UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

June 30, 2016
(with summarized comparative information for fiscal 2015)

(With Independent Auditors' Report Thereon)

UNITED STATES FUND FOR UNICEF AND AFFILIATES

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KPMG
KPMG LLP
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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of the United States Fund for UNICEF and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Fund for UNICEF and Affiliates as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the 2015 consolidated financial statements of the United States Fund for UNICEF and Affiliates, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated October 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

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

KPMG LLP

October 27, 2016

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2016
(with summarized comparative information as of June 30, 2015)

Assets		**2016**	**2015**
Cash and cash equivalents	$	65,915,232	66,666,649
Investments (note 2)		54,823,261	52,510,810
Contributions receivable (note 3)		85,330,659	99,948,951
Prepaid expenses and other assets		1,071,494	1,182,282
Investments held for split-interest agreements (note 4)		8,427,997	8,605,046
Property and equipment, net (note 6)		36,656,352	36,660,838
Total assets	$	252,224,995	265,574,576
Liabilities and Net Assets			
Liabilities:			
Grants payable (note 5)	$	42,506,518	62,744,382
Accrued expenses and other liabilities (note 8(a))		8,453,718	7,934,489
Liabilities under split-interest agreements (note 4)		3,896,309	4,048,600
Loans payable (note 7)		34,450,000	34,200,000
Bonds payable (note 7)		37,534,066	38,341,417
Total liabilities		126,840,611	147,268,888
Net assets:			
Unrestricted		50,891,347	48,275,744
Temporarily restricted (note 10)		72,850,708	68,392,615
Permanently restricted (note 11)		1,642,329	1,637,329
Total net assets		125,384,384	118,305,688
Total liabilities and net assets	$	252,224,995	265,574,576

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Activities

June 30, 2016
(with summarized comparative information as of June 30, 2015)

	2016				2015
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Public support and revenue:					
Public support:					
Contributions:					
Corporate	$ 25,743,218	5,745,385	—	31,488,603	24,689,873
Major gifts	35,520,599	2,468,246	—	37,988,845	30,510,058
Foundations	146,865,393	24,203,331	—	171,068,724	132,627,609
Nongovernmental organizations (NGO)	74,687,231	9,444,346	—	84,131,577	90,427,627
Direct marketing	48,098,223	—	—	48,098,223	49,397,717
Trick-or-treat program	2,279,080	—	—	2,279,080	2,468,938
Internet	17,898,246	25,211	—	17,923,457	22,001,204
Other	18,384,358	—	—	18,384,358	16,768,291
Gifts-in-kind	135,189,820	—	—	135,189,820	121,203,396
Special events income, net of expenses of $3,446,279 in 2016 and $1,895,749 in 2015	7,111,401	347,024	—	7,458,425	7,256,555
Bequests and legacies	8,981,913	1,148,091	5,000	10,135,004	11,892,249
Total public support	520,759,482	43,381,634	5,000	564,146,116	509,243,517
Revenue:					
Greeting cards revenue	3,528,740	—	—	3,528,740	3,514,772
Investment return (note 2)	825,029	—	—	825,029	1,606,434
Change in value of split-interest agreements	(219,622)	(20,137)	—	(239,759)	(758,925)
Total revenue	4,134,147	(20,137)	—	4,114,010	4,362,281
Net assets released from restrictions	38,903,404	(38,903,404)	—	—	—
Total public support, revenue, and net assets released from restrictions	563,797,033	4,458,093	5,000	568,260,126	513,605,798
Expenses:					
Program services:					
Grants to UNICEF and other nongovernmental organizations (NGOs) (note 5)	487,891,919	—	—	487,891,919	469,882,209
Public information, education, and program services	14,428,535	—	—	14,428,535	14,127,752
Advocacy	679,121	—	—	679,121	700,880
Total program services	502,999,575	—	—	502,999,575	484,710,841
Supporting services:					
Management and general	15,275,852	—	—	15,275,852	14,622,805
Fund-raising expenses	42,906,003	—	—	42,906,003	41,976,664
Total supporting services	58,181,855	—	—	58,181,855	56,599,469
Total expenses	561,181,430	—	—	561,181,430	541,310,310
Increase (decrease) in net assets	2,615,603	4,458,093	5,000	7,078,696	(27,704,512)
Net assets:					
Beginning of year	48,275,744	68,392,615	1,637,329	118,305,688	146,010,200
End of year	$ 50,891,347	72,850,708	1,642,329	125,384,384	118,305,688

