



ChildFund International, USA

Consolidated Financial Statements
Year Ended June 30, 2023

ChildFund International, USA

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ChildFund International, USA

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Independent Auditor's Report

The Board of Directors
ChildFund International, USA
Richmond, Virginia

Opinion

We have audited the consolidated financial statements of **ChildFund International, USA** ("ChildFund"), which comprise the consolidated statement of financial position as of June 30, 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ChildFund as of June 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ChildFund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 18 to the consolidated financial statements, the beginning balances as of July 1, 2022, have been restated to correct a misstatement related to failure to record the activities of a wholly controlled entity. Our opinion on the 2023 financial statements is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ChildFund's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ChildFund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ChildFund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

December 21, 2023

Consolidated Financial Statements

ChildFund International, USA

Consolidated Statement of Financial Position

June 30, 2023

Assets

Cash and cash equivalents	\$ 42,283,359
Receivable from affiliates	1,334,602
Grants receivable	7,124,220
Gifts-in-kind inventory	3,296,204
Accounts receivable and other assets	4,054,651
Investments	76,413,243
Beneficial interests in trusts	10,057,925
Property, plant and equipment, net	27,917,312
Operating leases right-of-use assets	600,221

Total assets \$ 173,081,737

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 13,315,977
Accrued pension benefit liability	257,514
Debt	270,833
Operating lease liability	612,641

Total liabilities 14,456,965

Commitments and Contingencies

Net assets:

Without donor restrictions	89,726,432
With donor restrictions	68,898,340

Total net assets 158,624,772

Total liabilities and net assets \$ 173,081,737

See accompanying notes to the consolidated financial statements.

ChildFund International, USA

Consolidated Statement of Activities

<i>For the year ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Sponsorships:			
U.S. sponsors	\$ -	\$ 82,906,965	\$ 82,906,965
International sponsors - ChildFund Alliance	-	23,938,567	23,938,567
International sponsors - F.R.O.	-	9,606,122	9,606,122
Special gifts from sponsors for children	-	8,153,805	8,153,805
Total sponsorships	-	124,605,459	124,605,459
Contributions:			
General contributions	10,597,970	5,407,221	16,005,191
Major gifts and bequests	5,658,157	-	5,658,157
Gifts-in-kind	40,797,028	11,373,791	52,170,819
Total contributions	57,053,155	16,781,012	73,834,167
Grants:			
Grants and contracts	18,077,885	14,932,996	33,010,881
Total public support	75,131,040	156,319,467	231,450,507
Revenue:			
Investment income, net	1,813,603	203,746	2,017,349
Currency transaction gains, net	836,267	-	836,267
Service fees and other	1,703,473	-	1,703,473
Total revenue	4,353,343	203,746	4,557,089
Net assets released from restrictions:			
Satisfaction of program and time restrictions	153,664,805	(153,664,805)	-
Total public support and revenue	233,149,188	2,858,408	236,007,596
Expenses:			
Program services:			
Basic education	60,345,898	-	60,345,898
Health and sanitation	29,105,480	-	29,105,480
Nutrition	11,362,045	-	11,362,045
Early childhood development	22,074,637	-	22,074,637
Micro-enterprise	31,169,853	-	31,169,853
Emergencies	28,653,896	-	28,653,896
Total program services	182,711,809	-	182,711,809
Supporting services:			
Fundraising	30,070,883	-	30,070,883
Management and general	19,714,045	-	19,714,045
Total supporting services	49,784,928	-	49,784,928
Total expenses from operations	232,496,737	-	232,496,737
Change in net assets from operations	652,451	2,858,408	3,510,859
Nonoperating activities:			
Investment return, net	2,647,428	586,144	3,233,572
Change in value of trusts	-	518,899	518,899
Change in accrued pension benefit liability other than net periodic costs	1,357,015	-	1,357,015
Total nonoperating activities	4,004,443	1,105,043	5,109,486
Change in net assets	4,656,894	3,963,451	8,620,345
Net assets, beginning of year, previously stated	72,188,574	64,934,889	137,123,463
Correction of error (Note 18)	12,880,964	-	12,880,964
Net assets, beginning of year, restated	85,069,538	64,934,889	150,004,427
Net assets, at end of year	\$ 89,726,432	\$ 68,898,340	\$ 158,624,772

See accompanying notes to the consolidated financial statements.

ChildFund International, USA

Consolidated Statement of Cash Flows

Year ended June 30,	2023
Cash flows from operating activities:	
Change in net assets	\$ 8,620,345
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,095,598
Realized loss on investments	913,702
Unrealized gain on investments	(4,147,273)
Change in gifts-in-kind not distributed	2,963,185
Gift of beneficial interest in trust	(82,156)
Change in value of trusts	(518,899)
Gain on sale of property, plant and equipment	(69,648)
Change in accrued pension benefit liability other than net periodic costs	(1,357,014)
Amortization of operating leases right-of-use asset	556,981
(Increase) decrease in assets:	
Receivable from affiliates	(392,002)
Grants receivable	(1,919,562)
Accounts receivable and other assets	945,791
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(1,685,218)
Accrued pension benefit liability	143,124
Principal reduction in operating lease liability	(544,561)
Net cash provided by operating activities	7,522,393
Cash flows from investing activities:	
Purchases of property, plant and equipment	(2,606,913)
Proceeds from sales of property, plant and equipment	82,000
Proceeds from sales of investments	15,445,525
Purchases of investments	(25,424,231)
Net cash used in investing activities	(12,503,619)
Cash flows from financing activities:	
Debt repayments	(1,625,000)
Net cash used in financing activities	(1,625,000)
Net decrease in cash and cash equivalents	(6,606,226)
Cash and cash equivalents, beginning of year (restated)	48,889,585
Cash and cash equivalents, end of year	\$ 42,283,359
Supplemental disclosures of cash flow information:	
Interest paid	\$ 50,987
Supplemental disclosures of noncash transactions:	
Right-of-use asset obtained in exchange for operating lease liability - at inception	\$ 1,157,202
Gifts-in-kind	\$ 52,170,819
Purchases of property, plant and equipment funded by accounts payable and accrued expenses	\$ 100,178

See accompanying notes to the consolidated financial statements.

