



UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Financial Statements and Supplemental Schedules

June 30, 2011

(with summarized comparative information for fiscal 2010)

(With Independent Auditors' Report Thereon)

UNITED STATES FUND FOR UNICEF AND AFFILIATE

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
United States Fund for UNICEF and Affiliate:

We have audited the accompanying consolidated statement of financial position of the United States Fund for UNICEF and Affiliate (USF) as of June 30, 2011, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended. These consolidated financial statements are the responsibility of USF's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from USF's 2010 consolidated financial statements and, in our report dated October 14, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USF's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Fund for UNICEF and Affiliate as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating schedules of financial position and activities are presented for purposes of additional analysis, rather than to present the financial position and changes in net assets of the individual entities. Such information, which is not a required part of the basic consolidated financial statements, has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

KPMG LLP

October 13, 2011

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2011

(with summarized comparative information as of June 30, 2010)

Assets	2011	2010
Cash and cash equivalents	\$ 30,591,133	25,687,070
Investments (note 3)	25,607,067	20,637,222
Contributions receivable (note 4)	34,558,509	24,141,352
Prepaid expenses and other assets	1,099,745	828,756
Investments held for split-interest agreements (note 5)	6,269,994	5,644,134
Deferred bond acquisition costs	1,054,181	1,091,830
Property and equipment (note 7)	39,789,640	40,848,453
Total assets	\$ <u>138,970,269</u>	<u>118,878,817</u>
Liabilities and Net Assets		
Liabilities:		
Grants payable (note 6)	\$ 34,316,388	20,897,595
Accrued expenses and other liabilities	4,682,938	6,425,993
Liabilities under split-interest agreements (note 5)	3,657,945	3,654,925
Bonds payable (note 8)	42,230,000	42,885,000
Total liabilities	<u>84,887,271</u>	<u>73,863,513</u>
Net assets:		
Unrestricted	21,805,933	16,775,494
Temporarily restricted (note 11)	30,704,736	26,685,481
Permanently restricted (note 12)	1,572,329	1,554,329
Total net assets	<u>54,082,998</u>	<u>45,015,304</u>
Total liabilities and net assets	\$ <u>138,970,269</u>	<u>118,878,817</u>

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE
Consolidated Statement of Activities
Year ended June 30, 2011
(with summarized comparative information for the year ended June 30, 2010)

	2011			2010	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
Public support and revenue:					
Public support:					
Contributions:					
Corporate	\$ 20,629,760	487,601	—	21,117,361	28,383,133
Major gifts	18,762,322	3,701,312	—	22,463,634	22,233,500
Foundations	19,212,038	20,470,382	—	39,682,420	13,853,001
Nongovernmental organizations (NGO)	3,162,190	4,827,000	—	7,989,190	2,139,826
Direct marketing	32,376,259	—	—	32,376,259	41,754,667
Trick-or-treat program	3,798,091	—	—	3,798,091	6,455,120
Internet	19,145,332	—	—	19,145,332	32,536,673
Other	1,553,753	—	—	1,553,753	2,431,146
Gifts-in-kind	292,092,199	—	—	292,092,199	271,731,215
Special events income, net of expenses of \$1,129,882 in 2011 and \$1,344,902 in 2010	3,564,068	183,082	—	3,747,150	4,708,197
Bequests and legacies	6,058,620	—	18,000	6,076,620	4,388,905
Total public support	<u>420,354,632</u>	<u>29,669,377</u>	<u>18,000</u>	<u>450,042,009</u>	<u>430,615,383</u>
Revenue:					
Greeting cards revenue	3,124,715	—	—	3,124,715	2,705,942
Investment return (note 3)	3,079,669	—	—	3,079,669	2,017,270
Change in value of split-interest agreements	(307,068)	53,444	—	(253,624)	(289,544)
Total revenue	<u>5,897,316</u>	<u>53,444</u>	<u>—</u>	<u>5,950,760</u>	<u>4,433,668</u>
Net assets released from restrictions	<u>25,703,566</u>	<u>(25,703,566)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total public support, revenue, and net assets released from restrictions	<u>451,955,514</u>	<u>4,019,255</u>	<u>18,000</u>	<u>455,992,769</u>	<u>435,049,051</u>
Expenses:					
Program services:					
Grants to UNICEF and other nongovernmental organizations (NGOs) (note 6)	395,613,411	—	—	395,613,411	383,237,875
Public information	8,335,585	—	—	8,335,585	8,062,217
Advocacy	709,477	—	—	709,477	648,030
Total program services	<u>404,658,473</u>	<u>—</u>	<u>—</u>	<u>404,658,473</u>	<u>391,948,122</u>
Supporting services:					
Management and general	12,887,901	—	—	12,887,901	13,020,158
Fund-raising	29,378,701	—	—	29,378,701	28,786,940
Total supporting services	<u>42,266,602</u>	<u>—</u>	<u>—</u>	<u>42,266,602</u>	<u>41,807,098</u>
Total expenses	<u>446,925,075</u>	<u>—</u>	<u>—</u>	<u>446,925,075</u>	<u>433,755,220</u>
Increase in net assets	5,030,439	4,019,255	18,000	9,067,694	1,293,831
Net assets:					
Beginning of year	16,775,494	26,685,481	1,554,329	45,015,304	43,721,473
End of year	<u>\$ 21,805,933</u>	<u>30,704,736</u>	<u>1,572,329</u>	<u>54,082,998</u>	<u>45,015,304</u>