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended June 30, 2016
(with summarized comparative information for the year ended June 30, 2015)

		2016	2015
Cash flows from operating activities:			
Increase (decrease) in net assets	$	7,078,696	(27,704,512)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation and amortization		2,279,497	2,147,018
Net depreciation (appreciation) in fair value of investments		698,814	(242,234)
Change in value of split-interest agreements		239,759	758,925
Permanently restricted contributions		(5,000)	—
Changes in operating assets and liabilities:			
Contributions receivable		14,618,292	16,368,255
Prepaid expenses and other assets		110,788	86,883
Grants payable		(20,237,864)	13,721,736
Accrued expenses and other liabilities		519,229	392,862
Net cash provided by operating activities		5,302,211	5,528,933
Cash flows from investing activities:			
Purchases of property and equipment		(2,237,362)	(1,992,001)
Proceeds from sales of investments		6,934,291	7,276,886
Purchases of investments		(9,874,997)	(16,165,839)
Net cash used in investing activities		(5,178,068)	(10,880,954)
Cash flows from financing activities:			
Proceeds from permanently restricted contributions		5,000	—
Proceeds from contributions under split-interest agreements		222,224	571,000
Payments under split-interest agreements		(507,784)	(497,105)
Payment of bonds payable		(845,000)	(805,000)
Proceeds from loans payable		250,000	7,350,000
Net cash (used in) provided by financing activities		(875,560)	6,618,895
Net (decrease) increase in cash and cash equivalents		(751,417)	1,266,874
Cash and cash equivalents:			
Beginning of year		66,666,649	65,399,775
End of year	$	65,915,232	66,666,649
Cash paid for interest	$	2,915,203	2,686,867
Noncash operating activity:			
Gifts-in-kind revenue/expenses	$	135,189,820	121,203,396

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended June 30, 2016
(with summarized comparative information for the year ended June 30, 2015)

	Program services				Supporting services			Totals	
	Grants to UNICEF and other NGOs	**Public information**	**Advocacy**	**Total**	**Management and general**	**Fund-raising**	**Total**	**2016**	**2015**
Grants to UNICEF and other NGOs	$ 487,891,919	—	—	487,891,919	—	—	—	487,891,919	469,882,209
Salaries, payroll taxes, and employee benefits	—	5,422,675	536,708	5,959,383	9,234,017	14,920,313	24,154,330	30,113,713	27,772,901
Outside printing and telemarketing	—	2,444,663	132	2,444,795	154,705	6,607,188	6,761,893	9,206,688	9,190,497
Postage and shipping	—	46,106	—	46,106	39,519	3,616,246	3,655,765	3,701,871	4,556,266
Mailing list rental	—	—	—	—	—	222,668	222,668	222,668	220,131
Consulting and other fees	—	3,258,033	399	3,258,432	714,078	11,397,468	12,111,546	15,369,978	15,413,774
Telephone	—	63,358	—	63,358	106,620	101,660	208,280	271,638	242,837
Occupancy	—	45,936	96,067	142,003	83,105	455,931	539,036	681,039	638,744
Conferences, conventions, meetings, and travel	—	967,942	16,903	984,845	636,469	1,592,848	2,229,317	3,214,162	3,144,870
Equipment, repairs, and supplies	—	220,536	5,654	226,190	984,151	1,093,659	2,077,810	2,304,000	1,696,123
Legal and accounting	—	8,000	—	8,000	292,122	204,780	496,902	504,902	534,252
Insurance	—	71,387	—	71,387	129,149	123,290	252,439	323,826	305,933
Depreciation and amortization	—	419,799	21,495	441,294	483,129	1,355,074	1,838,203	2,279,497	2,147,018
Interest	—	1,317,360	—	1,317,360	828,322	790,745	1,619,067	2,936,427	2,914,209
Miscellaneous	—	142,740	1,763	144,503	1,590,466	424,133	2,014,599	2,159,102	2,650,546
Total expenses, year ended June 30, 2016	$ 487,891,919	14,428,535	679,121	502,999,575	15,275,852	42,906,003	58,181,855	561,181,430	541,310,310
Total expenses, year ended June 30, 2015	$ 469,882,209	14,127,752	700,880	484,710,841	14,622,805	41,976,664	56,599,469	541,310,310	—