ChildFund International

Consolidated Statement of Functional Expenses

For the year ended June 30, 2023	Early Childhood Development					Total				
	Basic Education	Health and Sanitation	Nutrition	Micro-Enterprise	Emergencies	Program Services	Fundraising and General	Supporting Services	Total Expenses	
Subsidy for children	\$ 30,801,100	\$ 9,344,922	\$ 3,419,640	\$ 9,559,662	\$ 5,804,666	\$ 69,157,179	\$ -	\$ -	\$ 69,157,179	
Program grants	2,358,520	6,648,322	2,823,719	7,567,938	9,940,435	31,241,592	-	-	31,241,592	
Public service announcements	13,474,407	6,498,852	2,536,988	6,959,798	6,398,020	40,797,027	1,262,300	1,262,300	42,059,327	
Donated product distribution	4,735,204	2,283,840	891,554	2,445,827	2,248,405	14,336,976	-	-	14,336,976	
Supplies	86,594	41,765	16,304	44,727	41,117	262,183	60,959	311,632	573,815	
Occupancy	232,207	111,996	43,720	119,940	110,258	703,063	122,258	350,368	1,053,431	
Professional services	185,725	89,577	34,969	95,931	88,187	562,327	11,745	312,538	874,865	
Contract services	812,316	391,789	152,945	419,578	385,711	2,459,486	12,769,494	16,370,460	18,829,946	
Travel	286,177	138,026	53,882	147,816	135,885	866,470	393,197	575,936	1,442,406	
Conferences and meetings	158,466	76,430	29,836	81,851	75,244	479,794	31,268	119,363	599,157	
Automobile and truck expense	82,870	39,969	15,603	42,804	39,349	250,909	15,262	15,285	266,194	
Advertising and public education	11,081	5,345	2,086	5,724	5,262	33,552	8,016,801	1,137	8,051,490	
Equipment purchases and rentals	80,284	38,722	15,116	41,468	38,121	243,079	94,281	182,120	519,480	
Telephone and cables	73,507	35,453	13,840	37,968	34,903	222,560	21,476	72,932	316,968	
Postage and freight	59,930	28,905	11,284	30,955	28,457	181,454	692,024	619,402	1,492,880	
Staff training	29,012	13,993	5,462	14,985	13,776	87,841	19,046	20,218	127,105	
Miscellaneous expenses	112,656	54,335	21,211	58,189	53,492	341,093	246,535	2,739,182	3,326,810	
Total expenses before personnel costs and other expenses	53,580,056	25,842,241	10,088,159	27,675,161	25,441,288	162,226,585	23,756,646	8,286,390	194,269,621	
Personnel costs	5,810,981	2,802,699	1,094,103	3,001,487	2,759,214	17,594,151	5,968,553	10,517,827	34,080,531	
Depreciation and interest	954,861	460,540	179,783	493,205	453,394	2,891,073	345,684	909,828	4,146,585	
	6,765,842	3,263,239	1,273,886	3,494,692	3,212,608	20,485,224	6,314,237	11,427,655	38,227,116	
Total expenses from operations	\$ 60,345,898	\$ 29,105,480	\$ 11,362,045	\$ 22,074,637	\$ 28,653,896	\$ 182,711,809	\$ 30,070,883	\$ 19,714,045	\$ 49,784,928	\$ 232,496,737

See accompanying notes to the consolidated financial statements.

ChildFund International, USA

Notes to the Consolidated Financial Statements

1. Organization

ChildFund International, USA (ChildFund), formerly known as Christian Children's Fund, Inc. was established in 1938 and has developed into an international, nonsectarian, not-for-profit child development organization. ChildFund assists children and family members in 23 countries worldwide. There are approximately 420,500 enrolled children in ChildFund's programs. Of these children, approximately 327,000 are sponsored children whose sponsors support programs in the child's community through monthly contributions.

Most of the sponsorships - approximately 217,500 - are supported by donors in the United States of America; the remainder are supported by in-country fundraising offices and international donors who sponsor children through autonomous organizations in Australia, Denmark, France, Germany, Japan, Korea, New Zealand, Sweden, and Taiwan. ChildFund is a member of ChildFund Alliance, a global network of 11 child development organizations.

ChildFund is incorporated and headquartered in the Commonwealth of Virginia.

The following are descriptions of ChildFund's significant programs:

Basic Education: ChildFund's educational programs work with educators, community groups, parents, and children alike towards the goal of having all children enter schools ready to learn and complete basic education through activities that include improving early childhood and school facilities, enhancing teaching methodologies, creating safer school environments, as well as, improving policies to enhance student access and safety.

Health and Sanitation: ChildFund's core programs address safe motherhood and newborn care, integrated early childhood development, integrated management of childhood illnesses, nutrition, water and sanitation, child, youth and adult focused sexual and reproductive health and education.

Nutrition: ChildFund promotes interventions that impact young children and mothers. These practical measures include nutrition education and promotion, micro-nutrient supplementation, parasite control measures, and situation specific household food security interventions.

Early Childhood Development: ChildFund is committed to effective programs that promote child development and secure infants and young children, early childhood development and protection services include parenting education and support groups home based outreach to support and promote child development, and preschool services in community managed centers.

Micro-Enterprise: ChildFund's programs support youth livelihood development with a focus on skills training (including life skills), preparation for employment, guidance on business development, leadership development and civic engagement.

Emergencies: ChildFund believes that the well-being of all children leads to the well-being of the world; ChildFund empowers children to thrive throughout all stages of life and become leaders of enduring change. ChildFund programs reach infants, children and youth, including their parents and families.

ChildFund International, USA

Notes to the Consolidated Financial Statements

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by ChildFund in the preparation of these consolidated financial statements:

Basis of Accounting

The accompanying consolidated financial statements of ChildFund are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting.

Classification of Net Assets

Balances and transactions are presented according to the existence or absence of donor-imposed restrictions. This has been accomplished by recording transactions into the following classes of net assets:

Without donor restrictions - Net assets resulting from public support and revenue not subject to donor-imposed restrictions.

With donor restrictions - Net assets resulting from public support and revenue whose use by ChildFund is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of ChildFund pursuant to those donor-imposed restrictions.

Net assets with donor restrictions also includes contributions and other inflows of assets whose use by ChildFund is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of ChildFund.

Public support and revenue are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Sponsorship revenue is classified as net assets with donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless donors or state law restrict their use.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of the ChildFund's headquarter office, international programming offices, and international fundraising offices. All significant transactions between the organizations, including all inter-organization balances, have been eliminated in consolidation. In compliance with local laws, certain of these international offices are separate legal entities.

