



# ChildFund International, USA

Consolidated Financial Statements  
Year Ended June 30, 2024

# **ChildFund International, USA**

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Consolidated Financial Statements  
Year Ended June 30, 2024

# 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, 2024, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ChildFund as of June 30, 2024, and the changes in their net assets and their cash flows for the years 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 available to be issued.



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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ChildFund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ChildFund's ability to continue as a going concern for a reasonable period of time.

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

*BDO USA, P.C.*

December 4, 2024

## **Consolidated Financial Statements**

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# ChildFund International, USA

## Consolidated Statement of Financial Position

June 30, 2024

### Assets

Cash and cash equivalents	\$ 31,212,535
Receivable from affiliates	598,900
Grants receivable	7,010,655
Gifts-in-kind inventory	26,098,319
Accounts receivable and other assets	3,592,075
Investments	91,031,362
Beneficial interests in trusts	10,858,892
Property, plant and equipment, net	28,448,870
Operating leases right-of-use assets	449,911

**Total assets** **\$ 199,301,519**

### Liabilities and Net Assets

#### Liabilities:

Accounts payable and accrued expenses	\$ 13,199,795
Operating lease liability	419,774

**Total liabilities** **13,619,569**

### Commitments and Contingencies

#### Net assets:

Without donor restrictions	92,697,631
With donor restrictions	92,984,319

**Total net assets** **185,681,950**

**Total liabilities and net assets** **\$ 199,301,519**

*See accompanying notes to the consolidated financial statements.*

# ChildFund International, USA

## Consolidated Statement of Activities

<i>For the year ended June 30, 2024</i>	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Sponsorships:			
U.S. sponsors	\$ -	\$ 82,317,910	\$ 82,317,910
International sponsors - ChildFund Alliance	-	21,455,323	21,455,323
International sponsors - F.R.O.	-	9,066,180	9,066,180
Special gifts from sponsors for children	-	7,519,259	7,519,259
Total sponsorships	-	120,358,672	120,358,672
Contributions:			
General contributions	9,621,390	5,623,889	15,245,279
Major gifts and bequests	9,841,047	-	9,841,047
Gifts-in-kind	33,841,387	38,096,462	71,937,849
Total contributions	53,303,824	43,720,351	97,024,175
Grants:			
Grants and contracts	15,611,847	7,055,586	22,667,433
Total public support	68,915,671	171,134,609	240,050,280
Revenue:			
Investment income, net	2,279,616	319,702	2,599,318
Currency transaction loss, net	(2,116,087)	-	(2,116,087)
Service fees and other	2,007,676	-	2,007,676
Total revenue	2,171,205	319,702	2,490,907
Net assets released from restrictions:			
Satisfaction of program and time restrictions	149,344,649	(149,344,649)	-
Total public support and revenue	220,431,525	22,109,662	242,541,187
Expenses:			
Program services:			
Basic education	62,552,923	-	62,552,923
Health and sanitation	25,220,049	-	25,220,049
Nutrition	11,999,848	-	11,999,848
Early childhood development	16,544,260	-	16,544,260
Micro-enterprise	31,799,935	-	31,799,935
Emergencies	21,296,060	-	21,296,060
Total program services	169,413,075	-	169,413,075
Supporting services:			
Fundraising	31,732,764	-	31,732,764
Management and general	21,143,751	-	21,143,751
Total supporting services	52,876,515	-	52,876,515
Total expenses from operations	222,289,590	-	222,289,590
Change in net assets from operations	(1,858,065)	22,109,662	20,251,597
Nonoperating activities:			
Investment return, net	4,102,475	1,175,350	5,277,825
Change in value of trusts	-	800,967	800,967
Change in accrued pension benefit liability other than net periodic costs	726,789	-	726,789
Total nonoperating activities	4,829,264	1,976,317	6,805,581
Change in net assets	2,971,199	24,085,979	27,057,178
Net assets, beginning of year	89,726,432	68,898,340	158,624,772
Net assets, at end of year	\$ 92,697,631	\$ 92,984,319	\$ 185,681,950

