



## **UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Financial Statements and Supplemental Schedules

June 30, 2017

(with summarized comparative information for fiscal 2016)

(With Independent Auditors' Report Thereon)

## **UNITED STATES FUND FOR UNICEF AND AFFILIATES**

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KPMG LLP  
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### **Independent Auditors' Report**

The Boards of Directors  
United States Fund for UNICEF and Affiliates:

We have audited the accompanying consolidated financial statements of the United States Fund for UNICEF and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year 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 audit. 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 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 United States Fund for UNICEF and Affiliates as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



### **Report on Summarized Comparative Information**

We have previously audited the 2016 consolidated financial statements of the United States Fund for UNICEF and Affiliates, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated October 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matters**

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 purpose 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 30, 2017

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Financial Position

June 30, 2017

(with summarized comparative information as of June 30, 2016)

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 65,594,253	65,915,232
Investments (note 2)	42,670,870	54,823,261
Contributions receivable (note 3)	102,045,242	85,330,659
Prepaid expenses and other assets	1,136,142	1,071,494
Investments held for split-interest agreements (note 4)	8,637,009	8,427,997
Property and equipment, net (note 6)	<u>35,878,227</u>	<u>36,656,352</u>
Total assets	<u>\$ 255,961,743</u>	<u>252,224,995</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Grants payable (note 5)	\$ 46,896,967	42,506,518
Accrued expenses and other liabilities (note 8(a))	6,789,212	8,453,718
Liabilities under split-interest agreements (note 4)	3,599,084	3,896,309
Loans payable (note 7)	37,850,000	34,450,000
Bonds payable (note 7)	<u>37,136,444</u>	<u>37,534,066</u>
Total liabilities	<u>132,271,707</u>	<u>126,840,611</u>
Net assets:		
Unrestricted	59,480,382	50,891,347
Temporarily restricted (note 10)	62,567,325	72,850,708
Permanently restricted (note 11)	<u>1,642,329</u>	<u>1,642,329</u>
Total net assets	<u>123,690,036</u>	<u>125,384,384</u>
Total liabilities and net assets	<u>\$ 255,961,743</u>	<u>252,224,995</u>

See accompanying notes to consolidated financial statements.

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Activities

Year ended June 30, 2017

(with summarized comparative information as of June 30, 2016)

	2017			2016	
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
<b>Public support and revenue:</b>					
<b>Public support:</b>					
Contributions:					
Corporate	\$ 23,849,890	1,569,703	—	25,419,593	31,488,603
Major gifts	29,739,432	2,255,314	—	31,994,746	37,988,845
Foundations	78,654,074	17,923,776	—	96,577,850	171,068,724
Nongovernmental organizations (NGO)	70,505,076	719,802	—	71,224,878	84,131,577
Direct marketing	48,375,773	—	—	48,375,773	48,098,223
Trick-or-treat program	2,095,973	—	—	2,095,973	2,279,080
Internet	27,144,917	—	—	27,144,917	17,923,457
Other	38,879,558	—	—	38,879,558	18,384,358
Gifts-in-kind	146,326,697	—	—	146,326,697	135,189,820
Special events income, net of expenses of \$2,284,918 in 2017 and \$3,446,279 in 2016	6,970,253	752,850	—	7,723,103	7,458,425
Bequests and legacies	10,665,630	—	—	10,665,630	10,135,004
<b>Total public support</b>	<b>483,207,273</b>	<b>23,221,445</b>	—	<b>506,428,718</b>	<b>564,146,116</b>
<b>Revenue:</b>					
Greeting cards revenue	2,856,411	—	—	2,856,411	3,528,740
Investment return (note 2)	2,746,448	—	—	2,746,448	825,029
Change in value of split-interest agreements	(101,871)	(3,087)	—	(104,958)	(239,759)
<b>Total revenue</b>	<b>5,500,988</b>	<b>(3,087)</b>	—	<b>5,497,901</b>	<b>4,114,010</b>
<b>Net assets released from restrictions</b>					
<b>Total public support, revenue, and net       assets released from restrictions</b>	<b>33,501,741</b>	<b>(33,501,741)</b>	—	<b>—</b>	<b>—</b>
<b>Expenses:</b>					
<b>Program services:</b>					
Grants to UNICEF and other nongovernmental organizations (NGOs) (note 5)	433,634,612	—	—	433,634,612	487,891,919
Public information, education, and program services	17,732,444	—	—	17,732,444	14,428,535
Advocacy	1,863,395	—	—	1,863,395	679,121
<b>Total program services</b>	<b>453,230,451</b>	—	—	<b>453,230,451</b>	<b>502,999,575</b>
<b>Supporting services:</b>					
Management and general	15,086,334	—	—	15,086,334	15,275,852
Fund-raising expenses	44,453,935	—	—	44,453,935	42,906,003
<b>Total supporting services</b>	<b>59,540,269</b>	—	—	<b>59,540,269</b>	<b>58,181,855</b>
<b>Total expenses</b>	<b>512,770,720</b>	—	—	<b>512,770,720</b>	<b>561,181,430</b>
Loss on defeasance of bonds					
Increase (decrease) in net assets	(850,247)	—	—	(850,247)	—
<b>Net assets:</b>	<b>8,589,035</b>	<b>(10,283,383)</b>	—	<b>(1,694,348)</b>	<b>7,078,696</b>
<b>Beginning of year</b>					
<b>End of year</b>	<b>\$ 59,480,382</b>	<b>62,567,325</b>	<b>1,642,329</b>	<b>123,690,036</b>	<b>125,384,384</b>