The international fundraising offices are organizations or segments of organizations that are independently registered in conformity with the laws of their respective countries. ChildFund possesses the power to direct the management and policies of these offices through affiliation

ChildFund International, USA

Notes to the Consolidated Financial Statements

agreements and consolidates the financial position and activities of these organizations. These organizations work to support the mission of ChildFund. These include: CHILDFUND INDIA (In some government listings, it appears as “CHILDFUNDINDIA”) - registered in New Dehli, India on December 31, 1984; ChildFund Brasil, or atual demoniação do FUNDO CRISTÃO PARA CRIANÇAS registered in BELO HORIZONTE, Brazil on October 2, 1972; ChildFund Mexico or “Fondo para Niños de México”, registered in Mexico City, Mexico on May 20, 1987; ChildFund Mexico, I.A.P. registered in Mexico City, Mexico on October 17, 1978, ChildFund Ireland, ChildFund Thailand or “Community Children Foundation Under the Royal Patronage of HRH Princess Maha Chakri Sirindhorn” registered in Bangkok, Thailand on November 29, 2001 and ChildFund Philippines Foundation Inc. registered in Manila, Philippines on January 10, 2023. ChildFund Ireland is a company limited by guarantee, registered in Dublin, Ireland under Part 18 of the Companies Act 2014.

Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported 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. Actual results could differ from those estimates.

Investments and Beneficial Interests in Trusts and Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-65, *Fair Value Measurements and Disclosures*, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that ChildFund has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the asset or liability fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability.

Investments in readily marketable equity securities and all debt securities are recorded at fair value, which are based on quoted market prices, where available. Due to variations in trading volumes and the lack of quoted market prices for some fixed maturities, the fair value of fixed maturities is normally derived through recent reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market data. If there are no recent reported trades, the fair value of fixed maturities may be derived through the use of matrix pricing or model processes, where the future cash flow expectations are developed based upon performance and discounted at an estimated market rate.

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Notes to the Consolidated Financial Statements

For investments measured at net asset value (NAV), specifically, fund of funds and real estate funds, fair value is based on NAV reported by underlying investment managers and reviewed by ChildFund after considering various sources of information. These values are further evaluated by doing internal reviews on the current fair values of the securities within these investments. The NAV is utilized as a practical expedient for fair value. The estimates of fair values, because of the inherent uncertainty of valuation of these estimates, may differ from the values that would have been used had a ready market existed.

Except for investments where donors specifically provide otherwise, investments are maintained in a pooled account. Additions to investments are assigned units of participation in the pooled account based upon their fair value on the date they enter the pooled account and the most recently determined unit fair value for the existing units of participation. Withdrawals are based upon the most recently determined fair value of the respective units of participation that include both realized and unrealized net gains and losses. The market value of the units of participation is calculated monthly.

The fair value of beneficial interests in perpetual and charitable remainder trusts is estimated by applying ChildFund's share of the earnings of the trust times the fair value of the underlying assets in the trusts as of the reporting date.

Investments and beneficial interests in perpetual trusts are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investments and beneficial interests in trusts, it is at least reasonably possible that changes in the values of investments and beneficial interests in trusts will occur in the near term and that such changes could materially affect the amounts reported in ChildFund's consolidated financial statements.

Investment transactions are recorded on a trade date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis. Realized gains and losses are determined by specific identification. Realized and unrealized gains and change in fair value of trusts are recorded in the nonoperating revenues section of the consolidated statement of activities. Fees paid to custodian and investment managers are recorded on the accrual basis and are netted against investment income and currency transactions on the consolidated statement of activities.

Financial Instruments and Credit Risk

Financial instruments, which potentially subject ChildFund to concentrations of credit risk, consist principally of cash and cash equivalents and investments. ChildFund invests its cash and investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution. ChildFund's cash balances include aggregate bank balances on deposit both inside the United States and with international banks outside the United States. These balances can exceed federally insured limits (FDIC) of \$250,000 or in the case of international accounts, not be covered under the FDIC. Amounts held in excess of the FDIC limits was \$13,619,494 at June 30, 2023. ChildFund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. In some cases, ChildFund has opened segregated cash accounts to meet restrictions placed on those funds by the donor. In general, these are grant funded accounts.

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Notes to the Consolidated Financial Statements

Credit risk with respect to investments is generally limited, because, by ChildFund's policy the investments are kept within limits designed to prevent risks caused by concentration.

ChildFund has operations in many countries throughout the world, many of which have politically and economically volatile environments. As a result, ChildFund may have financial and operational risks associated with these operations which could negatively impact ChildFund.

Grants Receivable

ChildFund receives grants from various foundations and other organizations. This funding is subject to various contractual restrictions. These balances are due from the grantor based on terms outlined within the underlying grant agreement. An allowance for doubtful accounts is provided based on management's judgment, including such factors as prior collection history over a period of time. Management has concluded no such allowance is necessary at June 30, 2023.

Accounts Receivable and Other Assets

Accounts receivable and other assets consist of general receivables, pledges receivable, advances and prepaid expenses. An allowance for doubtful accounts is provided based on management's judgment, including such factors as prior collection history over a period of time. Management has concluded no such allowance is necessary at June 30, 2023.

Property, Plant and Equipment

Land is carried at cost or fair value at the date of donation in the case of gifts. Buildings, furniture, fixtures and equipment, and data processing are carried at cost or fair value at the date of donation in the case of gifts, less accumulated depreciation. Purchases of property, plant and equipment in excess of \$5,000 are capitalized. Depreciation of buildings and equipment is recorded on a straight-line basis over the estimated useful lives of the assets (5 to 40 years for buildings and improvements, 3 to 10 years for furniture, fixtures, and equipment, and 3 to 10 years for data processing). Upon retirement and disposition, the cost and accumulated depreciation of buildings, furniture, fixtures, and equipment, and data processing are removed from the accounts with any gain or loss reflected in the consolidated statement of activities. Maintenance and repair costs are expensed as incurred.

Gifts-In-Kind

Donated or contributed property, plant and equipment, investments, services and gifts-in-kind are recorded as revenue when received and expensed when distributed to beneficiaries or services performed. The amount on hand at year end is presented as gifts-in-kind ("GIK") inventory on the statement of financial position.

Revenue Recognition

Contributions

Contributions and unconditional grants, including unconditional promises to give, are recognized in the period received in accordance with FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Contributions received are available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as contributions with donor

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restrictions. These contributions also increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions are reported at fair value, which is net of estimated uncollectible amounts. Contributions to be received after one year, are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years.

Conditional promises to give, including those received under multi-year grant agreements are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A promise is considered conditional only if the donor has stipulated one or more barriers that must be overcome before ChildFund is entitled to the assets transferred or promised, and there also exists a right of return to the donor of any assets transferred or a right of release of the donor's obligation to honor the promise. ChildFund has approximately \$14,613,000 of conditional grants outstanding as of June 30, 2023.