*See accompanying notes to the consolidated financial statements.*



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

Year ended June 30,	2024
<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 27,057,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,586,205
Realized gain on investments	(1,460,499)
Unrealized gain on investments	(3,817,326)
Change in gifts-in-kind not distributed	(22,802,115)
Change in value of trusts	(800,967)
Gain on sale of property, plant and equipment	(66,306)
Change in accrued pension benefit liability other than net periodic costs	(726,789)
Amortization of operating leases right-of-use asset	150,310
<b>(Increase) decrease in assets:</b>	
Receivable from affiliates	735,702
Grants receivable	113,565
Accounts receivable and other assets	462,576
<b>Increase (decrease) in liabilities</b>	
Accounts payable and accrued expenses	(116,182)
Accrued pension benefit liability	469,275
Principal reduction in operating lease liability	(192,867)
Net cash provided by operating activities	2,591,760
<b>Cash flows from investing activities:</b>	
Purchases of property, plant and equipment	(4,117,760)
Proceeds from sales of property, plant and equipment	66,303
Proceeds from sales of investments	21,922,198
Purchases of investments	(31,262,492)
Net cash used in investing activities	(13,391,751)
<b>Cash flows from financing activities:</b>	
Debt repayments	(270,833)
Net cash used in financing activities	(270,833)
Net decrease in cash and cash equivalents	(11,070,824)
Cash and cash equivalents, beginning of year	42,283,359
Cash and cash equivalents, end of year	\$ 31,212,535
<b>Supplemental disclosures of cash flow information:</b>	
Interest paid	\$ 533
<b>Supplemental disclosures of noncash transactions:</b>	
Gifts-in-kind	\$ 71,937,849
Purchases of property, plant and equipment funded by accounts payable and accrued expenses	\$ 307,321

