ChildFund International, USA

Consolidated Financial Statements
Year Ended June 30, 2021

ChildFund International, USA

Consolidated Financial Statements
Year Ended June 30, 2021

ChildFund International, USA

Contents

Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

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, 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ChildFund as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

BDO USA, LLP

November 22, 2021

Consolidated Financial Statements

ChildFund International, USA

Consolidated Statement of Financial Position

June 30,	2021
Assets	
Cash and cash equivalents	$ 33,887,726
Receivable from affiliates	1,143,600
Grants receivable	6,881,013
Accounts receivable and other assets	6,939,326
Investments	75,617,697
Beneficial interests in trusts	11,830,978
Property, plant and equipment, net	28,698,469
Total assets	$ 164,998,809
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 12,166,834
Accrued pension benefit liability	2,229,094
Debt	3,520,833
Total liabilities	17,916,761
Commitments and Contingencies	
Net assets:	
Without donor restrictions	76,024,931
With donor restrictions	71,057,117
Total net assets	147,082,048
Total liabilities and net assets	$ 164,998,809

See accompanying notes to the consolidated financial statements.

ChildFund International, USA

Consolidated Statement of Activities

Year ended June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Sponsorships:			
U.S. sponsors	$ -	$ 77,929,489	$ 77,929,489
International sponsors - ChildFund Alliance	-	29,607,789	29,607,789
International sponsors - F.R.O.	-	10,813,169	10,813,169
Special gifts from sponsors for children	-	9,321,997	9,321,997
Total sponsorships	-	127,672,444	127,672,444
Contributions:			
General contributions	12,368,976	9,185,915	21,554,891
Major gifts and bequests	4,311,854	354,516	4,666,370
Gifts-in-kind	26,050,978	16,498,348	42,549,326
Total contributions	42,731,808	26,038,779	68,770,587
Grants:			
Grants and contracts	16,348,971	7,114,611	23,463,582
Total public support	59,080,779	160,825,834	219,906,613
Revenue:			
Investment income and currency transactions, net	2,075,334	146,205	2,221,539
Service fees and other	1,590,144	-	1,590,144
Total revenue	3,665,478	146,205	3,811,683
Net assets released from restrictions:			
Satisfaction of program and time restrictions	164,818,384	(164,818,384)	-
Total public support and revenue	227,564,641	(3,846,345)	223,718,296
Expenses:			
Program services:			
Basic education	46,905,463	-	46,905,463
Health and sanitation	32,715,379	-	32,715,379
Nutrition	9,644,568	-	9,644,568
Early childhood development	20,769,854	-	20,769,854
Micro-enterprise	26,597,999	-	26,597,999
Emergencies	34,111,269	-	34,111,269
Total program services	170,744,532	-	170,744,532
Supporting services:			
Fundraising	27,104,344	-	27,104,344
Management and general	19,087,964	-	19,087,964
Total supporting services	46,192,308	-	46,192,308
Total expenses from operations	216,936,840	-	216,936,840
Change in net assets from operations	10,627,801	(3,846,345)	6,781,456
Nonoperating gains:			
Investment return, net	10,402,013	2,298,373	12,700,386
Change in value of trusts	-	2,219,121	2,219,121
Change in accrued pension benefit liability other than net periodic costs	5,635,174	-	5,635,174
Gain from extinguishment of debt	3,233,600	-	3,233,600
Total nonoperating gains	19,270,787	4,517,494	23,788,281
Change in net assets	29,898,588	671,149	30,569,737
Net assets, at beginning of year	46,126,343	70,385,968	116,512,311
Net assets, at end of year	$ 76,024,931	$ 71,057,117	$ 147,082,048

See accompanying notes to the consolidated financial statements.

