UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Financial Statements and Supplemental Schedules

June 30, 2012
(with summarized comparative information for fiscal 2011)

(With Independent Auditors' Report Thereon)

UNITED STATES FUND FOR UNICEF AND AFFILIATE

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2012, 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 2011 consolidated financial statements and, in our report dated October 13, 2011, 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, 2012, 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 consolidated financial statements as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 10, 2012

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2012
(with comparative information as of June 30, 2011)

Assets		**2012**	**2011**
Cash and cash equivalents	$	33,845,331	30,591,133
Investments (note 2)		34,425,060	25,607,067
Contributions receivable (note 3)		36,399,691	34,558,509
Prepaid expenses and other assets		1,373,013	1,099,745
Investments held for split-interest agreements (note 4)		6,562,888	6,269,994
Deferred bond acquisition costs		1,016,531	1,054,181
Property and equipment, net (note 6)		38,369,867	39,789,640
Total assets	$	151,992,381	138,970,269
Liabilities and Net Assets			
Liabilities:			
Grants payable (note 5)	$	30,912,205	34,316,388
Accrued expenses and other liabilities		6,184,341	4,682,938
Liabilities under split-interest agreements (note 4)		3,904,799	3,657,945
Loans payable (note 7)		5,625,000	—
Bonds payable (note 7)		41,540,000	42,230,000
Total liabilities		88,166,345	84,887,271
Net assets:			
Unrestricted		25,760,438	21,805,933
Temporarily restricted (note 10)		36,466,269	30,704,736
Permanently restricted (note 11)		1,599,329	1,572,329
Total net assets		63,826,036	54,082,998
Total liabilities and net assets	$	151,992,381	138,970,269

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Statement of Activities

Year ended June 30, 2012
(with summarized comparative information for the year ended June 30, 2011)

	2012				2011
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Public support and revenue:					
Public support:					
Contributions:					
Corporate	$ 15,488,604	3,009,448	—	18,498,052	21,117,361
Major gifts	22,988,908	6,277,913	—	29,266,821	22,463,634
Foundations	7,778,271	5,282,108	—	13,060,379	39,682,420
Nongovernmental organizations (NGO)	884,423	3,978,827	—	4,863,250	7,989,190
Direct marketing	33,107,798	—	—	33,107,798	32,376,259
Trick-or-treat program	3,164,898	—	—	3,164,898	3,798,091
Internet	25,524,598	—	—	25,524,598	19,145,332
Other	1,533,624	—	—	1,533,624	1,553,753
Gifts-in-kind	353,194,889	—	—	353,194,889	292,092,199
Special events income, net of expenses of $2,023,167 in 2012 and $1,129,882 in 2011	4,500,262	155,750	—	4,656,012	3,747,150
Bequests and legacies	10,676,259	—	27,000	10,703,259	6,076,620
Total public support	478,842,534	18,704,046	27,000	497,573,580	450,042,009
Revenue:					
Greeting cards revenue	3,477,946	—	—	3,477,946	3,124,715
Investment return (note 2)	890,116	—	—	890,116	3,079,669
Change in value of split-interest agreements	(339,261)	(31,276)	—	(370,537)	(253,624)
Total revenue	4,028,801	(31,276)	—	3,997,525	5,950,760
Net assets released from restrictions	12,911,237	(12,911,237)	—	—	—
Total public support, revenue, and net assets released from restrictions	495,782,572	5,761,533	27,000	501,571,105	455,992,769
Expenses:					
Program services:					
Grants to UNICEF and other nongovernmental organizations (NGOs) (note 5)	433,785,044	—	—	433,785,044	395,613,411
Public information	9,965,582	—	—	9,965,582	8,335,585
Advocacy	780,586	—	—	780,586	709,477
Total program services	444,531,212	—	—	444,531,212	404,658,473
Supporting services:					
Management and general	14,205,077	—	—	14,205,077	12,887,901
Fund-raising	33,091,778	—	—	33,091,778	29,378,701
Total supporting services	47,296,855	—	—	47,296,855	42,266,602
Total expenses	491,828,067	—	—	491,828,067	446,925,075
Increase in net assets	3,954,505	5,761,533	27,000	9,743,038	9,067,694
Net assets:					
Beginning of year	21,805,933	30,704,736	1,572,329	54,082,998	45,015,304
End of year	$ 25,760,438	36,466,269	1,599,329	63,826,036	54,082,998

