CHILDFUND INTERNATIONAL, USA

Consolidated Financial Statements

June 30, 2015

(With Independent Auditors’ Report Thereon)

CHILDFUND INTERNATIONAL, USA

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KPMG

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, 2015, 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 statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ChildFund as of June 30, 2015, 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 February 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

November 18, 2015

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Financial Position

June 30, 2015
(with comparative financial information as of June 30, 2014)

Assets		**2015**	**2014**
Cash and cash equivalents (note 3)	$	18,701,139	15,630,049
Receivable from affiliates (note 11)		1,845,632	2,295,283
Grants receivable		4,645,272	3,430,682
Accounts receivable and other assets		9,700,998	12,930,910
Investments (notes 4 and 5)		52,092,075	51,298,645
Beneficial interests in trusts (notes 4 and 5)		9,251,106	12,798,674
Property, plant and equipment, net (note 6)		19,949,064	18,717,203
Total assets	$	116,185,286	117,101,446
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses (note 5)	$	18,581,967	16,530,802
Accrued pension benefit liability (note 7)		7,023,267	6,330,100
Debt (note 8)		4,000,000	3,700,000
Total liabilities		29,605,234	26,560,902
Net assets:			
Unrestricted (note 16)		32,558,979	31,462,252
Temporarily restricted (notes 9 and 16)		36,721,856	41,439,898
Permanently restricted (notes 5, 10 and 16)		17,299,217	17,638,394
Total net assets		86,580,052	90,540,544
Contingencies (notes 8 and 15)			
Total liabilities and net assets	$	116,185,286	117,101,446

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Activities

Year ended June 30, 2015
(with summarized financial information for the year ended June 30, 2014)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2015	Total 2014
Public support (note 12):					
Sponsorships (note 11):					
U.S. sponsors	$ —	78,519,240	—	78,519,240	80,142,071
International sponsors	—	56,310,877	—	56,310,877	60,677,599
Special gifts from sponsors for children	—	13,516,271	—	13,516,271	14,679,948
Total sponsorships	—	148,346,388	—	148,346,388	155,499,618
Contributions:					
General contributions (note 5 and 11)	10,601,237	8,675,346	48,576	19,325,159	18,130,719
Major gifts and bequests	3,422,928	—	—	3,422,928	4,597,804
Gifts in kind	17,887,098	16,713,142	—	34,600,240	32,712,124
Total contributions	31,911,263	25,388,488	48,576	57,348,327	55,440,647
Grants:					
Grants and contracts	40,840,551	—	—	40,840,551	35,341,265
Total public support	72,751,814	173,734,876	48,576	246,535,266	246,281,530
Revenue:					
Investment income and currency transactions, net (note 4)	686,092	21,518	—	707,610	453,341
Service fees and other (note 11)	1,643,961	—		1,643,961	1,720,961
Total revenue	2,330,053	21,518	—	2,351,571	2,174,302
Net assets released from restrictions:					
Satisfaction of program and time restrictions	178,428,402	(178,428,402)	—	—	—
Total public support and revenue	253,510,269	(4,672,008)	48,576	248,886,837	248,455,832
Expenses (notes 6, 7 and 8):					
Program:					
Basic education	84,281,868	—	—	84,281,868	77,144,692
Health and sanitation	38,974,187	—	—	38,974,187	39,313,479
Nutrition	17,752,953	—	—	17,752,953	18,141,134
Early childhood development	24,733,801	—	—	24,733,801	32,357,909
Micro enterprise	22,636,836	—	—	22,636,836	22,991,114
Emergencies	23,035,509	—	—	23,035,509	13,097,713
Total program	211,415,154	—	—	211,415,154	203,046,041
Supporting services:					
Fund raising	21,547,935	—	—	21,547,935	22,305,657
Management and general	16,919,082	—	—	16,919,082	17,859,285
Total supporting services	38,467,017	—	—	38,467,017	40,164,942
Total expenses for operations	249,882,171	—	—	249,882,171	243,210,983
Change in net assets from operations	3,628,098	(4,672,008)	48,576	(995,334)	5,244,849
Nonoperating gains (losses):					
Realized gains on investments, net (note 4)	932,689	4,318	—	937,007	1,084,879
Unrealized (losses) gains on investments, net (note 4)	(1,743,642)	(7,881)	—	(1,751,523)	2,885,787
Change in value of trusts (note 5)	—	(42,471)	(387,753)	(430,224)	(307,762)
Change in accrued pension benefit liability other than net periodic costs (note 7)	(1,720,418)	—	—	(1,720,418)	(335,820)
Total nonoperating (losses) gains	(2,531,371)	(46,034)	(387,753)	(2,965,158)	3,327,084
Change in net assets	1,096,727	(4,718,042)	(339,177)	(3,960,492)	8,571,933
Net assets at beginning of year	31,462,252	41,439,898	17,638,394	90,540,544	81,968,611
Net assets at end of year	$ 32,558,979	36,721,856	17,299,217	86,580,052	90,540,544