ChildFund International, USA

Consolidated Statement of Cash Flows

Year ended June 30,	2021
Cash flows from operating activities:	
Change in net assets	$ 30,569,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,588,182
Realized gain on investments	(2,440,755)
Unrealized gain on investments	(10,259,631)
Bad debt expense	3,005,909
Change in gifts-in-kind not distributed	1,702,725
Change in value of trusts	(2,219,121)
Gain on sale of property, plant and equipment	(30,128)
Change in accrued pension benefit liability other than net periodic costs	(5,635,174)
Gain on forgiveness of Payroll Protection Program loan	(3,233,600)
(Increase) decrease in assets:	
Receivable from affiliates	32,401
Grants receivable	(132,065)
Accounts receivable and other assets	(2,221,348)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	603,242
Accrued pension benefit liability	(71,668)
Net cash provided by operating activities	13,258,706
Cash flows from investing activities:	
Purchases of property, plant and equipment	(3,056,668)
Proceeds from sales of property, plant and equipment	31,345
Proceeds from sales of investments	18,378,906
Purchases of investments	(19,702,133)
Net cash used in investing activities	(4,348,550)
Cash flows from financing activities:	
Payment of debt	(1,625,000)
Net cash used in financing activities	(1,625,000)
Net increase in cash and cash equivalents	7,285,156
Cash and cash equivalents, beginning of year	26,602,570
Cash and cash equivalents, end of year	$ 33,887,726
Supplemental disclosures of cash flow information:	
Interest paid	$ 171,340
Supplemental disclosures of noncash transactions:	
Gain from extinguishment of debt	$ 3,233,600
Gifts-in-kind	$ 42,549,326
Purchases of property, plant and equipment funded by accounts payable and accrued expense	$ 1,313

See accompanying notes to the consolidated financial statements.

ChildFund International

Consolidated Statement of Functional Expenses

For the year ended June 30, 2021	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	$ 24,533,481	$ 9,623,774	$ 5,088,564	$ 11,585,117	$ 11,384,458	$ 10,316,978	$ 72,532,372	$ -	$ -	$ -	$ 72,532,372
Program grants	16,155,290	18,494,867	3,016,994	4,345,958	11,688,332	19,273,299	72,974,740	-	-	-	72,974,740
Supplies	70,028	48,393	13,950	27,418	39,709	50,926	250,425	52,428	210,850	263,278	513,703
Occupancy	153,702	106,218	30,619	60,180	87,158	111,777	549,654	149,356	202,863	352,219	901,873
Professional services	55,107	38,083	10,978	21,577	31,249	40,076	197,070	1,380,900	253,536	1,634,436	1,831,506
Contract services	402,834	578,976	380,839	2,562,451	228,430	292,955	4,446,484	6,882,191	4,229,062	11,111,253	15,557,737
Travel	-	-	-	-	-	-	-	90,089	15,394	105,483	105,483
Conferences and meetings	15,015	10,376	2,991	5,879	8,514	10,919	53,694	30,547	8,844	39,391	93,085
Automobile and truck expense	35,821	24,755	7,136	14,025	20,313	26,051	128,101	1,485	185	1,670	129,771
Advertising and public education	24,534	16,955	4,887	9,606	13,912	17,842	87,737	11,806,700	24,722	11,831,422	11,919,159
Equipment purchases and rentals	77,874	53,816	15,513	30,490	44,159	56,633	278,485	156,641	151,027	307,668	586,153
Telephone and cables	34,706	23,984	6,914	13,589	19,680	25,240	124,113	54,409	98,141	152,550	276,663
Postage and freight	27,781	19,199	5,534	10,877	15,754	20,204	99,349	672,523	455,205	1,127,728	1,227,077
Publication and printing costs	-	-	-	-	-	-	-	-	4,500	4,500	4,500
Program costs	45,089	31,159	8,982	17,653	25,567	32,789	161,238	-	-	-	161,238
Staff training	16,198	11,195	3,227	6,343	9,184	11,780	57,926	11,492	21,104	32,596	90,522
Miscellaneous expenses	100,439	69,410	20,008	39,325	56,955	73,043	359,180	207,513	2,300,491	2,508,004	2,867,184
Total expenses before personnel costs and other expenses	41,747,899	29,151,160	8,617,136	18,750,488	23,673,374	30,360,512	152,300,568	21,496,274	7,975,924	29,472,198	181,772,766
Personnel costs	4,398,668	3,039,771	876,253	1,722,232	2,494,289	3,198,863	15,730,076	5,438,706	10,235,770	15,674,476	31,404,552
Depreciation and interest	758,896	524,448	151,179	297,134	430,336	551,895	2,713,888	169,364	876,270	1,045,634	3,759,522
	5,157,564	3,564,219	1,027,432	2,019,366	2,924,625	3,750,758	18,443,964	5,608,070	11,112,040	16,720,110	35,164,074
Total expenses from operations	$ 46,905,463	$ 32,715,379	$ 9,644,568	$ 20,769,854	$ 26,597,999	$ 34,111,270	$ 170,744,532	$ 27,104,344	$ 19,087,964	$ 46,192,308	$ 216,936,840