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Statement of Cash Flows

Year ended June 30, 2012
(with comparative information for the year ended June 30, 2011)

		2012	2011
Cash flows from operating activities:			
Increase in net assets	$	9,743,038	9,067,694
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		1,877,216	1,777,516
Net depreciation (appreciation) in fair value of investments		65,429	(2,201,010)
Change in value of split-interest agreements		55,158	136,235
Permanently restricted contributions		(27,000)	(18,000)
Changes in operating assets and liabilities:			
Contributions receivable		(1,841,182)	(10,417,157)
Prepaid expenses and other assets		(273,268)	(270,989)
Grants payable		(3,404,183)	13,418,793
Accrued expenses and other liabilities		1,501,403	(1,743,055)
Net cash provided by operating activities		7,696,611	9,750,027
Cash flows from investing activities:			
Purchases of property and equipment		(419,793)	(681,054)
Proceeds from sales of investments		2,642,284	7,387,563
Purchases of investments		(11,818,600)	(10,782,258)
Net cash used in investing activities		(9,596,109)	(4,075,749)
Cash flows from financing activities:			
Proceeds from permanently restricted contributions		27,000	18,000
Proceeds from contributions under split-interest agreements		685,704	339,565
Payments under split-interest agreements		(494,008)	(472,780)
Payment of bonds payable		(690,000)	(655,000)
Proceeds from loans payable		5,625,000	—
Net cash provided by (used in) financing activities		5,153,696	(770,215)
Net increase in cash and cash equivalents		3,254,198	4,904,063
Cash and cash equivalents:			
Beginning of year		30,591,133	25,687,070
End of year	$	33,845,331	30,591,133
Cash paid for interest	$	2,204,177	2,239,004
Noncash operating activity:			
Gifts-in-kind (revenues)	$	353,194,889	292,092,199
Gifts-in-kind (expenses)		353,318,199	292,092,199

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidated Statement of Functional Expenses

Year ended June 30, 2012
(with summarized comparative information for the year ended June 30, 2011)

	Program services				Supporting services			Totals	
	Grants to UNICEF and other NGOs	**Public information**	**Advocacy**	**Total**	**Management and general**	**Fund-raising**	**Total**	**2012**	**2011**
Grants to UNICEF and other NGOs	$ 433,785,044	—	—	433,785,044	—	—	—	433,785,044	395,613,411
Salaries, payroll taxes, and employee benefits	—	4,403,398	601,977	5,005,375	7,929,226	10,352,135	18,281,361	23,286,736	20,620,567
Outside printing and telemarketing	—	741,153	—	741,153	257,224	7,245,971	7,503,195	8,244,348	7,135,055
Postage and shipping	—	29,752	4,820	34,572	44,107	6,538,578	6,582,685	6,617,257	6,795,153
Mailing list rental	—	—	—	—	—	779,081	779,081	779,081	372,386
Consulting and other fees	—	3,150,419	—	3,150,419	1,134,721	3,315,462	4,450,183	7,600,602	5,819,851
Telephone	—	51,354	8,417	59,771	87,550	122,779	210,329	270,100	238,734
Occupancy	—	50,471	111,412	161,883	86,154	358,764	444,918	606,801	546,402
Conferences, conventions, meetings, and travel	—	431,629	13,940	445,569	617,776	1,083,237	1,701,013	2,146,582	1,750,706
Equipment, repairs, and supplies	—	188,204	12,365	200,569	723,170	393,526	1,116,696	1,317,265	1,195,874
Legal and accounting	—	52,981	—	52,981	572,698	—	572,698	625,679	494,307
Insurance	—	51,783	—	51,783	88,366	85,233	173,599	225,382	226,558
Depreciation and amortization	—	201,425	19,523	220,948	495,210	1,161,058	1,656,268	1,877,216	1,777,517
Interest	—	550,077	—	550,077	873,154	842,200	1,715,354	2,265,431	2,250,095
Miscellaneous	—	62,936	8,132	71,068	1,295,721	813,754	2,109,475	2,180,543	2,088,459
Total expenses, year ended June 30, 2012	$ 433,785,044	9,965,582	780,586	444,531,212	14,205,077	33,091,778	47,296,855	491,828,067	—
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

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Principles of Consolidation

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.

(b) Nature of Activities

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.