*See accompanying notes to the consolidated financial statements.*

# ChildFund International

## Consolidated Statement of Functional Expenses

<i>For the year ended June 30, 2024</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	\$ 28,453,661	\$ 8,876,778	\$ 4,054,972	\$ 9,124,096	\$ 7,171,769	\$ 6,047,737	\$ 63,729,013	\$ -	\$ -	\$ -	\$ 63,729,013
Program grants	9,076,963	6,753,080	3,819,294	1,080,057	6,958,048	3,460,416	31,147,858	-	-	-	31,147,858
Public service announcements	10,613,028	3,173,990	1,388,620	1,752,307	10,282,405	5,852,044	33,062,394	616,815	-	616,815	33,679,209
Donated product distribution	5,816,303	2,271,720	1,119,062	1,444,477	2,949,275	1,855,687	15,456,524	-	-	-	15,456,524
Supplies	62,292	30,044	11,728	22,786	32,175	29,577	188,602	55,262	255,691	310,953	499,555
Occupancy	200,300	96,607	37,713	73,270	103,459	95,108	606,457	98,765	354,253	453,018	1,059,475
Professional services	93,319	45,009	17,570	34,136	48,201	44,311	282,546	9,572	321,663	331,235	613,781
Contract services	641,563	309,433	120,795	234,685	331,380	304,632	1,942,488	14,730,279	3,568,754	18,299,033	20,241,521
Travel	312,787	150,861	58,892	114,418	161,561	148,520	947,039	459,637	324,107	783,744	1,730,783
Conferences and meetings	181,471	87,525	34,168	66,382	93,733	86,167	549,446	55,320	153,338	208,658	758,104
Automobile and truck expense	63,026	30,398	11,867	23,055	32,554	29,926	190,826	15,146	-	15,146	205,972
Advertising and public education	-	-	-	-	-	-	-	7,584,878	1,453	7,586,331	7,586,331
Equipment purchases and rentals	69,223	33,387	13,034	25,322	35,755	32,869	209,590	29,035	231,006	260,041	469,631
Telephone and cables	67,309	32,464	12,673	24,622	34,767	31,960	203,795	81,870	65,623	147,493	351,288
Postage and freight	34,192	16,491	6,438	12,508	17,661	16,235	103,525	762,147	782,730	1,544,877	1,648,402
Staff training	34,057	16,426	6,412	12,458	17,591	16,171	103,115	16,291	32,246	48,537	151,652
Miscellaneous expenses	126,202	60,868	23,760	46,165	65,185	59,924	382,104	239,829	2,892,566	3,132,395	3,514,499
<b>Total expenses before personnel costs and other expenses</b>	<b>55,845,696</b>	<b>21,985,081</b>	<b>10,736,998</b>	<b>14,090,744</b>	<b>28,335,519</b>	<b>18,111,284</b>	<b>149,105,322</b>	<b>24,754,846</b>	<b>8,983,430</b>	<b>33,738,276</b>	<b>182,843,598</b>
Personnel costs	5,911,690	2,851,272	1,113,065	2,162,507	3,053,505	2,807,033	17,899,072	6,675,117	11,285,138	17,960,255	35,859,327
Depreciation and interest	795,537	383,696	149,785	291,009	410,911	377,743	2,408,681	302,801	875,183	1,177,984	3,586,665
	<b>6,707,227</b>	<b>3,234,968</b>	<b>1,262,850</b>	<b>2,453,516</b>	<b>3,464,416</b>	<b>3,184,776</b>	<b>20,307,753</b>	<b>6,977,918</b>	<b>12,160,321</b>	<b>19,138,239</b>	<b>39,445,992</b>
<b>Total expenses from operations</b>	<b>\$ 62,552,923</b>	<b>\$ 25,220,049</b>	<b>\$ 11,999,848</b>	<b>\$ 16,544,260</b>	<b>\$ 31,799,935</b>	<b>\$ 21,296,060</b>	<b>\$ 169,413,075</b>	<b>\$ 31,732,764</b>	<b>\$ 21,143,751</b>	<b>\$ 52,876,515</b>	<b>\$ 222,289,590</b>

*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 425,000 enrolled children in ChildFund's programs. Of these children, approximately 320,000 are sponsored children whose sponsors support programs in the child's community through monthly contributions.

Most of the sponsorships - approximately 218,000 - are supported by donors in the United States of America; the remainder are supported by in-country fundraising offices and international donors who sponsor children through autonomous organizations in Australia, Denmark, France, Germany, Japan, Korea, New Zealand, Sweden, and Taiwan. ChildFund is a member of ChildFund Alliance, a global network of 11 child development organizations.

ChildFund is incorporated and headquartered in the Commonwealth of Virginia.

The following are descriptions of ChildFund's significant programs:

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

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

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

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

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

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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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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, international programming offices, and international fundraising offices. All significant transactions between the organizations, including all inter-organization balances, have been eliminated in consolidation. In compliance with local laws, certain of these international offices are separate legal entities.

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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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

### *Use of Estimates*

The preparation of the consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Investments and Beneficial Interests in Trusts and Fair Value Measurements*

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

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

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

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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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

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

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

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

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

### ***Financial Instruments and Credit Risk***

Financial instruments, which potentially subject ChildFund to concentrations of credit risk, consist principally of cash and cash equivalents and investments. ChildFund invests its cash and investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution. ChildFund's cash balances include aggregate bank balances on deposit both inside the United States and with international banks outside the United States. These balances can exceed federally insured limits (FDIC) of \$250,000 or in the case of international accounts, not be covered under the FDIC. Amounts held in excess of the FDIC limits was \$12,821,413 at June 30, 2024. 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 International, USA

## Notes to the Consolidated Financial Statements

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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, 2024.

