



# ChildFund International, USA

Consolidated Financial Statements  
Year Ended June 30, 2022

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# **ChildFund International, USA**

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Consolidated Financial Statements  
Year Ended June 30, 2022

# 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, 2022, 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 financial position of ChildFund as of June 30, 2022, and the changes in its net assets and its 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.

### ***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, LLP**

October 28, 2022

## **Consolidated Financial Statements**

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# ChildFund International, USA

## Consolidated Statement of Financial Position

<i>June 30,</i>	<i>2022</i>
<b>Assets</b>	
Cash and cash equivalents	\$ 36,283,224
Receivable from affiliates	942,600
Grants receivable	5,204,658
Gifts-in-kind inventory	6,259,389
Accounts receivable and other assets	4,673,125
Investments	63,200,966
Beneficial interests in trusts	9,456,870
Property, plant and equipment, net	29,318,171
<b>Total assets</b>	<b>\$ 155,339,003</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ 14,848,303
Accrued pension benefit liability	1,471,404
Debt	1,895,833
<b>Total liabilities</b>	<b>18,215,540</b>
<b>Commitments and Contingencies</b>	
<b>Net assets:</b>	
Without donor restrictions	72,188,574
With donor restrictions	64,934,889
<b>Total net assets</b>	<b>137,123,463</b>
<b>Total liabilities and net assets</b>	<b>\$ 155,339,003</b>

*See accompanying notes to the consolidated financial statements.*

# ChildFund International, USA

## Consolidated Statement of Activities

Year ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Sponsorships:			
U.S. sponsors	\$ -	\$ 80,961,020	\$ 80,961,020
International sponsors - ChildFund Alliance	-	27,454,931	27,454,931
International sponsors - F.R.O.	-	9,780,381	9,780,381
Special gifts from sponsors for children	-	9,081,373	9,081,373
Total sponsorships	-	127,277,705	127,277,705
Contributions:			
General contributions	16,817,657	4,906,630	21,724,287
Major gifts and bequests	4,647,524	-	4,647,524
Gifts-in-kind	47,167,800	14,023,157	61,190,957
Total contributions	68,632,981	18,929,787	87,562,768
Grants:			
Grants and contracts	17,844,820	8,271,040	26,115,860
Total public support	86,477,801	154,478,532	240,956,333
Revenue:			
Investment income, net	1,666,644	209,368	1,876,012
Currency transaction losses, net	(2,745,541)	-	(2,745,541)
Service fees and other	1,415,944	-	1,415,944
Total revenue	337,047	209,368	546,415
Net assets released from restrictions:			
Satisfaction of program and time restrictions	156,997,228	(156,997,228)	-
Total public support and revenue	243,812,076	(2,309,328)	241,502,748
Expenses:			
Program services:			
Basic education	56,488,524	-	56,488,524
Health and sanitation	36,204,334	-	36,204,334
Nutrition	14,091,774	-	14,091,774
Early childhood development	21,580,794	-	21,580,794
Micro-enterprise	31,857,388	-	31,857,388
Emergencies	26,856,016	-	26,856,016
Total program services	187,078,830	-	187,078,830
Supporting services:			
Fundraising	35,496,853	-	35,496,853
Management and general	18,956,192	-	18,956,192
Total supporting services	54,453,045	-	54,453,045
Total expenses from operations	241,531,875	-	241,531,875
Change in net assets from operations	2,280,201	(2,309,328)	(29,127)
Nonoperating activities:			
Investment return, net	(7,137,664)	(1,547,719)	(8,685,383)
Change in value of trusts	-	(2,265,181)	(2,265,181)
Change in accrued pension benefit liability other than net periodic costs	854,065	-	854,065
Total nonoperating activities	(6,283,599)	(3,812,900)	(10,096,499)
Addition of newly controlled entity	167,041	-	167,041
Change in net assets	(3,836,357)	(6,122,228)	(9,958,585)
Net assets, at beginning of year	76,024,931	71,057,117	147,082,048
Net assets, at end of year	\$ 72,188,574	\$ 64,934,889	\$ 137,123,463

