<td>2,054,211</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>10,916,728</td>
<td>25,413,857</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment, net of related payables</td>
<td>(913,368)</td>
<td>(329,497)</td>
</tr>
<tr>
<td>Endowment fund earnings</td>
<td>(31,174,127)</td>
<td>(29,637,472)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(3,958,837)</td>
<td>(17,556,052)</td>
</tr>
<tr>
<td>Sale of investments</td>
<td>12,452,568</td>
<td>6,472,611</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(23,593,764)</td>
<td>(41,050,410)</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanently restricted contributions, net</td>
<td>2,730,728</td>
<td>1,572,646</td>
</tr>
<tr>
<td>Payments on annuities and trusts</td>
<td>(693,046)</td>
<td>(684,799)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>2,037,682</td>
<td>887,847</td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>(10,639,354)</td>
<td>(14,748,706)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>33,924,847</td>
<td>48,673,553</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>$23,285,493</td>
<td>33,924,847</td>
</tr>
</tbody>
</table>

Supplemental disclosure:
Property, plant, and equipment additions totaling $55,207 and $49,799 were included in accounts payable and accrued expenses at August 31, 2018 and 2017, 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 (the Board) 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 that 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 that supports CCI’s mission through receipt of in-kind goods and services. All significant intercompany transactions are eliminated on consolidation.

(c) Basis of Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of 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 non-financial 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 (the Fund) (note 5) are stated at fair value as determined by the manager, Emory University. Emory University's pooled 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, (b) the NAV has been calculated by the fund manager as of August 31, Emory University's fiscal year-end, and (c) Emory University does not currently have plans to sell the investment for an amount different from NAV. 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, 2018 and 2017.

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 are not be limited to) economic changes; market fluctuations; regulatory changes; global and political instability; and currency, interest rate, and commodity price fluctuations.

(i) **Property, Plant, and Equipment**

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

(j) **Artwork**

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 years ended August 31, 2018 and 2017, CCI received 893,843 GBP ($1,187,153) and 666,241 GBP ($849,144), respectively, in support of CCI’s project, Electoral Observation in the Democratic Republic of Congo from the United Kingdom Department for International Development (DFID). DFID also contributed 333,196 GBP ($444,170) and 238,341 GBP ($300,704) 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, 2018 and 2017, respectively. Finally, DFID contributed 2,226,205 GBP ($3,014,118) and 3,273,795 GBP ($4,223,905) for the years ended August 31, 2018 and 2017, respectively, in support of Guinea Worm Eradication Program.

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

In addition, for the year ended August 31, 2017, the Norwegian Peacebuilding Resource Center contributed 600,000 NOK ($71,872) in support of Syria Transition Planning.

(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 Topic 740, Income Taxes (ASC 740), which addresses the accounting for uncertainty in income tax positions. It also provides guidance on when tax positions are recognized in an entity’s financial statements and how the values of these positions are determined. There is currently no impact on the consolidated financial statements as a result of ASC 740.

(n) Use of Estimates

The preparation of the consolidated financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the 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; and obligations under split interest agreements. Actual results could differ from those estimates.
(o) Reclassifications

Certain amounts included in the accompanying 2017 consolidated statements of cash flows have been reclassified to conform with the 2018 presentation.

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

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Liabilities (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost, such as long-term debt. 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). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840, Leases. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for 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.
The Carter Center, Inc.

Notes to Consolidated Financial Statements
August 31, 2018 and 2017

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, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>$8,344,123</td>
<td>19,298,916</td>
</tr>
<tr>
<td>Cross-program</td>
<td>99,398</td>
<td>148,200</td>
</tr>
<tr>
<td>Time restricted</td>
<td>96,500</td>
<td>5,000</td>
</tr>
<tr>
<td>Permanently restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment</td>
<td>8,199,323</td>
<td>5,940,763</td>
</tr>
<tr>
<td></td>
<td>$16,739,344</td>
<td>25,392,879</td>
</tr>
</tbody>
</table>

The anticipated receipts of these receivables are as follows at August 31, 2018 and 2017:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>$12,673,710</td>
<td>9,564,097</td>
</tr>
<tr>
<td>One to five years</td>
<td>4,150,000</td>
<td>10,672,388</td>
</tr>
<tr>
<td>More than five years</td>
<td>—</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Less unamortized discount</td>
<td>(84,366)</td>
<td>(2,843,606)</td>
</tr>
<tr>
<td></td>
<td>$16,739,344</td>
<td>25,392,879</td>
</tr>
</tbody>
</table>

