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UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

June 30, 2018
(with summarized comparative information for fiscal 2017)

(With Independent Auditors' Report Thereon)

UNITED STATES FUND FOR UNICEF AND AFFILIATES

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2018, 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, 2018, 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.

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Report on Summarized Comparative Information

We have previously audited the 2017 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 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

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

KPMG LLP

October 25, 2018

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2018
(with summarized comparative information as of June 30, 2017)

Assets		**2018**	**2017**
Cash and cash equivalents	$	79,283,796	65,594,253
Investments (note 2)		48,764,564	42,670,870
Contributions receivable (note 3)		111,332,106	102,045,242
Prepaid expenses and other assets		1,457,153	1,136,142
Investments held for split-interest agreements (note 4)		9,366,230	8,637,009
Property and equipment, net (note 6)		34,215,634	35,878,227
Total assets	$	284,419,483	255,961,743
Liabilities and Net Assets			
Liabilities:			
Grants payable (note 5)	$	50,841,300	46,896,967
Accrued expenses and other liabilities (note 8(a))		11,516,575	6,789,212
Liabilities under split-interest agreements (note 4)		3,709,088	3,599,084
Loans payable (note 7)		39,150,000	37,850,000
Bonds payable, net (note 7)		35,679,892	37,136,444
Total liabilities		140,896,855	132,271,707
Net assets:			
Unrestricted		71,188,041	59,480,382
Temporarily restricted (note 10)		68,192,258	62,567,325
Permanently restricted (note 11)		4,142,329	1,642,329
Total net assets		143,522,628	123,690,036
Total liabilities and net assets	$	284,419,483	255,961,743

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Activities

Year ended June 30, 2018
(with summarized comparative information as of June 30, 2017)

	2018				2017
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Total**
Public support and revenue:					
Public support:					
Contributions:					
Corporate	$ 26,647,980	9,037,504	—	35,685,484	25,419,593
Major gifts	39,483,031	1,751,172	2,500,000	43,734,203	31,994,746
Foundations	139,401,802	23,412,149	—	162,813,951	96,577,850
Nongovernmental organizations (NGO)	95,519,506	1,284,850	—	96,804,356	71,224,878
Direct marketing	47,975,080	—	—	47,975,080	48,375,773
Trick-or-treat program	1,912,099	—	—	1,912,099	2,095,973
Internet	30,086,482	—	—	30,086,482	27,144,917
Other	32,371,518	—	—	32,371,518	38,879,558
Gifts-in-kind	118,428,510	—	—	118,428,510	146,326,697
Special events income, net of expenses of $3,528,139 in 2018 and $2,284,918 in 2017	8,154,054	—	—	8,154,054	7,723,103
Bequests and legacies	14,617,645	—	—	14,617,645	10,665,630
Total public support	554,597,707	35,485,675	2,500,000	592,583,382	506,428,718
Revenue:					
Greeting cards revenue	2,986,331	—	—	2,986,331	2,856,411
Investment return (note 2)	2,240,488	—	—	2,240,488	2,746,448
Change in value of split-interest agreements	(167,682)	8,014	—	(159,668)	(104,958)
Total revenue	5,059,137	8,014	—	5,067,151	5,497,901
Net assets released from restrictions	29,868,756	(29,868,756)	—	—	—
Total public support, revenue, and net assets released from restrictions	589,525,600	5,624,933	2,500,000	597,650,533	511,926,619
Expenses:					
Program services:					
Grants to UNICEF and other nongovernmental organizations (NGOs) (note 5)	490,259,467	—	—	490,259,467	433,634,612
Public information, education, and program services	20,656,518	—	—	20,656,518	17,732,444
Advocacy	2,487,355	—	—	2,487,355	1,863,395
Total program services	513,403,340	—	—	513,403,340	453,230,451
Supporting services:					
Management and general	18,874,460	—	—	18,874,460	15,086,334
Fund-raising expenses	45,540,141	—	—	45,540,141	44,453,935
Total supporting services	64,414,601	—	—	64,414,601	59,540,269
Total expenses	577,817,941	—	—	577,817,941	512,770,720
Loss on defeasance of bonds	—	—	—	—	(850,247)
Increase (decrease) in net assets	11,707,659	5,624,933	2,500,000	19,832,592	(1,694,348)
Net assets:					
Beginning of year	59,480,382	62,567,325	1,642,329	123,690,036	125,384,384
End of year	$ 71,188,041	68,192,258	4,142,329	143,522,628	123,690,036