### ***Accounts Receivable and Other Assets***

Accounts receivable and other assets consist of general receivables, advances and prepaid expenses. An allowance for credit losses is provided on general trade receivables based on management's judgment, including such factors as prior collection history, current economic conditions, and reasonable forecasts. Management has concluded no such allowance for credit losses is necessary at June 30, 2024.

### ***Property, Plant and Equipment***

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

### ***Gifts-In-Kind***

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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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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 \$15,006,000 of conditional grants outstanding as of June 30, 2024.

### *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, 2024, there was \$1,375,248 in refundable advances recorded related to conditional grants and contracts.

### *Sponsorship Revenue*

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

ChildFund pools sponsorship contributions and uses them for community-based programs implemented by local partner organizations and to support the overall operations and mission of the organization.

Sponsorship funds as well as funds from other sources like monthly givers, major donors, corporate partners and grantmaking institutions fuel the programs we develop and sustain operations.



# ChildFund International, USA

## Notes to the Consolidated Financial Statements

### *Gifts-In-Kind*

GIK Category	Type of Contribution	Valuation	Year Ended June 30, 2024
Media	Public service announcement	Third-party estimates using discounted billing rates	\$ 33,679,209
Pharmaceuticals	Pharmaceuticals	Wholesale acquisition cost (WAC) from the Redbook pharmaceutical pricing database for US markets.	34,209,001
Books	Books	Wholesale price derived from discounting retail price inputs of the identical or similar products.	1,822,754
Medical Supplies	Medical supplies	Wholesale price derived from discounting retail price inputs of the identical or similar products.	441,297
Other GIK	Various	Wholesale price derived from discounting retail price inputs of the identical or similar products.	1,785,588
<b>Total gifts-in-kind</b>			<b>\$ 71,937,849</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 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.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### ***Expenses***

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

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

### ***Leases***

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

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

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

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

### ***Functional Expenses***

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

### ***Income Taxes***

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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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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 2021.

### ***Definition of Operations***

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

### ***Foreign Currency Translation***

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

### ***Recent adopted accounting pronouncements***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The adoption of this standard did not have a material impact on ChildFund's consolidated financial statements.

ChildFund has assessed other accounting pronouncements issued or effective during the year ended June 30, 2024, and deemed they were not applicable to ChildFund and are not anticipated to have a material effect on the consolidated financial statements.

## **3. Cash and Cash Equivalents**

ChildFund considers all short-term deposits with an original maturity of three months or less to be cash equivalents. Cash in excess of current operating and program requirements was invested throughout the year on a short-term basis in various money market instruments. Cash equivalents were \$8,871,624 as of June 30, 2024.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

### 4. Grants Receivable

The amounts due from grants receivable, as of June 30, 2024, consist of the following:

	2024
Grants receivable within one year	\$ 5,897,866
Grants receivable due in one-to-five years	1,112,789
<b>Grants receivable</b>	<b>\$ 7,010,655</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, 2024.

### 5. Investments

Investments, at fair value, as of June 30, 2024, are summarized as follows:

	2024
Corporate and other obligations	\$ 15,291,096
Time deposits	14,824,451
Mutual funds	54,741,487
Alternative investments	6,174,328
<b>Total investments</b>	<b>\$ 91,031,362</b>

The following table presents ChildFund's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2024:

	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Investments at fair value:				
Corporate and other obligations	\$ 15,291,096	\$ -	\$ 15,291,096	\$ -
Time deposits (at cost)	14,824,451	14,824,451	-	-
Mutual funds	54,741,487	1,995,163	52,746,324	-
<b>Total investments at fair value</b>	<b>84,857,034</b>	<b>\$ 16,819,614</b>	<b>\$ 68,037,420</b>	<b>-</b>
Investments at NAV*				
Alternative investments:				
Absolute return	5,842,642			
Other	331,686			
<b>Total Investments</b>	<b>\$ 91,031,362</b>			
<b>Beneficial Interests in Trusts</b>	<b>\$ 10,858,892</b>			<b>\$ 10,858,892</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.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

The following table summarizes information about the attributes of investments measured at NAV, as a practical expedient, by major class as of June 30, 2024:

<i>June 30,</i>	2024	Redemption frequency	Redemption notice period
Investments measured at NAV:			
Absolute return (a)	\$ 5,842,642	Quarterly	Quarterly
Other	331,686	N/A	N/A
	<b>\$ 6,174,328</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, 2024.