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. During fiscal year 2018, these contributions were discounted using interest rates approximating fair value at the date of the gift at rates ranging from 0.95% to 1.68%. Amortization of discounts is recorded as additional contribution revenue in accordance with donor imposed restrictions on the contributions. In the opinion of CCI’s management, all contributions receivable recorded at August 31, 2018 and 2017 are deemed fully collectible.
CCI recorded a seven-year, $10 million pledge for river blindness control in Nigeria in fiscal year 2015. An initial payment of $1.4 million was made that same year. No subsequent payment has been received, and CCI management has deemed this pledge fully uncollectible. The remaining balance at present value of $8,150,033 was written off in fiscal year 2018.

(4) Inventory

Inventory at August 31, 2018 and 2017 comprises:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medication:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zithromax</td>
<td>$9,146,650</td>
<td>5,253,420</td>
</tr>
<tr>
<td>Mectizan</td>
<td>—</td>
<td>1,278,748</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,146,650</strong></td>
<td><strong>6,532,168</strong></td>
</tr>
</tbody>
</table>

(5) Investments

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

<table>
<thead>
<tr>
<th></th>
<th>Fair value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Pooled investments held at Emory University</td>
<td>$758,184,387</td>
<td>708,399,782</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>89,066</td>
<td>587,126</td>
</tr>
<tr>
<td>Fixed-income securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic mutual funds</td>
<td>3,675,599</td>
<td>3,560,388</td>
</tr>
<tr>
<td>Equities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>5,301,682</td>
<td>4,876,150</td>
</tr>
<tr>
<td>Domestic mutual funds</td>
<td>665,815</td>
<td>675,687</td>
</tr>
<tr>
<td>International mutual funds</td>
<td>872,066</td>
<td>909,859</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>768,788,615</strong></td>
<td><strong>719,008,992</strong></td>
</tr>
</tbody>
</table>
As of August 31, 2018 and 2017, respectively, CCI’s investment in the pooled investment fund totaled $758,184,387 and $708,399,782, representing approximately 10.9% and 10.7% of the pool at each of these dates. The composition of said pooled investments held at Emory University is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term investments and cash equivalents</td>
<td>$214,645</td>
<td>403,569</td>
</tr>
<tr>
<td>Investments in securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global equity securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>356,606</td>
<td>434,227</td>
</tr>
<tr>
<td>Non-U.S. equity securities</td>
<td>200,452</td>
<td>140,524</td>
</tr>
<tr>
<td>Fixed-income securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government securities</td>
<td>383,147</td>
<td>258,365</td>
</tr>
<tr>
<td>Domestic bonds and long-term notes</td>
<td>224,716</td>
<td>167,867</td>
</tr>
<tr>
<td>International bonds and long-term notes</td>
<td>56,047</td>
<td>51,507</td>
</tr>
<tr>
<td>Investments in private securities</td>
<td>15,557</td>
<td>16,287</td>
</tr>
<tr>
<td>Commingled funds – equity</td>
<td>225,970</td>
<td>639,331</td>
</tr>
<tr>
<td>Commingled funds – fixed income</td>
<td>211,905</td>
<td>209,155</td>
</tr>
<tr>
<td>Investments in funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedged strategies</td>
<td>2,775,397</td>
<td>2,251,918</td>
</tr>
<tr>
<td>Private market investments</td>
<td>1,489,227</td>
<td>1,230,637</td>
</tr>
<tr>
<td>Real estate partnerships</td>
<td>278,917</td>
<td>281,339</td>
</tr>
<tr>
<td>Natural resources</td>
<td>497,886</td>
<td>518,985</td>
</tr>
<tr>
<td>Derivatives</td>
<td>(2,133)</td>
<td>(10,644)</td>
</tr>
<tr>
<td></td>
<td>$6,928,339</td>
<td>6,593,067</td>
</tr>
</tbody>
</table>

Emory University is subject to limitations and restrictions on its ability to redeem or sell certain of the investments included in its pooled investment fund. Such restrictions vary by investment type and range from required notice periods (generally 30 to 180 days after initial lockup periods) to specified terms at inception (generally 10 years). While there are no stated limits relative to 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.
(6) **Property, Plant, and Equipment**