See accompanying notes to consolidated financial statements.

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Cash Flows

Year ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (1,694,348)	7,078,696
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,534,827	2,279,497
Loss on defeasance of bonds	850,247	—
Net (appreciation) depreciation in fair value of investments	(1,398,577)	698,814
Change in value of split-interest agreements	104,958	239,759
Permanently restricted contributions	—	(5,000)
Changes in operating assets and liabilities:		
Contributions receivable	(16,714,583)	14,618,292
Prepaid expenses and other assets	(64,648)	110,788
Grants payable	4,390,449	(20,237,864)
Accrued expenses and other liabilities	<u>(1,664,506)</u>	<u>519,229</u>
Net cash (used in) provided by operating activities	<u>(13,656,181)</u>	<u>5,302,211</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,712,307)	(2,237,362)
Proceeds from sales of investments	18,921,034	6,934,291
Purchases of investments	<u>(5,643,850)</u>	<u>(9,874,997)</u>
Net cash provided by (used in) investing activities	<u>11,564,877</u>	<u>(5,178,068)</u>
Cash flows from financing activities:		
Proceeds from permanently restricted contributions	—	5,000
Proceeds from contributions under split-interest agreements	121,450	222,224
Payments under split-interest agreements	(458,861)	(507,784)
Proceeds from issuance of bonds	39,100,000	—
Defeasance of bonds	(38,400,000)	—
Payment of bonds payable	(1,131,013)	(845,000)
Deferred bond financing costs	(861,251)	—
Proceeds from loans	11,000,000	—
(Payments on) proceeds from loans	<u>(7,600,000)</u>	<u>250,000</u>
Net cash provided by (used in) financing activities	<u>1,770,325</u>	<u>(875,560)</u>
Net decrease in cash and cash equivalents	<u>(320,979)</u>	<u>(751,417)</u>
Cash and cash equivalents:		
Beginning of year	<u>65,915,232</u>	<u>66,666,649</u>
End of year	<u>\$ 65,594,253</u>	<u>65,915,232</u>
Cash paid for interest	\$ 2,418,225	2,915,203
Noncash operating activity:		
Gifts-in-kind revenue/expenses	\$ 146,326,697	135,189,820

See accompanying notes to consolidated financial statements.

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year ended June 30, 2017

(with summarized comparative information for the year ended June 30, 2016)