(c) Financial Statement Presentation

The consolidated financial statements include certain prior year summarized comparative information, which does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be viewed in conjunction with USF's consolidated financial statements for the year ended June 30, 2011 from which the summarized information was derived.

USF prepares its consolidated financial statements on the accrual basis in accordance with GAAP. 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 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

(Continued)

accomplished and/or the stipulated time period has elapsed, except for those restrictions met in the same year as received, which are reported as unrestricted revenues ($397.4 million in fiscal 2012), are reported as net assets released from restrictions. The $397.4 million represents $353 million of gifts-in-kind and $44.4 million in cash contributions.

(d) 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 $33.0 million and $29.9 million at June 30, 2012 and 2011, respectively.

(e) 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 estimated fair values, which, as a practical expedient, are the net asset values as reported by the general partners. The estimated fair value 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.

(f) Risk and Uncertainties

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

(g) Property and Equipment, net

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.

(h) 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.

(i) 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. Donors provide fair values for donated gifts-in-kind and the USF performs a review and evaluation of the provided fair values by using methods that include reviewing quoted prices for similar pharmaceuticals corroborated by observable market data. The USF does not sell donated gifts-in-kind. The inputs used to measure the fair value of gifts-in-kind are considered Level 2 within the fair value hierarchy (see note 1(n)).

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.

(j) 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.

(k) Deferred Bond Acquisition Costs

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

(l) 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.

(m) 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 financial statements. As of June 30, 2012 and 2011, USF has not identified or provided for any such positions.

(n) 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, 2012, the carrying values of USF's cash and cash equivalents, contributions receivable, grants payable, and accrued expenses and other liabilities approximated their fair value.

(o) Reclassifications

Certain reclassifications of 2011 amounts have been made to conform to the 2012 presentation.

(2) Investments

Investments are recorded at estimated fair value. The historical cost and fair value at June 30, 2012 and 2011 were as follows:

	2012		2011	
	Cost	**Fair value**	**Cost**	**Fair value**
Cash and cash equivalents	$ 9,046,254	9,046,254	3,529,492	3,529,492
Fixed income securities	14,822,399	15,721,656	11,942,211	12,590,153
Equity securities	5,712,183	7,317,704	5,522,608	7,153,006
Alternative investments	2,331,098	2,339,446	2,155,613	2,334,416
	$ 31,911,934	34,425,060	23,149,924	25,607,067

(Continued)

Return on investments for the years ended June 30, 2012 and 2011 consists of the following:

		2012	2011
Dividends and interest, net of fees	$	955,545	878,659
(Depreciation) appreciation in fair value		(65,429)	2,201,010
Total investment return	$	890,116	3,079,669

The classification of investments by level in the fair value hierarchy as of June 30, 2012 and 2011 is as follows:

		2012			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$	9,046,254	—	—	9,046,254
Fixed income securities:					
Corporate fixed income		—	15,721,656	—	15,721,656
Equity securities:					
U.S. equity		5,502,119	—	—	5,502,119
Non-U.S. equity		1,815,585	—	—	1,815,585
Alternative investments		—	—	2,339,446	2,339,446
	$	16,363,958	15,721,656	2,339,446	34,425,060

		2011			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$	3,529,492	—	—	3,529,492
Fixed income securities:					
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		—	—	2,334,416	2,334,416
	$	10,682,498	12,590,153	2,334,416	25,607,067

(Continued)

The following table presents USF's activities for the year ended June 30, 2012 for the above assets classified in Level 3:

Balance at June 30, 2011	$	2,334,416
Acquisitions		150,000
Redemptions		(90,111)
Net depreciation		(54,859)
Balance at June 30, 2012	$	2,339,446

The alternative investments are comprised primarily of two funds. One fund, with an estimated fair value at June 30, 2012 of $1,314,000, may be redeemed quarterly, up to 25% of the balance, and requires a 91-day notice period. The second fund, with an estimated fair value at June 30, 2012 of $950,000, may be redeemed quarterly and requires a 91-day notice period.

(3) Contributions Receivable

Contributions receivable at June 30, 2012 and 2011 consist of unconditional promises to give, due as follows:

		2012	2011
Less than one year	$	24,579,734	21,320,714
One to five years		12,829,022	14,474,853
		37,408,756	35,795,567
Less:			
Discount to present value (rates ranging from 1.07% to 5.11%)		(399,339)	(688,058)
Allowance for uncollectible pledges		(609,726)	(549,000)
Net contributions receivable	$	36,399,691	34,558,509

Included in gross contributions receivable at June 30, 2012 is approximately $26 million due from five donors.