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Cash Flows

Year ended June 30, 2015
(with comparative financial information for the year ended June 30, 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (3,960,492)	8,571,933
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,111,484	2,525,545
Realized gains on investments	(937,007)	(1,084,879)
Unrealized losses (gains) on investments	1,751,523	(2,885,787)
Proceeds from beneficial interest in trust	3,117,344	—
Gift of beneficial interest in trust	—	(59,800)
Change in gifts in kind not distributed	4,299,895	(6,761,978)
Change in value of trusts	430,224	307,762
Gain on sale of property, plant and equipment	(96,776)	(69,282)
Contributions restricted for long-term investment	(48,576)	(224,292)
Change in accrued pension benefit liability other than net periodic costs	1,720,418	335,820
Changes in operating assets and liabilities:		
Grants receivable	(1,214,590)	(537,631)
Receivable from affiliates	449,651	(18,021)
Accounts receivable and other assets	(1,069,983)	567,876
Accounts payable and accrued expenses	1,148,724	(1,175,178)
Accrued pension benefit liability	(1,027,251)	(482,825)
Net cash provided by (used in) operating activities	7,674,588	(990,737)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,440,904)	(6,641,539)
Proceeds from sales of property, plant and equipment	96,776	102,269
Proceeds from sales of investments	9,446,335	6,861,043
Purchases of investments	(11,054,281)	(5,250,772)
Net cash used in investing activities	(4,952,074)	(4,928,999)
Cash flows from financing activities:		
Proceeds from borrowings of debt	300,000	3,700,000
Payment of line of credit	(23,271,000)	(31,227,000)
Proceeds from borrowings of line of credit	23,271,000	31,227,000
Contributions restricted for long-term investment	48,576	224,292
Net cash provided by financing activities	348,576	3,924,292
Net increase (decrease) in cash and cash equivalents	3,071,090	(1,995,444)
Cash and cash equivalents at beginning of year	15,630,049	17,625,493
Cash and cash equivalents at end of year	$ 18,701,139	15,630,049
Supplemental cash flow information:		
Interest paid	$ 3,638	7,896
Supplemental disclosures of noncash transactions:		
Gift of beneficial interest in trust	$ —	59,800
Gifts in kind	34,600,240	32,712,124
Purchases of property, plant and equipment funded by accounts payable and accrued expenses	902,441	—

See accompanying notes to consolidated financial statements.

CHILDFUND INTERNATIONAL, USA

Consolidated Statement of Functional Expenses

Year ended June 30, 2015
(with summarized financial information for the year ended June 30, 2014)