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the United States Fund for UNICEF (Fund) and its supporting organizations, United States Fund for UNICEF In-Kind Assistance Corporation (USF-IKAC), and Bridge Fund Grant Assistance Corporation (BF-GAC); collectively (USF). The Fund is the sole voting member of USF-IKAC and BF-GAC and elects their boards of directors. There were no transactions for BF-GAC in 2016 and 2015.

(b) Nature of Activities

The Fund is a not-for-profit organization, chartered by the State of New York, organized to support programs through fund-raising, education, and advocacy activities, providing lifesaving medicine, better nutrition, clean water and sanitation, quality basic education, and emergency relief to children, families, and communities in more than 150 countries and territories. As a partner in the global commitment to build a world fit for children, the Fund is working to create a world that is free from poverty, disease, violence, exploitation, and discrimination.

USF-IKAC is a not-for-profit organization, chartered by the State of New York, organized to support the Fund by facilitating the contribution and distribution of in-kind donations to advance the health, education, and welfare of children throughout the world.

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

USF-IKAC and BF-GAC operate exclusively for the benefit of and to perform specific functions of the Fund for charitable and educational purposes.

(c) Financial Statement Presentation

The consolidated financial statements include certain prior year summarized comparative information, which does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be viewed in conjunction with USF's consolidated financial statements for the year ended June 30, 2015 from which the summarized information was derived.

USF prepares its consolidated financial statements on the accrual basis in accordance with GAAP. Net assets of USF and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of USF and/or by the passage of time

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by USF, but permit USF to expend all or part of the income derived therefrom. This income is available to support operations

Revenue is reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, except for those restrictions met in the same year as received, which are reported as unrestricted revenue ($417.4 million in fiscal 2016), are reported as net assets released from restrictions. The $417.4 million represents $135.2 million of gifts-in-kind and $282.2 million in cash contributions.

(d) Cash and Cash Equivalents

USF considers highly liquid investments with original maturities of three months or less to be cash equivalents, except for such investments purchased by USF's investment managers as part of their long term investment strategies. Financial instruments that potentially subject USF to concentrations of credit risk consist principally of cash, certificates of deposit, and commercial paper. Cash and cash equivalents in excess of insurable limits aggregated approximately $66 million at June 30, 2016 and 2015.

(e) Investments, Including Investments Held for Split-Interest Agreements

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon values provided by USF's external investment managers or upon quoted market prices. Investments in limited partnerships are reflected at estimated fair values, which, as a practical expedient, are the net asset values as reported by the general partners. The estimated fair value may differ from the values that would have been reported had a ready market for these securities existed. USF reviews and evaluates the values provided by the general partners and agrees with the valuation methods and assumptions used in determining the estimated fair value of the limited partnerships.

Realized and unrealized gains on investments generated by permanently restricted net assets are available for unrestricted use and are recorded as unrestricted revenue.

Investment income is recorded when earned. Realized and unrealized gains and losses are determined on the basis of specific identification.

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

(Continued)

(f) Property and Equipment, Net

Property and equipment are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements, over the lesser of the remaining terms of the leases or the estimated useful lives of the improvements.