(4) 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, 2012 and 2011 were as follows:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	$ 366,554	366,554	57,223	57,223
Fixed income securities	2,684,046	2,948,992	2,608,583	2,942,560
Equity securities	1,800,816	2,385,689	1,788,619	2,422,344
Alternative investments	841,527	861,653	814,747	847,867
	$ 5,692,943	6,562,888	5,269,172	6,269,994

The classification of investments by level in the fair value hierarchy as of June 30, 2012 and 2011 is as follows:

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 366,554	—	—	366,554
Fixed income securities:				
Corporate fixed income	—	2,282,512	—	2,282,512
Other fixed income	—	666,479	—	666,479
Equity securities:				
U.S. equity	1,735,650	—	—	1,735,650
Non-U.S. equity	650,040	—	—	650,040
Alternative investments	—	—	861,653	861,653
	$ 2,752,244	2,948,991	861,653	6,562,888

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 57,223	—	—	57,223
Fixed income securities:				
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	—	—	847,867	847,867
	$ 2,479,567	2,942,560	847,867	6,269,994

The following table presents USF's activities for the year ended June 30, 2012 for the above assets classified in Level 3:

Balance at June 30, 2011	$	847,867
Acquisitions		26,780
Net depreciation		(12,994)
Balance at June 30, 2012	$	861,653

The alternative investments are comprised of two funds. One fund, with an estimated fair value at June 30, 2012 of $556,000, may be redeemed quarterly, up to 25% of the balance, and requires a 91-day notice period. The second fund, with an estimated fair value at June 30, 2012 of $306,000, may be redeemed quarterly and requires a 91-day notice period.

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, 2012 consist of $293,555 for CRUTS, $39,738 for PIFS, and $6,229,595 for CGA. 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. 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 $3,904,799 and $3,657,945 at June 30, 2012 and 2011, respectively, is calculated using the Internal Revenue Service discount rate and applicable mortality tables. The Fund has $6,229,595 in reserves relating to the June 30, 2012 CGA liability, which includes legally mandated reserve as well as voluntary reserve determined by the Fund.

(5) 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, 2012 and 2011. 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, 2012 and 2011, grants payable to UNICEF and NGOs were calculated as follows:

		2012	2011
Grants payable to UNICEF and NGOs – beginning of year	$	34,316,388	20,897,595
Add:			
Gifts-in-kind		353,318,199	292,092,199
Greeting cards revenue and support		3,456,465	3,190,898
Grants to UNICEF		73,542,823	86,277,100
Grants to NGOs		3,467,557	14,053,214
Total additions		433,785,044	395,613,411
Less:			
Cash paid to UNICEF		75,437,956	84,182,975
Gifts-in-kind		353,318,199	292,092,199
Cash paid to NGOs		8,433,072	5,919,444
Total deductions		437,189,227	382,194,618
Grants payable to UNICEF and NGOs – end of year	$	30,912,205	34,316,388

(6) Property and Equipment, net

Property and equipment at June 30, 2012 and 2011 consisted of the following:

		2012	2011
Office condominium	$	41,563,802	41,506,422
Computer equipment and internal use software		3,868,291	3,579,853
Leasehold improvements		307,126	307,126
Furniture and fixtures		2,373,021	2,304,346
Office equipment		393,315	388,015
		48,505,555	48,085,762
Less accumulated depreciation and amortization		(10,135,688)	(8,296,122)
	$	38,369,867	39,789,640

(7) Long-Term Debt

(a) 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 fair value of these Bonds at June 30, 2012 approximates their carrying values.

The maturities of the bonds payable subsequent to June 30, 2012 are as follows:

		Amount
Fiscal year ending:		
2013	$	725,000
2014		765,000
2015		805,000
2016		845,000
2017		885,000
Thereafter		37,515,000
Total	$	41,540,000

Interest expense on bonds payable for the years ended June 30, 2012 and 2011 was $2,226,865 and $2,250,095, respectively.

(b) Loans Payable

On December 31, 2011, the USF-IKAC entered into a loan agreement with the Prudential Life Insurance Company of America (Prudential) for use with the Revolving Guarantee Bridge Fund (RGBF). RGBF is an innovative tool that secures better pricing, faster delivery, and a consistent flow of essential goods for children in the developing world by distributing critical, flexible capital to overcome traditional funding obstacles when purchasing urgently needed supplies that save children's lives. The RGBF will provide UNICEF's Supply Division with access to United States mission investment funding to bridge procurement costs until regular, slower payments become available.