## 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, 2024 totaled \$1,367,041 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 2012 Individual Annuity Reserving (IAR) mortality table and Internal Revenue Service interest rates as of the date of agreement which range from 1.2% to 6.2% as of June 30, 2024. The liability amounts totaling \$842,355 are included in accounts payable and accrued expenses on the consolidated statement of financial position as of June 30, 2024.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### *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, 2024 was \$9,981,796. A net increase of \$761,231 related to changes in fair values of these perpetual trusts for the year ended June 30, 2024 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, 2024.

### *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, 2024 were \$877,096. A net increase of \$39,736 related to changes in fair values of these charitable remainder trusts for the year ended June 30, 2024 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 during the year ending June 30, 2024. There were no Charitable remainder trusts terminated for the year ended June 30, 2024.

## **7. Property, Plant and Equipment**

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

	<b>2024</b>
Land	\$ 1,146,128
Buildings and improvements	21,722,271
Data processing	32,657,288
Furniture, fixtures and equipment	6,010,941
Construction-in-progress	10,812,382
	<b>72,349,010</b>
Accumulated depreciation	<b>(43,900,140)</b>
<b>Total</b>	<b>\$ 28,448,870</b>

Depreciation expense was \$3,586,205 for the year ended June 30, 2024.

## **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 and ultimately terminated the plan as of April 30, 2024.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

### *Pension Plan*

Management believes it has complied with termination requirements under the Employee Retirement Income Security Act of 1974. Management had previously notified all Pension Plan participants and beneficiaries of the intent to terminate the Pension Plan and also provided a rollover notice to each eligible participant and beneficiary. ChildFund distributed all obligations over the term August 1, 2023 through March 28, 2024 in compliance with all known obligations.

The following table presents the Pension Plan's funded status as of April 30, 2024 (Plan termination date):

	2024
Projected and accumulated benefit obligation	\$ -
Fair value of plan assets	-
Funded status	-
<b>Accrued pension benefit liability</b>	<b>\$ -</b>

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

	2024
Benefit obligation discount rate	N/A
Net periodic pension cost discount rate	4.75%
Expected return on plan assets	4.50%
Rate of compensation increase	N/A

### *Change in Benefit Obligation*

<i>Year ended June 30,</i>	2024
Benefit obligation, beginning of year	\$ 21,662,112
Service cost	-
Interest cost	816,256
Actuarial gain	(1,919,196)
Settlements	(19,551,842)
Benefits paid	(1,007,330)
Benefit obligation, end of year	\$ -

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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Components of net periodic benefit cost recognized as pension expense in the accompanying consolidated statement of activities:

<i>Year ended June 30,</i>		<b>2024</b>
Service cost	\$	-
Interest cost		<b>816,255</b>
Recognized loss due to curtailments		-
Expected return on plan assets		<b>(823,779)</b>
Amortization of net loss		<b>476,799</b>
<b>Net periodic benefit cost</b>	<b>\$</b>	<b>469,275</b>

### ***Other Retirement Plans***

All domestic 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, 2024 related to the 403(b) Plan was \$1,188,251.

The organization also has a 457 Plan for a select group of management or highly compensated employees. The total amount contributed to the 457 Plan for the year ended June 30, 2024 was \$5,414.

### **9. Debt**

ChildFund has a \$10,000,000 revolving line of credit with a maturity date October 31, 2027. Interest expense is based on a daily one-month SOFR + 1.215% basis points and is due and payable in consecutive monthly payments until fully paid. At June 30, 2024 there was no outstanding balance on the line of credit.