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

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

(g) Revenue Recognition

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

Gifts-in-kind are recorded as public support at their estimated fair value on the date of receipt. Gifts-in-kind received by USF-IKAC are in the form of contributed medical supplies from pharmaceutical companies and other supplies from various companies. For donated gifts-in-kind, USF performs a review and evaluation of the fair values by using methods that include reviewing observable market data. This includes reviewing independently quoted prices for that particular pharmaceutical product or a similar pharmaceutical product and incorporating the fair value provided by the donor. USF does not sell donated gifts-in-kind. The inputs used to measure the fair value of gifts-in-kind are considered Level 3 within the fair value hierarchy (note 1(m)).

Additionally, a substantial number of volunteers have donated their time to support the USF's fund-raising and other activities. The value of these contributed services is not included in the consolidated financial statements since they do not meet the criteria for financial statement recognition established under GAAP.

(h) Grants

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

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting service areas that were benefited.

(j) Deferred Bond Acquisition Costs

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

(k) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates made in the preparation of the consolidated financial statements include net realizable value of contributions receivable, fair value of gifts-in-kind and functional expense allocations. Actual results could differ from those estimates.

(l) Income Tax Status

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a publicly supported organization as defined in Section 509(a)(1) of the IRC. USF-IKAC and BF-GAC are also exempt from federal income taxes under Section 501(c)(3) of the IRC and are classified as publicly supported organizations as defined in Section 509(a)(3) of the IRC. The Fund, USF-IKAC, and the BF-GAC are also exempt from state and local income taxes and qualify for the maximum charitable contribution deduction by donors.

USF recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes has been made, as USF has not reported any taxable unrelated business income and any unrelated business income is offset by associated expenditures. USF evaluates, on an annual basis, the effects of any uncertain tax positions on its consolidated financial statements. As of June 30, 2016 and 2015, USF has not identified or provided for any such positions.

(m) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Fair value inputs are categorized within a fair value hierarchy as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs observable or corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The carrying values of USF's grants payable, loans payable and accrued expenses and other liabilities approximated their fair values at June 30, 2016 and 2015 because of the terms and relatively short maturities of these financial instruments. These estimated values, however, involve unobservable inputs and are considered to be Level 3 in the fair value hierarchy. The fair value of investments, contributions receivable, and bonds payable is discussed in notes 1(e), 3, and 7, respectively.

(n) Recently Issued Accounting Pronouncements

In 2015, USF early adopted Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

In 2015, USF early adopted ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs related to a recognized debt liability to be presented on the balance sheets as a direct deduction from the debt liability.

(2) Investments

The classification of investments by level in the fair value hierarchy as of June 30, 2016 and 2015 is as follows:

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

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 13,418,239	—	—	13,418,239
Corporate fixed income	—	24,882,636	—	24,882,636
Equity securities:				
U.S. equity	7,501,828	—	—	7,501,828
Non-U.S. equity	2,839,192	—	—	2,839,192
Hedge funds [1]				2,735,662
Other investment	1,133,253	—	—	1,133,253
	$ 24,892,512	24,882,636	—	52,510,810

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

Return on investments for the years ended June 30, 2016 and 2015 consists of the following:

	2016	**2015**
Dividends and interest, net of fees	$ 1,523,843	1,364,200
(Depreciation) appreciation in fair value	(698,814)	242,234
Total investment return	$ 825,029	1,606,434

At June 30, 2016 and 2015, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance, and requires a 91-day notice period. A third investment is a fund which may be redeemed bimonthly and requires a 6-day notice period.

(3) Contributions Receivable

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

Contributions receivable at June 30, 2016 and 2015 consist of unconditional promises to give, due as follows:

		2016	2015
Less than one year	$	59,343,082	79,256,227
One to five years		27,808,652	22,577,697
		87,151,734	101,833,924
Less:			
Discount to present value (rates ranging from 0.95% to 5.11%)		(413,225)	(386,945)
Allowance for uncollectible pledges		(1,407,850)	(1,498,028)
Net contributions receivable	$	85,330,659	99,948,951

Included in gross contributions receivable at June 30, 2016 is approximately $70.6 million due from five donors. Gift-in-kind revenue is primarily received from one donor. Included in contribution revenue is approximately $222.8 million from two foundations and a nongovernmental organization.