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Statement of Cash Flows

Year ended June 30, 2011

(with comparative information for the year ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 9,067,694	1,293,831
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,777,516	1,681,860
Net appreciation in fair value of investments	(2,201,010)	(1,226,750)
Permanently restricted contributions	(18,000)	(16,000)
Changes in operating assets and liabilities:		
Contributions receivable	(10,417,157)	6,100,173
Prepaid expenses and other assets	(270,989)	117,838
Investments held for split-interest agreements	(625,860)	(443,490)
Grants payable	13,418,793	(4,433,367)
Accrued expenses and other liabilities	(1,743,055)	2,769,402
Liabilities under split-interest agreements	3,020	80,998
Net cash provided by operating activities	<u>8,990,952</u>	<u>5,924,495</u>
Cash flows from investing activities:		
Purchases of property and equipment	(681,054)	(329,520)
Proceeds from sales of investments	7,387,563	4,188,880
Purchases of investments	(10,156,398)	(5,973,493)
Net cash used in investing activities	<u>(3,449,889)</u>	<u>(2,114,133)</u>
Cash flows from financing activities:		
Proceeds from permanently restricted contributions	18,000	16,000
Payment of bonds payable	(655,000)	(625,000)
Net cash used in financing activities	<u>(637,000)</u>	<u>(609,000)</u>
Net increase in cash and cash equivalents	4,904,063	3,201,362
Cash and cash equivalents:		
Beginning of year	<u>25,687,070</u>	<u>22,485,708</u>
End of year	\$ <u>30,591,133</u>	\$ <u>25,687,070</u>
Cash paid for interest	\$ 2,239,004	2,286,255
Noncash operating activity:		
Gifts-in-kind (revenues and expenses)	\$ 292,092,199	271,731,215

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE
Consolidated Statement of Functional Expenses
Year ended June 30, 2011
(with summarized comparative information for the year ended June 30, 2010)