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended June 30, 2018
(with summarized comparative information for the year ended June 30, 2017)

		2018	2017
Cash flows from operating activities:			
Increase (decrease) in net assets	$	19,832,592	(1,694,348)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		2,580,549	2,534,827
Loss on defeasance of bonds		—	850,247
Net appreciation in fair value of investments		(508,742)	(1,398,577)
Change in value of split-interest agreements		159,668	104,958
Permanently restricted contributions		(2,500,000)	—
Changes in operating assets and liabilities:			
Contributions receivable		(9,286,864)	(16,714,583)
Prepaid expenses and other assets		(321,011)	(64,648)
Grants payable		3,944,333	4,390,449
Accrued expenses and other liabilities		4,727,363	(1,664,506)
Net cash provided by (used in) operating activities		18,627,888	(13,656,181)
Cash flows from investing activities:			
Purchases of property and equipment		(882,071)	(1,712,307)
Proceeds from sales of investments		4,156,973	18,921,034
Purchases of investments		(10,813,967)	(5,643,850)
Net cash (used in) provided by investing activities		(7,539,065)	11,564,877
Cash flows from financing activities:			
Proceeds from permanently restricted contributions		2,500,000	—
Proceeds from contributions under split-interest agreements		560,000	121,450
Payments under split-interest agreements		(266,843)	(458,861)
Proceeds from issuance of bonds		—	39,100,000
Defeasance of bonds		—	(38,400,000)
Payment of bonds payable		(1,492,437)	(1,131,013)
Deferred bond financing costs		—	(861,251)
Proceeds from loans		17,650,000	11,000,000
Payments on loans		(16,350,000)	(7,600,000)
Net cash provided by financing activities		2,600,720	1,770,325
Net increase (decrease) in cash and cash equivalents		13,689,543	(320,979)
Cash and cash equivalents:			
Beginning of year		65,594,253	65,915,232
End of year	$	79,283,796	65,594,253
Cash paid for interest	$	1,828,285	2,418,225
Noncash operating activity:			
Gifts-in-kind revenue/expenses	$	118,428,510	146,326,697

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended June 30, 2018
(with summarized comparative information for the year ended June 30, 2017)

	Program services				Supporting services				
	Grants to UNICEF and other NGOs	Public information	Advocacy	Total	Management and general	Fund-raising	Total	Total 2018	2017
Grants to UNICEF and other NGOs	$ 490,259,467			490,259,467			—	490,259,467	433,634,612
Salaries, payroll taxes, and employee benefits	—	5,844,932	1,802,687	7,647,619	9,426,658	17,672,759	27,099,417	34,747,036	31,868,510
Outside printing and telemarketing	—	2,473,101	6,642	2,479,743	375,740	6,709,541	7,085,281	9,565,024	14,270,651
Postage and shipping	—	3,374,028	2,346	3,376,374	26,519	6,633,214	6,659,733	10,036,107	5,744,339
Mailing list rental	—	—	—	—	—	843,979	843,979	843,979	709,667
Consulting and other fees	—	4,934,702	228,139	5,162,841	3,633,292	8,405,188	12,038,480	17,201,321	12,502,667
Telephone	—	124,477	3,050	127,527	197,489	210,237	407,726	535,253	548,419
Occupancy	—	38,509	110,335	148,844	65,710	539,195	604,905	753,749	709,874
Conferences, conventions, meetings, and travel	—	1,047,759	183,652	1,231,411	892,759	1,405,024	2,297,783	3,529,194	3,268,776
Equipment, repairs, and supplies	—	770,621	13,249	783,870	662,473	690,652	1,353,125	2,136,995	1,986,032
Legal and accounting	—	84,234	1,250	85,484	438,803	143,442	582,245	667,729	595,571
Insurance	—	74,426	—	74,426	126,985	128,972	255,957	330,383	313,993
Depreciation and amortization	—	578,359	75,558	653,917	575,559	1,351,073	1,926,632	2,580,549	2,534,827
Interest	—	991,325	—	991,325	419,175	425,741	844,916	1,836,241	2,108,673
Miscellaneous	—	320,045	60,447	380,492	2,033,298	381,124	2,414,422	2,794,914	1,974,109
Total expenses, year ended June 30, 2018	$ 490,259,467	20,656,518	2,487,355	513,403,340	18,874,460	45,540,141	64,414,601	577,817,941	512,770,720
Total expenses, year ended June 30, 2017	$ 433,634,612	17,732,444	1,863,395	453,230,451	15,086,334	44,453,935	59,540,269	512,770,720	

