KPMG

CHILDFUND INTERNATIONAL, USA

Consolidated Financial Statements

June 30, 2013

(With Independent Auditors’ Report Thereon)

CHILDFUND INTERNATIONAL, USA

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KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Directors
ChildFund International, USA:

We have audited the accompanying consolidated financial statements of ChildFund International, USA, (ChildFund), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ChildFund as of June 30, 2013, and the changes in their net assets, their cash flows, and their functional expenses for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited ChildFund International USA's consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated October 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

November 27, 2013

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Financial Position

June 30, 2013
(with comparative financial information as of June 30, 2012)

Assets		**2013**	**2012**
Cash and cash equivalents (note 3)	$	17,625,493	25,439,186
Receivable from affiliates (note 11)		2,277,262	2,394,135
Grants receivable		2,893,051	4,567,537
Accounts receivable and other assets		6,736,808	5,582,284
Investments (notes 4 and 5)		48,938,250	40,915,363
Beneficial interests in trusts (note 5)		13,046,636	12,519,256
Property, plant and equipment, net (note 6)		14,634,196	13,585,144
Total assets	$	106,151,696	105,002,905
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 5)	$	17,705,980	17,698,488
Accrued benefit liability (note 7)		6,477,105	9,505,482
Total liabilities		24,183,085	27,203,970
Net assets:			
Unrestricted (note 16)		25,335,354	23,780,994
Temporarily restricted (notes 9 and 16)		38,662,678	36,217,951
Permanently restricted (notes 10 and 16)		17,970,579	17,799,990
Total net assets		81,968,611	77,798,935
Contingencies (notes 8 and 15)		—	—
Total liabilities and net assets	$	106,151,696	105,002,905

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Activities

Year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2013	Total 2012
Public support (note 12):					
Sponsorships (note 11):					
U.S. sponsors	$ —	81,430,543	—	81,430,543	84,352,515
International sponsors	—	63,140,078	—	63,140,078	61,908,234
Special gifts from sponsors for children	—	15,494,553	—	15,494,553	16,409,782
Total sponsorships	—	160,065,174	—	160,065,174	162,670,531
Contributions:					
General contributions (note 11)	10,311,579	9,565,189	3,383	19,880,151	19,711,657
Major gifts and bequests (note 5)	4,073,820	34,070	—	4,107,890	5,937,032
Gifts in kind	15,444,913	9,918,976	—	25,363,889	20,178,807
Total contributions	29,830,312	19,518,235	3,383	49,351,930	45,827,496
Grants:					
Grants and contracts	38,852,063	—	—	38,852,063	33,736,875
Total public support	68,682,375	179,583,409	3,383	248,269,167	242,234,902
Revenue:					
Investment income and currency transactions (note 4)	1,847,528	24,420	(35,814)	1,836,134	793,238
Service fees and other (note 11)	2,250,753	—	—	2,250,753	2,236,082
Total revenue	4,098,281	24,420	(35,814)	4,086,887	3,029,320
Net assets released from restrictions:					
Satisfaction of program and time restrictions	177,409,254	(177,409,254)	—	—	—
Total public support and revenue	250,189,910	2,198,575	(32,431)	252,356,054	245,264,222
Expenses (notes 7 and 8):					
Program:					
Basic education	81,649,227	—	—	81,649,227	72,326,121
Health and sanitation	44,029,042	—	—	44,029,042	43,448,028
Nutrition	20,619,911	—	—	20,619,911	19,535,306
Early childhood development	23,556,686	—	—	23,556,686	21,848,910
Micro enterprise	24,539,671	—	—	24,539,671	19,316,674
Emergencies	13,422,421	—	—	13,422,421	21,772,407
Total program	207,816,958	—	—	207,816,958	198,247,446
Supporting services:					
Fund raising	27,435,228	—	—	27,435,228	26,371,513
Management and general	18,655,337	—	—	18,655,337	17,872,320
Total supporting services	46,090,565	—	—	46,090,565	44,243,833
Total expenses from operations	253,907,523	—	—	253,907,523	242,491,279
Change in net assets from operations	(3,717,613)	2,198,575	(32,431)	(1,551,469)	2,772,943
Nonoperating gains (losses):					
Realized gain on investments (note 4)	677,843	2,696	—	680,539	546,895
Unrealized gain (loss) on investments (note 4)	1,960,824	8,252	—	1,969,076	(1,536,484)
Change in value of trusts (note 5)	—	235,204	203,020	438,224	(116,031)
Change in accrued benefit liability other than net periodic costs (note 7)	2,633,306	—	—	2,633,306	(4,732,917)
Total nonoperating gains (losses)	5,271,973	246,152	203,020	5,721,145	(5,838,537)
Change in net assets	1,554,360	2,444,727	170,589	4,169,676	(3,065,594)
Net assets at beginning of year	23,780,994	36,217,951	17,799,990	77,798,935	80,864,529
Net assets at end of year	$ 25,335,354	38,662,678	17,970,579	81,968,611	77,798,935