See accompanying notes to the consolidated financial statements.

1. Organization

ChildFund International, USA (ChildFund), formerly known as Christian Children's Fund, Inc. was established in 1938 and has developed into an international, nonsectarian, not-for-profit child development organization. ChildFund assists children and family members in 23 countries worldwide. There are approximately 439,000 enrolled children in ChildFund's programs. Of these children, approximately 336,000 are sponsored children who are supported through monthly contributions.

Most of the sponsorships - more than 212,000 - are supported by U.S. donors; the remainder are supported by in-country fundraising offices and international donors who sponsor children through autonomous organizations in Australia, Denmark, France, Germany, Ireland, Japan, Korea, New Zealand, Sweden, and Taiwan. ChildFund is a member of ChildFund Alliance, a global network of 12 child development organizations.

ChildFund is incorporated and headquartered in the Commonwealth of Virginia.

The following are descriptions of ChildFund's significant programs:

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

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

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

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

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

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

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

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.

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 $15,065,867 at June 30, 2021. ChildFund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. In some cases, ChildFund has opened segregated cash accounts to meet restrictions placed on those funds by the donor. In general, these are grant funded accounts.

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

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

Grants Receivable

ChildFund receives grants from various foundations and other organizations. This funding is subject to various contractual restrictions. These balances are due from the grantor based on terms outlined within the underlying grant agreement. An allowance for doubtful accounts is provided based on management's judgment, including such factors as prior collection history over a period of time. Management has concluded no such allowance is necessary at June 30, 2021.

Accounts Receivable and Other Assets

Accounts receivable and other assets consist of general receivables, pledges receivable, advances, prepaid expenses and undistributed gifts-in-kind.

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.

Paycheck Protection Program Loan

ChildFund received loan proceeds totaling $3,233,600 on April 21, 2020, under the Paycheck Protection Program ("PPP"). The PPP, established as part of the *Coronavirus Aid, Relief and Economic Security Act* ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower has initially qualified for the loan and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels (see Note 9).

Revenue Recognition

Contributions

Contributions and unconditional grants, including unconditional promises to give, are recognized in the period received in accordance with FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Contributions received are available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as contributions with donor restrictions. These contributions also increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as contributions without donor 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 $12,740,273 of conditional grants outstanding as of June 30, 2021.

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, 2021, there was $2,076,559 in refundable advances recorded related to conditional grants and contracts.

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.

Donated or contributed property, plant and equipment, investments, services and gifts-in-kind are recorded at fair value when received.

Gifts-In-Kind

The material portion of gifts-in-kind consists of pharmaceuticals and public service announcements. The fair value of gifts-in-kind are recorded using an exit value approach.

ChildFund received $14,025,053 of gifts-in-kind pharmaceuticals during the year ended June 30, 2021. Included in accounts receivable and other assets is $58,319 of gifts-in-kind pharmaceuticals yet to be distributed at June 30, 2021.

ChildFund received $25,679,955 of in-kind media and broadcast time in the form of public service announcements during the year ended June 30, 2021. The public service announcements, which have been featured in major magazines, airports, high traffic malls and shopping centers, were designed to educate the public about the challenges faced in ChildFund's program communities. ChildFund uses a third-party purchasing agency to secure its public service announcements from media outlets as well as to estimate their fair value under an exit value approach, using billing rates normally charged to other customers under similar circumstances.