*See accompanying notes to the consolidated financial statements.*



**ChildFund International, USA**  
**Consolidated Statement of Cash Flows**

<i>Year ended June 30,</i>	<i>2022</i>
<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (9,958,585)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Addition of newly controlled entity	(167,041)
Depreciation	3,464,487
Realized gain on investments	(5,335,986)
Unrealized loss on investments	14,021,369
Change in gifts-in-kind not distributed	(4,799,564)
Change in value of trusts	2,265,181
Gain on sale of property, plant and equipment	(10,387)
Change in accrued pension benefit liability other than net periodic costs	(854,065)
Proceeds from terminated charitable remainder trusts	108,927
<b>(Increase) decrease in assets:</b>	
Receivable from affiliates	201,000
Grants receivable	1,676,355
Accounts receivable and other assets	806,376
<b>Increase (decrease) in liabilities</b>	
Accounts payable and accrued expenses	2,681,469
Accrued pension benefit liability	96,375
Net cash provided by operating activities	4,195,911
<b>Cash flows from investing activities:</b>	
Purchases of property, plant and equipment	(4,073,802)
Proceeds from sales of investments	27,040,223
Purchases of investments	(23,308,875)
Net cash used in investing activities	(342,454)
<b>Cash flows from financing activities:</b>	
Addition of newly controlled entity	167,041
Debt repayments	(1,625,000)
Net cash used in financing activities	(1,457,959)
Net increase in cash and cash equivalents	2,395,498
Cash and cash equivalents, beginning of year	33,887,726
Cash and cash equivalents, end of year	\$ 36,283,224
<b>Supplemental disclosures of cash flow information:</b>	
Interest paid	\$ 79,689
<b>Supplemental disclosures of noncash transactions:</b>	
Gifts-in-kind	\$ 61,190,957
Purchases of property, plant and equipment funded by accounts payable and accrued expenses	\$ 59,887

*See accompanying notes to the consolidated financial statements.*

# ChildFund International

## Consolidated Statement of Functional Expenses

<i>For the year ended June 30, 2022</i>	Basic Education	Health and Sanitation	Nutrition	Early Childhood Development	Micro- Enterprise	Emergencies	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Subsidy for children	\$ 32,090,855	\$ 9,636,061	\$ 3,577,849	\$ 10,393,487	\$ 9,744,695	\$ 5,904,477	\$ 71,347,424	\$ -	\$ -	\$ -	\$ 71,347,424
Program grants	330,979	11,143,574	4,510,186	1,992,904	8,539,991	9,509,649	36,027,283	-	-	-	36,027,283
Public service announcements	13,951,298	8,941,594	3,480,327	5,329,934	7,868,004	6,632,786	46,203,943	963,857	-	963,857	47,167,800
Donated product distribution	2,766,345	1,772,992	690,100	1,056,851	1,560,114	1,315,188	9,161,590	-	-	-	9,161,590
Supplies	68,468	43,882	17,080	26,157	38,613	32,551	226,751	62,871	224,506	287,377	514,128
Occupancy	195,005	124,982	48,646	74,499	109,975	92,710	645,817	143,984	236,472	380,456	1,026,273
Professional services	120,894	77,483	30,159	46,186	68,180	57,476	400,378	40,461	389,169	429,630	830,008
Contract services	436,476	279,744	108,885	166,751	246,156	207,512	1,445,524	18,790,240	3,580,524	22,370,764	23,816,288
Travel	-	-	-	-	-	-	-	195,379	71,264	266,643	266,643
Conferences and meetings	74,824	47,956	18,666	28,586	42,198	35,573	247,803	6,082	70,394	76,476	324,279
Automobile and truck expense	42,549	27,270	10,614	16,255	23,996	20,229	140,913	10,950	1,646	12,596	153,509
Advertising and public education	10,883	6,975	2,715	4,158	6,138	5,174	36,043	7,838,134	17,569	7,855,703	7,891,746
Equipment purchases and rentals	84,246	53,995	21,016	32,185	47,512	40,053	279,007	78,898	196,515	275,413	554,420
Telephone and cables	86,016	55,129	21,458	32,861	48,510	40,894	284,868	51,081	80,658	131,739	416,607
Postage and freight	61,017	39,107	15,221	23,311	34,411	29,009	202,076	684,401	591,976	1,276,377	1,478,453
Program costs	69,874	44,783	17,431	26,695	39,406	33,220	231,409	-	-	-	231,409
Staff training	28,095	18,006	7,009	10,733	15,844	13,357	93,044	19,524	23,445	42,969	136,013
Miscellaneous expenses	145,021	92,946	36,177	55,404	81,786	68,947	480,281	312,280	2,388,036	2,700,316	3,180,597
Total expenses before personnel costs and other expenses	50,562,845	32,406,479	12,613,539	19,316,957	28,515,529	24,038,805	167,454,154	29,198,142	7,872,174	37,070,316	204,524,470
Personnel costs	5,130,745	3,288,370	1,279,929	1,960,142	2,893,546	2,439,280	16,992,012	6,230,526	10,240,691	16,471,217	33,463,229
Depreciation and interest	794,934	509,485	198,306	303,695	448,313	377,931	2,632,664	68,185	843,327	911,512	3,544,176
	5,925,679	3,797,855	1,478,235	2,263,837	3,341,859	2,817,211	19,624,676	6,298,711	11,084,018	17,382,729	37,007,405
Total expenses from operations	\$ 56,488,524	\$ 36,204,334	\$ 14,091,774	\$ 21,580,794	\$ 31,857,388	\$ 26,856,016	\$ 187,078,830	\$ 35,496,853	\$ 18,956,192	\$ 54,453,045	\$ 241,531,875