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Cash Flows

Year ended June 30, 2013
(with comparative financial information for the year ended June 30, 2012)

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	4,169,676	(3,065,594)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		2,143,454	1,843,628
Realized gain on investments		(680,539)	(546,895)
Unrealized (gain) loss on investments		(1,969,076)	1,536,484
Gift of beneficial interest in trust		(89,156)	(24,066)
Change in value of trusts		(438,224)	116,031
Gain on sale of property, plant and equipment		(245,319)	(46,197)
Contributions restricted for long-term investment		(3,383)	(370)
Change in accrued benefit liability other than net periodic costs		(2,633,306)	4,732,917
Changes in operating assets and liabilities:			
Grants receivable		1,674,486	(264,056)
Receivable from affiliates		116,873	299,838
Accounts receivable and other assets		(1,154,524)	(1,047,662)
Accounts payable and accrued expenses		7,492	3,129,862
Accrued benefit liability		(395,071)	(1,195,860)
Net cash provided by operating activities		503,383	5,468,060
Cash flows from investing activities:			
Purchases of property, plant and equipment		(3,275,510)	(2,388,044)
Proceeds from sales of property, plant and equipment		328,323	74,535
Proceeds from sales of investments		6,002,158	8,091,642
Purchases of investments		(11,375,430)	(15,818,078)
Net cash used in investing activities		(8,320,459)	(10,039,945)
Cash flows from financing activities:			
Payment of line of credit		(850,000)	9,377,000
Proceeds from borrowings of line of credit		850,000	(9,377,000)
Contributions restricted for long-term investment		3,383	370
Net cash provided by financing activities		3,383	370
Net increase (decrease) in cash and cash equivalents		(7,813,693)	(4,571,515)
Cash and cash equivalents at beginning of year		25,439,186	30,010,701
Cash and cash equivalents at end of year	$	17,625,493	25,439,186
Supplemental cash flow information:			
Interest paid	$	58	2,463
Supplemental disclosures of noncash transactions:			
Gift of beneficial interest in trust	$	89,156	24,066
Gifts in kind		25,363,889	20,178,807

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Functional Expenses

Year ended June 30, 2013
(with summarized financial information for the year ended June 30, 2012)