ChildFund had a \$13,000,000 commercial note that matured on August 9, 2023. The interest rate on the note was 3.67% per annum. ChildFund paid off the remaining balance of the commercial note during the year ended June 30, 2024.



# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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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>2024</i>
<i>Subject to expenditure for a specified purpose:</i>	
Subsidies and gifts for children	\$ 27,009,019
Child development grants	7,068,386
Appeal funded programs	7,935,386
Gifts-in-kind - not yet distributed	26,098,319
Local programs and other	3,611,596
<hr/>	
<i>Subject to the passage of time:</i>	
Assets held in charitable remainder trusts	877,096
<hr/>	
<i>Perpetual in nature:</i>	
Beneficial interest in perpetual trusts	9,981,796
Gifts to perpetual endowments	10,402,721
<hr/>	
<b>Total net assets with donor restrictions</b>	<b>\$ 92,984,319</b>

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

During the year ended June 30, 2024, 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>2024</i>
<i>Subject to expenditure for a specified purpose:</i>	
Subsidies and gifts for children	\$ 122,322,630
Unconditional grants	9,820,601
Appeal funded programs	785,595
Gifts-in-kind - distributed	15,294,347
Local programs and other	1,121,476
<hr/>	
<b>Total net assets released from restrictions</b>	<b>\$ 149,344,649</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 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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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, 2024 and are summarized by country in the accompanying table. As of June 30, 2024, ChildFund has sponsorship receivables from these autonomous organizations totaling \$598,900. 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, 2024 of \$625,636 which is included in service fees and other in the consolidated statement of activities. The service fee covers the administrative costs of processing payments and ensuring proper receipt of funding to the local partners and ChildFund National Offices that support the sponsored children of the autonomous organizations.

### Consolidated Operations

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

The sponsorships and special gifts for children received internationally from the autonomous organizations and consolidated operations are included in the consolidated statement of activities for the year ended June 30, 2024, and are summarized in the accompanying table.

<i>Year ended June 30, 2024</i>	<b>Sponsorships</b>	<b>Special gifts for children</b>	<b>General contributions</b>	<b>Total</b>
<b>Autonomous organizations:</b>				
Australia	\$ 4,076,037	\$ 216,637	\$ 108,757	\$ 4,401,431
Denmark	266,206	16,735	-	282,941
France	1,906,757	44,877	70	1,951,704
Germany	3,211,762	144,119	157,048	3,512,929
Japan	97,368	-	2,285	99,653
Korea	3,039,604	43,928	-	3,083,532
New Zealand	1,344,401	149,789	26,212	1,520,402
Sweden	3,959,450	512,767	44,520	4,516,737
Taiwan	3,553,738	325,462	64	3,879,264
<b>Total autonomous organizations</b>	<b>\$ 21,455,323</b>	<b>\$ 1,454,314</b>	<b>\$ 338,956</b>	<b>\$ 23,248,593</b>
<b>Consolidated operations:</b>				
Brazil	\$ 1,871,111	\$ 115,797	\$ 111,740	\$ 2,098,648
Mexico	548,641	10,406	558,994	1,118,041
Thailand	6,284,455	89,330	2,149,280	8,523,065
Ireland	242,947	15,887	-	258,834
Other	119,026	-	77,507	196,533
<b>Total consolidated operations</b>	<b>\$ 9,066,180</b>	<b>\$ 231,420</b>	<b>\$ 2,897,521</b>	<b>\$ 12,195,121</b>
<b>Total international sponsors</b>	<b>\$ 30,521,503</b>	<b>\$ 1,685,734</b>	<b>\$ 3,236,477</b>	<b>\$ 35,443,714</b>

# 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, 2024, as follows:

<i>Year ended June 30,</i>	<b>2024</b>
United States	<b>\$ 186,509,696</b>
Autonomous organizations, support from sponsors	<b>22,909,637</b>
Autonomous organizations, other support	<b>18,431,505</b>
Consolidated operations, support from sponsors	<b>9,297,600</b>
Consolidated operations, other support	<b>2,901,842</b>
	<b>\$ 240,050,280</b>

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### 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, 2024.