	Program services				Supporting services			<b>Total 2017</b>	<b>2016</b>
	<b>Grants to UNICEF and other NGOs</b>	<b>Public information</b>	<b>Advocacy</b>	<b>Total</b>	<b>Management and general</b>	<b>Fund-raising</b>	<b>Total</b>		
Grants to UNICEF and other NGOs	\$ 433,634,612	—	—	433,634,612	—	—	—	433,634,612	487,891,919
Salaries, payroll taxes, and employee benefits	—	4,929,290	1,413,230	6,342,520	9,014,401	16,511,589	25,525,990	31,868,510	30,113,713
Outside printing and telemarketing	—	6,253,982	16,695	6,270,677	227,193	7,772,781	7,999,974	14,270,651	9,206,688
Postage and shipping	—	176,753	486	177,239	25,943	5,541,157	5,567,100	5,744,339	3,701,871
Mailing list rental	—	—	—	—	—	709,667	709,667	709,667	222,668
Consulting and other fees	—	3,401,764	137,335	3,539,099	1,019,802	7,943,766	8,963,568	12,502,667	15,369,978
Telephone	—	113,983	1,289	115,272	205,751	227,396	433,147	548,419	271,638
Occupancy	—	34,658	98,468	133,126	83,166	493,582	576,748	709,874	681,039
Conferences, conventions, meetings, and travel	—	777,281	120,133	897,414	819,893	1,551,469	2,371,362	3,268,776	3,214,162
Equipment, repairs, and supplies	—	228,904	3,985	232,889	579,694	1,173,449	1,753,143	1,986,032	2,304,000
Legal and accounting	—	95,987	—	95,987	374,190	125,394	499,584	595,571	504,902
Insurance	—	60,732	—	60,732	122,204	131,057	253,261	313,993	323,826
Depreciation and amortization	—	551,510	60,697	612,207	489,136	1,433,484	1,922,620	2,534,827	2,279,497
Interest	—	1,026,892	—	1,026,892	521,980	559,801	1,081,781	2,108,673	2,936,427
Miscellaneous	—	80,708	11,077	91,785	1,602,981	279,343	1,882,324	1,974,109	2,159,102
Total expenses, year ended June 30, 2017	\$ 433,634,612	17,732,444	1,863,395	453,230,451	15,086,334	44,453,935	59,540,269	512,770,720	561,181,430
Total expenses, year ended June 30, 2016	\$ 487,891,919	14,428,535	679,121	502,999,575	15,275,852	42,906,003	58,181,855	561,181,430	—

See accompanying notes to consolidated financial statements.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

#### **(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 organizations, United States Fund for UNICEF In-Kind Assistance Corporation (USF-IKAC), and Bridge Fund Grant Assistance Corporation (BF-GAC); collectively (USF). The Fund is the sole voting member of USF-IKAC and BF-GAC and elects their boards of directors. There were no transactions for BF-GAC in 2017 and 2016.

##### **(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.

BF-GAC is a not-for-profit organization, chartered by the State of New York, to receive contributions and other financial support and give grants to international charitable organizations to be used by such organizations to benefit children throughout the world.

USF-IKAC and BF-GAC operate 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, 2016 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 available to support operations.

## **UNITED STATES FUND FOR UNICEF AND AFFILIATES**

### Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

Revenue is reported as increases in unrestricted net assets unless its 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 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 revenue (\$334.9 million in fiscal 2017), are reported as net assets released from restrictions. The \$334.9 million represents \$146.3 million of gifts-in-kind and \$188.6 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 long term 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 \$66 million at June 30, 2017 and 2016.

#### **(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.

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.

#### **(f) 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.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

Useful lives used in the calculation of depreciation by major category of assets are as follows:

Office condominium	39 years
Computer equipment and internal use software	3–5 years
Furniture and fixtures	5–7 years
Office equipment	3–5 years

### **(g) Revenue Recognition**

Contributions through direct mail and other campaigns are recorded as public support when received.

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. For donated gifts-in-kind, USF performs a review and evaluation of the fair values by using methods that include reviewing observable market data. This includes reviewing independently quoted prices for that particular pharmaceutical product or a similar pharmaceutical product and incorporating the fair value provided by the donor. USF does not sell donated gifts-in-kind. The inputs used to measure the fair value of gifts-in-kind are considered Level 3 within the fair value hierarchy (note 1(m)).

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.

### **(h) Grants**

Grants are recorded as an expense and liability when approved by the board of directors of USF. All commitments are expected to be paid within 12 months from the date of the statement of financial position.

### **(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 revenue and expenses during the reporting period. Significant estimates

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

made in the preparation of the consolidated financial statements include valuation of investments at fair value, net realizable value of contributions receivable, fair value of gifts-in-kind and functional expense allocations. Actual results could differ from those estimates.

#### **(l) Income Tax Status**

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a publicly supported organization as defined in Section 509(a)(1) of the IRC. USF-IKAC and BF-GAC are also exempt from federal income taxes under Section 501(c)(3) of the IRC and are classified as publicly supported organizations as defined in Section 509(a)(3) of the IRC. The Fund, USF-IKAC, and the BF-GAC are also exempt from 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, 2017 and 2016, USF has not identified or provided for any such positions.