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 affiliates, 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 2018 and 2017.

(b) Nature of Activities

The Fund is a not-for-profit organization, chartered by the State of New York, organized to support programs through fund-raising, education, and advocacy activities, providing lifesaving medicine, better nutrition, clean water and sanitation, quality basic education, and emergency relief to children, families, and communities in more than 190 countries and territories. As a partner in the global commitment to build a world fit for children, the Fund is working to create a world that is free from poverty, disease, violence, exploitation, and discrimination.

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, 2017 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.

(Continued)

Revenue is reported as increases in unrestricted net assets unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, except for those restrictions met in the same year as received, which are reported as unrestricted revenue ($433 million in fiscal 2018), are reported as net assets released from restrictions. The $433 million represents $118 million of gifts-in-kind and $315 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 $79 million and $66 million at June 30, 2018 and 2017, respectively.

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

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

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

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

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

(f) Property and Equipment, Net

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

(Continued)

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

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

(g) Revenue Recognition

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

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

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

(h) Grants

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

(i) Functional Allocation of Expenses

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

(j) Deferred Bond Acquisition Costs

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

(k) Use of Estimates

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

(l) Income Tax Status

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

USF recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes has been made, as USF has not reported any taxable unrelated business income and any unrelated business income is offset by associated expenditures. USF evaluates, on an annual basis, the effects of any uncertain tax positions on its consolidated financial statements. As of June 30, 2018 and 2017, USF has not identified or provided for any such positions.

(m) Fair Value

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

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs observable or corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

(n) Newly Announced or Adoption of Recently Issued Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance on the classification and measurement of financial instruments. The guidance amends certain disclosure requirements associated with the fair value of financial instruments. ASU No. 2016-01 is effective for fiscal years beginning after December 15, 2018. Entities that are not public business entities may early adopt the provisions of the standard that eliminate certain previously required disclosures. USF chose to early adopt this standard for the year ended June 30, 2017 to simplify the reporting for financial instruments and as such is no longer required to provide the disclosures related to the fair value of financial instruments carried at amortized cost.

The FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which among other things, changes how not-for-profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the Statement of Financial Position; and retaining the option to present operating cash flows in the Statement of Cash Flows using either the direct or indirect method. The Fund plans to adopt ASU 2016-14 for the year ending June 30, 2019.

The FASB issued Accounting Standards Update (ASU) 2018-08, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Fund plans to adopt ASU 2018-08 for the year ending June 30, 2020. The Fund is continuing to evaluate the impact of adopting this guidance on its financial statements.

(2) Investments

The classification of investments by level in the fair value hierarchy as of June 30, 2018 and 2017 is as follows:

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

(Continued)

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

[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, 2018 and 2017 consists of the following:

		2018	**2017**
Dividends and interest, net of fees	$	1,731,746	1,347,871
Appreciation in fair value		508,742	1,398,577
Total investment return	$	2,240,488	2,746,448

At June 30, 2018 and 2017, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance, and requires a 91-day notice period.