### 15. Contingencies

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

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

#### *Lessee*

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

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

Leases with an initial term of twelve months or less are not recorded on the balance sheet. There are no material residual guarantees associated with any of ChildFund's leases, and there are no significant restrictions or covenants included in ChildFund's lease agreements. Certain leases include variable payments related to common area maintenance and property taxes, which are

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

billed by the landlord, as is customary with these types of charges for office space. ChildFund is not the sublessor in any arrangement.

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

The components of lease expense, are as follows:

<i>Year ended June 30</i>	<b>2024</b>
Components of lease expense:	
Operating lease cost	\$ 335,363
Short-term lease cost	217,818
<b>Total lease cost</b>	<b>\$ 553,181</b>
Weighted-average remaining lease term:	
Operating leases	4 years
Weighted-average discount rate:	
Operating leases	8.86%

Future minimum lease payments under non-cancellable leases as of June 30, 2024, are as follows:

<i>Fiscal Years Ending June 30,</i>	Operating Leases
2025	\$ 174,018
2026	109,542
2027	69,730
2028	37,785
2029	121,106
<b>Total undiscounted future cash flows</b>	<b>512,181</b>
<b>Less: discounting</b>	<b>(92,407)</b>
<b>Total operating lease liability</b>	<b>\$ 419,774</b>

### *Lessor Activities*

ChildFund is a lessor in several operating leases for office space on buildings that it owns. Rental revenue is recognized on a straight-line basis over the life of the leases and is recognized within office rental revenue on the consolidated statements of activities. Office rental revenue for the year ended June 30, 2024 was \$497,665.

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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

<i>Fiscal Years Ending June 30,</i>	<i>Operating Leases</i>	
2025	\$	422,985
2026		235,863
2027		202,131
2028		145,865
2029		119,777
<b>Total minimum future lease receipts</b>	<b>\$</b>	<b>1,126,621</b>

### 16. Endowment Funds

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

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

#### *Interpretation of Relevant Law*

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

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

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

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

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires ChildFund to retain as a fund of perpetual duration. At June 30, 2024 there were no deficiencies of this nature.

### *Return Objectives and Risk Parameters*

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

### *Strategies Employed for Achieving Objectives*

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

### *Spending Policy and How Investment Objectives Relate to Spending Policy*

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

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

Endowment net assets consist of the following at June 30, 2024:

	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	-	5,710,541	5,710,541
Board-designated quasi-endowment funds	4,865,494	-	4,865,494
Total endowment net assets	\$ 4,865,494	\$ 16,113,262	\$ 20,978,756

# ChildFund International, USA

## Notes to the Consolidated Financial Statements

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, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ 5,506,646	\$ 15,262,497	\$ 20,769,143
Total investment return, net	975,377	1,473,398	2,448,775
Contributions	-	-	-
Appropriation of endowment assets for expenditure	(1,616,529)	(622,633)	(2,239,162)
Endowment net assets, June 30, 2024	\$ 4,865,494	\$ 16,113,262	\$ 20,978,756

### 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.

<i>June 30,</i>	<i>2024</i>
Cash	\$ 31,212,535
Receivable from affiliates	598,900
Grants receivable	7,010,655
Accounts receivable and other assets	3,592,075
Investments	91,031,362
Beneficial interests in trusts	10,858,892
Less amount unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose and time restrictions	(92,984,319)
Investments related to charitable gift annuities	(1,367,041)
Board-designated quasi-endowment fund	(4,865,494)
Financial assets available to meet cash needs for general expenditures within one year	\$ 45,087,565

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 the revolving line of credit.

### 18. Subsequent Events

ChildFund has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2024 consolidated financial statements through December 4, 2024, the date the consolidated financial statements were issued.