



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

Consolidated Financial Statements and Supplemental Schedules

June 30, 2019

(with summarized comparative information for fiscal 2018)

(With Independent Auditors' Report Thereon)

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

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### **Independent Auditors' Report**

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

We have audited the accompanying consolidated financial statements of United States Fund for UNICEF and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows 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 organization'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 organization'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 United States Fund for UNICEF and Affiliates as of June 30, 2019, 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.



#### *Emphasis of Matter*

As discussed in Note 1(n) to the consolidated financial statements, in 2019 United States Fund for UNICEF and Affiliates adopted new accounting guidance, Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

#### *Report on Summarized Comparative Information*

We have previously audited the United States Fund for UNICEF and Affiliates 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived before the adjustments to adopt Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 1(n) that were applied to adopt Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* retrospectively in the 2018 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

#### *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*

December 12, 2019

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Financial Position

June 30, 2019

(with comparative information as of June 30, 2018)

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 75,692,448	79,283,796
Investments (note 2)	50,455,931	48,764,564
Contributions receivable (note 3)	257,914,778	111,332,106
Prepaid expenses and other assets	1,782,231	1,457,153
Investments held for split-interest agreements (note 4)	9,380,353	9,366,230
Property and equipment, net (note 6)	<u>32,033,475</u>	<u>34,215,634</u>
Total assets	<u>\$ 427,259,216</u>	<u>284,419,483</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Grants payable (note 5)	\$ 179,467,694	50,841,300
Accrued expenses and other liabilities (note 8(a))	10,431,247	11,516,575
Liabilities under split-interest agreements (note 4)	3,524,506	3,709,088
Loans payable (note 7)	36,750,000	39,150,000
Bonds payable, net (note 7)	<u>34,183,527</u>	<u>35,679,892</u>
Total liabilities	<u>264,356,974</u>	<u>140,896,855</u>
Net assets:		
Without donor restrictions	67,789,821	71,188,041
With donor restrictions (note 10)	<u>95,112,421</u>	<u>72,334,587</u>
Total net assets	<u>162,902,242</u>	<u>143,522,628</u>
Total liabilities and net assets	<u>\$ 427,259,216</u>	<u>284,419,483</u>

See accompanying notes to consolidated financial statements.

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Activities

Year ended June 30, 2019

(with summarized financial information for the year ended June 30, 2018)

	<b>2019</b>			<b>2018</b>
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Public support and revenue:</b>				
<b>Public support:</b>				
Contributions:				
Corporate	\$ 17,651,546	12,034,274	29,685,820	35,685,484
Major gifts	30,915,222	4,347,078	35,262,300	43,734,203
Foundations	109,299,492	36,932,493	146,231,985	162,813,951
Nongovernmental organizations (NGO)	90,752,767	2,877,130	93,629,897	96,804,356
Direct marketing	44,338,442	45,981	44,384,423	47,975,080
Trick-or-treat program	1,423,282	—	1,423,282	1,912,099
Internet	23,899,942	—	23,899,942	30,086,482
Other	28,556,800	68,500	28,625,300	32,371,518
Gifts-in-kind	140,566,704	—	140,566,704	118,428,510
Special events income, net of expenses of \$2,881,808 in 2019 and \$3,528,139 in 2018	7,598,321	363,630	7,961,951	8,154,054
Bequests and legacies	9,666,727	352,395	10,019,122	14,617,645
Total public support	<u>504,669,245</u>	<u>57,021,481</u>	<u>561,690,726</u>	<u>592,583,382</u>
<b>Revenue:</b>				
Greeting cards revenue	2,097,458	—	2,097,458	2,986,331
Investment return (note 2)	4,024,170	—	4,024,170	2,240,488
Change in value of split-interest agreements	(294,194)	56,577	(237,617)	(159,668)
Total revenue	5,827,434	56,577	5,884,011	5,067,151
<b>Net assets released from restrictions</b>	<u>34,300,224</u>	<u>(34,300,224)</u>	<u>—</u>	<u>—</u>
Total public support, revenue, and net assets released from restrictions	<u>544,796,903</u>	<u>22,777,834</u>	<u>567,574,737</u>	<u>597,650,533</u>
<b>Expenses:</b>				
<b>Program services:</b>				
Grants to UNICEF and other nongovernmental organizations (NGOs) (note 5)	465,590,090	—	465,590,090	490,259,467
Public information, education, and program services	15,652,606	—	15,652,606	20,656,518
Advocacy	2,081,070	—	2,081,070	2,487,355
Total program services	<u>483,323,766</u>	<u>—</u>	<u>483,323,766</u>	<u>513,403,340</u>
<b>Supporting services:</b>				
Management and general	20,755,419	—	20,755,419	18,874,460
Fund-raising expenses	44,115,938	—	44,115,938	45,540,141
Total supporting services	<u>64,871,357</u>	<u>—</u>	<u>64,871,357</u>	<u>64,414,601</u>
Total expenses	<u>548,195,123</u>	<u>—</u>	<u>548,195,123</u>	<u>577,817,941</u>
Increase in net assets	(3,398,220)	22,777,834	19,379,614	19,832,592
<b>Net assets:</b>				
Beginning of year	<u>71,188,041</u>	<u>72,334,587</u>	<u>143,522,628</u>	<u>123,690,036</u>
End of year	<u>\$ 67,789,821</u>	<u>95,112,421</u>	<u>162,902,242</u>	<u>143,522,628</u>