	Program services							Supporting services			Program and supporting services	
	Basic education	**Health and sanitation**	**Nutrition**	**Early childhood development**	**Micro enterprise**	**Emergencies**	**Total program services**	**Fund raising**	**Management and general**	**Total supporting services**	**2013**	**2012**
Subsidies for children	$ 52,325,023	16,792,287	7,706,904	13,929,368	10,965,788	3,710,650	105,430,020	—	—	—	105,430,020	104,093,452
Program grants	15,587,619	19,829,351	9,443,935	5,664,165	9,445,352	7,453,597	67,424,019	—	—	—	67,424,019	58,794,784
Supplies	276,422	149,060	69,808	79,751	83,079	45,441	703,561	77,566	354,574	432,140	1,135,701	1,304,119
Occupancy	608,729	328,255	153,730	175,625	182,953	100,070	1,549,362	173,444	198,105	371,549	1,920,911	2,079,568
Professional services	401,545	216,532	101,407	115,850	120,684	66,010	1,022,028	92,621	539,678	632,299	1,654,327	1,679,252
Contract services	1,080,081	582,429	272,766	311,615	324,618	177,556	2,749,065	1,887,496	3,376,812	5,264,308	8,013,373	6,533,863
Travel	730,221	393,769	184,412	210,677	219,468	120,042	1,858,589	500,491	459,631	960,122	2,818,711	2,520,309
Conferences and meetings	488,797	263,582	123,442	141,023	146,908	80,354	1,244,106	162,633	203,163	365,796	1,609,902	1,484,430
Automobile and truck expense	156,112	84,183	39,425	45,040	46,920	25,663	397,343	49,873	—	49,873	447,216	519,539
Advertising and public education	44,812	24,165	11,317	12,929	13,468	7,367	114,058	18,253,770	208,316	18,462,086	18,576,144	19,537,542
Equipment purchases and rentals	162,103	87,414	40,938	46,768	48,720	26,648	412,591	132,740	195,765	328,505	741,096	1,310,380
Telephone and cables	186,290	100,456	47,046	53,747	55,990	30,624	474,153	95,732	243,333	339,065	813,218	782,758
Postage and freight	287,315	154,934	72,559	82,893	86,353	47,232	731,286	436,233	742,753	1,178,986	1,910,272	2,361,459
Publication and printing costs	—	—	—	—	—	—	—	23,332	189,355	212,687	212,687	—
Staff training	151,226	81,548	38,191	43,630	45,451	24,860	384,906	20,404	68,722	89,126	474,032	286,021
Miscellaneous expenses	182,665	98,502	46,131	52,701	54,900	30,029	464,928	371,822	2,037,160	2,408,982	2,873,910	2,626,250
Total expenses before personnel costs and other expenses	72,668,960	39,186,467	18,352,011	20,965,782	21,840,652	11,946,143	184,960,015	22,278,157	8,817,367	31,095,524	216,055,539	205,913,726
Personnel costs	8,543,421	4,607,008	2,157,578	2,464,869	2,567,725	1,404,464	21,745,065	4,905,068	9,058,339	13,963,407	35,708,472	34,731,462
Depreciation and interest	436,846	235,567	110,322	126,035	131,294	71,814	1,111,878	252,003	779,631	1,031,634	2,143,512	1,846,091
Total expenses from operations	$ 81,649,227	44,029,042	20,619,911	23,556,686	24,539,671	13,422,421	207,816,958	27,435,228	18,655,337	46,090,565	253,907,523	242,491,279

See accompanying notes to 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 31 countries worldwide. There are more than 600,000 enrolled children in ChildFund's programs. Of these children more than 443,000 are sponsored children who are supported through monthly contributions.

Most of the sponsorships – more than 259,000 – are supported by U.S. donors; the remainder are supported by international donors who sponsor children through members of ChildFund Alliance in Australia, Canada, 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.

(2) Summary of Significant Accounting Policies

ChildFund's accounting policies are summarized as follows:

(a) Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual method of accounting in accordance with U.S. generally accepted accounting principles.

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:

Unrestricted net assets – Net assets resulting from public support and revenue not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets resulting from public support and revenue whose use by ChildFund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ChildFund pursuant to those donor-imposed stipulations.

Permanently restricted net assets – Net assets that generally represent contributions and other inflows of assets whose use by ChildFund is permanently limited by donor-imposed stipulations 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 unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Sponsorship revenue is classified as temporarily restricted. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in

(Continued)

unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless donors or state law restrict their use.

(b) 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 fund raising offices are separate legal entities.

(c) Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. generally accepted accounting principles, 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. Significant accounting estimates and management judgments reflected in the consolidated financial statements include valuation of alternative investments and beneficial interests in trusts, pension plan liability, and the estimated useful lives of buildings, furniture and equipment.

(d) Investments and Beneficial Interests in Trusts

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-65, *Fair Value Measurements and Disclosures*, establishes 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 market observable 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 in funds of funds, real estate funds, and global equity securities, fair value is based on net asset value reported by underlying investment managers and reviewed by ChildFund after considering various sources of information. These values are further substantiated by doing internal reviews on the current fair values of the securities within these alternative investments. The net asset value 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 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 losses and change in 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.

(e) Financial Instruments, Fair Value 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 cash balances include aggregate bank balances on deposit both inside the U.S. and with international banks outside the U.S. These balances can exceed FDIC limits or in the case of international accounts not be covered under the FDIC. 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.