#### **(m) 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

#### **(n) Adoption of Recently Issued Accounting Pronouncements**

In January 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance on the classification and measurement of financial instruments. The guidance amends certain disclosure requirements associated with the fair value of financial instruments.

ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2018. Entities that are not public business entities may early adopt the provisions of the standard that eliminate certain previously required disclosures. USF chose to early adopt this standard for the year ended June 30, 2017 to simplify the reporting for financial instruments and as such is no longer required to provide the disclosures related to the fair value of financial instruments carried at amortized cost.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

#### **(2) Investments**

The classification of investments by level in the fair value hierarchy as of June 30, 2017 and 2016 is as follows:

	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 629,312	—	—	629,312
Corporate fixed income	—	27,004,008	—	27,004,008
Equity securities:				
U.S. equity	8,642,693	—	—	8,642,693
Non-U.S. equity	2,925,677	—	—	2,925,677
Hedge funds <sup>1</sup>				2,491,176
Other investment	978,004	—	—	978,004
	<b>\$ 13,175,686</b>	<b>27,004,008</b>	<b>—</b>	<b>42,670,870</b>

	<b>2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 15,897,520	—	—	15,897,520
Corporate fixed income	—	25,218,916	—	25,218,916
Equity securities:				
U.S. equity	7,662,809	—	—	7,662,809
Non-U.S. equity	2,538,603	—	—	2,538,603
Hedge funds <sup>1</sup>				2,516,028
Other investment	989,385	—	—	989,385
	<b>\$ 27,088,317</b>	<b>25,218,916</b>	<b>—</b>	<b>54,823,261</b>

<sup>1</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Return on investments for the years ended June 30, 2017 and 2016 consists of the following:

	<b>2017</b>	<b>2016</b>
Dividends and interest, net of fees	\$ 1,347,871	1,523,843
Appreciation (depreciation) in fair value	1,398,577	(698,814)
Total investment return	<b>\$ 2,746,448</b>	<b>825,029</b>

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

## Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

At June 30, 2017 and 2016, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance, and requires a 91-day notice period. A third investment is a fund that may be redeemed bimonthly and requires a 6-day notice period.

### (3) Contributions Receivable

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Contributions receivable at June 30, 2017 and 2016 consist of unconditional promises to give, due as follows:

	<b>2017</b>	<b>2016</b>
Less than one year	\$ 91,997,952	59,343,082
One to five years	<u>11,936,953</u>	<u>27,808,652</u>
	103,934,905	87,151,734
 Less: Discount to present value (rates ranging from 0.95% to 5.11%)		
	(262,377)	(413,225)
Allowance for uncollectible pledges	<u>(1,627,286)</u>	<u>(1,407,850)</u>
 Net contributions receivable	\$ 102,045,242	85,330,659

Included in gross contributions receivable at June 30, 2017 is approximately \$75.6 million due from five donors. Gift-in-kind revenue is primarily received from one donor. Included in contribution revenue is approximately \$146.3 million from two foundations and a nongovernmental organization (NGO).

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

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(with summarized comparative information for fiscal 2016)

#### **(4) Investments Held for Split-Interest Agreements**

Split-interest agreements, for which USF is a trustee, consist principally of charitable gift annuities (CGA), related assets of which total \$8,294,638 and \$8,077,165 at June 30, 2017 and 2016, respectively. Such designated assets exceed the legally mandated reserve. The classification of investments held for split-interest agreements by their level in the fair value hierarchy as of June 30, 2017 and 2016 is as follows:

	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 315,411	—	—	315,411
Corporate fixed income	—	3,716,971	—	3,716,971
Equity securities:				
U.S. equity	2,397,908	—	—	2,397,908
Non-U.S. equity	899,158	—	—	899,158
Hedge funds <sup>1</sup>				921,621
Other investment	385,940	—	—	385,940
	<hr/> <u>\$ 3,998,417</u>	<hr/> <u>3,716,971</u>	<hr/> <u>—</u>	<hr/> <u>8,637,009</u>

  

	<b>2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 392,157	—	—	392,157
Corporate fixed income	—	3,907,772	—	3,907,772
Equity securities:				
U.S. equity	2,101,358	—	—	2,101,358
Non-U.S. equity	773,443	—	—	773,443
Hedge funds				1,199,005
Other investment	54,262	—	—	54,262
	<hr/> <u>\$ 3,321,220</u>	<hr/> <u>3,907,772</u>	<hr/> <u>—</u>	<hr/> <u>8,427,997</u>

<sup>1</sup> Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

At June 30, 2017 and 2016, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance and requires a 91-day notice period.