See accompanying notes to consolidated financial statements.

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Cash Flows

Year ended June 30, 2019  
(with summarized comparative information as of June 30, 2018)

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Increase in net assets	\$ 19,379,614	19,832,592
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,490,117	2,580,549
Net appreciation in fair value of investments	(2,040,504)	(508,742)
Change in value of split-interest agreements	237,617	159,668
Endowment contributions	(10,000)	(2,500,000)
Changes in operating assets and liabilities:		
Contributions receivable	(6,663,422)	(9,286,864)
Prepaid expenses and other assets	(325,078)	(321,011)
Grants payable	(11,292,856)	3,944,333
Split-interest agreements assets	108,150	—
Accrued expenses and other liabilities	<u>(1,085,328)</u>	<u>4,727,363</u>
Net cash provided by operating activities	<u>798,310</u>	<u>18,627,888</u>
Cash flows from investing activities:		
Purchases of property and equipment	(264,896)	(882,071)
Proceeds from sales of investments	6,293,985	4,156,973
Purchases of investments	<u>(6,098,927)</u>	<u>(10,813,967)</u>
Net cash used in investing activities	<u>(69,838)</u>	<u>(7,539,065)</u>
Cash flows from financing activities:		
Proceeds from endowment	10,000	2,500,000
Proceeds from contributions under split-interest agreements	65,000	560,000
Payments under split-interest agreements	(455,393)	(266,843)
Payment of bonds payable	(1,539,427)	(1,492,437)
Proceeds from loans	15,050,000	17,650,000
Payments on loans	<u>(17,450,000)</u>	<u>(16,350,000)</u>
Net cash (used in) provided by financing activities	<u>(4,319,820)</u>	<u>2,600,720</u>
Net (decrease) increase in cash and cash equivalents	<u>(3,591,348)</u>	<u>13,689,543</u>
Cash and cash equivalents:		
Beginning of year	<u>79,283,796</u>	<u>65,594,253</u>
End of year	<u>\$ 75,692,448</u>	<u>79,283,796</u>
Cash paid for interest	<u>\$ 1,886,638</u>	<u>1,828,285</u>
Noncash operating activity:		
Gifts-in-kind revenue/expenses	\$ 140,566,704	118,428,510
Gifts-in-kind contributions receivable	(139,919,250)	—
Gifts-in-kind grants payable to UNICEF	139,919,250	—

See accompanying notes to consolidated financial statements.