Investments and beneficial interests in trusts are carried at fair value as discussed in note 2(d). The carrying value of cash and cash equivalents, grants receivable, receivable from affiliates, accounts receivable and other assets, and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

(f) Accounts Receivable and Other Assets

Accounts receivable and other assets consist of general receivables, advances and prepaid expenses.

(g) Property, Plant and Equipment

Land is carried at cost or fair value at the date of donation in the case of gifts. Buildings and equipment are carried at cost or fair value at the date of donation in the case of gifts, less accumulated depreciation. 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 and 3 to 10 years for equipment). Upon retirement and disposition, the cost and accumulated depreciation of buildings and equipment 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.

(h) Revenue Recognition

Revenue is recognized during the period it is earned. Donated or contributed land, buildings and equipment, investments, services and gifts-in-kind are recorded at fair value when received. ChildFund received approximately $9,919,000 and $3,285,000 of gifts-in-kind shoes during the years ended June 30, 2013 and 2012, respectively. The fair value of gifts-in-kind shoes are recorded using an exit value approach. Approximately $1,774,500 and $1,950,000 of gifts-in-kind shoes yet to be distributed was included in accounts receivable and other assets at June 30, 2013 and 2012, respectively. ChildFund received approximately $14,529,000 and $15,800,000 of in-kind media and broadcast time in the form of public service announcements during the years ended June 30, 2013 and 2012, respectively. 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.

Government grant revenue is recognized as earned, which is generally when costs are incurred. 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.

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(i) Expenses

Expenses are recognized during the period in which they are incurred. Expenses paid in advance primarily include insurance, advertising, postage and software maintenance and are deferred to the applicable period. The cost of providing various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities.

(j) Definition of Operations

Operating activities exclude realized and unrealized gains and losses on investments, change in value of trusts, and change in accrued benefit liability other than net periodic costs.

(k) Foreign Currency Translation

All cash balances in foreign banks have been translated at foreign exchange rates in effect as of year-end. No other assets or liabilities of ChildFund are subject to foreign currency translation. All foreign office revenue and expense amounts are converted at the rate of exchange in effect at approximately the date of the transaction.

(l) Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with ChildFund's consolidated financial statements for the year ended June 30, 2012, from which the summarized information was derived.

(m) Reclassifications

Certain reclassifications have been made to the 2012 consolidated footnotes in order to conform with the 2013 presentation.

(3) Cash and Cash Equivalents

ChildFund considers all short-term deposits with an original maturity of three months or less to be cash equivalents. The carrying amounts reported in the accompanying consolidated statement of financial position for these financial instruments approximate their fair values. 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 approximately $9,360,000 and $13,800,000 as of June 30, 2013 and 2012, respectively.

(4) Investments and Investment Return

Investments, at fair value, as of June 30, 2013 and 2012 are summarized as follows:

		2013	2012
Corporate and other obligations	$	756,772	735,048
Exchange traded funds		2,373,268	3,430,992
Time deposits		12,089,103	7,196,079
Mutual funds		26,313,201	22,397,384
Real estate funds		1,585,993	1,886,249
Funds of funds		5,819,913	5,269,611
Total	$	48,938,250	40,915,363

Investment return is summarized for the years ended June 30, 2013 and 2012, as follows:

		2013	2012
Interest and dividends	$	1,132,339	1,580,552
Currency transaction gains (losses), net		764,800	(729,767)
Investment expense		(61,005)	(57,547)
Total investment income and currency transactions		1,836,134	793,238
Realized gain on investments		680,539	546,895
Unrealized gain (loss) on investments		1,969,076	(1,536,484)
Total investment return	$	4,485,749	(196,351)

The following table presents ChildFund's fair value hierarchy for investments measured at fair value as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Investments:				
Corporate and other obligations	$ —	756,772	—	756,772
Exchange Traded Funds	2,373,267	—	—	2,373,267
Time deposits	12,089,103	—	—	12,089,103
Mutual funds:				
Long term equity	17,487,413	—	—	17,487,413
Long term fixed	7,074,967	—	—	7,074,967
International multi-asset	1,750,822	—	—	1,750,822
Total mutual funds	26,313,202	—	—	26,313,202
Real estate funds	—	—	1,585,993	1,585,993
Funds of funds:				
Absolute return, security selection and hedging	—	—	3,854,732	3,854,732
Global equity	—	1,891,671	—	1,891,671
Other	—	—	73,510	73,510
Total funds of funds	—	1,891,671	3,928,242	5,819,913
Total	$ 40,775,572	2,648,443	5,514,235	48,938,250