	Program services			Supporting services			Totals		
	Grants to UNICEF and other NGOs	Public information	Advocacy	Total	Management and general	Fund-raising	Total	2011	2010
Grants to UNICEF and other NGOs	\$ 395,613,411	—	—	395,613,411	—	—	—	395,613,411	383,237,875
Salaries, payroll taxes, and employee benefits	—	3,369,204	500,283	3,869,487	7,386,630	9,364,450	16,751,080	20,620,567	18,518,449
Outside printing and telemarketing	—	776,549	434	776,983	196,755	6,161,317	6,358,072	7,135,055	8,672,405
Postage and shipping	—	27,782	7,107	34,889	46,136	6,714,128	6,760,264	6,795,153	6,415,282
Mailing list rental	—	—	—	—	—	372,386	372,386	372,386	610,289
Consulting and other fees	—	2,838,140	250	2,838,390	826,831	2,154,630	2,981,461	5,819,851	6,126,400
Telephone	—	44,623	9,579	54,202	77,955	106,577	184,532	238,734	217,119
Occupancy	—	32,627	122,841	155,468	56,998	333,936	390,934	546,402	499,409
Conferences, conventions, meetings, and travel	—	214,497	17,422	231,919	581,430	937,357	1,518,787	1,750,706	1,600,201
Equipment, repairs, and supplies	—	170,632	23,041	193,673	657,958	344,243	1,002,201	1,195,874	1,171,836
Legal and accounting	—	31,350	—	31,350	289,019	173,938	462,957	494,307	379,394
Insurance	—	52,561	—	52,561	91,824	82,173	173,997	226,558	224,575
Depreciation and amortization	—	190,728	18,486	209,214	468,909	1,099,394	1,568,303	1,777,517	1,681,860
Interest	—	530,411	—	530,411	890,459	829,225	1,719,684	2,250,095	2,286,255
Miscellaneous	—	56,481	10,034	66,515	1,316,997	704,947	2,021,944	2,088,459	2,113,871
Total expenses, year ended June 30, 2011	\$ 395,613,411	8,335,585	709,477	404,658,473	12,887,901	29,378,701	42,266,602	446,925,075	—
Total expenses, year ended June 30, 2010	\$ 383,237,875	8,062,217	648,030	391,948,122	13,020,158	28,786,940	41,807,098	—	433,755,220

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

(1) Organization

The accompanying consolidated financial statements include the United States Fund for UNICEF (Fund) and its Supporting Organization, United States Fund for UNICEF In Kind Assistance Corporation (USF-IKAC); collectively, USF. The Fund is the sole voting member of USF-IKAC and elects its board of directors.

The Fund is a not-for-profit organization, chartered by the State of New York, organized to support programs through fund-raising, education, and advocacy activities, providing lifesaving medicine, better nutrition, clean water and sanitation, quality basic education, and emergency relief to children, families, and communities in more than 150 countries and territories. As a partner in the global commitment to build a world fit for children, the Fund is working to create a world that is free from poverty, disease, violence, exploitation, and discrimination.

USF-IKAC is a not-for-profit organization, chartered by the State of New York, organized to support the Fund by facilitating the contribution and distribution of in-kind donations to advance the health, education, and welfare of children throughout the world. USF-IKAC operates exclusively for the benefit of and to perform specific functions of the Fund for charitable and educational purposes.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

The consolidated financial statements include certain prior year summarized comparative information, which does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be viewed in conjunction with USF's fiscal 2010 consolidated financial statements from which the summarized information was derived.

(b) Financial Statement Presentation

USF prepares its consolidated financial statements on the accrual basis of accounting. Net assets of USF and changes therein are classified and reported as follows:

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

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

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by USF, but permit USF to expend all or part of the income derived therefrom. This income is unrestricted and is to support operations.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, except for those restrictions met in the same year as received, which are reported as revenues of the unrestricted net assets, is reported as net assets released from restrictions.

(c) *Cash and Cash Equivalents*

USF considers highly liquid investments with original maturities of three months or less to be cash equivalents, except for such investments purchased by USF's investment managers as part of their investment strategies. Financial instruments that potentially subject USF to concentrations of credit risk consist principally of cash, certificates of deposit, and commercial paper. Cash and cash equivalents in excess of insurable limits aggregated approximately \$29.9 million and \$25.1 million at June 30, 2011 and 2010, respectively.

(d) *Investments, Including Investments Held for Split-Interest Agreements*

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon values provided by USF's external investment managers or upon quoted market prices. Investments in limited partnerships are reflected at net asset values as reported by the general partners, and may differ from the values that would have been reported had a ready market for these securities existed. USF reviews and evaluates the values provided by the general partners and agrees with the valuation methods and assumptions used in determining the estimated fair value of the limited partnerships.

Realized and unrealized gains on investments generated by permanently restricted net assets are available for unrestricted use and are recorded as unrestricted revenue.

Investment income is recorded when earned. Realized and unrealized gains and losses are determined on the basis of specific identification.

(e) *Risk and Uncertainties*

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Because of the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities.