Expenses

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

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

Functional Expenses

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

Income Taxes

ChildFund is generally exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, ChildFund qualifies for the charitable contributions deduction and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. 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 2018.

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 of the previous month. For revenue and expense items, translation is performed using the bid/spot rate of exchange of the previous month.

Recently Adopted Authoritative Guidance

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The adoption of the new standard updated the disclosure of fair value investments in Note 5. ChildFund has adopted the ASU and there was no effect on the change in net assets reported for the year ended June 30, 2021.

New Accounting Pronouncements to be Adopted

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

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted. ChildFund is evaluating the effect that adoption of ASU 2020-07 will have on ChildFund's consolidated financial statements.

3. Cash and Cash Equivalents

ChildFund considers all short-term deposits with an original maturity of three months or less to be cash equivalents. Cash in excess of current operating and program requirements was invested throughout the year on a short-term basis in various money market instruments. Cash equivalents were $1,877,719 as of June 30, 2021.

4. Grants Receivable

The amounts due from grants receivable, as of June 30, 2021, consist of the following:

		2021
Grants receivable within one year	$	5,456,643
Grants receivable due in excess of one to five years		1,424,370
Grants receivable, net	$	6,881,013

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, 2021. During the year ended June 30, 2021, a grantor determined that due to COVID-19 restrictions, the planned programmatic activities could not be achieved as expected and subsequently a portion of the remaining grant was revoked. ChildFund has written off the related grant receivable balance totaling approximately $2.5 million. Allowance for doubtful accounts is provided based upon management's judgement including such factors as prior collection history. Based on management's assessment, there are no allowances for the year ended June 30, 2021.

5. Investments

Investments, at fair value, as of June 30, 2021, are summarized as follows:

		2021
Corporate and other obligations	$	20,124
Time deposits		17,475,471
Mutual funds		45,757,550
Real estate funds		1,828,378
Alternative investments		10,536,174
	$	75,617,697

Investment return is summarized for the year ended June 30, 2021, as follows:

		2021
Interest and dividends	$	1,703,041
Currency transaction gains, net		635,128
Investment expenses		(116,630)
	$	2,221,539
Realized gains on investments, net	$	2,440,755
Unrealized gains on investments, net		10,259,631
	$	12,700,386

The following table presents ChildFund's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2021:

	Total	Level 1	Level 2	Level 3	At NAV
Investments:					
Corporate and other obligations	$ 20,124	$ -	$ 20,124	$ -	$ -
Time deposits (at cost)	17,475,471	17,475,471	-	-	-
Mutual funds	45,757,550	45,757,550	-	-	-
Real estate funds	1,828,378	1,828,378	-	-	-
Alternative investments:					
Absolute return	7,450,247	-	-	-	7,450,247
Global equity	2,678,460	-	-	-	2,678,460
Other	407,467	-	-	-	407,467
	$ 75,617,697	$ 65,061,399	$ 20,124	$ -	$10,536,174
Beneficial interests in trusts	11,830,978	-	-	11,830,978	-
	$ 87,448,675	$ 65,061,399	$ 20,124	$ 11,830,978	$10,536,174

**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 statement of financial position.*

The following table summarizes information about the attributes of investments measured at NAV, as a practical expedient, by major class as of June 30, 2021:

	2021	Redemption frequency	Redemption notice period
Investments measured at NAV:			
Absolute return (a)	$ 7,450,247	Quarterly	Quarterly
Global equity (b)	2,678,460	Monthly	Monthly
Other	407,467	N/A	N/A
	$ 10,536,174		

(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".

(b) Global equity fund's objective is to achieve long-term capital growth by investing in emerging markets.

There were no material capital commitments to investment managers that have not been funded by ChildFund at June 30, 2021.

