CHILDFUND INTERNATIONAL, USA

Consolidated Financial Statements

June 30, 2014

(With Independent Auditors' Report Thereon)

CHILDFUND INTERNATIONAL, USA

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KPMG LLP
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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, 2014, 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, 2014, 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 November 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

February 4, 2015

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Financial Position

June 30, 2014
(with comparative financial information as of June 30, 2013)

Assets		2014	2013
Cash and cash equivalents (note 3)	$	15,630,049	17,625,493
Receivable from affiliates (note 11)		2,295,283	2,277,262
Grants receivable		3,430,682	2,893,051
Accounts receivable and other assets		12,930,910	6,736,808
Investments (notes 4 and 5)		51,298,645	48,938,250
Beneficial interests in trusts (note 5)		12,798,674	13,046,636
Property, plant and equipment, net (note 6)		18,717,203	14,634,196
Total assets	$	117,101,446	106,151,696
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 5)	$	16,530,802	17,705,980
Accrued pension benefit liability (note 7)		6,330,100	6,477,105
Debt (note 8)		3,700,000	—
Total liabilities		26,560,902	24,183,085
Net assets:			
Unrestricted (note 16)		31,462,252	25,335,354
Temporarily restricted (notes 9 and 16)		41,439,898	38,662,678
Permanently restricted (notes 5, 10 and 16)		17,638,394	17,970,579
Total net assets		90,540,544	81,968,611
Contingencies (notes 8 and 15)			
Total liabilities and net assets	$	117,101,446	106,151,696

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Activities

Year ended June 30, 2014
(with summarized financial information for the year ended June 30, 2013)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2014	Total 2013
Public support (note 12):					
Sponsorships (note 11):					
U.S. sponsors	$ —	80,142,071	—	80,142,071	81,430,543
International sponsors	—	60,677,599	—	60,677,599	63,140,078
Special gifts from sponsors for children	—	14,679,948	—	14,679,948	15,494,553
Total sponsorships	—	155,499,618	—	155,499,618	160,065,174
Contributions:					
General contributions (note 5 and 11)	10,070,920	8,024,067	35,732	18,130,719	19,880,151
Major gifts and bequests	4,409,244	—	188,560	4,597,804	4,107,890
Gifts in kind	18,184,519	14,527,605	—	32,712,124	25,363,889
Total contributions	32,664,683	22,551,672	224,292	55,440,647	49,351,930
Grants:					
Grants and contracts	35,341,265	—	—	35,341,265	38,852,063
Total public support	68,005,948	178,051,290	224,292	246,281,530	248,269,167
Revenue:					
Investment income and currency transactions, net (note 4)	433,422	19,919	—	453,341	1,836,134
Service fees and other (note 11)	1,720,961	—	—	1,720,961	2,250,753
Total revenue	2,154,383	19,919	—	2,174,302	4,086,887
Net assets released from restrictions:					
Satisfaction of program and time restrictions	175,559,547	(175,559,547)	—	—	—
Total public support and revenue	245,719,878	2,511,662	224,292	248,455,832	252,356,054
Expenses (notes 7 and 8):					
Program:					
Basic education	77,144,692	—	—	77,144,692	81,649,227
Health and sanitation	39,313,479	—	—	39,313,479	44,029,042
Nutrition	18,141,134	—	—	18,141,134	20,619,911
Early childhood development	32,357,909	—	—	32,357,909	23,556,686
Micro enterprise	22,991,114	—	—	22,991,114	24,539,671
Emergencies	13,097,713	—	—	13,097,713	13,422,421
Total program	203,046,041	—	—	203,046,041	207,816,958
Supporting services:					
Fund raising	22,305,657	—	—	22,305,657	27,435,228
Management and general	17,859,285	—	—	17,859,285	18,655,337
Total supporting services	40,164,942	—	—	40,164,942	46,090,565
Total expenses from operations	243,210,983	—	—	243,210,983	253,907,523
Change in net assets from operations	2,508,895	2,511,662	224,292	5,244,849	(1,551,469)
Nonoperating gains (losses):					
Realized gains on investments, net (note 4)	1,080,159	4,720	—	1,084,879	680,539
Unrealized gains on investments, net (note 4)	2,873,664	12,123	—	2,885,787	1,969,076
Change in value of trusts (note 5)	—	248,715	(556,477)	(307,762)	438,224
Change in accrued pension benefit liability other than net periodic costs (note 7)	(335,820)	—	—	(335,820)	2,633,306
Total nonoperating gains (losses)	3,618,003	265,558	(556,477)	3,327,084	5,721,145
Change in net assets	6,126,898	2,777,220	(332,185)	8,571,933	4,169,676
Net assets at beginning of year	25,335,354	38,662,678	17,970,579	81,968,611	77,798,935
Net assets at end of year	$ 31,462,252	41,439,898	17,638,394	90,540,544	81,968,611