(3) Contributions Receivable

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

Contributions receivable at June 30, 2018 and 2017 consist of unconditional promises to give, due as follows:

		2018	2017
Less than one year	$	98,000,290	91,997,952
One to five years		15,478,476	11,936,953
		113,478,766	103,934,905
Less:			
Discount to present value (rates ranging from 0.95% to 5.11%)		(402,269)	(262,377)
Allowance for uncollectible pledges		(1,744,391)	(1,627,286)
Net contributions receivable	$	111,332,106	102,045,242

Included in gross contributions receivable at June 30, 2018 is approximately $84 million due from five donors. Gift-in-kind revenue is primarily received from one donor. Included in contribution revenue is approximately $118 million from two foundations and a nongovernmental organization (NGO).

(4) Investments Held for Split-Interest Agreements

Split-interest agreements, for which USF is a trustee, consist principally of charitable gift annuities (CGA), related assets of which total $9,016,282 and $8,294,638 at June 30, 2018 and 2017, 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, 2018 and 2017 is as follows:

		2018			
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$	878,748	—	—	878,748
Corporate fixed income		—	3,526,374	—	3,526,374
Equity securities:					
U.S. equity		2,766,090	—	—	2,766,090
Non-U.S. equity		974,684	—	—	974,684
Hedge funds [1]					830,499
Other investment		389,835	—	—	389,835
	$	5,009,357	3,526,374	—	9,366,230

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

[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, 2018 and 2017, 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 $3,709,088 and $3,599,084 at June 30, 2018 and 2017, 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, 2018 and 2017. 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, 2018 and 2017, grants payable to UNICEF and NGOs were calculated as follows:

		2018	2017
Grants payable to UNICEF and NGOs – beginning of year	$	46,896,967	42,506,519
Add:			
Gifts-in-kind		118,428,510	146,326,697
Greeting cards revenue and support		2,195,975	2,663,327
Grants to UNICEF		360,315,743	278,643,699
Grants to NGOs		9,319,239	6,000,889
Total additions		490,259,467	433,634,612
Less:			
Cash paid to UNICEF		359,639,801	277,477,409
Gifts-in-kind		118,428,510	146,326,697
Cash paid to NGOs		8,246,823	5,440,058
Total deductions		486,315,134	429,244,164
Grants payable to UNICEF and NGOs – end of year	$	50,841,300	46,896,967

(6) Property and Equipment, Net

Property and equipment at June 30, 2018 and 2017 consisted of the following:

		2018	2017
Office condominium	$	41,670,513	41,670,513
Computer equipment and internal use software		8,281,320	10,933,355
Leasehold improvements		64,166	64,166
Furniture and fixtures		3,183,907	3,107,860
Office equipment		412,553	455,648
		53,612,459	56,231,542
Less accumulated depreciation and amortization		(19,396,825)	(20,353,315)
	$	34,215,634	35,878,227

(7) Long-Term Debt

(a) Bonds Payable

On June 14, 2007, a private placement of New York City Industrial Development Agency issued Civic Facility Revenue Bonds (the Bonds) totaling $43,510,000 consisting of two series: Series 2007A (Series A) in the amount of $7,910,000, fixed interest rate 5.05% and Series 2007B (Series B) in the amount of $35,600,000, fixed interest rate 5.30%. Proceeds of the Bonds, net of issuance costs of

$1,204,778, were used by USF to acquire an office condominium (the Facility) and to pay for related interior space construction costs, to purchase furniture and fixtures, and to pay related costs as well as closing costs of the bond issuance (collectively, the Project). The Bonds were not secured by any mortgage lien or security interest in the Facility or any property of USF. The Bonds also had a financial covenant in which USF guaranteed to maintain minimum net assets at $10,000,000.

In September 2016, Build NYC Resource Corporation issued private placement Civic Facility Revenue Bonds, Series 2016 (2016 Bonds) totaling $39,100,000 to defease the New York City Industrial Development Agency Civic Facility Revenue Bonds Series 2007A and 2007B. The term of the 2016 Bonds is 20 years with a fixed interest rate of 2.86%. The loss on defeasance of the debt was $850,247. The deferred bond acquisition cost on bonds payable for the years ended June 30, 2018 and 2017 was $796,657 and $832,542, respectively.