	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**	**2015**	**2014**
Subsidies for children	$ 51,517,753	13,916,722	6,057,961	12,960,768	10,212,658	4,449,387	99,115,249	—	—	—	99,115,249	104,573,181
Program grants	20,888,081	19,438,536	9,180,881	8,273,447	9,221,575	15,310,357	82,312,877	—	—	—	82,312,877	66,188,789
Supplies	119,048	56,326	25,202	35,081	32,104	32,837	300,598	77,875	280,313	358,188	658,786	748,306
Occupancy	560,635	265,254	118,684	165,206	151,186	154,640	1,415,605	160,944	216,321	377,265	1,792,870	1,835,877
Professional services	127,484	60,317	26,988	37,566	34,378	35,164	321,897	23,290	341,683	364,973	686,870	830,924
Contract services	750,966	355,306	158,977	221,292	202,513	207,139	1,896,193	3,158,130	2,678,408	5,836,538	7,732,731	6,024,948
Travel	500,311	236,713	105,914	147,430	134,919	138,001	1,263,288	346,813	237,497	584,310	1,847,598	2,379,990
Conferences and meetings	283,920	134,332	60,105	83,665	76,565	78,314	716,901	59,233	191,884	251,117	968,018	931,267
Automobile and truck expense	145,279	68,736	30,755	42,810	39,177	40,072	366,829	25,404	—	25,404	392,233	439,217
Advertising and public education	21,836	10,331	4,623	6,434	5,888	6,023	55,135	11,885,855	444,339	12,330,194	12,385,329	14,326,842
Equipment purchases and rentals	156,235	73,920	33,074	46,039	42,132	43,094	394,494	61,836	190,611	252,447	646,941	697,730
Telephone and cables	171,215	81,007	36,246	50,453	46,171	47,226	432,318	70,117	195,082	265,199	697,517	820,817
Postage and freight	62,948	29,783	13,326	18,549	16,975	17,363	158,944	866,014	687,372	1,553,386	1,712,330	1,621,642
Publication and printing costs	—	—	—	—	—	—	—	—	13,856	13,856	13,856	174,973
Staff training	68,665	32,488	14,536	20,234	18,517	18,940	173,380	6,964	28,016	34,980	208,360	251,439
Miscellaneous expenses	96,077	45,457	20,339	28,312	25,909	26,501	242,595	473,301	2,094,484	2,567,785	2,810,380	2,757,065
Total expenses before personnel costs and other expenses	75,470,453	34,805,228	15,887,611	22,137,286	20,260,667	20,605,058	189,166,303	17,215,776	7,599,866	24,815,642	213,981,945	204,603,007
Personnel costs	7,932,821	3,753,268	1,679,347	2,337,614	2,139,239	2,188,109	20,030,398	4,132,557	8,622,149	12,754,706	32,785,104	36,074,535
Depreciation and interest	878,594	415,691	185,995	258,901	236,930	242,342	2,218,453	199,602	697,067	896,669	3,115,122	2,533,441
Total expenses from operations	$ 84,281,868	38,974,187	17,752,953	24,733,801	22,636,836	23,035,509	211,415,154	21,547,935	16,919,082	38,467,017	249,882,171	243,210,983

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 approximately 550,000 enrolled children in ChildFund's programs. Of these children, approximately 480,000 are sponsored children who are supported through monthly contributions.

Most of the sponsorships – more than 240,000 – 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

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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, accrued 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.

ChildFund elected to early adopt ASU 2015-07 *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* during the year ended June 30, 2015 and has applied the amendments retrospectively to June 30, 2014. As a result, those investments whose fair value is measured at net asset value (or its equivalent) using the practical expedient are not categorized within the fair value hierarchy.

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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 alternative investments, 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.

(f) Accounts Receivable and Other Assets

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

(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 3 to 10 years for data processing). 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 $12,504,600 and $14,528,000 of gifts-in-kind shoes during the years ended June 30, 2015 and 2014, respectively. Approximately $3,721,000 and $5,867,400 of gifts-in-kind shoes yet to be distributed was included in accounts receivable and other assets at June 30, 2015 and 2014, respectively. ChildFund received approximately $17,840,900 and $13,731,000 of in-kind media and broadcast time in the form of public service announcements during the years ended June 30, 2015 and 2014, 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

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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, 2014, 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 $5,061,000 and $4,965,000 as of June 30, 2015 and 2014, respectively.