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Cash Flows

Year ended June 30, 2014
(with comparative financial information for the year ended June 30, 2013)

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	8,571,933	4,169,676
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation		2,525,545	2,143,454
Realized gain on investments		(1,084,879)	(680,539)
Unrealized gain on investments		(2,885,787)	(1,969,076)
Gift of beneficial interest in trust		(59,800)	(89,156)
Gifts in kind not distributed		(6,761,978)	301,048
Change in value of trusts		307,762	(438,224)
Gain on sale of property, plant and equipment		(69,282)	(245,319)
Contributions restricted for long-term investment		(224,292)	(3,383)
Change in accrued pension benefit liability other than net periodic costs		335,820	(2,633,306)
Changes in operating assets and liabilities:			
Grants receivable		(537,631)	1,674,486
Receivable from affiliates		(18,021)	116,873
Accounts receivable and other assets		567,876	(1,455,572)
Accounts payable and accrued expenses		(1,175,178)	7,492
Accrued pension benefit liability		(482,825)	(395,071)
Net cash (used in) provided by operating activities		(990,737)	503,383
Cash flows from investing activities:			
Purchases of property, plant and equipment		(6,641,539)	(3,275,510)
Proceeds from sales of property, plant and equipment		102,269	328,323
Proceeds from sales of investments		6,861,043	6,002,158
Purchases of investments		(5,250,772)	(11,375,430)
Net cash used in investing activities		(4,928,999)	(8,320,459)
Cash flows from financing activities:			
Proceeds from borrowings of debt		3,700,000	—
Payment of line of credit		(31,227,000)	(850,000)
Proceeds from borrowings of line of credit		31,227,000	850,000
Contributions restricted for long-term investment		224,292	3,383
Net cash provided by financing activities		3,924,292	3,383
Net decrease in cash and cash equivalents		(1,995,444)	(7,813,693)
Cash and cash equivalents at beginning of year		17,625,493	25,439,186
Cash and cash equivalents at end of year	$	15,630,049	17,625,493
Supplemental cash flow information:			
Interest paid	$	7,896	58
Supplemental disclosures of noncash transactions:			
Gift of beneficial interest in trust	$	59,800	89,156
Gifts in kind		32,712,124	25,363,889

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Functional Expenses

Year ended June 30, 2014
(with summarized financial information for the year ended June 30, 2013)