**UNITED STATES FUND FOR UNICEF AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year ended June 30, 2019

(with summarized financial information for the year ended June 30, 2018)

	Program services				Supporting services			Totals	
	Grants to UNICEF and other NGOs				Management and general	Fund-raising	Total	2019	2018
		Public information	Advocacy	Total					
Grants to UNICEF and other NGOs	\$ 465,590,090	—	—	465,590,090	—	—	—	465,590,090	490,259,467
Salaries, payroll taxes, and employee benefits	—	6,759,499	1,407,596	8,167,095	9,530,864	16,563,653	26,094,517	34,261,612	34,747,036
Outside printing and telemarketing	—	1,405,893	35,546	1,441,439	350,628	7,239,513	7,590,141	9,031,580	9,565,024
Postage and shipping	—	48,855	33	48,888	50,068	6,448,162	6,498,230	6,547,118	10,036,107
Mailing list rental	—	—	—	—	—	893,468	893,468	893,468	843,979
Consulting and other fees	—	4,321,170	358,509	4,679,679	4,091,266	8,221,769	12,313,035	16,992,714	17,201,321
Telephone	—	123,325	720	124,045	213,263	201,282	414,545	538,590	535,253
Occupancy	—	34,119	—	34,119	709,278	61,265	770,543	804,662	753,749
Conferences, conventions, meetings and travel	—	674,318	191,337	865,655	1,135,130	1,477,963	2,613,093	3,478,748	3,529,194
Equipment, repairs, and supplies	—	352,235	11,183	363,418	900,578	612,343	1,512,921	1,876,339	2,136,995
Legal and accounting	—	65,530	1,663	67,193	528,587	175,086	703,673	770,866	667,729
Insurance	—	82,826	—	82,826	146,195	148,712	294,907	377,733	330,383
Depreciation and amortization	—	432,395	62,155	494,550	662,167	1,333,400	1,995,567	2,490,117	2,580,549
Interest	—	1,073,452	—	1,073,452	403,122	410,064	813,186	1,886,638	1,836,241
Miscellaneous	—	278,989	12,328	291,317	2,034,273	329,258	2,363,531	2,654,848	2,794,914
Total expenses, year ended June 30, 2019	\$ 465,590,090	15,652,606	2,081,070	483,323,766	20,755,419	44,115,938	64,871,357	548,195,123	577,817,941
Total expenses, year ended June 30, 2018	\$ 490,259,467	20,656,518	2,487,355	513,403,340	18,874,460	45,540,141	64,414,601	577,817,941	—

See accompanying notes to consolidated financial statements.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

#### **(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 affiliates, UNICEF USA Impact Fund for Children Inc (IF4C) (Formerly 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 2019 and 2018.

##### ***(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 190 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.

IF4C 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.

IF4C 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, 2018 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:

*Without Donor Restrictions Net Assets* – Net assets that are not subject to donor-imposed restrictions

*With Donor Restrictions 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 as well as 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 to support operations.

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

### Notes to Consolidated Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

Revenue is reported as increases in net assets unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions, 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 without donor restriction revenue (\$380 million in fiscal 2019), are reported as net assets released from restrictions. The \$380 million represents \$140.6 million of gifts-in-kind and \$239.4 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 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 \$73 million and \$79 million at June 30, 2019 and 2018, 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 net assets with donor restrictions are available for unrestricted use and are recorded as without donor restriction 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, 2019

(with comparative financial information as of June 30, 2018)

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. 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 using the square footage method 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 made in the preparation of the consolidated financial statements include valuation of investments at fair

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

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. IF4C 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, IF4C, 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, 2019 and 2018, 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) New Accounting Pronouncements**

The FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The Fund adopted the main provisions of this guidance which includes the reduction of the number of net asset classes from three to two: with donor restrictions, previously reported as temporarily restricted net assets of \$68,192,258 and permanently restricted net assets of \$4,142,329, in 2018, and without donor restrictions, previously reported as unrestricted net assets of \$71,188,041, in 2018; the presentation of expenses by their function and their natural classification in one location; quantitative

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the Statement of Financial Position; and retaining the option to present operating cash flows in the Statement of Cash Flows using either the direct or indirect method.