Grants and Contract Revenue

Under ASU 2018-08, grants and contracts constitute contributions since the customer does not receive commensurate value for the consideration received by ChildFund; rather, the purpose of an arrangement is for the benefit of the general public. Therefore, ChildFund's management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for government grants and contracts. Under ASU 2018-08, a refundable advance is recorded when ChildFund receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of June 30, 2023, there was \$3,940,951 in refundable advances recorded related to conditional grants and contracts.

Sponsorship Revenue

Sponsorship revenues are unconditional transfers of cash recognized during the period received. Since these contributions are made without any promise to give in future periods, there are no sponsorships receivable recorded in the consolidated statement of financial position.

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Notes to the Consolidated Financial Statements

Gifts-In-Kind

GIK Category	Type of Contribution	Valuation	Year Ended June 20, 2023
Media	Public service announcement	Third-party estimates using discounted billing rates	\$ 40,792,817
Pharmaceuticals	Pharmaceuticals	Wholesale acquisition cost (WAC) from the Redbook pharmaceutical pricing database for US markets.	7,985,976
Books	Books	Wholesale price derived from discounting retail price inputs of the identical or similar products.	2,682,727
Supplies	Cloth face masks	Wholesale price derived from discounting retail price inputs of the identical or similar products.	-
Medical Supplies	Medical supplies	Wholesale price derived from discounting retail price inputs of the identical or similar products.	298,332
Other GIK	Various	Wholesale price derived from discounting retail price inputs of the identical or similar products.	410,967
Total gifts-in-kind			\$ 52,170,819

Donated Media:

ChildFund, as a non-profit entity dedicated to advancing the well-being of children, produces public service announcements (PSAs) to increase awareness of ChildFund and to disseminate communications advocating support for children's rights, economic support, and informing the public around critical issues affecting children. ChildFund receives donated space through third parties in various public media outlets worldwide to engage the public. ChildFund records the fair value of PSAs at standard non-profit rates in the media markets as communicated by third parties. In the absence of non-profit rate data, ChildFund uses discounted commercial media rates.

Gifts-in-Kind Commodities:

ChildFund receives GIK including education textbooks, pharmaceuticals, medical supplies, and other miscellaneous GIK. GIK are recorded at fair value upon receipt into ChildFund's possession or control and are expensed upon distribution to recipients or utilized. ChildFund assesses the fair market value using wholesale values that would be obtained through sales in the principal market where the greatest volume at a price point could be transacted. Donated products are never sold and only utilized for program purposes to support the overall program goals of ChildFund. GIK value is allocated based on the level of programming in these areas.

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Notes to the Consolidated Financial Statements

Expenses

Expenses are recognized during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Fundraising costs incurred in one year, which may result in contributions received in future years, are expensed as incurred. Additionally, advertising costs are expensed as incurred.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. At the inception of the contract, ChildFund determines if an arrangement contains a lease based on whether there is an identified asset and whether ChildFund controls the use of the identified asset. ChildFund also determines whether the lease classification is an operating or financing lease at the commencement date.

A right-of-use asset represents ChildFund's right to use an underlying asset and a lease liability represents ChildFund's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement.

ChildFund's lease terms may include options to extend or terminate the lease. ChildFund generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that ChildFund will exercise those options. ChildFund's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a matter of policy, ChildFund elected to exclude leases with terms of 12 months or less (short-term) from the consolidated statement of financial position. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease.

Functional Expenses

The costs of providing various programs and supporting activities have been summarized on a functional basis in the consolidated statement of activities. In the consolidated statement of functional expenses, costs that can be identified with a specific program or support services are charged directly according to their natural expenditure classifications. Management and general expenses include those that are not directly identifiable with any specific function, but which provide for the overall support and direction of ChildFund. The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of ChildFund. Indirect costs related to building maintenance and information technology are allocated to various functions based on square footage and usage, respectively. The consolidated statement of functional expenses present the natural classification detail of expenses by function.

Income Taxes

ChildFund is generally exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, ChildFund qualifies for the charitable contributions deduction and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state

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Notes to the Consolidated Financial Statements

corporate income taxes. Income from the entities incorporated in other countries are subject to the taxing authorities within the jurisdictions they're in. No income tax provision has been recorded as the changes in net assets, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

Management evaluated ChildFund's tax positions and concluded that ChildFund had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with U.S. GAAP. With few exceptions, ChildFund is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2020.

Definition of Operations

Operating activities exclude realized and unrealized gains on investments, change in fair value of trusts, change in accrued pension benefit liability other than net periodic costs and other items, if any, which are unusual or nonrecurring in nature.

Foreign Currency Translation

The functional currency of ChildFund is the U.S. Dollar. The consolidated financial statements and transactions of ChildFund's foreign operations are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities, except for property, plant and equipment and gift-in-kind inventory, are remeasured at the consolidated statement of financial position date using the bid/spot rate on the last day of the previous month. For revenue and expense items, translation is performed using the bid/spot rate on the last day spot rate of exchange on the last day of the previous month prior to the date the transaction occurred.

Recently Adopted Authoritative Guidance

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC Topic 842). This update, along with related ASU's establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard.

On July 1, 2022, ChildFund adopted ASC Topic 842 using a modified retrospective approach at the beginning of the year of adoption. In addition, ChildFund elected the transition package of three practical expedients permitted within the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification and initial direct costs. Further, ChildFund adopted a short-term lease exception policy, permitting ChildFund to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for all classes of underlying assets when all payments are fixed. ChildFund did not elect to use hindsight in determining the terms of its existing leases upon adoption.

ChildFund recorded lease liabilities and corresponding right-of-use assets of \$1,157,202 upon adoption based on the present value of the remaining minimum rental payments for leases existing upon adoption of the new lease standard and other adjustments to the opening balance of right-of-

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use assets, if any. The adoption of ASC 842 did not result in a material impact to the consolidated statements of operations or cash flows. See Note 15 for additional detail ChildFund 's leasing arrangements.

Prior to adoption of ASC 842, ChildFund accounted for operating lease transactions by recording lease expense on a straight-line basis over the expected term of the lease.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. This ASU is available to be adopted by ChildFund from March 12, 2020 through December 31, 2022. The Foundation adopted ASU 2020-04 during the year ended June 30, 2023. The adoption of the ASU had no material impact on the consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, which eliminates the requirement that a credit loss on a financial instrument be "probable" prior to recognition. Instead, a valuation allowance will be recorded to reflect an entity's current estimate of all expected credit losses, based on both historical and forecasted information related to an instrument. The update is effective for private business entities for annual and interim reporting periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Early adoption is permitted. Management is currently evaluating the impact of this ASU on the consolidated financial statements.