	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**	**2014**	**2013**
Subsidies for children	$ 50,795,331	14,847,953	7,498,380	15,818,115	10,919,333	4,694,069	104,573,181	—	—	—	104,573,181	105,430,020
Program grants	14,083,450	18,214,731	7,758,336	11,394,926	8,416,222	6,321,124	66,188,789	—	—	—	66,188,789	67,424,019
Supplies	142,168	72,450	33,432	59,632	42,370	24,137	374,189	56,415	317,702	374,117	748,306	1,135,701
Occupancy	549,785	280,175	129,286	230,604	163,850	93,343	1,447,043	181,892	206,942	388,834	1,835,877	1,920,911
Professional services	123,607	62,991	29,067	51,846	36,838	20,986	325,335	79,343	426,246	505,589	830,924	1,654,327
Contract services	830,706	423,333	195,346	348,435	247,572	141,038	2,186,430	1,331,085	2,507,433	3,838,518	6,024,948	8,013,373
Travel	663,575	338,163	156,045	278,333	197,763	112,663	1,746,542	347,820	285,628	633,448	2,379,990	2,818,711
Conferences and meetings	269,965	137,576	63,484	113,235	80,457	45,835	710,552	93,247	127,468	220,715	931,267	1,609,902
Automobile and truck expense	152,940	77,939	35,965	64,150	45,580	25,966	402,540	36,677	—	36,677	439,217	447,216
Advertising and public education	67,657	34,478	15,910	28,378	20,164	11,487	178,074	13,704,031	444,737	14,148,768	14,326,842	18,576,144
Equipment purchases and rentals	168,946	86,096	39,729	70,863	50,350	28,684	444,668	67,786	185,276	253,062	697,730	741,096
Telephone and cables	179,513	91,481	42,214	75,296	53,499	30,478	472,481	136,633	211,703	348,336	820,817	813,218
Postage and freight	51,983	26,491	12,224	21,804	15,492	8,826	136,820	752,940	731,882	1,484,822	1,621,642	1,910,272
Publication and printing costs	—	—	—	—	—	—	—	—	174,973	174,973	174,973	212,687
Staff training	76,587	39,029	18,010	32,124	22,825	13,003	201,578	22,552	27,309	49,861	251,439	474,032
Miscellaneous expenses	148,874	75,868	35,009	62,445	44,368	25,276	391,840	376,675	1,988,550	2,365,225	2,757,065	2,873,910
Total expenses before personnel costs and other expenses	68,305,087	34,808,754	16,062,437	28,650,186	20,356,683	11,596,915	179,780,062	17,187,096	7,635,849	24,822,945	204,603,007	216,055,539
Personnel costs	8,200,002	4,178,779	1,928,290	3,439,445	2,443,813	1,392,206	21,582,535	5,015,719	9,476,281	14,492,000	36,074,535	35,708,472
Depreciation and interest	639,603	325,946	150,407	268,278	190,618	108,592	1,683,444	102,842	747,155	849,997	2,533,441	2,143,512
Total expenses from operations	$ 77,144,692	39,313,479	18,141,134	32,357,909	22,991,114	13,097,713	203,046,041	22,305,657	17,859,285	40,164,942	243,210,983	253,907,523

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 approximately 490,000 are sponsored children who are supported through monthly contributions.

Most of the sponsorships – more than 246,000 – 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 restrictions that either expire by passage of time or can be fulfilled and removed by actions of ChildFund pursuant to those donor-imposed restrictions.

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 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 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 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 benefit liability, and the estimated useful lives of buildings, furniture and equipment.

(d) 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 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 and real estate funds, 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 evaluated 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 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 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. The carrying value of debt approximates the fair value because of the fixed interest rate of this instrument.

(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 furniture, fixtures 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 furniture, fixtures, and equipment, and 5 to 10 years for software). Upon retirement and disposition, the cost and accumulated depreciation of buildings, furniture, fixtures, 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 property, plant and equipment, investments, services and gifts-in-kind are recorded at fair value when received. The majority of gifts-in-kind consists of TOM shoes and public service announcements. The fair value of gifts-in-kind are recorded using an exit value approach. ChildFund received approximately $14,528,000 and $9,919,000 of gifts-in-kind shoes during the years ended June 30, 2014 and 2013, respectively. Approximately $5,867,400 and $1,774,500 of gifts-in-kind shoes yet to be distributed was included in accounts receivable and other assets at June 30, 2014 and 2013, respectively. ChildFund received approximately $13,731,000 and $14,529,000 of in-kind media and broadcast time in the form of public service announcements during the years ended June 30, 2014 and 2013, 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.

(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 pension 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, 2013, from which the summarized information was derived.

(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 approximately $4,965,000 and $9,360,000 as of June 30, 2014 and 2013, respectively.