(4) Investments Held for Split-Interest Agreements

Split-interest agreements, for which USF is a trustee, consist principally of charitable gift annuities (CGA), related assets of which total $8,077,165 and $8,373,259 at June 30, 2016 and 2015, respectively. Such designated assets exceed the legally mandated reserve. The classification of investments held for split-interest agreements by their level in the fair value hierarchy as of June 30, 2016 and 2015 is as follows:

		2016			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$	392,157	—	—	392,157
Corporate fixed income		—	3,907,772	—	3,907,772
Equity securities:					
U.S. equity		2,101,358	—	—	2,101,358
Non-U.S. equity		773,443	—	—	773,443
Other investment		—	1,253,267	—	1,253,267
	$	3,266,958	5,161,039	—	8,427,997

	2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 287,557	—	—	287,557
Corporate fixed income	—	3,117,353	—	3,117,353
Other fixed income	—	668,407	—	668,407
Equity securities:				
U.S. equity	2,050,910	—	—	2,050,910
Non-U.S. equity	887,674	—	—	887,674
Hedge funds [1]	—	—	—	1,176,256
Other investment	—	416,889	—	416,889
	$ 3,226,141	4,202,649	—	8,605,046

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

At June 30, 2016 and 2015, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance and requires a 91-day notice period.

Changes in fair value of these split-interest agreements are reflected in USF's consolidated statement of activities. On an annual basis, the Fund values the liability to the designated beneficiaries based upon actuarial assumptions. The present value of the estimated future payments of $3,896,309 and $4,048,600 at June 30, 2016 and 2015, respectively, is calculated using the Internal Revenue Service discount rate and applicable mortality tables.

(5) Grants

The boards of directors of USF authorized grants to UNICEF-assisted projects and various nonprofit organizations from funds and in-kind gifts received by USF during the years ended June 30, 2016 and 2015. Such grants are to be used by UNICEF and nonprofit organizations solely for those assistance projects approved by the boards of directors to provide life-saving medicine, better nutrition, clean water and sanitation, quality basic education, and emergency relief to children, families, women, and communities in more than 150 countries and territories.

As of June 30, 2016 and 2015, grants payable to UNICEF and NGOs were calculated as follows:

	2016	2015
Grants payable to UNICEF and NGOs – beginning of year	$ 62,744,382	49,022,646
Add:		
Gifts-in-kind (including $1,056,588 of purchases by USF in 2015)	135,189,820	122,259,984
Greeting cards revenue and support	3,216,375	3,485,441
Grants to UNICEF	344,468,981	340,410,029
Grants to NGOs	5,016,743	3,726,755
Total additions	487,891,919	469,882,209
Less:		
Cash paid to UNICEF	367,293,880	328,468,676
Gifts-in-kind	135,189,820	122,259,984
Cash paid to NGOs	5,646,082	5,431,813
Total deductions	508,129,782	456,160,473
Grants payable to UNICEF and NGOs – end of year	$ 42,506,519	62,744,382

(6) Property and Equipment, Net

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Office condominium	$ 41,670,513	41,670,513
Computer equipment and internal use software	9,384,051	7,183,605
Leasehold improvements	307,126	307,126
Furniture and fixtures	2,990,824	2,951,956
Office equipment	455,648	457,600
	54,808,162	52,570,800
Less accumulated depreciation and amortization	(18,151,810)	(15,909,962)
	$ 36,656,352	36,660,838

(7) Long-Term Debt

(a) Bonds Payable

On June 14, 2007, a private placement of New York City Industrial Development Agency issued Civic Facility Revenue Bonds (Bonds) totaling $43,510,000 consisting of two series: Series 2007A (Series A) in the amount of $7,910,000, fixed interest rate 5.05% and Series 2007B (Series B) in the amount of $35,600,000, fixed interest rate 5.30%. Proceeds of the Bonds, net of issuance costs of $1,204,778, were used by USF to acquire an Office Condominium (the Facility) and to pay for related interior space construction costs, to purchase furniture and fixtures, and to pay related costs as well as closing costs of the bond issuance (collectively, the Project). The Bonds are not secured by any mortgage lien or security interest in the Facility or any property of USF. The Bonds also have a financial covenant in which USF guarantees to maintain minimum net assets at $10,000,000.