ChildFund has assessed other accounting pronouncements issued or effecting during the years ended June 30, 2023, and deemed they were not applicable to ChildFund and are not anticipated to have a material effect on the consolidated financial statements.

3. Cash and Cash Equivalents

ChildFund considers all short-term deposits with an original maturity of three months or less to be cash equivalents. Cash in excess of current operating and program requirements was invested throughout the year on a short-term basis in various money market instruments. Cash equivalents were \$2,280,030 as of June 30, 2023.

4. Grants Receivable

The amounts due from grants receivable, as of June 30, 2023, consist of the following:

	2023
Grants receivable within one year	\$ 6,654,431
Grants receivable due in one-to-five years	469,789
Grants receivable	\$ 7,124,220

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Notes to the Consolidated Financial Statements

Grants receivable are discounted to their present value if their due date extends beyond one year. The discount related to the long-term portion of the grants receivable balance was not considered material by management and therefore there was no discount applied as of June 30, 2023.

5. Investments

Investments, at fair value, as of June 30, 2023, are summarized as follows:

	2023
Corporate and other obligations	\$ 7,393,267
Time deposits	14,590,226
Mutual funds	48,167,160
Alternative investments	6,262,590
Total investments	\$ 76,413,243

The following table presents ChildFund's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2023:

	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Investments at fair value:				
Corporate and other obligations	\$ 7,393,267	\$ -	\$ 7,393,267	\$ -
Time deposits (at cost)	14,590,226	14,590,226	-	-
Mutual funds	48,167,160	45,117,775	3,049,385	-
Total investments at fair value	70,150,653	\$ 59,708,001	\$ 10,442,652	-
Investments at NAV*				
Alternative investments:				
Absolute return	5,861,351			
Other	401,239			
Total Investments	\$ 76,413,243			
Beneficial Interests in Trusts	\$ 10,057,925			\$ 10,057,925

*Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a 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 consolidated statement of financial position.

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Notes to the Consolidated Financial Statements

The following table summarizes information about the attributes of investments measured at NAV, as a practical expedient, by major class as of June 30, 2023:

June 30,	2023	Redemption frequency	Redemption notice period
Investments measured at NAV:			
Absolute return (a)	\$ 5,861,351	Quarterly	Quarterly
Other	401,239	N/A	N/A
	\$ 6,262,590		

(a) Absolute return funds invest in private investment funds with absolute return, security selection, and hedging strategies, with the objective of attempting to produce consistent capital appreciation with controlled volatility and reduced risk of major drawdowns. This investment offers "pass-through liquidity".

There were no material capital commitments to investment managers that have not been funded by ChildFund at June 30, 2023.

6. Split Interest Agreements

Charitable Gift Annuities

Total investments include amounts invested for ChildFund's charitable gift annuity program. These amounts are held in three segregated investment accounts. One for annuities issued to residents of California, one for annuities issued to residents of Florida, and another for annuities issued to residents of other states in which ChildFund is authorized to issue gift annuities. All segregated accounts are stated at fair value, as described in Note 2.

Under the charitable gift annuity agreements, the donors contribute assets to ChildFund. In return for the contribution, ChildFund pays an annuity to the donor, and/or another annuitant selected by the donor, for the remainder of the annuitant's life, subject in some instances to a deferred beginning date. The payout is a fixed amount based on a percentage of the original gift, as defined by the agreement. The fair value of the assets received under the annuity agreement is held in the applicable segregated investment account and invested in assets intended to comply with any investment restrictions imposed by California or the other states in which ChildFund is authorized to issue gift annuities. Contribution income is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective annuitants.

These segregated investments as of June 30, 2023 totaled \$1,330,580 and are reported as investments on the consolidated statement of financial position. The liability associated with these charitable gift annuities is recorded at the present value of the gift based on the Pre-2012 White Collar Mortality Table with the MP-2020 mortality improvement scale and Internal Revenue Service interest rates as of the date of agreement which range from 1.2% to 6.2% as of June 30, 2023. The liability amounts totaling \$889,070 are included in accounts payable and accrued expenses on the consolidated statement of financial position as of June 30, 2023.

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Notes to the Consolidated Financial Statements

Perpetual Trusts

ChildFund is the beneficiary perpetual trusts created by donors, the assets of which are not in the possession of ChildFund. ChildFund has legally enforceable rights or claims to the income from the assets. The fair values of beneficial interest in perpetual trusts at June 30, 2023 was \$9,220,565. A net increase of \$403,755 related to changes in fair values of these perpetual trusts for the year ended June 30, 2023 was reported in the change in net assets with donor restrictions on the accompanying consolidated statement of activities. There were no new perpetual trusts provided to ChildFund during the year ended June 30, 2023.

Charitable Remainder Trusts

ChildFund is the beneficiary of seven charitable remainder trusts, the assets of which are not in the possession of ChildFund. The fair values of beneficial interests in charitable remainder trusts at June 30, 2023 were \$837,360. A net increase of \$115,144 related to changes in fair values of these charitable remainder trusts for the year ended June 30, 2023 was reported in the change in net assets with donor restrictions on the accompanying consolidated statement of activities. There was a new charitable remainder trust provided during the year ended June 30, 2023 totaling \$82,156. There were no Charitable remainder trusts terminated for the year ended June 30, 2023.

7. Property, Plant and Equipment

Property, plant, and equipment at June 30, 2023 is summarized as follows:

	2023
Land	\$ 1,146,128
Buildings and improvements	21,628,730
Data processing	32,501,211
Furniture, fixtures and equipment	5,909,908
Construction-in-progress	7,299,564
	<hr/> \$ 68,485,541
Accumulated depreciation	(40,568,229)
Total	<hr/> \$ 27,917,312 <hr/>

Depreciation expense was \$4,064,606 for the year ended June 30, 2023.

8. Benefit Plans

ChildFund has a noncontributory defined benefit pension plan (the Pension Plan), a defined contribution plan (403(b) Plan) and 457 Plan. Effective June 30, 2006, ChildFund elected to freeze the Pension Plan.

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Notes to the Consolidated Financial Statements

Pension Plan

The following table presents the Pension Plan's funded status as of June 30, 2023 (the latest actuarial valuation date), and the amount of accrued pension cost for the year then ended:

	2023
Projected and accumulated benefit obligation	\$ 21,662,112
Fair value of plan assets	21,404,598
Funded status	
Accrued pension benefit liability	\$ (257,514)

Benefit obligation and net periodic pension cost were determined using the following weighted average assumptions:

	2023
Benefit obligation discount rate	4.75%
Net periodic pension cost discount rate	4.25%
Expected return on plan assets	4.50%
Rate of compensation increase	N/A

The Pension Plan utilizes a measurement date of June 30. The amount of benefit payments from the Pension Plan for the year ended June 30, 2023 was \$1,710,576.