(f) *Property and Equipment*

Property and equipment are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements, over the lesser of the remaining terms of the leases or the estimated useful lives of the improvements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

(g) Revenue Recognition

Contributions through direct mail and other campaigns are recorded as public support when received. Unconditional promises are recognized as revenues in the period received at their net present value discounted using a risk-adjusted rate.

(h) Gifts-in-Kind

Gifts-in-kind are recorded as public support at their estimated fair value on the date of receipt. Gifts-in-kind received by USF-IKAC are in the form of contributed medical supplies from pharmaceutical companies and other supplies from various companies.

Additionally, a substantial number of volunteers have donated their time to support the USF's fund-raising and other activities. The value of these contributed services is not included in the consolidated financial statements since they do not meet the criteria for financial statement recognition established under GAAP.

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting service areas that were benefited.

(j) Deferred Bond Acquisition Costs

Costs incurred to obtain long-term debt are deferred and amortized over the life of the debt.

(k) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Income Tax Status

The Fund and USF-IKAC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and are classified as publicly supported organizations as defined in Sections 509(a)(1) and 509(a)(3) of the IRC, respectively. The Fund and USF-IKAC are also exempt from payment of state and local income taxes and qualify for the maximum charitable contribution deduction by donors.

USF recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes has been made as USF has not reported any taxable unrelated business income and any unrelated business income is offset by associated expenditures. USF evaluates, on an annual basis, the effects of any uncertain tax positions on its consolidated

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

financial statements. As of June 30, 2011 and 2010, USF has not identified or provided for any such positions.

(m) Fair Value

Investments, including those held for split-interest agreements, are reported at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Fair value inputs are categorized within a fair value hierarchy as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs observable or corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

At June 30, 2011, the carrying values of USF's cash and cash equivalents, grants payable, and accrued expenses and other liabilities approximated their fair value.

(3) Investments

Investments are recorded at estimated fair value. The historical cost and fair value at June 30, 2011 and 2010 were as follows:

	2011		2010	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 3,529,492	3,529,492	4,777,746	4,777,746
Fixed income securities	11,942,211	12,590,153	8,727,777	9,550,610
Equity securities	5,522,608	7,153,006	4,641,188	5,140,689
Alternative investments	2,155,613	2,334,416	1,116,216	1,168,177
	<u>\$ 23,149,924</u>	<u>25,607,067</u>	<u>19,262,927</u>	<u>20,637,222</u>

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

Return on investments for the years ended June 30, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Dividends and interest, net of fees	\$ 878,659	790,520
Appreciation in fair value	<u>2,201,010</u>	<u>1,226,750</u>
Total investment return	<u>\$ 3,079,669</u>	<u>2,017,270</u>

The classification of investments by level in the fair value hierarchy as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,529,492	—	—	3,529,492
Fixed income securities:				
Government/corporate fixed income	—	10,218,984	—	10,218,984
Other fixed income	—	2,371,169	—	2,371,169
Equity securities:				
U.S. equity	4,870,943	—	—	4,870,943
Non-U.S. equity	2,282,063	—	—	2,282,063
Alternative investments:				
Hedge funds	—	—	2,164,886	2,164,886
Other	—	—	169,530	169,530
	<u>\$ 10,682,498</u>	<u>12,590,153</u>	<u>2,334,416</u>	<u>25,607,067</u>

	<u>2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,777,746	—	—	4,777,746
Fixed income securities:				
Government/corporate fixed income	—	8,495,006	—	8,495,006
Other fixed income	—	1,055,604	—	1,055,604
Equity securities:				
U.S. equity	3,730,887	—	—	3,730,887
Non-U.S. equity	1,409,802	—	—	1,409,802
Alternative investments:				
Hedge funds	—	—	1,136,438	1,136,438
Other	—	—	31,739	31,739
	<u>\$ 9,918,435</u>	<u>9,550,610</u>	<u>1,168,177</u>	<u>20,637,222</u>

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

The following table presents USF's activities for the year ended June 30, 2011 for the above assets classified in Level 3:

		Level 3 assets
		<u> </u>
Beginning balance at June 30, 2010	\$	1,168,177
Acquisitions		950,000
Net appreciation		<u>216,239</u>
Ending balance at June 30, 2011	\$	<u><u>2,334,416</u></u>