The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Fund adopted the main provisions of this guidance which includes (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional, resulting from a donor-imposed condition which includes:

- A right of return, entailing either a return of assets transferred or a right of release of a promisor from its obligation to transfer assets; and
- A barrier that must be overcome before the recipient is entitled to the assets transferred or promised.

Management has determined that this ASU did not significantly impact the Fund's financial statements.

## (2) Investments

The classification of investments by level in the fair value hierarchy as of June 30, 2019 and 2018 is as follows:

	2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,036,576	—	—	6,036,576
Corporate fixed income	—	27,420,089	—	27,420,089
Equity securities:				
U.S. equity	10,257,968	—	—	10,257,968
Non-U.S. equity	3,374,663	—	—	3,374,663
Hedge funds <sup>1</sup>				2,414,165
Other investment	952,470	—	—	952,470
	\$ <u>20,621,677</u>	<u>27,420,089</u>	<u>—</u>	<u>50,455,931</u>

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

	2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,128,210	—	—	6,128,210
Corporate fixed income	—	25,659,098	—	25,659,098
Equity securities:				
U.S. equity	9,545,933	—	—	9,545,933
Non-U.S. equity	3,205,940	—	—	3,205,940
Hedge funds <sup>1</sup>				3,317,489
Other investment	907,894	—	—	907,894
	<u>\$ 19,787,977</u>	<u>25,659,098</u>	<u>—</u>	<u>48,764,564</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.

Return on investments for the years ended June 30, 2019 and 2018 consists of the following:

	2019	2018
Dividends and interest, net of fees	\$ 1,983,666	1,731,746
Appreciation in fair value	2,040,504	508,742
Total investment return	<u>\$ 4,024,170</u>	<u>2,240,488</u>

At June 30, 2019 and 2018, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance, and requires a 91-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.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

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(with comparative financial information as of June 30, 2018)

Contributions receivable at June 30, 2019 and 2018 consist of unconditional promises to give, due as follows:

	<b>2019</b>	<b>2018</b>
Cash contributions receivable:		
Less than one year	\$ 95,663,563	98,000,290
One to five years	<u>25,682,342</u>	<u>15,478,476</u>
	121,345,905	113,478,766
Less:		
Discount to present value (rates ranging from 0.95% to 2.38%)	(718,592)	(402,269)
Allowance for uncollectible pledges	<u>(2,631,785)</u>	<u>(1,744,391)</u>
	117,995,528	111,332,106
Gifts-in-kind contributions receivable	<u>139,919,250</u>	<u>—</u>
Total	<u>\$ 257,914,778</u>	<u>111,332,106</u>

Included in gross contributions receivable at June 30, 2019 is approximately \$92 million due from five donors. Gift-in-kind revenue is primarily received from one donor.

#### (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 \$9,141,975 and \$9,016,282 at June 30, 2019 and 2018, 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, 2019 and 2018 is as follows:

	2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 809,697	—	—	809,697
Corporate fixed income	—	3,770,446	—	3,770,446
Equity securities:				
U.S. equity	2,731,632	—	—	2,731,632
Non-U.S. equity	1,013,354	—	—	1,013,354
Hedge funds <sup>1</sup>				637,707
Other investment	<u>417,517</u>	<u>—</u>	<u>—</u>	<u>417,517</u>
	<u>\$ 4,972,200</u>	<u>3,770,446</u>	<u>—</u>	<u>9,380,353</u>

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

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(with comparative financial information as of June 30, 2018)

	2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 878,748	—	—	878,748
Corporate fixed income	—	3,526,374	—	3,526,374
Equity securities:				
U.S. equity	2,766,090	—	—	2,766,090
Non-U.S. equity	974,684	—	—	974,684
Hedge funds <sup>1</sup>				830,499
Other investment	<u>389,835</u>	<u>—</u>	<u>—</u>	<u>389,835</u>
	<u>\$ 5,009,357</u>	<u>3,526,374</u>	<u>—</u>	<u>9,366,230</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, 2019 and 2018, 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 \$3,524,506 and \$3,709,088 at June 30, 2019 and 2018, 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, 2019 and 2018. 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.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