Changes in fair value of these split-interest agreements are reflected 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 \$3,599,084 and \$3,896,309

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

at June 30, 2017 and 2016, respectively, is calculated using the Internal Revenue Service discount rate and applicable mortality tables.

#### **(5) Grants**

The boards of directors of USF authorized grants to UNICEF-assisted projects and various nonprofit organizations from funds and in-kind gifts received by USF during the years ended June 30, 2017 and 2016. Such grants are to be used by UNICEF and nonprofit organizations solely for those assistance projects approved by the boards 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, 2017 and 2016, grants payable to UNICEF and NGOs were calculated as follows:

	<b>2017</b>	<b>2016</b>
Grants payable to UNICEF and NGOs – beginning of year	\$ 42,506,519	62,744,382
Add:		
Gifts-in-kind	146,326,697	135,189,820
Greeting cards revenue and support	2,663,327	3,216,375
Grants to UNICEF	278,643,699	344,468,981
Grants to NGOs	<u>6,000,889</u>	<u>5,016,743</u>
Total additions	<u>433,634,612</u>	<u>487,891,919</u>
Less:		
Cash paid to UNICEF	277,477,409	367,293,880
Gifts-in-kind	146,326,697	135,189,820
Cash paid to NGOs	<u>5,440,058</u>	<u>5,646,083</u>
Total deductions	<u>429,244,164</u>	<u>508,129,783</u>
Grants payable to UNICEF and NGOs – end of year	<u>\$ 46,896,967</u>	<u>42,506,518</u>

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

### **(6) Property and Equipment, Net**

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	<b>2017</b>	<b>2016</b>
Office condominium	\$ 41,670,513	41,670,513
Computer equipment and internal use software	10,933,355	9,384,051
Leasehold improvements	64,166	307,126
Furniture and fixtures	3,107,860	2,990,824
Office equipment	455,648	455,648
	56,231,542	54,808,162
Less accumulated depreciation and amortization	(20,353,315)	(18,151,810)
	\$ 35,878,227	36,656,352

### **(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 (the 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 were not secured by any mortgage lien or security interest in the Facility or any property of USF. The Bonds also had a financial covenant in which USF guaranteed to maintain minimum net assets at \$10,000,000.

In September 2016, Build NYC Resource Corporation issued private placement Civic Facility Revenue Bonds, Series 2016 (2016 Bonds) totaling \$39,100,000 to defease the New York City Industrial Development Agency Civic Facility Revenue Bonds Series 2007A and 2007B. The term of the 2016 Bonds is 20 years with a fixed interest rate of 2.86%. The loss on defeasance of the debt was \$850,247 and is presented as a loss on defeasance of bonds in the 2017 statement of activities.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

The maturities of the bonds payable subsequent to June 30, 2017 are as follows:

	<u>Amount</u>
Fiscal year ending:	
2018	\$ 1,491,926
2019	1,535,767
2020	1,578,174
2021	1,627,273
2022	1,675,091
Thereafter	<u>30,060,756</u>
Total	<u>\$ 37,968,987</u>

Interest expense on bonds payable for the years ended June 30, 2017 and 2016 was \$1,333,113 and \$2,070,904, respectively.

### **(b) Loans Payable**

On December 31, 2011, The USF-IKAC entered into a loan agreement with various philanthropic investors for use with the Revolving Guarantee Bridge Fund (RGBF) program. 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. RGBF funds its program activities and grants by obtaining net worth grants and similar contributions, below market loans, and program-related investments from financial institutions, foundations, and other lenders. The RGBF provides UNICEF's Supply Division with access to U.S. mission investment funding to bridge procurement costs until regular, slower payments become available.

The loan payable balance of \$37,850,000 represents various loans from corporate and individual lenders with interest rates ranging from 0% to 2.75% per annum. The loan payable balances range from three to five years from the date of the loan agreement. Interest expense on loans payable for the years ended June 30, 2017 and 2016 was \$767,480 and \$859,492, respectively.