Series A Bonds require principal payments through November 1, 2018. Series B Bonds require principal payments beginning November 1, 2019 and through November 1, 2038.

The fair value of USF's bonds, approximately $39 million and $41 million at June 30, 2016 and 2015, respectively, is estimated based on the discounted future cash payments using a current market interest rate. The fair value is based on significant observable inputs that fall within Level 2 of the fair value hierarchy.

The maturities of the bonds payable subsequent to June 30, 2016 are as follows:

		Amount
Fiscal year ending:		
2017	$	885,000
2018		935,000
2019		980,000
2020		1,035,000
2021		1,090,000
Thereafter		33,475,000
Total	$	38,400,000

Interest expense on bonds payable for the years ended June 30, 2016 and 2015 was $2,070,904 and $2,112,903, respectively.

In September 2016, Build NYC Resource Corporation issued private placement Civic Facility Revenue Bonds, Series 2016 (2016 Bonds) totaling $39,100,000 to defease the New York City Industrial Development Agency Civic Facility Revenue Bonds Series 2007A and 2007B. The term of the 2016 Bonds is 20 years with a fixed interest rate of 2.86%. The loss on defeasance of debt approximated $1 million and will be recognized in the 2017 statement of activities.

(b) Loans Payable

On December 31, 2011, The USF-IKAC entered into a loan agreement with various philanthropic investors for use with the Revolving Guarantee Bridge Fund (RGBF) program. RGBF is an innovative tool that secures better pricing, faster delivery, and a consistent flow of essential goods for children in the developing world by distributing critical, flexible capital to overcome traditional funding obstacles when purchasing urgently needed supplies that save children's lives. RGBF funds its program activities and grants by obtaining net worth grants and similar contributions, below market loans, and program-related investments from financial institutions, foundations, and other lenders. The RGBF provides UNICEF's Supply Division with access to U.S. mission investment funding to bridge procurement costs until regular, slower payments become available.

The loan payable balance of $34,450,000 represents various loans from corporate and individual lenders with interest rates ranging from 0% to 2.75% per annum. The loan payable balances range from three to five years from the date of the loan agreement. Interest expense on loans payable for the years ended June 30, 2016 and 2015 was $859,492 and $801,306, respectively.

(8) Commitments and Contingencies

(a) Leases

The Fund is obligated under noncancelable operating lease agreements for the rental of offices and warehouse space expiring through 2027. Such leases generally contain provisions for increased rentals based upon increases in real estate taxes and operating expenses. Total rent expense was $523,319 and $488,935 for the years ended June 30, 2016 and 2015, respectively. In accordance with GAAP, rent expense is recognized on a straight-line basis over the term of the lease. The excess of rent expense accrued on a straight-line basis over rental payments is reported as accrued expenses and other liabilities on the consolidated statement of financial position.

Future minimum lease payments are as follows:

Fiscal year ending:		
2017	$	520,992
2018		436,309
2019		379,507
2020		386,301
2021		246,829
Thereafter		623,762
Total	$	2,593,700

(b) Guarantee

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

Purchase, as defined. As of October 2, 2015, the amount of the guarantee has now been reduced to $2.791 million, which is the remaining guarantee amount for fiscal year 2017.

There are various remedies to reduce any potential guarantee amounts, which can be retroactively applied. For calendar year 2016, based upon year to date purchases, UNICEF expects to purchase the required amounts, and accordingly, no liability has been recorded in the 2016 consolidated statement of financial position.