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(with comparative financial information as of June 30, 2018)

As of June 30, 2019 and 2018, grants payable to UNICEF and NGOs were calculated as follows:

	<b>2019</b>	<b>2018</b>
Grants payable to UNICEF and NGOs – beginning of year	\$ 50,841,300	46,896,967
Add:		
Gifts-in-kind	140,566,704	118,428,510
Greeting cards revenue and support	1,696,133	2,195,975
Grants to UNICEF	316,621,271	360,315,743
Grants to NGOs	<u>6,705,982</u>	<u>9,319,239</u>
Total additions	<u>465,590,090</u>	<u>490,259,467</u>
Less:		
Cash paid to UNICEF	329,233,628	359,639,801
Gifts-in-kind	647,454	118,428,510
Cash paid to NGOs	<u>7,082,614</u>	<u>8,246,823</u>
Total deductions	<u>336,963,696</u>	<u>486,315,134</u>
Grants payable to UNICEF and NGOs – end of year	<u>\$ 179,467,694</u>	<u>50,841,300</u>

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

Property and equipment at June 30, 2019 and 2018 consisted of the following:

	<b>2019</b>	<b>2018</b>
Office condominium	\$ 41,685,279	41,670,513
Computer equipment and internal use software	7,855,134	8,281,320
Leasehold improvements	64,166	64,166
Furniture and fixtures	3,267,380	3,183,907
Office equipment	<u>417,093</u>	<u>412,553</u>
	<u>53,289,052</u>	<u>53,612,459</u>
Less accumulated depreciation and amortization	<u>(21,255,577)</u>	<u>(19,396,825)</u>
	<u>\$ 32,033,475</u>	<u>34,215,634</u>

### **(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

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

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(with comparative financial information as of June 30, 2018)

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 deferred bond acquisition cost on bonds payable for the years ended June 30, 2019 and 2018 was \$753,595 and \$796,657, respectively.

The maturities of the bonds payable subsequent to June 30, 2019 are as follows:

	<u>Amount</u>
Fiscal year ending:	
2020	\$ 1,578,174
2021	1,627,273
2022	1,675,091
2023	1,724,315
2024	1,772,801
Thereafter	<u>26,559,468</u>
Total	34,937,122
Less deferred bond acquisition cost	<u>(753,595)</u>
Bonds payable, net	<u>\$ 34,183,527</u>

Interest expense on bonds payable for the years ended June 30, 2019 and 2018 was \$1,037,501 and \$1,084,492, respectively.

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

On December 31, 2011, The IF4C (formerly 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.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

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(with comparative financial information as of June 30, 2018)

The loan payable balance of \$36,750,000 represents various loans from corporate and individual lenders with interest rates ranging from 0% to 3.60% 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, 2019 and 2018 was \$845,075 and \$745,647, respectively.

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

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 \$702,550 and \$637,810 for the years ended June 30, 2019 and 2018, 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 payments are as follows:

Fiscal year ending:	
2020	\$ 732,212
2021	851,718
2022	725,919
2023	684,245
2024	681,299
2025 and beyond	<u>2,301,678</u>
Total	<u>\$ 5,977,071</u>

### **(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 prior to July 8, 2013 and 4% of base compensation of all eligible employees hired on or after July 1, 2013. The Fund's matching and nonmatching contributions totaled \$1,642,248 and \$1,506,175 for the years ended June 30, 2019 and 2018, 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, 2019

(with comparative financial information as of June 30, 2018)

### **(10) With Donor Restrictions Net Assets**

With Donor Restrictions net assets consisted of the following at June 30:

	<b>2019</b>	<b>2018</b>
Child protection	\$ 5,248,019	2,682,439
Child survival, including nutrition and health	72,795,565	58,733,892
Emergencies	1,629,037	5,863,690
Others miscellaneous programs	11,069,539	750,882
Value of split interest	217,932	161,355
Endowment (a)	<u>4,152,329</u>	<u>4,142,329</u>
Total	<u>\$ 95,112,421</u>	<u>72,334,587</u>

#### **(a) Endowment**

USF's endowment consists of 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 classified under with donor restriction 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, 2019 and 2018:

<b>Description</b>	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Net assets at June 30, 2017	\$ —	1,642,329	1,642,329
Investment return	43,385	—	43,385
Contributions	—	2,500,000	2,500,000
Amount expended to support operations	<u>(43,385)</u>	<u>—</u>	<u>(43,385)</u>
Net assets at June 30, 2018	—	4,142,329	4,142,329
Investment return	184,844	—	184,844
Contributions	—	10,000	10,000
Amount expended to support operations	<u>(184,844)</u>	<u>—</u>	<u>(184,844)</u>
Net assets at June 30, 2019	<u>\$ —</u>	<u>4,152,329</u>	<u>4,152,329</u>

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2019

(with comparative financial information as of June 30, 2018)

#### **(11) Availability of Resources**

The Fund manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Fund operates with a balanced budget and anticipate sufficient revenue to cover general expenditures not covered by donor-restricted resources. The board approved the Fiscal Year 2019 spend from the endowment, which is estimated to be \$184,000. The spending is calculated based on 4.5% of the endowment balance as of December 31, 2018.

As of June 30, 2019, the Fund considered the following financial assets available to meet its general expenditure within one year:

Cash and cash equivalents	\$ 75,692,448
Investments	50,455,931
Contributions receivable	<u>257,914,778</u>
Total financial assets	<u>384,063,157</u>
Less:	
Investments not readily available (Hedge Funds)	2,414,165
Contributions receivable due within one year or less	<u>165,585,763</u>
	167,999,928
Total financial assets available to meet general expenditures within one year of the balance due	\$ <u>216,063,229</u>

#### **(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 2019 consolidated financial statements, subsequent events have been evaluated from June 30, 2019 through December 12, 2019, 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, 2019

Assets	United States Fund for UNICEF	Gifts-in-Kind	USF-IKAC Bridge Fund	Subtotal	Total	Intercompany eliminations	Consolidated total
Cash and cash equivalents	\$ 74,033,355	—	1,659,093	1,659,093	75,692,448	—	75,692,448
Investments	34,614,385	—	15,841,546	15,841,546	50,455,931	—	50,455,931
Contributions receivable	252,914,778	—	5,000,000	5,000,000	257,914,778	—	257,914,778
Prepaid expenses and other assets	3,782,231	—	—	—	3,782,231	(2,000,000)	1,782,231
Due from affiliate	—	106,165	28,397,769	28,503,934	28,503,934	(28,503,934)	—
Investments held for split-interest agreements	9,380,353	—	—	—	9,380,353	—	9,380,353
Property and equipment, net	32,033,475	—	—	—	32,033,475	—	32,033,475
Total assets	<u>\$ 406,758,577</u>	<u>106,165</u>	<u>50,898,408</u>	<u>51,004,573</u>	<u>457,763,150</u>	<u>(30,503,934)</u>	<u>427,259,216</u>
<b>Liabilities and Net Assets</b>							
Liabilities:							
Grants payable	\$ 179,467,694	—	—	—	179,467,694	—	179,467,694
Accrued expenses and other liabilities	10,120,072	—	311,175	311,175	10,431,247	—	10,431,247
Liabilities under split-interest agreements	3,524,506	—	—	—	3,524,506	—	3,524,506
Due to affiliate	28,503,934	—	—	—	28,503,934	(28,503,934)	—
Loans payable	—	—	36,750,000	36,750,000	36,750,000	—	36,750,000
Bonds payable	34,183,527	—	—	—	34,183,527	—	34,183,527
Total liabilities	<u>255,799,733</u>	<u>—</u>	<u>37,061,175</u>	<u>37,061,175</u>	<u>292,860,908</u>	<u>(28,503,934)</u>	<u>264,356,974</u>
Net assets:							
Without donor restrictions	55,846,423	106,165	13,837,233	13,943,398	69,789,821	(2,000,000)	67,789,821
With donor restrictions	95,112,421	—	—	—	95,112,421	—	95,112,421
Total net assets	<u>150,958,844</u>	<u>106,165</u>	<u>13,837,233</u>	<u>13,943,398</u>	<u>164,902,242</u>	<u>(2,000,000)</u>	<u>162,902,242</u>
Total liabilities and net assets	<u>\$ 406,758,577</u>	<u>106,165</u>	<u>50,898,408</u>	<u>51,004,573</u>	<u>457,763,150</u>	<u>(30,503,934)</u>	<u>427,259,216</u>