Real estate funds may be redeemed during fiscal years 2015 and 2016. Investments in absolute return, security selection, and hedging fund of funds may be redeemed 85% during fiscal year 2014, 10% during fiscal year 2015, 3% during fiscal year 2016, and 2% during fiscal year 2017. Investments in global equity fund of funds can be redeemed within 30 days of written request. There were no material capital commitments to investment managers that have not been funded by ChildFund for the years ended June 30, 2013 and 2012.

The following table presents ChildFund's fair value hierarchy for investments measured at fair value as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Investments:				
Corporate and other obligations	$ —	735,048	—	735,048
Exchange Traded Funds	3,430,992	—	—	3,430,992
Time deposits	7,196,079	—	—	7,196,079
Mutual funds:				
Long term equity	13,808,271	—	—	13,808,271
Long term fixed	6,933,601	—	—	6,933,601
International multi-asset	1,655,512	—	—	1,655,512
Total mutual funds	22,397,384	—	—	22,397,384
Real estate funds	—	—	1,886,249	1,886,249
Funds of funds:				
Absolute return, security selection and hedging	—	—	3,506,829	3,506,829
Global equity	—	1,689,272	—	1,689,272
Other	—	—	73,510	73,510
Total funds of funds	—	1,689,272	3,580,339	5,269,611
Total	$ 33,024,455	2,424,320	5,466,588	40,915,363

The following table summarizes changes in Level 3 investments measured at fair value on a recurring basis for the periods ended June 30, 2013 and 2012:

	2013	2012
Investments:		
Beginning balance	$ 5,466,588	5,508,952
Total net gains included in:		
Change in net assets	59,950	29,803
Sales	(12,303)	(72,167)
Ending balance	$ 5,514,235	5,466,588
Net unrealized gain (loss) included in change in net assets for the period relating to Level 3 investments held at June 30	$ 59,217	11,640

There were no significant transfers into/out of Level 1 or Level 2 investments during the years ended June 30, 2013 and 2012. There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2013 and 2012.

(5) Split Interest Agreements

(a) 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(d).

Under the charitable gift annuity agreements, the donor contributes 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, 2013 and 2012 totaled $2,680,140 and $2,574,472, respectively 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 IRS mortality tables and IRS interest rates as of the date of agreement which range from 1.2% to 7.6%. The liability amounts are included in accounts payable and accrued expenses on the consolidated statement of financial position as of June 30, 2013 and 2012 and total $1,459,214 and $1,492,056, respectively.

(b) Perpetual Trusts

ChildFund is the beneficiary of approximately 10 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, 2013 and 2012 were $9,809,320 and $9,606,300, respectively. Net increases of $203,020 and $184,720 related to changes in fair values for the years ended June 30, 2013 and 2012, respectively, were reported in changes in permanently restricted net assets on the accompanying statement of activities. There were no perpetual trusts given to ChildFund during the years ended June 30, 2013 and 2012.

Charitable Remainder Trusts

ChildFund is the beneficiary of approximately 10 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, 2013 and 2012 were $3,237,316 and $2,912,956. Changes in value of split interest agreements totaled $235,204 and $(300,751) for the years ended June 30, 2013 and 2012, respectively and were recorded in temporarily restricted net assets on the accompanying statement of activities. There were four charitable remainder trusts valued at $89,156 and one charitable remainder trust valued at $24,066 given to ChildFund during the years ended June 30, 2013 and 2012, respectively, which is reflected in temporarily restricted major gifts and bequests in the accompanying consolidated statement of activities.