The maturities of the bonds payable subsequent to June 30, 2018 are as follows:

		Amount
Fiscal year ending:		
2019	$	1,535,767
2020		1,578,174
2021		1,627,273
2022		1,675,091
2023		1,724,315
Thereafter		28,335,929
Total	$	36,476,549

Interest expense on bonds payable for the years ended June 30, 2018 and 2017 was $1,084,492 and $1,333,113, respectively.

(b) Loans Payable

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

The loan payable balance of $39,150,000 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, 2018 and 2017 was $745,647 and $767,480, respectively.

(8) Commitments and Contingencies

The Fund is obligated under noncancelable operating lease agreements for the rental of offices and warehouse space expiring through 2027. Such leases generally contain provisions for increased rentals based upon increases in real estate taxes and operating expenses. Total rent expense was $637,810 and $567,531 for the years ended June 30, 2018 and 2017, 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:		
2019	$	506,402
2020		509,144
2021		372,814
2022		336,468
2023		250,007
Thereafter		630,926
Total	$	2,605,761

(9) Retirement Plan

The Fund has a defined contribution retirement plan, under IRC Section 403(b), which is offered to all of its qualified employees. Employees can contribute a portion of their salary to the plan up to the maximum permitted under the IRC. The Fund will match employee contributions up to 4% of an employee’s salary (up to 6% of base compensation prior to July 8, 2013). The employee must complete one year and 1,000 hours of service and must be at least 21 years of age. In addition, the Fund makes a nonmatching contribution of 5% of salary to eligible employees prior to July 8, 2013 and 4% of base compensation of all eligible employees hired on or after July 1, 2013. The Fund’s matching and nonmatching contributions totaled $1,506,175 and $1,562,372 for the years ended June 30, 2018 and 2017, 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:

		2018	2017
Child protection	$	2,682,439	3,847,906
Child survival, including nutrition and health		58,733,892	54,694,897
Emergencies		5,863,690	2,805,472
Others miscellaneous programs		750,882	1,065,709
Value of split interest		161,355	153,341
Total	$	68,192,258	62,567,325

(11) Endowment

USF's endowment consists of 19 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, 2018 and 2017:

Description		Unrestricted	Permanently restricted	Total
Net assets at June 30, 2016	$	—	1,642,329	1,642,329
Investment return		107,357	—	107,357
Amount expended to support operations		(107,357)	—	(107,357)
Net assets at June 30, 2017		—	1,642,329	1,642,329
Investment return		43,385	—	43,385
Contributions		—	2,500,000	2,500,000
Amount expended to support operations		(43,385)	—	(43,385)
Net assets at June 30, 2018	$	—	4,142,329	4,142,329

(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 2018 consolidated financial statements, subsequent events have been evaluated from June 30, 2018 through October 25, 2018, the date such consolidated statements were approved for issuance, and determined that no additional disclosures are required.

Schedule 1

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidating Schedule of Financial Position

June 30, 2018

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	$ 77,423,145	—	1,860,651	1,860,651	79,283,796	—	79,283,796
Investments	32,003,826	—	16,760,738	16,760,738	48,764,564	—	48,764,564
Contributions receivable	90,747,261	—	20,584,845	20,584,845	111,332,106	—	111,332,106
Prepaid expenses and other assets	3,457,153	—	—	—	3,457,153	(2,000,000)	1,457,153
Due from affiliate	—	106,165	13,737,360	13,843,525	13,843,525	(13,843,525)	—
Investments held for split-interest agreements	9,366,230	—	—	—	9,366,230	—	9,366,230
Property and equipment, net	34,215,634	—	—	—	34,215,634	—	34,215,634
Total assets	$ 247,213,249	106,165	52,943,594	53,049,759	300,263,008	(15,843,525)	284,419,483
Liabilities and Net Assets							
Liabilities:							
Grants payable	$ 50,841,300	—	—	—	50,841,300	—	50,841,300
Accrued expenses and other liabilities	11,174,480	—	342,095	342,095	11,516,575	—	11,516,575
Liabilities under split-interest agreements	3,709,088	—	—	—	3,709,088	—	3,709,088
Due to affiliate	13,843,525	—	—	—	13,843,525	(13,843,525)	—
Loans payable	—	—	39,150,000	39,150,000	39,150,000	—	39,150,000
Bonds payable	35,679,892	—	—	—	35,679,892	—	35,679,892
Total liabilities	115,248,285	—	39,492,095	39,492,095	154,740,380	(13,843,525)	140,896,855
Net assets:							
Unrestricted	59,630,377	106,165	13,451,499	13,557,664	73,188,041	(2,000,000)	71,188,041
Temporarily restricted	68,192,258	—	—	—	68,192,258	—	68,192,258
Permanently restricted	4,142,329	—	—	—	4,142,329	—	4,142,329
Total net assets	131,964,964	106,165	13,451,499	13,557,664	145,522,628	(2,000,000)	143,522,628
Total liabilities and net assets	$ 247,213,249	106,165	52,943,594	53,049,759	300,263,008	(15,843,525)	284,419,483