See accompanying independent auditors' report.

## UNITED STATES FUND FOR UNICEF AND AFFILIATES

## Consolidating Schedule of Activities

Year ended June 30, 2019

	United States Fund for UNICEF	USF-IKAC			Intercompany eliminations	Consolidated total
		Gifts-in-Kind	Bridge Fund	Subtotal	Total	
Public support and revenue:						
Public support:						
Contributions:						
Corporate	\$ 29,685,820	—	—	—	29,685,820	—
Major gifts	35,262,300	—	—	—	35,262,300	—
Foundations	146,231,985	—	—	—	146,231,985	—
Nongovernment organizations (NGO)	93,629,897	—	—	—	93,629,897	—
Direct marketing	44,384,423	—	—	—	44,384,423	—
Trick-or-treat program	1,423,282	—	—	—	1,423,282	—
Internet	23,899,942	—	—	—	23,899,942	—
Other	1,954,460	—	58,341,749	58,341,749	60,296,209	(31,670,909)
Gifts-in-kind	140,566,704	—	—	—	140,566,704	—
Special events income	7,961,951	—	—	—	7,961,951	—
Bequests and legacies	10,019,122	—	—	—	10,019,122	—
Total public support	535,019,886	—	58,341,749	58,341,749	593,361,635	(31,670,909)
Revenue:						
Greeting cards revenue (net)	2,097,458	—	—	—	2,097,458	—
Investment return	2,943,362	—	1,080,808	1,080,808	4,024,170	—
Change in value of split-interest agreements	(237,617)	—	—	—	(237,617)	—
Total revenue	4,803,203	—	1,080,808	1,080,808	5,884,011	—
Total public support and revenue	539,823,089	—	59,422,557	59,422,557	599,245,646	(31,670,909)
Expenses:						
Program services:						
Grants to UNICEF and other NGOs	407,998,341	—	57,591,749	57,591,749	465,590,090	—
Grant to affiliate	31,670,909	—	—	—	31,670,909	(31,670,909)
Public information, education, and program services	14,433,532	—	1,219,074	1,219,074	15,652,606	—
Advocacy	2,081,070	—	—	—	2,081,070	—
Total program services	456,183,852	—	58,810,823	58,810,823	514,994,675	(31,670,909)
Supporting services:						
Management and general	20,639,419	—	116,000	116,000	20,755,419	—
Fund-raising expenses	44,005,938	—	110,000	110,000	44,115,938	—
Total supporting services	64,645,357	—	226,000	226,000	64,871,357	—
Total expenses	520,829,209	—	59,036,823	59,036,823	579,866,032	(31,670,909)
Loss on retirement of bonds	—	—	—	—	—	—
Increase in net assets	18,993,880	—	385,734	385,734	19,379,614	—
Net assets:						
Beginning of year	131,964,964	106,165	13,451,499	13,557,664	145,522,628	(2,000,000)
End of year	\$ 150,958,844	106,165	13,837,233	13,943,398	164,902,242	(2,000,000)
						162,902,242

See accompanying independent auditors' report.