Expected future benefit payments of the Pension Plan as of June 30, 2023 are as follows:

<i>Years ending June 30,</i>		
2024	\$	1,921,665
2025		1,866,298
2026		1,841,216
2027		1,828,170
2028		1,762,645
2029-2033		7,954,875

There were no employer contributions made by ChildFund to the Pension Plan during the year ended June 30, 2023. The estimated contribution for the year ending June 30, 2023 is \$0. At June 30, 2023, the unrecognized net actuarial loss was \$8,109,960. Amortization of the unrecognized net actuarial loss for the year ending June 30, 2024 will be \$572,159. The change in accrued pension benefit liability other than net periodic costs was \$0 during the year ended June 30, 2023.

<i>Year ended June 30,</i>	2023
Net periodic pension cost:	
Interest cost	\$ 947,334
Expected return on plan assets	(1,486,414)
Amortization of net actuarial loss	682,204
	\$ 143,124

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Notes to the Consolidated Financial Statements

Pension costs are determined using the service prorate projected unit credit actuarial cost method. The plan is funded on a current basis as deemed necessary by management and the Pension Plan's consulting actuaries. The Pension Plan is subject to the applicable provisions of the Employment Retirement Income Security Act of 1974, as amended.

The fair values of the Pension Plan assets at June 30, 2023 by asset category are as follows:

	2023
Investments:	
Group Annuity Contract separate underlying accounts:*	
Cash and cash equivalents	\$ 133,926
Mutual funds - equity	6,395,908
Mutual funds - fixed income	14,874,764
Total	\$ 21,404,598

* The separate accounts are measured at fair value using NAV per share, as a practical expedient, and as such have not been categorized in a fair value hierarchy table.

The Pension Plan's assets consist of a group annuity contract with the Metropolitan Life Insurance Company, which is backed by nine separate underlying accounts. The separate accounts invest in both marketable and limited marketable mutual funds with a focus on equity and fixed income securities. The value of the contract is dependent on the values of the units of the separate accounts funding the contract. The fair value of the separate accounts is determined based on daily unit NAV, primarily using quoted market prices of the underlying securities (or similar securities). The underlying investments of the separate accounts are stated at fair value as determined by quoted market prices in an active market or when not available, quoted market prices in an inactive market. The remaining component of the contract includes an interest-bearing cash account used by the Pension Plan to flow through funds from the separate accounts to pay the guaranteed monthly benefit payments to retirees.

The expected role of the Pension Plan equity investments is to maximize the long-term real growth of assets, while the role of fixed income investments is to generate current income, provide for more stable returns and provide some protection against a prolonged decline in the fair value of equity investments.

The target allocation for the Pension Plan and the asset allocation through the use of the Group Annuity Contract at June 30, 2023 are as follows:

	Target allocation 2023	Actual percentage of plan assets 2023
Equity	60.0%	29.9%
Fixed	40.0%	69.5%
Other	0.0%	0.6%
Total	100.0%	100.0%

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Notes to the Consolidated Financial Statements

ChildFund's policy is to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations.

The expected long-term rate of return for the Pension Plan's total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class. Equity securities are expected to return 9.50% over the long-term, while fixed income is expected to return 3.25%.

Pension Plan Termination

ChildFund determined it would terminate the Pension Plan subsequent to year-end. Management is in the process of complying with termination requirements under the Employee Retirement Income Security Act of 1974 requirements. Management has notified all Pension Plan participants of the intent to terminate the Pension Plan and has also provided a rollover notice to each participant and beneficiary. ChildFund is in the process of finalizing all payments to the Pension Plan and distributing assets as soon as administratively feasible.

Other Retirement Plans

All employees are eligible to participate in the 403(b) Plan. ChildFund contributed a non-voluntary amount equal to 6% of employees' base pay to the 403(b) Plan each payroll period for all employees. In addition, ChildFund also matches 50% of the first 6% of base pay that a participant contributes to the Plan. Total expense recognized for the year ended June 30, 2023 related to the 403(b) Plan was \$1,222,270.

The organization also has a 457 Plan for a select group of management or highly compensated employees. The total amount contributed for the year ended June 30, 2023 was \$4,525.

9. Debt

ChildFund has a \$10,000,000 revolving line of credit with a maturity date October 31, 2027. Interest expense is based on a daily one-month SOFR + 1.215% basis points and is due and payable in consecutive monthly payments until fully paid. At June 30, 2023, there was no outstanding balance on the line of credit.

ChildFund has a \$13,000,000 commercial note that matures on August 9, 2023. The interest rate on the note is 3.67% per annum. From September 1, 2013 through August 1, 2015, interest payments on outstanding principal, as applicable, were due monthly. From September 1, 2015 through August 1, 2023, principal payments, as applicable, are due monthly in the amount of \$135,417 along with interest payments on outstanding principal, as applicable. The note contains certain financial covenants. ChildFund was in compliance with all debt covenants during the year ended June 30, 2023. As of June 30, 2023, the outstanding loan balance was \$270,833 which has been paid in full subsequent to year end.

Interest expense on the above debt was \$37,908 for the year ended June 30, 2023.

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Notes to the Consolidated Financial Statements

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of:

<i>June 30,</i>	<i>2023</i>
<i>Subject to expenditure for a specified purpose:</i>	
Subsidies and gifts for children	\$ 28,680,477
Child development grants	6,223,420
Appeal funded programs	7,109,573
Gifts-in-kind - not yet distributed	3,296,204
Local programs and other	3,128,020
<i>Subject to the passage of time:</i>	
Assets held in charitable remainder trusts	837,360
<i>Perpetual in nature:</i>	
Beneficial interest in perpetual trusts	9,220,565
Gifts to perpetual endowments	10,402,721
Total net assets with donor restrictions	\$ 68,898,340

11. Releases from Net Assets with Donor Restrictions

During the year ended June 30, 2023, net assets were released from donor restrictions by ChildFund incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

<i>Year ended June 30</i>	<i>2023</i>
<i>Subject to expenditure for a specified purpose:</i>	
Subsidies and gifts for children	\$ 127,463,425
Unconditional grants	10,068,171
Appeal funded programs	717,770
Gifts-in-kind - distributed	14,336,976
Local programs and other	1,078,463
Total net assets released from restrictions	\$ 153,664,805

12. International Sponsors

Support from international sponsors is generated by autonomous organizations and consolidated operations disclosed in Note 2.