Fair Value Disclosures

The following table presents ChildFund's fair value hierarchy for beneficial interests in trusts measured at fair value on a recurring basis as of June 30, 2013:

		Level 1	**Level 2**	**Level 3**	**Total**
Beneficial interests in trusts	$	—	—	13,046,636	13,046,636

The following table presents ChildFund's fair value hierarchy for beneficial interests in trusts measured at fair value on a recurring basis as of June 30, 2012:

		Level 1	**Level 2**	**Level 3**	**Total**
Beneficial interests in trusts	$	—	—	12,519,256	12,519,256

The following table summarizes changes in Level 3 beneficial interests in trusts measured at fair value on a recurring basis for the periods ended June 30, 2013 and 2012:

		2013	**2012**
Beneficial interests in trusts:			
Beginning balance	$	12,519,256	12,611,221
Total net gains (losses) included in:			
Change in net assets		438,224	(116,031)
Gift of beneficial interests in trusts		89,156	24,066
Ending balance	$	13,046,636	12,519,256
Net unrealized gains (losses) included in change in net assets for the period relating to Level 3 beneficial interests in trusts held at June 30	$	438,224	(116,031)

(6) Property, Plant and Equipment

Property, plant, and equipment at June 30, 2013 and 2012 are summarized as follows:

		2013	2012
Land	$	1,146,128	1,180,378
Buildings and improvements		15,969,755	15,599,610
Furniture, fixtures and equipment		21,979,240	20,468,619
Construction in progress		2,067,475	1,134,718
		41,162,598	38,383,325
Accumulated depreciation		(26,528,402)	(24,798,181)
Total	$	14,634,196	13,585,144

(7) 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.

(a) Pension Plan

The following table summarizes the Pension Plan benefit obligation, for the years ended June 30, 2013 and 2012:

		2013	2012
Accumulated benefit obligation	$	25,637,094	27,281,302
Benefit obligation		(25,637,094)	(27,281,302)
Fair value of plan assets		19,159,989	17,775,820
Funded status		(6,477,105)	(9,505,482)
Accrued benefit liability	$	6,477,105	9,505,482

The Pension Plan utilizes a measurement date of June 30. The amount of benefit payments from the Pension Plan for the years ended June 30, 2013 and 2012 were $1,660,893 and $1,565,477, respectively.

Expected future benefit payments of the Pension Plan as of June 30, 2013 are as follows:

2014	$ 1,657,594
2015	1,696,681
2016	1,682,895
2017	1,741,596
2018	1,740,167
2019 – 2023	8,453,752

Employer contributions made by ChildFund to the Pension Plan were $1,337,489 and $1,929,437 during the years ended June 30, 2013 and 2012, respectively. The estimated contribution for the year ending June 30, 2014 is $1,160,000. At June 30, 2013 and 2012, the unrecognized net actuarial loss was $10,126,751 and $12,760,057, respectively. Amortization of the unrecognized net actuarial loss for the year ending June 30, 2014 will be $959,502.

	2013	2012
Net periodic pension cost:		
Interest cost	$ 1,126,535	1,301,160
Expected return on plan assets	(1,317,828)	(1,259,773)
Recognized net actuarial loss	1,133,711	692,190
Net periodic pension cost	$ 942,418	733,577

Pension costs are determined using the 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, 2013 and 2012 by asset category are as follows:

	2013	2012
Investments:		
Separate accounts:		
Cash and cash equivalents	$ 23,619	156,836
Receivable for securities sold	889,564	1,307,983
Mutual fund – equity	11,423,189	10,523,904
Mutual fund – fixed income	6,823,617	5,787,097
Total	$ 19,159,989	17,775,820

The Pension Plan's contract with the Metropolitan Life Insurance Company is funded 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 net asset value (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 asset allocation for the Pension Plan at June 30, 2013 and 2012 and the target allocation for fiscal year 2014 by asset category are as follows:

	Target allocation	**Percentage of plan assets at year end**	
	2014	**2013**	**2012**
Mutual fund – equity	60.0%	60.1%	60.4%
Mutual fund – fixed income	40.0	39.9	39.6
Total	100.0%	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 9.80% over the long-term, while cash and fixed income is expected to return 4.25%.