See accompanying notes to the consolidated financial statements.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### 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 432,000 enrolled children in ChildFund's programs. Of these children, approximately 340,000 are sponsored children whose sponsors support programs in the child's community through monthly contributions.

Most of the sponsorships - approximately 220,000 - are supported by U.S. donors; 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 12 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 empower 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

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### 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, national offices, and 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 national offices and fundraising offices are separate legal entities.

The national 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

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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; and ChildFund Thailand or “Community Children Foundation Under the Royal Patronage of HRH Princess Maha Chakri Sirindhorn” registered in Bangkok, Thailand on November 29, 2001.

ChildFund Ireland is a company limited by guarantee, registered in Dublin, Ireland under Part 18 of the Companies Act 2014. ChildFund International USA was appointed by ChildFund Ireland’s board as the sole corporate member on March 31, 2022. Upon becoming sole member, ChildFund Ireland became part of the consolidated operations. The financial impact of the consolidation resulted in approximately \$333,000 in cash, \$54,000 on other assets, \$256,000 in accrued expenses and \$167,000 in unrestricted net assets being recorded by ChildFund. The net assets of ChildFund Ireland, as of March 31, 2022 are presented on the statement of activities as addition of newly controlled entity.

ChildFund international, USA became a majority shareholder in CF GSS PRIVATE LIMITED effective April 2022. This is an Indian for-profit private limited company that will employ a small number of individuals to provide direct services to ChildFund International, USA and prospectively could assist other related entities for administrative support services. There was an initial investment of approximately \$185,000 made during the year ended June 30, 2022.

### ***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.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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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.

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.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### ***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 \$16,861,485 at June 30, 2022. 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.

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, 2022.

### ***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, 2022.

### ***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.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### *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 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 \$15,120,000 of conditional grants outstanding as of June 30, 2022.

#### *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, 2022, there was \$2,480,297 in refundable advances recorded related to conditional grants and contracts.



# ChildFund International, USA

## Notes to the Consolidated Financial Statements

### *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.

### *Gifts-In-Kind*

<b>GIK Category</b>	<b>Type of Contribution</b>	<b>Valuation</b>	<b>2022</b>
Media	Public service announcement	Third-party estimates using discounted billing rates	\$ 47,167,800
Pharmaceuticals	Pharmaceuticals	Wholesale acquisition cost (WAC) from the Redbook pharmaceutical pricing database for US markets.	7,183,612
Books	Books	Wholesale price derived from discounting retail price inputs of the identical or similar products.	2,966,308
Supplies	Cloth face masks	Wholesale price derived from discounting retail price inputs of the identical or similar products.	2,231,240
Medical Supplies	Medical supplies	Wholesale price derived from discounting retail price inputs of the identical or similar products.	888,784
Other GIK	Various	Wholesale price derived from discounting retail price inputs of the identical or similar products.	753,213
<b>Total GIK</b>			<b>\$ 61,190,957</b>

### **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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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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.