The components of property, plant, and equipment at August 31, 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>2018</th>
<th>2017</th>
<th>Estimated useful lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$636,732</td>
<td>$636,732</td>
<td>N/A</td>
</tr>
<tr>
<td>Buildings</td>
<td>17,486,579</td>
<td>17,216,712</td>
<td>30 years</td>
</tr>
<tr>
<td>Building improvements</td>
<td>2,374,281</td>
<td>2,210,597</td>
<td>15 years</td>
</tr>
<tr>
<td>Grounds and land improvements</td>
<td>220,062</td>
<td>185,823</td>
<td>10 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,070,336</td>
<td>886,242</td>
<td>10 years</td>
</tr>
<tr>
<td>Office equipment</td>
<td>454,075</td>
<td>486,866</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>217,180</td>
<td>232,795</td>
<td>3 years</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$22,459,245</td>
<td>$21,855,767</td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(17,474,650)</td>
<td>(17,114,521)</td>
<td></td>
</tr>
<tr>
<td><strong>Net amount</strong></td>
<td>$4,984,595</td>
<td>$4,741,246</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation expense totaled $675,427 and $686,614 during 2018 and 2017, 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 it has complied with any known restrictions in states in which it has received charitable gifts subject to such restrictions.

The fair value of the assets related to split interest agreements is included in investments in the accompanying consolidated statements of financial position and totaled $10,604,228 and $10,609,210 at August 31, 2018 and 2017, respectively. The annuity liability related to these agreements is $5,536,036 and $5,793,427 at August 31, 2018 and 2017, respectively. The net contribution revenue reported for split interest agreements totaled $617,238 and $714,960 during the years ended August 31, 2018 and 2017, 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, 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health: Medication</td>
<td>$253,377,000</td>
<td>294,736,010</td>
</tr>
<tr>
<td>Other</td>
<td>213,984</td>
<td>141,847</td>
</tr>
<tr>
<td></td>
<td>253,590,984</td>
<td>294,877,857</td>
</tr>
<tr>
<td>Peace: Software</td>
<td>811,000</td>
<td>707,155</td>
</tr>
<tr>
<td></td>
<td>811,000</td>
<td>707,155</td>
</tr>
<tr>
<td>Operating: Art</td>
<td>—</td>
<td>258,650</td>
</tr>
<tr>
<td>Transportation</td>
<td>268,254</td>
<td>281,000</td>
</tr>
<tr>
<td></td>
<td>268,254</td>
<td>539,650</td>
</tr>
<tr>
<td></td>
<td>$254,670,238</td>
<td>296,124,662</td>
</tr>
</tbody>
</table>

Donations of medication were received primarily from two pharmaceutical companies during the years ended August 31, 2018 and 2017.

(10) Fair Value of Financial Instruments

CCI’s estimates of fair value for financial assets and liabilities are based on the framework established in ASC Topic 820, *Fair Value Measurement*. This framework is based on the inputs used in valuations and gives the highest priority to quoted prices in active markets and requires observable inputs to be used in the valuations when available. The disclosure of fair value estimates in the hierarchy described below is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect 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, 2018 and 2017 were approximately $2,434,000 and $4,686,000, 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. NAV, in many instances, may not equal fair value that would be determined 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 No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) – a consensus of the Emerging Issues Task Force, investments 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, 2018 and 2017, 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, 2018:

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

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:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>NAV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$34,511,973</td>
<td>—</td>
<td>34,511,973</td>
</tr>
<tr>
<td>Fixed-income securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic mutual funds</td>
<td>3,560,388</td>
<td>—</td>
<td>3,560,388</td>
</tr>
<tr>
<td>Equities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic stocks</td>
<td>4,876,150</td>
<td>—</td>
<td>4,876,150</td>
</tr>
<tr>
<td>Domestic mutual funds</td>
<td>675,687</td>
<td>—</td>
<td>675,687</td>
</tr>
<tr>
<td>International mutual funds</td>
<td>909,859</td>
<td>—</td>
<td>909,859</td>
</tr>
<tr>
<td>Interest in Emory University pooled endowment fund</td>
<td>—</td>
<td>708,399,782</td>
<td>708,399,782</td>
</tr>
<tr>
<td>Total</td>
<td>$44,534,057</td>
<td>708,399,782</td>
<td>752,933,839</td>
</tr>
</tbody>
</table>
(11) Net Assets