(4) Investments and Investment Return

Investments, at fair value, as of June 30, 2015 and 2014 are summarized as follows:

		2015	2014
Corporate and other obligations	$	331,544	357,461
Exchange traded funds		3,109,739	1,268,755
Time deposits		12,164,516	10,239,842
Mutual funds		29,915,184	32,656,608
Real estate funds		541,415	527,350
Funds of funds		6,029,677	6,248,629
Total	$	52,092,075	51,298,645

Investment return is summarized for the years ended June 30, 2015 and 2014, as follows:

		2015	2014
Interest and dividends	$	1,340,007	951,254
Currency transaction losses, net		(517,236)	(409,104)
Investment expense		(115,161)	(88,809)
Total investment income and currency transactions, net		707,610	453,341
Realized gain on investments, net		937,007	1,084,879
Unrealized (losses) gains on investments, net		(1,751,523)	2,885,787
Total investment return, net	$	(106,906)	4,424,007

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The following table presents ChildFund's fair value hierarchy for assets measured at fair value as of June 30, 2015:

		Total	Level 1	Level 2	Level 3
Investments:					
Corporate and other obligations	$	331,544	—	331,544	—
Exchange traded funds		3,109,739	3,109,739	—	—
Time deposits		12,164,516	12,164,516	—	—
Mutual funds:					
Long term equity		20,200,035	20,200,035	—	—
Long term fixed		8,570,855	8,570,855	—	—
International multi-asset		1,144,294	1,144,294	—	—
Investments measured at net asset value*		6,571,092	—	—	—
Total investments		52,092,075	45,189,439	331,544	—
Beneficial interest in trusts		9,251,106	—	—	9,251,106
Total assets	$	61,343,181	45,189,439	331,544	9,251,106

*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarch to the amounts presented in the statement of financial position.

The following table summarizes information about the attributes of alternative investments by major category as of June 30, 2015 and 2014:

		2015 Fair Value	2014 Fair Value	Redemption Frequency	Redemption Notice Period
Alternative investments:					
Real estate	$	541,415	527,350	N/A	N/A
Absolute return, security selection, and hedging		4,388,655	4,155,733	Quarterly	100 days
Global equity		1,567,512	2,019,386	Monthly	30 days
Other		73,510	73,510	N/A	N/A
Total alternative investments	$	6,571,092	6,775,979		

There were no material capital commitments to investment managers that have not been funded by ChildFund at June 30, 2015 and 2014.

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

		Total	Level 1	Level 2	Level 3
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	—	—
Investments measured at net asset value*		6,775,979	—	—	—
Total investments		51,298,645	44,165,205	357,461	—
Beneficial interests in trusts		12,798,674	—	—	12,798,674
Total assets	$	64,097,319	44,165,205	357,461	12,798,674

*Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarch to the amounts presented in the statement of financial position.

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, 2015 and 2014:

		2015	2014
Beginning balance	$	12,798,674	13,046,636
Gifts of beneficial interest in trusts		—	59,800
Proceeds from beneficial interests in trusts		(3,117,344)	—
Change in value of beneficial in trusts		(430,224)	(307,762)
Ending balance	$	9,251,106	12,798,674

There were no significant transfers into/out of Level 1 or Level 2 investments during the years ended June 30, 2015 and 2014. There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2015 and 2014.

(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, 2015 and 2014 totaled $2,475,029 and $2,784,310, 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 7.2% as of June 30, 2015 and 1.2% to 7.6% as of June 30, 2014. The liability amounts are included in accounts payable and accrued expenses on the consolidated statement of financial position as of June 30, 2015 and 2014 and total $1,289,723 and $1,354,368, 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, 2015 and 2014 were $8,865,090 and $9,252,843, respectively. Net decrease of $387,753 and $556,477 related to changes in fair values of these trusts for the years ended June 30, 2015 and 2014, 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, 2015 and 2014.

(c) Charitable Remainder Trusts

ChildFund is the beneficiary of approximately 8 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, 2015 and 2014 were $386,016 and $3,545,831. Changes in value of split interest agreements totaled net decrease of $42,471 and net increase $248,715 for the years ended June 30, 2015 and 2014, respectively and were recorded in temporarily restricted net assets on the accompanying statement of activities. One charitable remainder trust terminated during the year ended June 30, 2015 and ChildFund received $3,117,344 in cash.

(6) Property, Plant and Equipment

Property, plant, and equipment at June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Land	$ 1,146,128	1,146,128
Buildings and improvements	16,461,862	16,247,719
Data processing	19,514,647	19,300,089
Furniture, fixtures and equipment	9,994,412	9,339,637
Construction in progress	3,206,729	270,359
	50,323,778	46,303,932
Accumulated depreciation	(30,374,714)	(27,586,729)
Total	$ 19,949,064	18,717,203

(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. The RP-2014 Mortality Table was used for the year ended June 30, 2015 and the 1994 Group Annuity Static Mortality Table was used for the year ended June 30, 2014.