### ***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.

### ***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 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 2019.

### ***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.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### ***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 September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. ChildFund has adopted the ASU within the consolidated financial statements. There was no effect on the change in net assets reported for the year ended June 30, 2022.

### ***New Accounting Pronouncements to be Adopted***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to record, for all 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. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. The guidance is effective for ChildFund for the fiscal year ending June 30, 2023. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ChildFund continues to evaluate the effect that adoption of ASU 2016-02 will have on ChildFund's 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 \$1,668,386 as of June 30, 2022.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### 4. Grants Receivable

The amounts due from grants receivable, as of June 30, 2022, consist of the following:

	<b>2022</b>
Grants receivable within one year	\$ 4,774,254
Grants receivable due in one-to-five years	430,404
<b>Grants receivable</b>	<b>\$ 5,204,658</b>

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, 2022.

### 5. Investments

Investments, at fair value, as of June 30, 2022, are summarized as follows:

	<b>2022</b>
Corporate and other obligations	\$ 1,462,401
Time deposits	11,427,243
Mutual funds	44,239,912
Alternative investments	6,071,410
<b>Total investments</b>	<b>\$ 63,200,966</b>

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

The following table presents ChildFund's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2022:

	Total	Fair Value hierarchy		
		Level 1	Level 2	Level 3
Investments at fair value:				
Corporate and other obligations	\$ 1,462,401	\$ -	\$ 1,462,401	\$ -
Time deposits (at cost)	11,427,243	11,427,243	-	-
Mutual funds	44,239,912	41,096,021	3,143,891	-
Total investments at fair value	57,129,556	52,523,264	4,606,292	-
Investments at NAV*				
Alternative investments:				
Absolute return	5,660,108			
Other	411,302			
<b>Total Investments</b>	<b>\$ 63,200,966</b>			
<b>Beneficial Interests in Trusts</b>	<b>\$ 9,456,870</b>			<b>\$ 9,456,870</b>

\*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.

The following table summarizes information about the attributes of investments measured at NAV, as a practical expedient, by major class as of June 30, 2022:

June 30,	2022	Redemption frequency	Redemption notice period
Investments measured at NAV:			
Absolute return (a)	\$ 5,660,108	Quarterly	Quarterly
Other	411,302	N/A	N/A
	<b>\$ 6,071,410</b>		

- (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, 2022.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### 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, 2022 totaled \$1,372,503 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, 2022. The liability amounts totaling \$976,499 are included in accounts payable and accrued expenses on the consolidated statement of financial position as of June 30, 2022.

#### *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, 2022 was \$8,816,810. A net decrease of \$1,982,091 related to changes in fair values of these trusts for the year ended June 30, 2022 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, 2022.

#### *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, 2022 were \$640,060. A net decrease of \$283,090 related to changes in fair values of these trusts for the year ended June 30, 2022 was reported in the change in net assets with donor restrictions on the accompanying consolidated statement of activities. There were no new charitable remainder trusts provided during the year ended June 30, 2022. Charitable remainder trusts terminated for the year ended June 30, 2022 totaled \$108,927.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

### 7. Property, Plant and Equipment

Property, plant, and equipment at June 30, 2022 is summarized as follows:

	2022
Land	\$ 1,146,128
Buildings and improvements	20,476,048
Data processing	31,857,265
Furniture, fixtures and equipment	6,311,566
Construction-in-progress	6,496,444
	<b>\$ 66,287,451</b>
Accumulated depreciation	(36,969,280)
<b>Total</b>	<b>\$ 29,318,171</b>

Depreciation expense was \$3,464,487 for the year ended June 30, 2022.