RGBF funds its program activities and grants by obtaining net worth grants and similar contributions, below market-rate loans, and program-related investments from financial institutions, foundations and other lenders, and guarantees.

The loan payable balance of $5,625,000 represents the initial disbursements of the total loan commitment of $7.5 million from Prudential with an interest rate of 2.75% per annum. The loan payable balance is due five years from the date of the loan agreement. Interest expense on loans payable for the year ended June 30, 2012 was $38,566.

(8) Leases

The Fund is obligated under noncancelable operating lease agreements for the rental of offices and warehouse space expiring through 2016. Such leases generally contain provisions for increased rentals based upon increases in real estate taxes and operating expenses. Total rent expense was $606,800 and $546,402 for the years ended June 30, 2012 and 2011, 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.

Future minimum lease activity is as follows:

		Lease payments	Sublease income	Net lease payments
Fiscal year ending:				
2013	$	581,455	(188,965)	392,490
2014		494,307	(125,976)	368,331
2015		164,545	—	164,545
2016		74,985	—	74,985
Total	$	1,315,292	(314,941)	1,000,351

(9) 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 $1,339,000 and $1,082,000 for the years ended June 30, 2012 and 2011, 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.

(10) Temporarily Restricted Net Assets

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

		2012	2011
Global Mercury Emergency Fund	$	664,896	914,896
Emergencies		1,216,663	646,081
Child survival		17,828,370	14,696,260
Education		4,301,723	454,462
HIV/AIDS		32,502	422,503
Child protection		3,728,699	3,393,760
Child Health Epidemiology Reference Group		2,466,147	5,109,666
ZINC-ORS Program		81,508	202,360
Uganda Program		654,134	810,236
Value of split-interest agreements		137,744	169,020
Advocacy		490,032	—
Global Fellows & Campaign Against Child Trafficking		1,544,191	590,000
Underwriting		1,013,170	900,000
Other		2,306,490	2,395,492
	$	36,466,269	30,704,736

(11) 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.

USF operates in accordance with 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.

The fair value of assets associated with individual donor-restricted endowment funds has fallen below the fund's historic dollar value, and such deficiencies are reported in unrestricted net assets.

The following table summarizes USF's endowment by net asset class and changes therein for the years ended June 30, 2012 and 2011:

Description		Unrestricted	Permanently restricted	Total
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		(293,588)	1,572,329	1,278,741
Investment return		43,223	—	43,223
Contributions		—	27,000	27,000
Net assets at June 30, 2012	$	(250,365)	1,599,329	1,348,964

(12) Subsequent Events

USF considers events or transactions that occur after the balance sheet 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 2012 consolidated financial statements, subsequent events have been evaluated through October 10, 2012, the date such statements were approved for issuance, and determined that no additional disclosures are required.

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidating Schedule of Financial Position

June 30, 2012

Assets	United States Fund for UNICEF	USF-IKAC Gifts-in-kind	USF-IKAC Bridge Fund	USF-IKAC Subtotal	Total	Intercompany eliminations	Consolidated total
Cash and cash equivalents	$ 33,799,118	—	46,213	46,213	33,845,331	—	33,845,331
Investments	26,268,706	—	8,156,354	8,156,354	34,425,060	—	34,425,060
Contributions receivable	36,399,691	—	562,168	562,168	36,961,859	(562,168)	36,399,691
Prepaid expenses and other assets	1,373,013	—	—	—	1,373,013	—	1,373,013
Due from affiliate	—	106,041	—	106,041	106,041	(106,041)	—
Investments held for split-interest agreements	6,562,888	—	—	—	6,562,888	—	6,562,888
Deferred bond acquisition costs	1,016,531	—	—	—	1,016,531	—	1,016,531
Property and equipment	38,369,867	—	—	—	38,369,867	—	38,369,867
Total assets	$ 143,789,814	106,041	8,764,735	8,870,776	152,660,590	(668,209)	151,992,381
Liabilities and Net Assets							
Liabilities:							
Grants payable	$ 31,474,373	—	—	—	31,474,373	(562,168)	30,912,205
Accrued expenses and other liabilities	6,145,775	—	38,566	38,566	6,184,341	—	6,184,341
Liabilities under split-interest agreements	3,904,799	—	—	—	3,904,799	—	3,904,799
Due to affiliate	106,041	—	—	—	106,041	(106,041)	—
Loans payable	—	—	5,625,000	5,625,000	5,625,000	—	5,625,000
Bonds payable	41,540,000	—	—	—	41,540,000	—	41,540,000
Total liabilities	83,170,988	—	5,663,566	5,663,566	88,834,554	(668,209)	88,166,345
Net assets:							
Unrestricted	22,553,228	106,041	3,101,169	3,207,210	25,760,438	—	25,760,438
Temporarily restricted	36,466,269	—	—	—	36,466,269	—	36,466,269
Permanently restricted	1,599,329	—	—	—	1,599,329	—	1,599,329
Total net assets	60,618,826	106,041	3,101,169	3,207,210	63,826,036	—	63,826,036
Total liabilities and net assets	$ 143,789,814	106,041	8,764,735	8,870,776	152,660,590	(668,209)	151,992,381