(4) Contributions Receivable

Contributions receivable at June 30, 2011 and 2010 consist of unconditional promises to give, due as follows:

	2011	2010
	<u> </u>	<u> </u>
Less than one year	\$ 21,320,714	17,126,959
One to five years	<u>14,474,853</u>	<u>7,769,411</u>
	35,795,567	24,896,370
Less:		
Discount to present value (rates ranging from 1.80% to 5.11%)	(688,058)	(328,018)
Allowance for uncollectible pledges	<u>(549,000)</u>	<u>(427,000)</u>
Net contributions receivable	\$ <u><u>34,558,509</u></u>	<u><u>24,141,352</u></u>

Included in gross contributions receivable at June 30, 2011 is approximately \$25 million due from five donors. The carrying value of contributions receivable approximates fair value.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

(5) Investments Held for Split-Interest Agreements

Investments held for split-interest agreements are recorded at estimated fair value. The historical cost and fair value at June 30, 2011 and 2010 were as follows:

	2011		2010	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 57,223	57,223	343,746	343,746
Fixed income securities	2,608,583	2,942,560	2,457,700	2,674,789
Equity securities	1,788,619	2,422,344	1,873,000	2,015,440
Alternative investments	814,747	847,867	600,000	610,159
	\$ 5,269,172	6,269,994	5,274,446	5,644,134

The classification of investments by level in the fair value hierarchy as of June 30, 2011 and 2010 is as follows:

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 57,223	—	—	57,223
Fixed income securities:				
Government/corporate fixed income	—	2,424,367	—	2,424,367
Other fixed income	—	518,193	—	518,193
Equity securities:				
U.S. equity	1,720,096	—	—	1,720,096
Non-U.S. equity	702,248	—	—	702,248
Alternative investments:				
Hedge funds	—	—	847,867	847,867
	\$ 2,479,567	2,942,560	847,867	6,269,994

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

	2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 343,746	—	—	343,746
Fixed income securities:				
Government/corporate fixed income	—	2,221,652	—	2,221,652
Other fixed income	—	453,137	—	453,137
Equity securities:				
U.S. equity	1,457,156	—	—	1,457,156
Non-U.S. equity	558,284	—	—	558,284
Alternative investments:				
Hedge funds	—	—	610,159	610,159
	<u>\$ 2,359,186</u>	<u>2,674,789</u>	<u>610,159</u>	<u>5,644,134</u>

The following table presents USF's activities for the year ended June 30, 2011 for the above assets classified in Level 3:

	<u>Level 3 assets</u>
Beginning balance at June 30, 2010	\$ 610,159
Acquisitions	200,000
Net appreciation	37,708
Ending balance at June 30, 2011	<u>\$ 847,867</u>

In prior years, donors established split-interest agreements that included charitable remainder unitrusts (CRUTS), pooled income funds (PIFS), and charitable gift annuities (CGA), naming the Fund as the trustee. These split-interest agreements provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the remaining assets are available for the Fund's use, subject to the donor-imposed restrictions for CRUTS and PIFS. Assets under these split-interest agreements at June 30, 2011 consist of \$310,177 for CRUTS, \$38,663 for PIFS, and \$5,921,154 for CGA. Assets under these split-interest agreements at June 30, 2010 consist of \$260,383 for CRUTS, \$38,668 for PIFS, and \$5,345,083 for CGA. These are reported at fair value in USF's consolidated statement of financial position. Changes in fair value of these split-interest agreements are reflected as changes in net assets in USF's consolidated statement of activities. On an annual basis, the Fund values the liability to the designated beneficiaries based upon actuarial assumptions. The present value of the estimated future payments of \$3,657,945 and \$3,654,925 at June 30, 2011 and 2010, respectively, is calculated using the IRS discount rate and applicable mortality tables. The Fund has \$5,921,154 in reserves relating to the June 30, 2011 CGA liability, which includes a legally mandated reserve as well as a voluntary reserve determined by the Fund.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

(6) Grants

The boards of directors of USF and USF-IKAC authorized grants to UNICEF-assisted projects and various nonprofit organizations from funds and in-kind gifts received by USF and USF-IKAC during the years ended June 30, 2011 and 2010. Such grants are to be used by UNICEF and nonprofit organizations solely for those assistance projects approved by the board of directors to provide life-saving medicine, better nutrition, clean water and sanitation, quality basic education, and emergency relief to children, families, women, and communities in more than 150 countries and territories.