### 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.

#### *Pension Plan*

The following table presents the Pension Plan's funded status as of June 30, 2022 (the latest actuarial valuation date), and the amount of accrued pension cost for the year then ended:

	2022
Projected and accumulated benefit obligation	\$ (23,322,556)
Fair value of plan assets	21,851,152
Funded status	(1,471,404)
<b>Accrued pension benefit liability</b>	<b>\$ (1,471,404)</b>

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

	2022
Benefit obligation discount rate	4.25%
Net periodic pension cost discount rate	2.50%
Expected return on plan assets	6.50%
Rate of compensation increase	N/A

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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, 2022 was \$1,753,516.

Expected future benefit payments of the Pension Plan as of June 30, 2022 are as follows:

***Years ending June 30,***

2023	\$	1,905,880
2024		1,878,898
2025		1,829,051
2026		1,807,253
2027		1,798,928
2028-2032		8,152,196

Employer contributions made by ChildFund to the Pension Plan was \$250,000 during the year ended June 30, 2022. The estimated contribution for the year ending June 30, 2023 is \$0. At June 30, 2022, the unrecognized net actuarial loss was \$9,466,975. Amortization of the unrecognized net actuarial loss for the year ending June 30, 2023 will be \$682,204. The change in accrued pension benefit liability other than net periodic costs was \$661,317 during the year ended June 30, 2022.

***Year ended June 30,***

**2022**

Net periodic pension cost:		
Interest cost	\$	688,113
Expected return on plan assets		(1,526,539)
Amortization of net actuarial loss		1,184,802
	\$	346,376

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, 2022 by asset category are as follows:

		<b>2022</b>
<hr/>		
Investments:		
Group Annuity Contract separate underlying accounts:*		
Cash and cash equivalents	\$	151,611
Mutual funds - equity		12,720,470
Mutual funds - fixed income		8,979,071
<b>Total</b>	<b>\$</b>	<b>21,851,152</b>

*\* 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.*



# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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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, 2022 are as follows:

	Target allocation 2022	Actual percentage of plan assets 2022
Equity	60.0%	58.2%
Fixed	40.0%	41.1%
Other	0.0%	0.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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%.

### ***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, 2022 related to the 403(b) Plan was \$1,177,629.

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, 2022 was \$8,960.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### 9. Debt

ChildFund has a \$10,000,000 revolving line of credit with a maturity date of October 31, 2022. Interest expense is based on daily one-month LIBOR + 1.10% basis points and is due and payable in consecutive monthly payments until fully paid. At June 30, 2022, there was no outstanding balance on the line of credit. ChildFund entered into an agreement on October 18, 2022 to extend the revolving line of credit to October 31, 2027. Interest expense will be based on a daily one-month SOFR + 1.215% basis points.

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, 2022. As of June 30, 2022, the outstanding loan balance was \$1,895,833.

Interest expense on the above debt was \$79,689 for the year ended June 30, 2022.

The future principal payments on the commercial note at June 30, 2022, are due as follows:

#### *Years ending June 30,*

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2023	\$	1,625,000
2024		270,833
	\$	1,895,833

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### 10. Net Assets with Donor Restrictions

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

<i>June 30,</i>	<i>2022</i>
<i>Subject to expenditure for a specified purpose:</i>	
Subsidies and gifts for children	\$ 23,571,361
Child development grants	4,968,577
Appeal funded programs	7,557,416
Gifts-in-kind - not yet distributed	6,259,389
Local programs and other	2,718,555
<i>Subject to the passage of time:</i>	
Assets held in charitable remainder trusts	640,060
<i>Perpetual in nature:</i>	
Beneficial interest in perpetual trusts	8,816,810
Gifts to perpetual endowments	10,402,721
<b>Total net assets with donor restrictions</b>	<b>\$ 64,934,889</b>

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# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### 11. Releases from Net Assets with Donor Restrictions

During the year ended June 30, 2022, 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>2022</i>
Subject to expenditure for a specified purpose:	
Subsidies and gifts for children	\$ 127,259,633
Unconditional grants	13,715,892
Appeal funded programs	5,463,830
Gifts-in-kind - distributed	9,203,228
Local programs and other	1,354,645
<b>Total net assets released from restrictions</b>	<b>\$ 156,997,228</b>

### 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 Ireland (until March 31, 2022), 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 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, 2022 and are summarized by country in the accompanying table. As of June 30, 2022, ChildFund has sponsorship receivables from these autonomous organizations totaling \$942,600. 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, 2022 of \$774,230 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, Ireland, Mexico, Thailand and other countries that provide sponsorship revenue.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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, 2022, and are summarized in the accompanying table.