See accompanying independent auditors' report.

Schedule 2

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidating Schedule of Activities

Year ended June 30, 2018

	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	$ 35,685,484	—	—	—	35,685,484	—	35,685,484
Major gilts	43,734,203	—	—	—	43,734,203	—	43,734,203
Foundations	162,813,951	—	—	—	162,813,951	—	162,813,951
Nongovernment organizations (NGO)	96,804,356	—	—	—	96,804,356	—	96,804,356
Direct marketing	47,975,080	—	—	—	47,975,080	—	47,975,080
Trick-or-treat program	1,912,099	—	—	—	1,912,099	—	1,912,099
Internet	30,086,482	—	—	—	30,086,482	—	30,086,482
Other	2,725,046	—	48,013,141	48,013,141	50,738,187	(18,366,669)	32,371,518
Gifts-in-kind	118,428,510	—	—	—	118,428,510	—	118,428,510
Special events income	8,154,054	—	—	—	8,154,054	—	8,154,054
Bequests and legacies	14,617,645	—	—	—	14,617,645	—	14,617,645
Total public support	562,936,910	—	48,013,141	48,013,141	610,950,051	(18,366,669)	592,583,382
Revenue:							
Greeting cards revenue (net)	2,986,331	—	—	—	2,986,331	—	2,986,331
Investment return	1,864,289	—	376,199	376,199	2,240,488	—	2,240,488
Change in value of split-interest agreements	(159,668)	—	—	—	(159,668)	—	(159,668)
Total revenue	4,690,952	—	376,199	376,199	5,067,151	—	5,067,151
Total public support and revenue	567,627,862	—	48,389,340	48,389,340	616,017,202	(18,366,669)	597,650,533
Expenses:							
Program services:							
Grants to UNICEF and other NGOs	443,310,514	—	46,948,953	46,948,953	490,259,467	—	490,259,467
Grant to affiliate	18,366,669	—	—	—	18,366,669	(18,366,669)	—
Public information, education, and program services	19,302,433	—	1,354,085	1,354,085	20,656,518	—	20,656,518
Advocacy	2,487,355	—	—	—	2,487,355	—	2,487,355
Total program services	483,466,971	—	48,303,038	48,303,038	531,770,009	(18,366,669)	513,403,340
Supporting services:							
Management and general	18,864,348	—	10,112	10,112	18,874,460	—	18,874,460
Fund-raising expenses	45,469,391	—	70,750	70,750	45,540,141	—	45,540,141
Total supporting services	64,333,739	—	80,862	80,862	64,414,601	—	64,414,601
Total expenses	547,800,710	—	48,383,900	48,383,900	596,184,610	(18,366,669)	577,817,941
Loss on retirement of bonds	—	—	—	—	—	—	—
Increase in net assets	19,827,152	—	5,440	5,440	19,832,592	—	19,832,592
Net assets:							
Beginning of year	112,137,812	106,165	13,446,059	13,552,224	125,690,036	(2,000,000)	123,690,036
End of year	$ 131,964,964	106,165	13,451,499	13,557,664	145,522,628	(2,000,000)	143,522,628

See accompanying independent auditors’ report.