As of June 30, 2011 and 2010, grants payable to UNICEF and NGOs were calculated as follows:

	<u>2011</u>	<u>2010</u>
Grants payable to UNICEF and NGOs – beginning of year	\$ 20,897,595	25,330,962
Add:		
Gifts-in-kind	292,092,199	271,712,215
Greeting cards revenue and support	3,190,898	2,855,045
Grants to UNICEF	86,277,100	106,406,011
Grants to NGOs	14,053,214	2,264,604
Total additions	<u>395,613,411</u>	<u>383,237,875</u>
Less:		
Cash paid to UNICEF	84,182,975	112,368,067
Gifts-in-kind	292,092,199	271,712,215
Cash paid to NGOs	5,919,444	3,590,960
Total deductions	<u>382,194,618</u>	<u>387,671,242</u>
Grants payable to UNICEF and NGOs – end of year	\$ <u><u>34,316,388</u></u>	<u><u>20,897,595</u></u>

(7) Property and Equipment

Property and equipment at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Office condominium	\$ 41,506,422	41,506,422
Computer equipment and internal use software	3,579,853	2,965,388
Leasehold improvements	307,126	307,126
Furniture and fixtures	2,304,346	2,273,767
Office equipment	388,015	352,005
	<u>48,085,762</u>	<u>47,404,708</u>
Less accumulated depreciation and amortization	<u>(8,296,122)</u>	<u>(6,556,255)</u>
	\$ <u><u>39,789,640</u></u>	<u><u>40,848,453</u></u>

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

(8) Bonds Payable

On June 14, 2007, a private placement of New York City Industrial Development Agency issued Civic Facility Revenue Bonds (Bonds) totaling \$43,510,000 consisting of two series: Series 2007A (Series A) in the amount of \$7,910,000, fixed interest rate 5.05% and Series 2007B (Series B) in the amount of \$35,600,000, fixed interest rate 5.30%. Proceeds of the Bonds, net of issuance costs of \$1,204,778, were used by USF to acquire an Office Condominium (the Facility) and to pay for related interior space construction costs, to purchase furniture and fixtures, and to pay related costs as well as closing costs of the bond issuance (collectively, the Project). The Bonds are not secured by any mortgage lien or security interest in the Facility or any property of USF. The Bonds also have a financial covenant in which USF guarantees to maintain minimum net assets at \$10,000,000.

Series A Bonds require principal payments through November 1, 2018. Series B Bonds require principal payments beginning November 1, 2019 and through November 1, 2038.

The estimated fair value of USF's bonds payable is based on the discounted future cash payments to be made for each issue. The discount rate used approximates current market rates for loans of similar maturities and credit quality. The fair value of these Bonds at June 30, 2011 approximates their carrying values.

The maturities of the bonds payable subsequent to June 30, 2011 are as follows:

	<u>Amount</u>
Fiscal year ending:	
2012	\$ 690,000
2013	725,000
2014	765,000
2015	805,000
2016	845,000
Thereafter	<u>38,400,000</u>
Total	<u>\$ 42,230,000</u>

Interest expense on long-term debt for the years ended June 30, 2011 and 2010 was \$2,250,095 and \$2,286,255, respectively.