<i>Year ended June 30, 2022</i>	<b>Sponsorships</b>	<b>Special gifts for children</b>	<b>General contributions</b>	<b>Total</b>
<b>Autonomous organizations:</b>				
Australia	\$ 6,492,594	\$ 327,632	\$ 114,853	\$ 6,935,079
Denmark	1,190,584	79,526	-	1,270,110
France	2,050,286	54,233	162,373	2,266,892
Germany	3,693,143	162,980	136,539	3,992,662
Ireland*	267,810	65,765	238	333,813
Japan	100,093	-	-	100,093
Korea	3,603,671	61,071	63,121	3,727,863
New Zealand	1,805,188	196,114	201,988	2,203,290
Sweden	4,348,485	655,003	46,637	5,050,125
Taiwan	3,903,077	413,110	40,000	4,356,187
<b>Total autonomous organizations</b>	<b>\$ 27,454,931</b>	<b>\$ 2,015,434</b>	<b>\$ 765,749</b>	<b>\$ 30,236,114</b>
<b>Consolidated operations:</b>				
Brazil	\$ 1,807,568	\$ 145,845	\$ 5,011,206	\$ 6,964,619
Mexico	587,434	11,808	175,445	774,687
Thailand	7,191,634	142,005	2,403,256	9,736,895
Ireland*	78,881	9,258	-	88,139
Other	114,864	-	57,146	172,010
<b>Total consolidated operations</b>	<b>\$ 9,780,381</b>	<b>\$ 308,916</b>	<b>\$ 7,647,053</b>	<b>\$ 17,736,350</b>
<b>Total international sponsors</b>	<b>\$ 37,235,312</b>	<b>\$ 2,324,350</b>	<b>\$ 8,412,802</b>	<b>\$ 47,972,464</b>

\*Note: Ireland was consolidated into ChildFund International beginning March 31, 2022 upon ChildFund becoming the sole member and therefore is reflected as both an autonomous organization and consolidated operation during the fiscal period respectively.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### 13. Total Public Support

Public support is summarized for the year ended June 30, 2022, as follows:

<i>Year ended June 30,</i>	<b>2022</b>
United States	\$ 171,709,950
Autonomous organizations, support from sponsors	29,470,365
Autonomous organizations, other support	22,029,216
Consolidated operations, support from sponsors	10,001,158
Consolidated operations, other support	7,745,843
	<hr/>
	\$ 240,956,333

### 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, 2022.

### 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.

### 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.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### *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

### *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, 2022 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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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, 2022:

	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	-	3,908,789	3,908,789
Board-designated quasi-endowment funds	5,973,054	-	5,973,054
<b>Total endowment net assets</b>	<b>\$ 5,973,054</b>	<b>\$ 14,311,510</b>	<b>\$ 20,284,564</b>

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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ 7,949,839	\$ 16,020,320	\$ 23,970,159
Total investment return, net	(1,512,767)	(1,708,810)	(3,221,577)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(464,018)	-	(464,018)
<b>Endowment net assets, June 30, 2022</b>	<b>\$ 5,973,054</b>	<b>\$ 14,311,510</b>	<b>\$ 20,284,564</b>

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## Notes to the Consolidated Financial Statements

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### 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,	2022
Cash	\$ 36,283,224
Receivable from affiliates	942,600
Grants receivable	5,204,658
Accounts receivable and other assets	4,673,125
Investments	63,200,966
Beneficial interests in trusts	9,456,870
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Less amount unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose and time restrictions	(58,675,499)
Investments related to charitable gift annuities	(1,372,503)
Board-designated quasi-endowment fund	(5,973,054)
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Financial assets available to meet cash needs for general expenditures within one year	\$ 53,740,387

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. Subsequent Events

ChildFund has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2022 consolidated financial statements through October 28, 2022, the date the consolidated financial statements were issued.