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, 2021 totaled $1,759,842 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 Pri-2012 White Collar Mortality Table with the MP-2020 mortality improvement scale and Internal Revenue Service interest rates as of the date of agreement which range from 1.2% to 6.2% as of June 30, 2021. The liability amounts are included in accounts payable and accrued expenses on the consolidated statement of financial position as of June 30, 2021 and total $1,030,597.

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, 2021 was $10,798,902. A net increase of $2,057,816 related to changes in fair values of these trusts for the year ended June 30, 2021 was reported in changes in net assets with donor restrictions on the accompanying consolidated statement of activities. There were no perpetual trusts provided to ChildFund during the year ended June 30, 2021.

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, 2021 were $1,032,076. A net increase of $161,305 related to changes in fair values of these trusts for the year ended June 30, 2021 was reported in changes in net assets with donor restrictions on the accompanying consolidated statement of activities. There were no new charitable remainder trusts provided to nor terminated trusts during the year ended June 30, 2021.

7. Property, Plant and Equipment

Property, plant, and equipment at June 30, 2021 is summarized as follows:

		2021
Land	$	1,146,128
Buildings and improvements		20,365,563
Data processing		31,662,478
Furniture, fixtures and equipment		6,424,040
Construction in progress		2,863,761
	$	62,461,970
Accumulated depreciation		(33,763,501)
Total	$	28,698,469

Depreciation expense was $3,588,182 for the year ended June 30, 2021.

8. Benefit Plans

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

Pension Plan

The following table presents the Pension Plan's funded status as of June 30, 2021 (the latest actuarial valuation date), and the amount of accrued pension cost for the year then ended:

		2021
Projected and accumulated benefit obligation	$	28,542,295
Benefit obligation		(28,542,295)
Fair value of plan assets		26,313,201
Funded status		(2,229,094)
Accrued pension benefit liability	$	(2,229,094)

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

	2021
Benefit obligation discount rate	2.50%
Net periodic pension cost discount rate	2.50%
Expected return on plan assets	6.50%
Rate of compensation increase	N/A

The Pension Plan utilizes a measurement date of June 30. The amount of benefit payments from the Pension Plan for the year ended June 30, 2021 was $1,748,091.

Expected future benefit payments of the Pension Plan as of June 30, 2021 are as follows:

Years ending June 30,		
2022	$	1,879,006
2023		1,870,189
2024		1,845,241
2025		1,797,797
2026		1,776,274
2027-2031		8,319,261

Employer contributions made by ChildFund to the Pension Plan was $714,309 during the year ended June 30, 2021. The estimated contribution for the year ending June 30, 2022 is $0. At June 30, 2021, the unrecognized net actuarial loss was $10,321,041. Amortization of the unrecognized net actuarial loss for the year ending June 30, 2022 will be $1,184,802. The change in accrued pension benefit liability other than net periodic costs was $(5,635,174) during the year ended June 30, 2021.

Year ended June 30,		**2021**
Net periodic pension cost:		
Interest cost	$	719,545
Expected return on plan assets		(1,492,383)
Amortization of net actuarial loss		1,415,479
	$	642,641

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

The fair values of the Pension Plan assets at June 30, 2021 by asset category are as follows:

		2021
Investments:		
Separate accounts:*		
Cash and cash equivalents	$	156,549
Mutual funds – equity		15,807,744
Mutual funds - fixed income		10,348,908
Total	$	26,313,201

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

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

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

The target allocation and the asset allocation for the Pension Plan at June 30, 2021 are as follows:

	Target allocation 2021	**Percentage of plan assets 2021**
Equity	**60.0%**	**60.1%**
Fixed	**40.0%**	**39.3%**
Other	**-**	**0.6%**
Total	**100.0%**	**100.0%**

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

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

403(b) Plan

All employees are eligible to participate in the 403(b) Plan. ChildFund contributed a non-voluntary amount equal to 6% of employees' base pay to the 403(b) Plan each payroll period for all employees. In addition, ChildFund also matches 50% of the first 6% of base pay that a participant contributes to the Plan. The actual rate is approved annually by the ChildFund Board of Directors (the Board). Total expense recognized for the year ended June 30, 2021 related to the 403(b) Plan was $1,116,198.