(9) Retirement Plan

The Fund has a defined contribution retirement plan, under IRC Section 403 (b), which is offered to all of its qualified employees. Employees can contribute a portion of their salary to the plan up to the maximum permitted under the IRC. The Fund will match employee contributions up to 4% of an employee's salary (up to 6% of base compensation prior to July 8, 2013). The employee must complete one year and 1,000 hours of service and must be at least 21 years of age. In addition, the Fund makes a nonmatching contribution of 5% of salary to eligible employees. The Fund's matching and nonmatching contributions totaled $1,457,800 and $1,236,082 for the years ended June 30, 2016 and 2015, respectively.

The Fund has a deferred compensation plan under IRC Section 457 (b) in which selected management employees can contribute additional salary up to the maximum permitted by the IRC. The Fund does not match these contributions.

(10) Temporarily Restricted Net Assets

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

		2016	2015
Child protection	$	2,969,661	3,018,167
Child survival, including nutrition and health		62,453,453	60,872,362
Education		881,246	777,871
Emergencies		5,349,751	—
Others miscellaneous programs		1,040,170	3,547,651
Value of split interest		156,427	176,564
Total	$	72,850,708	68,392,615

(11) Endowment

USF's endowment consists of 18 individual donor-restricted funds. Net assets associated with these permanent endowments are classified and reported based on the existence or absence of donor-imposed restrictions. USF has no board-designated endowment funds.

USF operates in accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA). In accordance with the accounting guidance associated with the adoption of NYPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by USF in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The following table summarizes USF's endowment by net asset class and changes therein for the years ended June 30, 2016 and 2015:

Description		Unrestricted	Permanently restricted	Total
Net assets at June 30, 2014	$	43,249	1,637,329	1,680,578
Investment return		67,581	—	67,581
Net assets at June 30, 2015		110,830	1,637,329	1,748,159
Investment return		2,217	—	2,217
Contributions		—	5,000	5,000
Amount expended to support operations		(113,047)	—	(113,047)
Net assets at June 30, 2016	$	—	1,642,329	1,642,329

(12) Subsequent Events

USF considers events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. With respect to the 2016 consolidated financial statements, subsequent events have been evaluated from June 30, 2016 through October 27, 2016, the date such consolidated statements were approved for issuance, and determined that no additional disclosures are required.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidating Schedule of Financial Position

June 30, 2016

Assets	United States Fund for UNICEF	USF-IKAC Gifts-in-Kind	USF-IKAC Bridge Fund	USF-IKAC Subtotal	Total	Intercompany eliminations	Consolidated total
Cash and cash equivalents	$ 59,304,618	—	6,610,614	6,610,614	65,915,232	—	65,915,232
Investments	28,025,043	—	26,798,218	26,798,218	54,823,261	—	54,823,261
Contributions receivable	81,146,866	—	4,183,793	4,183,793	85,330,659	—	85,330,659
Prepaid expenses and other assets	3,071,494	—		—	3,071,494	(2,000,000)	1,071,494
Due from affiliate		106,165	10,423,240	10,529,405	10,529,405	(10,529,405)	—
Investments held for split-interest agreements	8,427,997	—	—	—	8,427,997	—	8,427,997
Property and equipment, net	36,656,352	—	—	—	36,656,352	—	36,656,352
Total assets	$ 216,632,370	106,165	48,015,865	48,122,030	264,754,400	(12,529,405)	252,224,995
Liabilities and Net Assets							
Liabilities:							
Grants payable	$ 42,506,518	—	—	—	42,506,518	—	42,506,518
Accrued expenses and other liabilities	8,020,078	—	433,640	433,640	8,453,718	—	8,453,718
Liabilities under split-interest agreements	3,896,309	—	—	—	3,896,309	—	3,896,309
Due to affiliate	10,529,405	—	—	—	10,529,405	(10,529,405)	—
Loans payable	—	—	34,450,000	34,450,000	34,450,000	—	34,450,000
Bonds payable	37,534,066	—	—	—	37,534,066	—	37,534,066
Total liabilities	102,486,376	—	34,883,640	34,883,640	137,370,016	(10,529,405)	126,840,611
Net assets:							
Unrestricted	39,652,957	106,165	13,132,225	13,238,390	52,891,347	(2,000,000)	50,891,347
Temporarily restricted	72,850,708	—	—	—	72,850,708	—	72,850,708
Permanently restricted	1,642,329	—	—	—	1,642,329	—	1,642,329
Total net assets	114,145,994	106,165	13,132,225	13,238,390	127,384,384	(2,000,000)	125,384,384
Total liabilities and net assets	$ 216,632,370	106,165	48,015,865	48,122,030	264,754,400	(12,529,405)	252,224,995