(9) Leases

The Fund is obligated under noncancelable operating lease agreements for the rental of offices and warehouse space expiring through 2015. Such leases generally contain provisions for increased rentals based upon increases in real estate taxes and operating expenses. Total rent expense was \$546,402 and \$499,409 for the years ended June 30, 2011 and 2010, respectively. In accordance with GAAP, rent expense is recognized on a straight-line basis over the term of the lease. The excess of rent expense accrued on a straight-line basis over rental payments is reported as accrued expenses and other liabilities on the consolidated statement of financial position.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

Future minimum lease activity is as follows:

	<u>Lease payments</u>	<u>Sublease income</u>	<u>Net lease payments</u>
Fiscal year ending:			
2012	\$ 542,913	(188,965)	353,948
2013	555,804	(188,965)	366,839
2014	494,307	(125,976)	368,331
2015	164,545	—	164,545
2016	74,985	—	74,985
Total	\$ <u>1,832,554</u>	<u>(503,906)</u>	<u>1,328,648</u>

(10) Retirement Plan

The Fund has a defined contribution retirement plan, under IRC Section 403(b), which is offered to all of its qualified employees. Employees can contribute a portion of their salary to the plan up to the maximum permitted under the IRC. The Fund will match employee contributions up to 6% of an employee's salary. The employee must complete one year and 1,000 hours of service and must be at least 21 years of age. In addition, the Fund makes a nonmatching contribution of 5% of salary to eligible employees. The Fund's matching and nonmatching contributions totaled approximately \$1,082,000 and \$1,134,000 for the years ended June 30, 2011 and 2010, respectively.

The Fund has a deferred compensation plan under IRC Section 457(b) in which selected management employees can contribute additional salary up to the maximum permitted by the IRC. The Fund does not match these contributions.

(11) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Global Mercury Emergency Fund	\$ 914,896	2,014,846
Emergencies	646,081	2,928,974
Child survival	14,696,260	6,810,300
Education	454,462	2,074,752
HIV/AIDS	422,503	1,547,379
Child protection	3,393,760	2,354,530
Child Health Epidemiology Reference Group	5,109,666	6,463,373
ZINC-ORS Program	202,360	—
Uganda Program	810,236	—
Value of split-interest agreements	169,020	115,576
Other	3,885,492	2,375,751
	\$ <u>30,704,736</u>	<u>26,685,481</u>

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2011

(with summarized comparative information for fiscal 2010)

(12) Endowment

USF's endowment consists of 19 individual donor-restricted funds. Net assets associated with these permanent endowments are classified and reported based on the existence or absence of donor-imposed restrictions. USF has no board-designated endowment funds.

In 2010, New York State adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). In accordance with the accounting guidance associated with the adoption of NYPMIFA, 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 USF in a manner consistent with the standard of prudence prescribed by NYPMIFA, and in accordance with the disclosure provisions set forth by Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities-Presentation of Financial Statements*.

The following table summarizes USF's endowment by net asset class and changes therein for the year ended June 30, 2011:

<u>Description</u>	<u>Unrestricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets at June 30, 2010	\$ (454,386)	1,554,329	1,099,943
Investment return	160,798	—	160,798
Contributions	—	18,000	18,000
Net assets at June 30, 2011	<u>\$ (293,588)</u>	<u>1,572,329</u>	<u>1,278,741</u>

(13) Subsequent Events

USF considers events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. With respect to the 2011 consolidated financial statements, subsequent events have been evaluated through October 13, 2011, the date such consolidated financial statements were issued and determined that no additional disclosures are required.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidating Schedule of Financial Position

June 30, 2011

Assets	United States Fund for UNICEF	USF-IKAC	Total	Intercompany eliminations	Consolidated total
Cash and cash equivalents	\$ 30,591,133	—	30,591,133	—	30,591,133
Investments	25,607,067	—	25,607,067	—	25,607,067
Contributions receivable	34,558,509	—	34,558,509	—	34,558,509
Prepaid expenses and other assets	1,099,745	—	1,099,745	—	1,099,745
Due from affiliate	—	106,041	106,041	(106,041)	—
Assets held for split-interest agreements	6,269,994	—	6,269,994	—	6,269,994
Deferred bond acquisition costs	1,054,181	—	1,054,181	—	1,054,181
Property and equipment	39,789,640	—	39,789,640	—	39,789,640
Total assets	<u>\$ 138,970,269</u>	<u>106,041</u>	<u>139,076,310</u>	<u>(106,041)</u>	<u>138,970,269</u>
Liabilities and Net Assets					
Liabilities:					
Grants payable	\$ 34,316,388	—	34,316,388	—	34,316,388
Accrued expenses and other liabilities	4,682,938	—	4,682,938	—	4,682,938
Liabilities under split-interest agreements	3,657,945	—	3,657,945	—	3,657,945
Due to affiliate	106,041	—	106,041	(106,041)	—
Bonds payable	42,230,000	—	42,230,000	—	42,230,000
Total liabilities	<u>84,993,312</u>	<u>—</u>	<u>84,993,312</u>	<u>(106,041)</u>	<u>84,887,271</u>
Net assets:					
Unrestricted	21,699,892	106,041	21,805,933	—	21,805,933
Temporarily restricted	30,704,736	—	30,704,736	—	30,704,736
Permanently restricted	1,572,329	—	1,572,329	—	1,572,329
Total net assets	<u>53,976,957</u>	<u>106,041</u>	<u>54,082,998</u>	<u>—</u>	<u>54,082,998</u>
Total liabilities and net assets	<u>\$ 138,970,269</u>	<u>106,041</u>	<u>139,076,310</u>	<u>(106,041)</u>	<u>138,970,269</u>