(4) Investments and Investment Return

Investments, at fair value, as of June 30, 2014 and 2013 are summarized as follows:

		2014	2013
Corporate and other obligations	$	357,461	756,772
Exchange traded funds		1,268,755	2,373,268
Time deposits		10,239,842	12,089,103
Mutual funds		32,656,608	26,313,201
Real estate funds		527,350	1,585,993
Funds of funds		6,248,629	5,819,913
Total	$	51,298,645	48,938,250

Investment return is summarized for the years ended June 30, 2014 and 2013, as follows:

		2014	2013
Interest and dividends	$	951,254	1,132,339
Currency transaction gains (losses), net		(409,104)	764,800
Investment expense		(88,809)	(61,005)
Total investment income and currency transactions, net		453,341	1,836,134
Realized gain on investments, net		1,084,879	680,539
Unrealized gain on investments, net		2,885,787	1,969,076
Total investment return, net	$	4,424,007	4,485,749

The following table presents ChildFund's fair value hierarchy for investments measured at fair value as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Investments:				
Corporate and other obligations	$ —	357,461	—	357,461
Exchange traded funds	1,268,755	—	—	1,268,755
Time deposits	10,239,842	—	—	10,239,842
Mutual funds:				
Long term equity	21,051,011	—	—	21,051,011
Long term fixed	9,656,290	—	—	9,656,290
International multi-asset	1,949,307	—	—	1,949,307
Total mutual funds	32,656,608	—	—	32,656,608
Real estate funds	—	—	527,350	527,350
Funds of funds:				
Absolute return, security selection and hedging	—	—	4,155,733	4,155,733
Global equity	—	2,019,386	—	2,019,386
Other	—	—	73,510	73,510
Total funds of funds	—	2,019,386	4,229,243	6,248,629
Total	$ 44,165,205	2,376,847	4,756,593	51,298,645

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 84% during fiscal year 2015, 9% during fiscal year 2016, 5% during fiscal year 2017, and 2% during fiscal year 2018. The investment 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 at June 30, 2014 and 2013.

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	2,373,268	—	—	2,373,268
Time deposits	12,089,103	—	—	12,089,103
Mutual funds:				
Long term equity	17,487,412	—	—	17,487,412
Long term fixed	7,074,967	—	—	7,074,967
International multi-asset	1,750,822	—	—	1,750,822
Total mutual funds	26,313,201	—	—	26,313,201
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

The following table summarizes changes in Level 3 investments measured at fair value on a recurring basis for the periods ended June 30, 2014 and 2013:

	2014	2013
Investments:		
Beginning balance	$ 5,514,235	5,466,588
Total net gains included in:		
Change in net assets	(204,292)	59,950
Sales	(553,350)	(12,303)
Ending balance	$ 4,756,593	5,514,235
Net unrealized gain included in change in net assets for the period relating to Level 3 investments held at June 30	$ 1,566	59,217

There were no significant transfers into/out of Level 1 or Level 2 investments during the years ended June 30, 2014 and 2013. There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2014 and 2013.

(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, 2014 and 2013 totaled $2,784,310 and $2,680,140, 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, 2014 and 2013 and total $1,354,368 and $1,459,214, 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, 2014 and 2013 were $9,252,843 and $9,809,320, respectively. Net decrease of ($556,477) and net increase of $203,020 related to changes in fair values of these trusts for the years ended June 30, 2014 and 2013, 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, 2014 and 2013.

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, 2014 and 2013 were $3,545,831 and $3,237,316. Changes in value of split interest agreements totaled $248,715 and $235,204 for the years ended June 30, 2014 and 2013, respectively and were recorded in temporarily restricted net assets on the accompanying statement of activities.