## **(8) Commitments and Contingencies**

### **(a) Leases**

The Fund is obligated under noncancelable operating lease agreements for the rental of offices and warehouse space expiring through 2027. Such leases generally contain provisions for increased rentals based upon increases in real estate taxes and operating expenses. Total rent expense was \$567,531 and \$523,319 for the years ended June 30, 2017 and 2016, 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 AFFILIATES

### Notes to Consolidated Financial Statements

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(with summarized comparative information for fiscal 2016)

Future minimum lease payments are as follows:

Fiscal year ending:	
2018	\$ 534,729
2019	499,259
2020	509,144
2021	372,814
2022	336,468
Thereafter	880,933
Total	\$ <u>3,133,347</u>

#### **(b) Guarantee**

In December 2012, USF provided a letter of guarantee to UNICEF over the 2013–2016 time frame to support a Long Term Agreement (LTA) for procurement of Oral Polio Vaccine (OPV) by UNICEF from a particular supplier. USF agreed to guarantee up to \$16.915 million in specified amounts per calendar year and will be liable for such amounts if UNICEF fails to procure the yearly Planned Purchase, as defined. UNICEF met its obligations as of December 31, 2016, the end date of the LTA.

#### **(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 4% of an employee's salary (up to 6% of base compensation prior to July 8, 2013). 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 \$1,562,372 and \$1,457,800 for the years ended June 30, 2017 and 2016, 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.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2017

(with summarized comparative information for fiscal 2016)

### **(10) Temporarily Restricted Net Assets**

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

	<b>2017</b>	<b>2016</b>
Child protection	\$ 3,847,906	2,969,661
Child survival, including nutrition and health	54,694,897	62,453,453
Education	44,617	881,246
Emergencies	2,805,472	5,349,751
Others miscellaneous programs	1,021,092	1,040,170
Value of split interest	153,341	156,427
<b>Total</b>	<b>\$ 62,567,325</b>	<b>72,850,708</b>

### **(11) Endowment**

USF's endowment consists of 18 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 following table summarizes USF's endowment by net asset class and changes therein for the years ended June 30, 2017 and 2016:

<b>Description</b>	<b>Unrestricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Net assets at June 30, 2015	\$ 110,830	1,637,329	1,748,159
Investment return	2,217	—	2,217
Contributions	—	5,000	5,000
Amount expended to support operations	<u>(113,047)</u>	<u>—</u>	<u>(113,047)</u>
Net assets at June 30, 2016	—	1,642,329	1,642,329
Investment return	107,357	—	107,357
Contributions	—	—	—
Amount expended to support operations	<u>(107,357)</u>	<u>—</u>	<u>(107,357)</u>
Net assets at June 30, 2017	<u>\$ —</u>	<u>1,642,329</u>	<u>1,642,329</u>

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Notes to Consolidated Financial Statements

June 30, 2017

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**(12) 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 2017 consolidated financial statements, subsequent events have been evaluated from June 30, 2017 through October 30, 2017, the date such consolidated statements were approved for issuance, and determined that no additional disclosures are required.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