Autonomous Organizations

Supporting ChildFund are ChildFund Australia, BORNEfonden (Denmark), Un Enfant Par La Main (France), ChildFund Kinderhilfswerk (Germany), ChildFund Japan, ChildFund Korea, Barnfonden (Sweden), Taiwan Fund for Children and Families, ChildFund Educo (Spain) and ChildFund New Zealand. These autonomous organizations are incorporated in their respective countries for the purpose of initiating and overseeing programs that are distinct and unique to their mission. Because

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Notes to the Consolidated Financial Statements

ChildFund does not control these organizations, their related assets, liabilities, net assets, revenues and expenses are not reflected in the accompanying consolidated financial statements.

The sponsorships and special gifts for children received from these organizations are included in the consolidated statements of activities for the year ended June 30, 2023 and are summarized by country in the accompanying table. As of June 30, 2023, ChildFund has sponsorship receivables from these autonomous organizations totaling \$1,334,602. These receivables are the result of the timing of collection of funds as compared to deposit by the international offices. ChildFund recognized service fee revenue from these autonomous organizations in the consolidated statement of activities for the year ended June 30, 2023 of \$704,836 which is included in service fees and other in the consolidated statement of activities. The service fee covers the administrative costs of processing payments and ensuring proper receipt of funding to the local partners and ChildFund National Offices that support the sponsored children of the autonomous organizations.

Consolidated Operations

ChildFund works with national fund-raising offices in Brazil, Mexico, Thailand and other countries that provide sponsorship revenue.

The sponsorships and special gifts for children received internationally from the autonomous organizations and consolidated operations are included in the consolidated statement of activities for the year ended June 30, 2023, and are summarized in the accompanying table.

<i>Year ended June 30, 2023</i>	Sponsorships	Special gifts for children	General contributions	Total
Autonomous organizations:				
Australia	\$ 5,519,173	\$ 259,675	\$ 137,529	\$ 5,916,377
Denmark	662,170	45,319	-	707,489
France	1,903,502	50,579	162,796	2,116,877
Germany	3,423,192	152,662	193,301	3,769,155
Japan	100,358	49,725	-	150,083
Korea	3,173,967	-	112,903	3,286,870
New Zealand	1,494,826	154,200	227,077	1,876,103
Sweden	3,941,254	528,198	74,357	4,543,809
Taiwan	3,720,125	351,253	73,012	4,144,390
Total autonomous organizations	\$ 23,938,567	\$ 1,591,611	\$ 980,975	\$ 26,511,153
Consolidated operations:				
Brazil	\$ 1,825,857	\$ 144,439	\$ 54,827	\$ 2,025,123
Mexico	517,282	8,251	714,996	1,240,529
Thailand	6,690,704	118,901	2,310,833	9,120,438
Ireland	462,328	66,361	-	528,689
Other	109,951	-	-	109,951
Total consolidated operations	\$ 9,606,122	\$ 337,952	\$ 3,080,656	\$ 13,024,730
Total international sponsors	\$ 33,544,689	\$ 1,929,563	\$ 4,061,631	\$ 39,535,883

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Notes to the Consolidated Financial Statements

13. Total Public Support

Public support is summarized for the year ended June 30, 2023, as follows:

<i>Year ended June 30,</i>	2023
United States	\$ 167,514,148
Autonomous organizations, support from sponsors	25,530,178
Autonomous organizations, other support	25,310,117
Consolidated operations, support from sponsors	9,944,074
Consolidated operations, other support	3,151,990
	<hr/> \$ 231,450,507 <hr/>

14. Related Party Transactions

In April 2002, ChildFund Alliance was established for charitable purposes to promote the well-being of children and their families. The Board of Directors of ChildFund Alliance includes ChildFund Board and staff; however, ChildFund does not have an economic or controlling interest in ChildFund Alliance; accordingly, ChildFund Alliance is not consolidated in ChildFund's consolidated financial statements. ChildFund provided accounting services to ChildFund Alliance that totaled approximately \$39,500 for the year ended June 30, 2023.

15. Contingencies

From time to time, ChildFund is involved in various legal proceedings during the normal course of operations and resulting from in-country laws and regulations. In management's opinion, ChildFund is not currently involved in any legal proceedings which individually or in the aggregate could have a material effect on the financial condition, results of operations and/or liquidity of ChildFund.

ChildFund receives a portion of its revenue from U.S. Government funded grants and cooperative agreements, all of which are subject to audit. The ultimate determination of amounts received under these grants is generally based upon allowable costs reported to and subject to audit by sponsoring agencies. Management believes that disallowed costs, if any, will be immaterial to the consolidated financial statements.

Lessee

ChildFund has operating leases for its real estate (inclusive of office space and residentials) and equipment (printers/copiers) across multiple countries.

The lease agreements generally do not provide an implicit borrowing rate. Therefore, as a non-public business entity, ChildFund elected to apply a risk-free rate as of July 1, 2022, to derive an appropriate rate to discount remaining lease payments by class of underlying asset for the initial and subsequent measurement of lease liabilities. ChildFund uses the foreign risk yield curves from the country of origin for each lease to derive imputed rates for lease term lengths. ChildFund derived imputed rates ranging from 1.45% - 22.89% for lease term lengths ranging from approximately 0.3 to 9.2 years.

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Leases with an initial term of twelve months or less are not recorded on the balance sheet. There are no material residual guarantees associated with any of ChildFund's leases, and there are no significant restrictions or covenants included in ChildFund's lease agreements. Certain leases include variable payments related to common area maintenance and property taxes, which are billed by the landlord, as is customary with these types of charges for office space. ChildFund is not the sublessor in any arrangement.

ChildFund's existing leases contain escalation clauses and renewal options. ChildFund has evaluated several factors in assessing whether there is reasonable certainty that ChildFund will exercise a contractual renewal option. For leases with renewal options that are reasonably certain to be exercised, ChildFund included the renewal term in the total lease term used in calculating the right-of-use asset and lease liability.