(a) Unrestricted

As of August 31, 2018 and 2017, unrestricted net assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undesignated</td>
<td>$ 2,682,230</td>
<td>10,333,704</td>
</tr>
<tr>
<td>Designated for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment investment</td>
<td>274,456,965</td>
<td>262,969,343</td>
</tr>
<tr>
<td>Program funds</td>
<td>4,662,425</td>
<td>4,132,412</td>
</tr>
<tr>
<td>Maintenance of property</td>
<td>—</td>
<td>500,000</td>
</tr>
<tr>
<td>and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$ 281,801,620</strong></td>
<td><strong>277,935,459</strong></td>
</tr>
</tbody>
</table>

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, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>$33,539,522</td>
<td>38,245,413</td>
</tr>
<tr>
<td>Peace</td>
<td>817,717</td>
<td>626,186</td>
</tr>
<tr>
<td>Cross-program</td>
<td>861,270</td>
<td>925,169</td>
</tr>
<tr>
<td>Time-restricted endowment funds</td>
<td>332,477,442</td>
<td>296,688,515</td>
</tr>
<tr>
<td>Time-restricted contributions</td>
<td>96,500</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td><strong>$ 367,792,451</strong></td>
<td><strong>336,490,283</strong></td>
</tr>
</tbody>
</table>

(c) Permanently Restricted

Permanently restricted net assets totaling $164,954,514 and $159,965,226 at August 31, 2018 and 2017, 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 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
- The investment policies of CCI.

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

**(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’s 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 investments 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. 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, 2018:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ —</td>
<td>332,477,442</td>
<td>164,954,514</td>
<td>497,431,956</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>274,456,965</td>
<td>—</td>
<td>—</td>
<td>274,456,965</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ 274,456,965</td>
<td>332,477,442</td>
<td>164,954,514</td>
<td>771,888,921</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ —</td>
<td>296,688,515</td>
<td>159,965,226</td>
<td>456,653,741</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>262,969,343</td>
<td>—</td>
<td>—</td>
<td>262,969,343</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ 262,969,343</td>
<td>296,688,515</td>
<td>159,965,226</td>
<td>719,623,084</td>
</tr>
</tbody>
</table>
Changes in endowment funds for the year ended August 31, 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment funds, August 31, 2017</td>
<td>$ 262,969,343</td>
<td>296,688,515</td>
<td>159,965,226</td>
<td>719,623,084</td>
</tr>
<tr>
<td>Contributions</td>
<td>159,890</td>
<td>—</td>
<td>4,989,288</td>
<td>5,149,178</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment fund earnings</td>
<td>11,572,741</td>
<td>19,601,386</td>
<td>—</td>
<td>31,174,127</td>
</tr>
<tr>
<td>Appreciation of endowment investments, net</td>
<td>10,226,973</td>
<td>17,140,525</td>
<td>—</td>
<td>27,367,498</td>
</tr>
<tr>
<td>Total investment return</td>
<td>21,799,714</td>
<td>36,741,911</td>
<td>—</td>
<td>58,541,625</td>
</tr>
<tr>
<td>Transfer to board-designated funds</td>
<td>19,575</td>
<td>(19,575)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>(10,491,557)</td>
<td>(933,409)</td>
<td>—</td>
<td>(11,424,966)</td>
</tr>
<tr>
<td>Endowment funds, August 31, 2018</td>
<td>$ 274,456,965</td>
<td>332,477,442</td>
<td>164,954,514</td>
<td>771,888,921</td>
</tr>
</tbody>
</table>

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

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

(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 $607,428 and $589,740 during the years ended August 31, 2018 and 2017, respectively, for the provision of these services.
Emory University made unrestricted contributions to CCI of $715,730 and $713,091, respectively, during the years ended August 31, 2018 and 2017. In addition, CCEU made unrestricted contributions to CCI, primarily related to endowment earnings at CCEU, of $444,853 and $443,230 during the years ended August 31, 2018 and 2017, respectively.

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

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

CCCI received donations of in-kind goods for the benefit of CCI totaling $253,377,000 and $294,736,010, respectively, during the years ended August 31, 2018 and 2017 that are included in the accompanying consolidated statements of activities. Expenses totaling $250,762,250 and $290,486,472 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, 2018 and 2017, respectively. Inventory related to these goods for CCCI totaled $9,146,650 and $6,532,168 as of August 31, 2018 and 2017, 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 has evaluated subsequent events from the consolidated balance sheet date through April 3, 2019, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.