## Consolidating Schedule of Financial Position

June 30, 2017

Assets	United States Fund for UNICEF	USF-IKAC			Intercompany eliminations	Consolidated total
		Gifts-in-kind	Bridge Fund	Subtotal		
Cash and cash equivalents	\$ 65,132,789	—	461,464	461,464	65,594,253	65,594,253
Investments	28,286,330	—	14,384,540	14,384,540	42,670,870	42,670,870
Contributions receivable	90,045,242	—	12,000,000	12,000,000	102,045,242	102,045,242
Prepaid expenses and other assets	3,136,142	—	—	—	3,136,142	(2,000,000) 1,136,142
Due from affiliate	—	106,165	24,800,454	24,906,619	24,906,619	(24,906,619) —
Investments held for split-interest agreements	8,637,009	—	—	—	8,637,009	8,637,009
Property and equipment, net	35,878,227	—	—	—	35,878,227	—
Total assets	\$ 231,115,739	106,165	51,646,458	51,752,623	282,868,362	(26,906,619) 255,961,743
<b>Liabilities and Net Assets</b>						
Liabilities:						
Grants payable	\$ 46,896,967	—	—	—	46,896,967	—
Accrued expenses and other liabilities	6,438,813	—	350,399	350,399	6,789,212	6,789,212
Liabilities under split-interest agreements	3,599,084	—	—	—	3,599,084	—
Due to affiliate	24,906,619	—	—	—	24,906,619	(24,906,619) —
Loans payable	—	—	37,850,000	37,850,000	37,850,000	—
Bonds payable	37,136,444	—	—	—	37,136,444	—
Total liabilities	\$ 118,977,927	—	38,200,399	38,200,399	157,178,326	(24,906,619) 132,271,707
Net assets:						
Unrestricted	47,928,158	106,165	13,446,059	13,552,224	61,480,382	(2,000,000) 59,480,382
Temporarily restricted	62,567,325	—	—	—	62,567,325	—
Permanently restricted	1,642,329	—	—	—	1,642,329	—
Total net assets	\$ 112,137,812	106,165	13,446,059	13,552,224	125,690,036	(2,000,000) 123,690,036
Total liabilities and net assets	\$ 231,115,739	106,165	51,646,458	51,752,623	282,868,362	(26,906,619) 255,961,743

See accompanying independent auditors' report.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

## Consolidating Schedule of Activities

Year ended June 30, 2017

	<b>United States Fund for UNICEF</b>	<b>USF-IKAC Bridge Fund</b>	<b>Subtotal</b>	<b>Total</b>	<b>Intercompany eliminations</b>	<b>Consolidated total</b>
<b>Public support and revenue:</b>						
<b>Public support:</b>						
Contributions:						
Corporate	\$ 25,419,593	—	—	25,419,593	—	25,419,593
Major gifts	31,994,746	—	—	31,994,746	—	31,994,746
Foundations	96,577,850	—	—	96,577,850	—	96,577,850
Nongovernment organizations (NGO)	71,224,878	—	—	71,224,878	—	71,224,878
Direct marketing	48,375,773	—	—	48,375,773	—	48,375,773
Trick-or-treat program	2,095,973	—	—	2,095,973	—	2,095,973
Internet	27,144,917	—	—	27,144,917	—	27,144,917
Other	2,577,104	—	—	2,577,104	—	2,577,104
Gifts-in-kind	146,326,697	—	—	146,326,697	—	146,326,697
Special events income	7,723,103	—	—	7,723,103	—	7,723,103
Bequests and legacies	10,665,630	—	—	10,665,630	—	10,665,630
Total public support	470,126,264	—	65,313,942	65,313,942	535,440,206	(29,011,488)
Revenue:						
Greeting cards revenue (net)	2,856,411	—	—	2,856,411	—	2,856,411
Investment return	2,160,176	—	586,272	586,272	2,746,448	—
Change in value of split-interest agreements	(104,958)	—	—	(104,958)	—	(104,958)
Total revenue	4,911,629	—	586,272	586,272	5,497,901	—
Total public support and revenue	475,037,893	—	65,900,214	65,900,214	540,938,107	(29,011,488)
<b>Expenses:</b>						
Program services:						
Grants to UNICEF and other NGOs	369,290,737	—	64,343,875	64,343,875	433,634,612	—
Grant to affiliate	29,011,488	—	—	—	29,011,488	(29,011,488)
Public information, education, and program services	16,604,964	—	1,127,480	1,127,480	17,732,444	—
Advocacy	1,863,395	—	—	—	1,863,395	—
Total program services	416,770,584	—	65,471,355	65,471,355	482,241,939	(29,011,488)
Supporting services:						
Management and general	15,072,309	—	14,025	14,025	15,086,334	—
Fund-raising expenses	44,352,935	—	101,000	101,000	44,453,935	—
Total supporting services	59,425,244	—	115,025	115,025	59,540,269	—
Total expenses	476,195,828	—	65,586,380	65,586,380	541,782,208	(29,011,488)
Loss on retirement of bonds	(850,247)	—	—	(850,247)	—	(850,247)
(Decrease) increase in net assets	(2,008,182)	—	313,834	313,834	(1,694,348)	—
Net assets:						
Beginning of year	114,145,994	106,165	13,132,225	13,238,390	127,384,384	(2,000,000)
End of year	\$ 112,137,812	106,165	13,446,059	13,552,224	125,690,036	(2,000,000)
						123,690,036

See accompanying independent auditors' report.