Fair Value Disclosures

All beneficial interests in trusts were level 3 as of June 30, 2014 and 2013. 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, 2014 and 2013:

		2014	2013
Beneficial interests in trusts:			
Beginning balance	$	13,046,636	12,519,256
Total net gains (losses) included in:			
Change in net assets		(307,762)	438,224
Gift of beneficial interests in trusts		59,800	89,156
Ending balance	$	12,798,674	13,046,636
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	$	(307,762)	438,224

(6) Property, Plant and Equipment

Property, plant, and equipment at June 30, 2014 and 2013 are summarized as follows:

		2014	2013
Land	$	1,146,128	1,146,128
Buildings and improvements		16,247,719	15,969,755
Furniture, fixtures and equipment		20,287,931	13,127,853
Software		8,351,795	8,851,387
Construction in progress		270,359	2,067,475
		46,303,932	41,162,598
Accumulated depreciation		(27,586,729)	(26,528,402)
Total	$	18,717,203	14,634,196

(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, 2014 and 2013:

		2014	2013
Projected and accumulated benefit obligation	$	27,615,011	25,637,094
Benefit obligation		(27,615,011)	(25,637,094)
Fair value of plan assets		21,284,911	19,159,989
Funded status		(6,330,100)	(6,477,105)
Accrued benefit liability	$	6,330,100	6,477,105

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, 2014 and 2013 were $1,734,676 and $1,660,893, respectively.

Expected future benefit payments of the Pension Plan as of June 30, 2014 are as follows:

2015	$	1,760,666
2016		1,720,835
2017		1,752,943
2018		1,764,406
2019		1,735,942
2020–2024		8,555,296

Employer contributions made by ChildFund to the Pension Plan were $1,252,387 and $1,337,489 during the years ended June 30, 2014 and 2013, respectively. The estimated contribution for the year ending June 30, 2015 is $1,415,320. At June 30, 2014 and 2013, the unrecognized net actuarial loss was $10,462,571 and $10,126,751, respectively. Amortization of the unrecognized net actuarial loss for the year ending June 30, 2015 will be $1,045,136.

		2014	2013
Net periodic pension cost:			
Interest cost	$	1,178,773	1,126,535
Expected return on plan assets		(1,368,713)	(1,317,828)
Amortization of net actuarial loss		959,502	1,133,711
Net periodic pension cost	$	769,562	942,418

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, 2014 and 2013 by asset category are as follows:

		2014	2013
Investments:			
Separate accounts:			
Cash and cash equivalents	$	20,119	23,619
Receivable for securities sold		643,482	889,564
Mutual fund – equity		12,948,070	11,423,189
Mutual fund – fixed income		7,673,240	6,823,617
Total	$	21,284,911	19,159,989

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 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, 2014 and 2013 and the target allocation for fiscal year 2015 by asset category are as follows:

	Target allocation	Percentage of plan assets at year end	
	2015	2014	2013
Equity	60.0%	60.8%	60.1%
Fixed income	40.0	39.2	39.9
Total	100.0%	100.0%	100.0%

(Continued)

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 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, 2014:

		Level 1	Level 2	Level 3	Total
Investments:					
Group annuity contract:					
Cash and cash equivalents	$	20,119	—	—	20,119
Receivable for securities sold		—	643,482	—	643,482
Mutual fund – equity		—	12,948,070	—	12,948,070
Mutual fund – fixed income		—	7,673,240	—	7,673,240
Total	$	20,119	21,264,792	—	21,284,911

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:					
Group annuity contract:					
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

(Continued)

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

	2014	2013
Benefit obligation discount rate	4.00%	4.75%
Net periodic pension cost 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 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 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, 2014 and 2013 related to the 403(b) Plan was $1,235,867 and $816,516, respectively.

(8) Debt

At both June 30, 2014 and 2013, ChildFund had a $10,000,000 revolving line of credit. Interest expense was based on daily one month LIBOR + 75 basis points for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, no amounts were outstanding on the line of credit.

On August 9, 2013 ChildFund entered into 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, 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 convenants that must be adhered to by ChildFund.

As of June 30, 2014, $3,700,000 had been advanced on the note. During the year ended June 30, 2014, there were no principal payments. As of June 30, 2014, the outstanding loan balance was $3,700,000.