The components of lease expense, are as follows:

<i>Year ended June 30</i>		2023
Components of lease expense:		
Operating lease cost	\$	566,718
Short-term lease cost		98,209
Total lease cost	\$	664,927
Weighted-average remaining lease term:		
Operating leases		4 years
Weighted-average discount rate:		
Operating leases		9.7%

Future minimum lease payments under non-cancellable leases as of June 30, 2023, are as follows:

<i>Fiscal Years Ending June 30,</i>		Operating Leases
2024	\$	339,749
2025		99,146
2026		65,704
2027		65,302
2028		38,173
2028 and thereafter		122,952
Total undiscounted future cash flows		731,026
Less: discounting		(118,385)
Total operating lease liability	\$	612,641

Lessor Activities

ChildFund is a lessor in several operating leases for office space on buildings that it owns. Rental revenue is recognized on a straight-line basis over the life of the leases and is recognized within office rental revenue on the consolidated statements of activities. Office rental revenue for the year ended June 30, 2023 was \$525,773.

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Future minimum lease receipts related to these operating leases as lessor are as follows for the fiscal years ending:

<i>Fiscal Years Ending June 30,</i>		<i>Operating Leases</i>
2024	\$	478,795
2025		318,044
2026		77,650
2027		40,388
2028		10,171
Total minimum future lease receipts		\$ 925,048

16. Endowment Funds

FASB ASC 958-205-45, *Not-For-Profit Entities - Presentation of Financial Statements*, provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

ChildFund's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

ChildFund has interpreted the Commonwealth of Virginia's enacted version of the UPMIFA as allowing ChildFund to appropriate for expenditure or accumulate as much of an endowment fund as ChildFund determines is prudent for the uses, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Unless otherwise stated in the gift instrument, the assets in an endowment fund should be donor restricted assets until appropriated for expenditure by the Board.

In accordance with UPMIFA, ChildFund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of ChildFund and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ChildFund
- The investment policies of ChildFund

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Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires ChildFund to retain as a fund of perpetual duration. At June 30, 2023 there were no deficiencies of this nature.

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. ChildFund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. ChildFund expects its endowment funds to provide an average annual real rate of return of approximately 5%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, ChildFund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ChildFund targets a diversified asset allocation that places emphasis on investments in equities, bonds and absolute return strategies to achieve its long-term return objectives within a prudent risk framework.

Spending Policy and How Investment Objectives Relate to Spending Policy

ChildFund has two spending policies for endowments. For endowments restricted for child sponsorships, the appropriation and expenditure typically occur within the same reporting period. The spending rate is determined by the most current monthly sponsorship rate paid by sponsors in the United States. In order to meet this spending rate, donors are asked to contribute a one-time endowment gift. Investment gains and yields are used to provide the child with food, education, basic healthcare and other assistance.

For non-sponsorship endowments, unless otherwise directed by the donor, the policy for appropriating for distribution is equal to 5% of the endowment funds' average fair value for the preceding three years. In establishing this policy, ChildFund considered the expected return on its endowments. Accordingly, ChildFund expects the current spending policies to allow its non-sponsorship endowments to maintain their purchasing power by growing at a rate equal to planned payouts. For those endowments that maintain donor restrictions, ChildFund considers the cumulative earnings and expected rate of return and then appropriates available funds for distribution in accordance with the donor restrictions.

Endowment net assets consist of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donors	\$ -	\$ 10,402,721	\$ 10,402,721
Accumulated investment gains	-	4,859,776	4,859,776
Board-designated quasi-endowment funds	5,506,646	-	5,506,646
Total endowment net assets	\$ 5,506,646	\$ 15,262,497	\$ 20,769,143

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The following table presents the changes in ChildFund’s donor-restricted endowment funds and funds designated by the Board to function as endowment for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ 5,973,054	\$ 14,311,510	\$ 20,284,564
Total investment return, net	786,592	950,987	1,737,579
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(1,253,000)	-	(1,253,000)
Endowment net assets, June 30, 2023	\$ 5,506,646	\$ 15,262,497	\$ 20,769,143

17. Liquidity and Availability of Resources

The following reflects assets as of the consolidated statement of position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date.

June 30,	2023
Cash	\$ 42,283,359
Receivable from affiliates	1,334,602
Grants receivable	7,124,220
Accounts receivable and other assets	4,054,651
Investments	76,413,243
Beneficial interests in trusts	10,057,925
Less amount unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose and time restrictions	(68,898,340)
Investments related to charitable gift annuities	(1,330,580)
Board-designated quasi-endowment fund	(5,506,646)
Financial assets available to meet cash needs for general expenditures within one year	\$ 65,532,434

As part of ChildFund’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. ChildFund maintains a liquidity position through leveraging cash, investments and line of credit.

18. Correction of Error - Beginning of Year Balances

During the preparation of the June 30, 2023, consolidated financial statements, management determined that specific program activities and related account balances of a wholly controlled entity in the Kingdom of Thailand were omitted from the consolidated financial statements as of June 30, 2022. This resulted from a determination by management during the current fiscal year that certain microfinance operations that had been transferred to another organization over ten years prior, was still required to be consolidated due to control of the organization, as defined under GAAP, still being retained by ChildFund. As such, ChildFund’s beginning net assets without

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donor restrictions, cash and cash equivalents, accounts receivable and other assets and accounts payable and accrued expenses, have been restated to correct this error in the consolidated statement of financial position and activities. Additionally, the beginning cash and cash equivalents in the consolidated statement of cash flows has been restated to correct this error.

The effect on the restatement on the statement of financial position and activities as of July 1, 2022, was as follows:

Statement of Financial Position	As Previously Stated	Correction Adjustment	As Restated
Cash and cash equivalents	\$ 36,283,224	\$ 12,606,361	\$ 48,889,585
Accounts receivable and other assets	4,673,125	327,317	5,000,442
Total assets	155,339,003	12,933,678	168,272,681
Accounts payable and accrued expenses	14,848,303	52,714	14,901,017
Total liabilities	18,215,540	52,714	18,268,254
Without donor restrictions net assets	72,188,574	12,880,964	85,069,538
With donor restriction net assets	64,934,889	-	64,934,889
Total Net Assets	137,123,463	12,880,964	150,004,427
Total liabilities and net assets	\$ 155,339,003	\$ 12,933,678	\$ 168,272,681

Statement of Activities	As Previously Stated	Correction Adjustment	As Restated
Without donor restrictions net assets	\$ 72,188,574	\$ 12,880,964	\$ 85,069,538
With donor restriction net assets	64,934,889	-	64,934,889
Total Net Assets	\$ 137,123,463	\$ 12,880,964	\$ 150,004,427

The consolidated statement of cash flows beginning balance as of July 1, 2022, have been restated to correct a misstatement related to \$12,606,361 of cash that was available in the wholly controlled entity that was not recorded.

19. Subsequent Events

ChildFund has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2023 consolidated financial statements through December 31, 2023, the date the consolidated financial statements were issued. Other than as disclosed in Note 8 and 9, no other matters noted requiring disclosure.