9. Debt

ChildFund has a $10,000,000 revolving line of credit with a maturity date of October 31, 2022. Interest expense is based on daily one-month LIBOR + 1.10% basis points and is due and payable in consecutive monthly payments until fully paid. At June 30, 2021, there was no outstanding balance on the line of credit.

ChildFund has a $13,000,000 commercial note that matures on August 9, 2023. The interest rate on the note is 3.67% per annum. From September 1, 2013 through August 1, 2015, interest payments on outstanding principal, as applicable, were due monthly. From September 1, 2015 through August 1, 2023, principal payments, as applicable, are due monthly in the amount of $135,417 along with interest payments on outstanding principal, as applicable. The note contains certain financial covenants. ChildFund was in compliance with all debt covenants during the year ended June 30, 2021. As of June 30, 2021, the outstanding loan balance was $3,520,833.

Interest expense on the above debt was $158,840 for the year ended June 30, 2021.

The future principal payments on the commercial note at June 30, 2021, are due as follows:

Years ending June 30,	
2022	$ 1,625,000
2023	1,625,000
2024	270,833
	$ 3,520,833

PPP Loan

ChildFund expended funds for the purposes consistent with PPP and applied for loan forgiveness in April 2021. ChildFund received approval of the loan forgiveness application on June 14, 2021 for the total amount of $3,233,600.

10. Net Assets with Donor Restrictions

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

June 30,	**2021**
Subject to expenditure for a specified purpose:	
Subsidies and gifts for children	**$ 24,881,324**
Child development grants	**10,413,428**
Appeal funded programs	**8,619,108**
Gifts-in-kind - not yet distributed	**1,439,462**
Local programs and other	**3,470,096**
Subject to the passage of time:	
Assets held in charitable remainder trusts	**1,032,076**
Perpetual in nature:	
Beneficial interest in perpetual trusts	**10,798,902**
Gifts to perpetual endowments	**10,402,721**
Total net assets with donor restrictions	**$ 71,057,117**

11. Releases from Net Assets with Donor Restrictions

During 2021, 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:

	2021
Subject to expenditure for a specified purpose:	
Subsidies and gifts for children	$ 145,296,555
Appeal funded programs	1,188,780
Gifts-in-kind – distributed	18,201,073
Local programs and other	131,976
Total net assets released from restrictions	**$ 164,818,384**

12. International Sponsors

Support from international sponsors is generated by autonomous organizations and consolidated operations.

Autonomous Organizations

Supporting ChildFund are ChildFund Australia, BORNEfonden (Denmark), Un Enfant Par La Main (France), ChildFund Kinderhilfswerk (Germany), ChildFund Ireland, ChildFund Japan, ChildFund Korea, Barnfonden (Sweden), Taiwan Fund for Children and Families, ChildFund Educo and ChildFund New Zealand. These autonomous organizations are incorporated in their respective countries for the purpose of initiating and overseeing programs that are distinct and unique to their mission. Because ChildFund does not control these organizations, their related assets, liabilities, net assets, revenues and expenses are not reflected in the accompanying consolidated financial statements.

The sponsorships and special gifts for children received from these organizations are included in the consolidated statements of activities for the year ended June 30, 2021 and are summarized by country in the accompanying table. As of June 30, 2021, ChildFund has sponsorship receivables from these autonomous organizations totaling $1,143,600. These receivables are the result of the timing of collection of funds as compared to deposit by the international offices. ChildFund recognized service fee revenue from these autonomous organizations in the consolidated statement of activities for the year ended June 30, 2021 of $807,854 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. These 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.

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, 2021, and are summarized in the accompanying table.