The following table presents ChildFund's fair value hierarchy for the Pension Plan assets measured at fair value as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Investments:				
Separate accounts:				
Cash and cash equivalents	$ 23,619	—	—	23,619
Receivable for securities sold	—	889,564	—	889,564
Mutual fund – equity	—	11,423,189	—	11,423,189
Mutual fund – fixed income	—	6,823,617	—	6,823,617
Total	$ 23,619	19,136,370	—	19,159,989

The following table presents ChildFund's fair value hierarchy for the Pension Plan assets measured at fair value as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Investments:				
Separate accounts:				
Cash and cash equivalents	$ 156,836	—	—	156,836
Receivable for securities sold	—	1,307,983	—	1,307,983
Mutual fund – equity	—	10,523,904	—	10,523,904
Mutual fund – fixed income	—	5,787,097	—	5,787,097
Total	$ 156,836	17,618,984	—	17,775,820

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

	2013	2012
Discount rate	4.75%	4.25%
Expected return on plan assets	7.50	7.50
Rate of compensation increase	N/A	N/A

(b) 403(b) Plan

All employees are eligible to participate in the 403(b) Plan. ChildFund contributed 6% to 12% of employees' base pay to the 403(b) Plan each payroll period based on their period of service with ChildFund for the period July 1, 2009 to March 31, 2010. Beginning April 1, 2010, ChildFund contributed 6% of employees' base pay to the 403(b) Plan each payroll period for all employees. In addition, ChildFund matches up to 3% of the employees' individual contributions. The actual rate is approved annually by the ChildFund Board of Directors (the Board). Total expense recognized for the years ended June 30, 2013 and 2012 related to the 403(b) Plan was $816,516 and $1,012,445, respectively.

(8) Revolving Line of Credit

At both June 30, 2013 and 2012, ChildFund had a $10,000,000 revolving line of credit. Interest expense was based on LIBOR + 75 basis points and LIBOR + 95 basis points for the years ended June 30, 2013 and 2012, respectively. The line of credit payable is due and payable on February 28, 2015 and related interest is due and payable in consecutive monthly payments until fully paid. This line of credit is collateralized by ChildFund's corporate headquarters building located in Richmond, Virginia and expires February 28, 2015. At June 30, 2013 and 2012, no amounts were outstanding on the line of credit.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 were available for the following purposes:

		2013	2012
Subsidies and gifts for children	$	24,430,662	25,202,693
Appeal funded programs		7,286,061	4,844,950
Time restricted		5,288,541	4,864,637
Local programs and other		1,657,414	1,305,671
Total	$	38,662,678	36,217,951

(10) Permanently Restricted Net Assets

Permanently restricted net assets were $17,970,579 and $17,799,990 at June 30, 2013 and 2012, respectively. The principal of these net assets must be invested in perpetuity; however, the income is expendable to support subsidies for children and other restricted program activities.

(11) International Sponsors

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

(a) 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, 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 statement of activities for the years ended June 30, 2013 and 2012 and are summarized by country in the accompanying table. As of June 30, 2013 and 2012, ChildFund has sponsorship receivables from these autonomous organizations totaling $2,277,262 and $2,394,135, respectively. 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 years ended June 30, 2013 and 2012 of $1,462,460 and $1,463,479, respectively. 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.

(b) 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.

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 years ended June 30, 2013 and 2012, and are summarized in the accompanying table.

	Sponsorships	Special gifts for children	General contributions	Total 2013	2012
Autonomous organizations:					
Australia	$ 18,365,263	1,044,006	158,374	19,567,643	20,615,197
Canada	—	—	—	—	38,802
Denmark	3,514,509	351,544	318	3,866,371	4,262,466
France	1,602,353	98,379	93,574	1,794,306	1,853,297
Germany	5,004,258	292,949	211,177	5,508,384	5,891,773
Ireland	884,258	119,044	10,270	1,013,572	1,173,899
Japan	129,115	—	—	129,115	158,228
New Zealand	6,500,962	644,767	299,442	7,445,171	7,164,850
Sweden	5,182,505	681,959	490,607	6,355,071	5,733,938
Korea	3,017,857	88,202	62,371	3,168,430	3,159,346
Taiwan	7,769,580	705,996	3,000	8,478,576	8,384,013
Total autonomous organizations	51,970,660	4,026,846	1,329,133	57,326,639	58,435,809
Consolidated operations:					
Brazil	2,681,241	613,179	128,233	3,422,653	3,629,290
Mexico	1,210,770	25,076	670,559	1,906,405	1,261,409
Thailand	7,273,941	37,015	2,275,071	9,586,027	8,389,122
Other	3,466	—	—	3,466	2,818
Total consolidated operations	11,169,418	675,270	3,073,863	14,918,551	13,282,639
Total international sponsors	$ 63,140,078	4,702,116	4,402,996	72,245,190	71,718,448