ChildFund was in compliance with all debt covenants during the year ended June 30, 2014.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 were available for the following purposes:

		2014	2013
Subsidies and gifts for children	$	23,212,982	24,430,662
Appeal funded programs		7,052,034	7,562,746
Time restricted		9,413,258	5,011,856
Local programs and other		1,761,624	1,657,414
Total	$	41,439,898	38,662,678

(10) Permanently Restricted Net Assets

Permanently restricted net assets were $17,638,394 and $17,970,579 at June 30, 2014 and 2013, 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, 2014 and 2013 and are summarized by country in the accompanying table. As of June 30, 2014 and 2013, ChildFund has sponsorship receivables from these autonomous organizations totaling $2,295,283 and $2,277,262, 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, 2014 and 2013 of $1,358,778 and $1,462,460, 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, 2014 and 2013, and are summarized in the accompanying table.

	Sponsorships	Special gifts for children	General contributions	Total 2014	2013
Autonomous organizations:					
Australia	$ 16,127,624	869,068	92,123	17,088,815	19,567,643
Canada	—	—	27,842	27,842	—
Denmark	3,512,782	357,739	1,764	3,872,285	3,866,371
France	1,647,033	90,679	165,240	1,902,952	1,794,306
Germany	5,118,392	280,592	211,099	5,610,083	5,508,384
Ireland	855,452	117,950	74,876	1,048,278	1,013,572
Japan	110,969	—	100,000	210,969	129,115
New Zealand	6,085,036	593,777	285,527	6,964,340	7,445,171
Sweden	5,232,318	818,725	431,833	6,482,876	6,355,071
Korea	3,396,362	83,493	632,578	4,112,433	3,168,430
Taiwan	7,420,594	685,703	14,400	8,120,697	8,478,576
Total autonomous organizations	49,506,562	3,897,726	2,037,282	55,441,570	57,326,639
Consolidated operations:					
Brazil	2,356,721	590,657	136,445	3,083,823	3,422,653
Mexico	1,748,464	32,933	123,628	1,905,025	1,906,405
Thailand	7,062,837	68,434	2,044,501	9,175,772	9,586,027
Other	3,015	—	—	3,015	3,466
Total consolidated operations	11,171,037	692,024	2,304,574	14,167,635	14,918,551
Total international sponsors	$ 60,677,599	4,589,750	4,341,856	69,609,205	72,245,190

(Continued)

(12) Total Public Support

Public support is summarized for the years ended June 30, 2014 and 2013, as follows:

		2014	2013
United States	$	155,355,827	153,669,121
Autonomous organizations, support from sponsors (note 11)		53,404,288	55,997,506
Autonomous organizations, other support		23,321,942	23,592,991
Consolidated operations, support from sponsors (note 11)		11,863,061	11,844,688
Consolidated operations, other support		2,336,412	3,164,861
Total public support	$	246,281,530	248,269,167

(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 consolidated financial statements include or reflect any uncertain tax positions. No provision for income taxes has been recorded for the years ended June 30, 2014 and 2013.

(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 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, 2014:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	812,406	8,385,551	9,197,957
Board-designated endowment funds		4,513,540	—	—	4,513,540
Total endowment net assets	$	4,513,540	812,406	8,385,551	13,711,497

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

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, 2014:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2013	$	3,193,979	792,480	8,161,259	12,147,718
Investment return:					
Investment income		219,252	3,083	—	222,335
Net appreciation		1,197,086	16,843	—	1,213,929
Total investment return		1,416,338	19,926	—	1,436,264
Contributions		—	—	224,292	224,292
Appropriation of endowment assets for expenditure		(96,777)	—	—	(96,777)
Endowment net assets, June 30, 2014	$	4,513,540	812,406	8,385,551	13,711,497

(Continued)

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

(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 $0 and $24,588 as of June 30, 2014 and 2013, 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. 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.

(17) Subsequent Events

ChildFund has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2014 consolidated financial statements through February 4, 2015, the date the consolidated financial statements were issued.