See accompanying independent auditors' report.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidating Schedule of Activities

Year ended June 30, 2011

	United States Fund for UNICEF	USF-IKAC	Total	Intercompany eliminations	Consolidated total
Public support and revenue:					
Public support:					
Contributions:					
Corporate	\$ 21,117,361	—	21,117,361	—	21,117,361
Major gifts	22,463,634	—	22,463,634	—	22,463,634
Foundations	39,682,420	—	39,682,420	—	39,682,420
Private volunteer organizations (NGO)	7,989,190	—	7,989,190	—	7,989,190
Direct marketing	32,376,259	—	32,376,259	—	32,376,259
Trick-or-treat program	3,798,091	—	3,798,091	—	3,798,091
Internet	19,145,332	—	19,145,332	—	19,145,332
Other	1,553,753	170,100	1,723,853	(170,100)	1,553,753
Gifts-in-kind	89,714,946	202,377,253	292,092,199	—	292,092,199
Special events income	3,747,150	—	3,747,150	—	3,747,150
Bequests and legacies	6,076,620	—	6,076,620	—	6,076,620
Total public support	<u>247,664,756</u>	<u>202,547,353</u>	<u>450,212,109</u>	<u>(170,100)</u>	<u>450,042,009</u>
Revenue:					
Greeting cards revenue (net)	3,124,715	—	3,124,715	—	3,124,715
Investment return	3,079,669	—	3,079,669	—	3,079,669
Change in value of split-interest agreements	(253,624)	—	(253,624)	—	(253,624)
Total revenue	<u>5,950,760</u>	<u>—</u>	<u>5,950,760</u>	<u>—</u>	<u>5,950,760</u>
Total public support and revenue	<u>253,615,516</u>	<u>202,547,353</u>	<u>456,162,869</u>	<u>(170,100)</u>	<u>455,992,769</u>
Expenses:					
Program services:					
Grants to UNICEF and other NGOs	193,236,158	202,377,253	395,613,411	—	395,613,411
Grant to affiliate	170,100	—	170,100	(170,100)	—
Public information	8,335,585	—	8,335,585	—	8,335,585
Advocacy	709,477	—	709,477	—	709,477
Total program services	<u>202,451,320</u>	<u>202,377,253</u>	<u>404,828,573</u>	<u>(170,100)</u>	<u>404,658,473</u>
Supporting services:					
Management and general	12,872,481	15,420	12,887,901	—	12,887,901
Fund-raising expenses	29,224,021	154,680	29,378,701	—	29,378,701
Total supporting services	<u>42,096,502</u>	<u>170,100</u>	<u>42,266,602</u>	<u>—</u>	<u>42,266,602</u>
Total expenses	<u>244,547,822</u>	<u>202,547,353</u>	<u>447,095,175</u>	<u>(170,100)</u>	<u>446,925,075</u>
Increase in net assets	9,067,694	—	9,067,694	—	9,067,694
Net assets:					
Beginning of year	44,909,263	106,041	45,015,304	—	45,015,304
End of year	\$ <u>53,976,957</u>	<u>106,041</u>	<u>54,082,998</u>	<u>—</u>	<u>54,082,998</u>

See accompanying independent auditors' report.