(12) Total Public Support

Public support is summarized for the years ended June 30, 2013 and 2012, as follows:

	2013	2012
United States	$ 153,669,121	149,292,762
Autonomous organizations, support from sponsors (note 11)	55,997,506	55,267,409
Autonomous organizations, other support	25,597,548	25,634,898
Consolidated operations, support from sponsors (note 11)	11,844,688	11,448,308
Consolidated operations, other support	1,160,304	591,525
Total public support	$ 248,269,167	242,234,902

(13) Income Taxes

ChildFund has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is an exempt organization in the Commonwealth of Virginia. In addition, the IRS has determined that ChildFund is not a “private foundation”. ChildFund recognizes an uncertain tax position in its financial statements if it is “more likely than not” that the position will be sustained. ChildFund does not believe its financial statements include or reflect any uncertain tax positions. No provision for income taxes has been recorded for the years ended June 30, 2013 and 2012.

(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 interest in ChildFund Alliance; accordingly, ChildFund Alliance is not consolidated in ChildFund's consolidated financial statements.

(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.

(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.

(a) Interpretation of Relevant Law

ChildFund has interpreted the Commonwealth of Virginia's enacted version of the Uniform Prudent Management of Institutional Funds Act (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ChildFund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ChildFund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of ChildFund and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of ChildFund
7. The investment policies of ChildFund

Endowment net assets consist of the following at June 30, 2013:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(24,588)	792,480	8,161,259	8,929,151
Board-designated endowment funds		3,218,567	—	—	3,218,567
Total endowment net assets	$	3,193,979	792,480	8,161,259	12,147,718

Endowment net assets consist of the following at June 30, 2012:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(851,288)	749,198	8,193,690	8,091,600
Board-designated endowment funds		3,159,000	—	—	3,159,000
Total endowment net assets	$	2,307,712	749,198	8,193,690	11,250,600

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, 2013:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2012	$ 2,307,712	749,198	8,193,690	11,250,600
Investment return:				
Investment income	173,835	40,520	—	214,355
Net appreciation (depreciation)	774,545	2,762	(35,814)	741,493
Total investment return	948,380	43,282	(35,814)	955,848
Contributions	—	—	3,383	3,383
Appropriation of endowment	—	—	—	
assets for expenditure	(62,113)	—	—	(62,113)
Endowment net assets, June 30, 2013	$ 3,193,979	792,480	8,161,259	12,147,718

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, 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, July 1, 2011	$ 2,627,629	609,198	8,193,320	11,430,147
Investment return:				
Investment income	223,552	—	—	223,552
Net depreciation	(301,370)	—	—	(301,370)
Total investment return	(77,818)	—	—	(77,818)
Contributions	—	140,000	370	140,370
Appropriation of endowment assets for expenditure	(242,099)	—	—	(242,099)
Endowment net assets, June 30, 2012	$ 2,307,712	749,198	8,193,690	11,250,600

(b) 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. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and amounted to $24,588 and $851,288 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains, if any, that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets until fully restored and then temporarily restricted.

(c) 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%.

(d) 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.

(e) 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, for example $28 per month for the years ended June 30, 2013 and 2012. In order to meet this spending rate, donors are asked to contribute a one-time endowment gift of $15,000 per child. Investment gains and yields are used to provide the child with food, education, basic healthcare and other assistance.

For nonsponsorship endowments, 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 nonsponsorship endowments to maintain their purchasing power by growing at a rate equal to planned payouts.

(Continued)

(17) Subsequent Events

On August 9, 2013, ChildFund entered into a $13,000,000 commercial note with SunTrust Bank that matures on August 9, 2023. At the time of the issuance of the consolidated financial statements, ChildFund has not drawn down any funds on the note. 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, are 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 that must be adhered to by ChildFund.

ChildFund has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2013 consolidated financial statements through November 27, 2013, the date the consolidated financial statements were issued.