	Sponsorships	Special gifts for children	General contributions	Total 2021
Autonomous organizations:				
Australia	$ 6,955,936	$ 351,544	$ 73,967	$ 7,381,447
Denmark	1,476,932	104,659	-	1,581,591
France	1,891,712	52,455	87,609	2,031,776
Germany	3,976,491	191,393	434,126	4,602,010
Ireland	404,936	95,800	15,087	515,823
Japan	108,844	-	-	108,844
Korea	4,148,361	64,965	30,771	4,244,097
New Zealand	2,017,807	207,820	271,694	2,497,321
Sweden	4,496,054	687,171	11,790	5,195,015
Taiwan	4,130,716	423,461	70,228	4,624,405
Total autonomous organizations	$ 29,607,789	$ 2,179,268	$ 995,272	$ 32,782,329
Consolidated operations:				
Brazil	$ 1,621,144	$ 72,852	$ 929,108	$ 2,623,104
Mexico	593,726	18,380	740,073	1,352,179
Thailand	8,489,383	68,624	2,649,466	11,207,473
Other	108,916	-	-	108,916
Total consolidated operations	$ 10,813,169	$ 159,856	$ 4,318,647	$ 15,291,672
Total international sponsors	$ 40,420,958	$ 2,339,124	$ 5,313,919	$ 48,074,001

13. Total Public Support

Public support is summarized for the year ended June 30, 2021, as follows:

	2021
United States	$ 157,063,503
Autonomous organizations, support from sponsors	31,787,057
Autonomous organizations, other support	15,627,176
Consolidated operations, support from sponsors	10,973,025
Consolidated operations, other support	4,455,852
	$ 219,906,613

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 consists of a significant percentage of 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, 2021.

15. Contingencies

From time to time, ChildFund is involved in various legal proceedings during the normal course of operations. 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.

Other Matters

On March 11, 2020 the World Health Organization declared the strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide leading to broader global economic uncertainties. As of the date of this report, ChildFund cannot reasonably estimate the length or severity of the pandemic. Because ChildFund's revenue is dependent upon the ability to generate income from investments and contributions from donor's, should the pandemic continue, there could be a negative impact to its statement of financial position, statement of activities and cash flows. Due to the level of uncertainty related to changes in interest rates, market volatility, and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the accompanying statement of financial position as of June 30, 2021.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans ("EIDL") to provide liquidity to small businesses harmed by COVID-19. ChildFund applied for, and received a PPP loan totaling $3,233,600 on April 21, 2020. The PPP loan was subsequently forgiven by the SBA on June 14, 2021.

Further, because the values of ChildFund's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

These trends could impact the ability of donors to fulfill their pledges on a timely basis. Management has reviewed its contributions and gifts outstanding at June 30, 2021 and does not believe that the effects of the market conditions will have a material effect on the financial position of ChildFund.

On March 11, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a $1.9 trillion stimulus relief package that is intended to provide support to individuals and businesses affected by COVID-19. ChildFund believes that the 2021 Act will have no impact on its operations and has elected to forgo use of the various provisions.

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

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, 2021 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, 2021:

	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	-	5,617,599	5,617,599
Board-designated quasi-endowment funds	7,949,839	-	7,949,839
Total endowment net assets	$ 7,949,839	$ 16,020,320	$ 23,970,159

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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2020	$ 5,523,200	$ 12,708,277	$ 18,231,477
Total investment return, net	2,800,242	2,957,527	5,757,769
Contributions	-	354,516	354,516
Appropriation of endowment assets for expenditure	(373,603)	-	(373,603)
Endowment net assets, June 30, 2021	$ 7,949,839	$ 16,020,320	$ 23,970,159

17. Liquidity and Availability of Resources

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

June *30,*	2021
Cash	$ 33,887,726
Receivable from affiliates	1,143,600
Grants receivable	6,881,013
Accounts receivable and other assets	6,939,326
Investments	75,617,697
Beneficial interests in trusts	11,830,978
	136,300,340
Less amount unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose and time restrictions	(71,057,117)
Grants receivable due in excess of one year	(1,424,370)
Investments related to charitable gift annuities	(1,759,842)
Board-designated quasi-endowment fund	(7,949,839)
Financial assets available to meet cash needs for general expenditures within one year	$ 54,109,172

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

18. Subsequent Events

ChildFund has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2021 consolidated financial statements through November 22, 2021, the date the consolidated financial statements were issued.