See accompanying independent auditors' report.

Schedule 2

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidating Schedule of Activities

Year ended June 30, 2016

	United States Fund for UNICEF	USF-IKAC Gifts-in-Kind	USF-IKAC Bridge Fund	USF-IKAC Subtotal	Total	Intercompany eliminations	Consolidated total
Public support and revenue:							
Public support:							
Contributions:							
Corporate	$ 31,488,603	—	—	—	31,488,603	—	31,488,603
Major gilts	37,988,845	—	—	—	37,988,845	—	37,988,845
Foundations	171,068,724	—	—	—	171,068,724	—	171,068,724
Nongovernment organizations (NGO)	84,131,577	—	—	—	84,131,577	—	84,131,577
Direct marketing	48,098,223	—	—	—	48,098,223	—	48,098,223
Trick-or-treat program	2,279,080	—	—	—	2,279,080	—	2,279,080
Internet	17,923,457	—	—	—	17,923,457	—	17,923,457
Other	3,054,421	—	23,818,298	23,818,298	26,872,719	(8,488,361)	18,384,358
Gifts-in-kind	135,189,820	—	—	—	135,189,820	—	135,189,820
Special events income	7,458,425	—	—	—	7,458,425	—	7,458,425
Bequests and legacies	10,135,004	—	—	—	10,135,004	—	10,135,004
Total public support	548,816,179	—	23,818,298	23,818,298	572,634,477	(8,488,361)	564,146,116
Revenue:							
Greeting cards revenue (net)	3,528,740	—	—	—	3,528,740	—	3,528,740
Investment return	210,433	—	614,596	614,596	825,029	—	825,029
Change in value of split-interest agreements	(239,759)	—	—	—	(239,759)	—	(239,759)
Total revenue	3,499,414	—	614,596	614,596	4,114,010	—	4,114,010
Total public support and revenue	552,315,593	—	24,432,894	24,432,894	576,748,487	(8,488,361)	568,260,126
Expenses:							
Program services:							
Grants to UNICEF and other NGOs	465,327,387	—	22,564,532	22,564,532	487,891,919	—	487,891,919
Grant to affiliate	8,488,361	—	—	—	8,488,361	(8,488,361)	—
Public information, education, and program services	13,273,043	—	1,155,492	1,155,492	14,428,535	—	14,428,535
Advocacy	679,121	—	—	—	679,121	—	679,121
Total program services	487,767,912	—	23,720,024	23,720,024	511,487,936	(8,488,361)	502,999,575
Supporting services:							
Management and general	15,263,852	—	12,000	12,000	15,275,852	—	15,275,852
Fund-raising expenses	42,813,003	—	93,000	93,000	42,906,003	—	42,906,003
Total supporting services	58,076,855	—	105,000	105,000	58,181,855	—	58,181,855
Total expenses	545,844,767	—	23,825,024	23,825,024	569,669,791	(8,488,361)	561,181,430
(Decrease) increase in net assets	6,470,826	—	607,870	607,870	7,078,696	—	7,078,696
Net assets:							
Beginning of year	107,675,168	106,165	12,524,355	12,630,520	120,305,688	(2,000,000)	118,305,688
End of year	$ 114,145,994	106,165	13,132,225	13,238,390	127,384,384	(2,000,000)	125,384,384

See accompanying independent auditors' report.