See accompanying independent auditors' report.

Schedule 2

UNITED STATES FUND FOR UNICEF AND AFFILIATE

Consolidating Schedule of Activities

Year ended June 30, 2012

	United States Fund for UNICEF	USF-IKAC Gifts-in-kind	USF-IKAC Bridge Fund	USF-IKAC Subtotal	Total	Intercompany eliminations	Consolidated total
Public support and revenue:							
Public support:							
Contributions:							
Corporate	$ 18,498,052	—	—	—	18,498,052	—	18,498,052
Major gilts	29,266,821	—	—	—	29,266,821	—	29,266,821
Foundations	13,060,379	—	—	—	13,060,379	—	13,060,379
Private volunteer organizations (NGO)	4,863,250	—	—	—	4,863,250	—	4,863,250
Direct marketing	33,107,798	—	—	—	33,107,798	—	33,107,798
Trick-or-treat program	3,164,898	—	—	—	3,164,898	—	3,164,898
Internet	25,524,598	—	—	—	25,524,598	—	25,524,598
Other	1,533,624	201,000	4,278,168	4,479,168	6,012,792	(4,479,168)	1,533,624
Gifts-in-kind	62,958,153	290,236,736	—	290,236,736	353,194,889	—	353,194,889
Special events income	4,656,012	—	—	—	4,656,012	—	4,656,012
Bequests and legacies	10,703,259	—	—	—	10,703,259	—	10,703,259
Total public support	207,336,844	290,437,736	4,278,168	294,715,904	502,052,748	(4,479,168)	497,573,580
Revenue:							
Greeting cards revenue (net)	3,477,946	—	—	—	3,477,946	—	3,477,946
Investment return	833,882	—	56,234	56,234	890,116	—	890,116
Change in value of split-interest agreements	(370,537)	—	—	—	(370,537)	—	(370,537)
Total revenue	3,941,291	—	56,234	56,234	3,997,525	—	3,997,525
Total public support and revenue	211,278,135	290,437,736	4,334,402	294,772,138	506,050,273	(4,479,168)	501,571,105
Expenses:							
Program services:							
Grants to UNICEF and other NGOs	142,586,140	290,236,736	962,168	291,198,904	433,785,044	—	433,785,044
Grant to affiliate	4,479,168	—	—	—	4,479,168	(4,479,168)	—
Public information	9,756,145	—	209,437	209,437	9,965,582	—	9,965,582
Advocacy	780,586	—	—	—	780,586	—	780,586
Total program services	157,602,039	290,236,736	1,171,605	291,408,341	449,010,380	(4,479,168)	444,531,212
Supporting services:							
Management and general	14,146,219	18,250	40,608	58,858	14,205,077	—	14,205,077
Fund-raising	32,888,008	182,750	21,020	203,770	33,091,778	—	33,091,778
Total supporting services	47,034,227	201,000	61,628	262,628	47,296,855	—	47,296,855
Total expenses	204,636,266	290,437,736	1,233,233	291,670,969	496,307,235	(4,479,168)	491,828,067
Increase in net assets	6,641,869	—	3,101,169	3,101,169	9,743,038	—	9,743,038
Net assets:							
Beginning of year	53,976,957	106,041	—	106,041	54,082,998	—	54,082,998
End of year	$ 60,618,826	106,041	3,101,169	3,207,210	63,826,036	—	63,826,036

See accompanying independent auditors' report.