	2015	2014
Projected and accumulated benefit obligation	$ 28,682,041	27,615,011
Benefit obligation	(28,682,041)	(27,615,011)
Fair value of plan assets	21,658,774	21,284,911
Funded status	(7,023,267)	(6,330,100)
Accrued benefit liability	$ 7,023,267	6,330,100

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, 2015 and 2014 were $1,786,882 and $1,734,676, respectively.

Expected future benefit payments of the Pension Plan as of June 30, 2015 are as follows:

2016	$ 1,835,179
2017	1,837,776
2018	1,842,248
2019	1,839,078
2020	1,821,554
2021–2025	8,937,945

Employer contributions made by ChildFund to the Pension Plan were $1,625,214 and $1,252,387 during the years ended June 30, 2015 and 2014, respectively. The estimated contribution for the year ending June 30, 2016 is $1,398,273. At June 30, 2015 and 2014, the unrecognized net actuarial loss was $12,182,989 and $10,462,571, respectively. Amortization of the unrecognized net actuarial loss for the year ending June 30, 2016 will be $1,039,900.

	2015	2014
Net periodic pension cost:		
Interest cost	$ 1,069,732	1,178,773
Expected return on plan assets	(1,516,905)	(1,368,713)
Amortization of net actuarial loss	1,045,136	959,502
Net periodic pension cost	$ 597,963	769,562

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, 2015 and 2014 by asset category are as follows:

	2015	2014
Investments:		
Separate accounts:		
Cash and cash equivalents	$ 18,768	20,119
Receivable for securities sold	853,672	643,482
Mutual funds – equity	13,270,402	12,948,070
Mutual funds – fixed income	7,515,932	7,673,240
Total	$ 21,658,774	21,284,911

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

	Target allocation	**Percentage of plan assets at year end**	
	2015	**2015**	**2014**
Equity	60.0%	60.9%	60.8%
Fixed income	40.0	39.1	39.2
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 9.50% over the long-term, while fixed income is expected to return 3.25%.

The following table presents ChildFund's fair value hierarchy for the Pension Plan assets measured at fair value as of June 30, 2015:

		Level 1	Level 2	Level 3	Total
Investments:					
Group annuity contract:					
Cash and cash equivalents	$	18,768	—	—	18,768
Receivable for securities sold		—	853,672	—	853,672
Mutual funds – equity		—	13,270,402	—	13,270,402
Mutual funds – fixed income		—	7,515,932	—	7,515,932
Total	$	18,768	21,640,006	—	21,658,774

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 funds – equity		—	12,948,070	—	12,948,070
Mutual funds – fixed income		—	7,673,240	—	7,673,240
Total	$	20,119	21,264,792	—	21,284,911

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

	2015	2014
Benefit obligation discount rate	4.00%	4.00%
Net periodic pension cost discount rate	4.00	4.75
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, 2015 and 2014 related to the 403(b) Plan was $841,146 and $1,235,867, respectively.

(8) Debt

At both June 30, 2015 and 2014, ChildFund had a $10,000,000 revolving line of credit. Interest expense was based on daily one month LIBOR + 95 basis points at June 30, 2015 and daily one month LIBOR +75 basis points at June 30, 2014. The line of credit payable is due and payable on February 27, 2016 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 27, 2016. At both June 30, 2015 and 2014, 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. ChildFund was in compliance with all debt covenants during the years ended June 30, 2015 and 2014. As of June 30, 2015 and 2014, the outstanding loan balance was $4,000,000 and $3,700,000, respectively.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 were available for the following purposes:

		2015	2014
Subsidies and gifts for children	$	23,155,249	23,212,982
Appeal funded programs		6,096,857	7,052,034
Gifts in kind not distributed		4,602,031	5,867,426
Time restricted		386,016	3,545,832
Local programs and other		2,481,703	1,761,624
Total	$	36,721,856	41,439,898

(10) Permanently Restricted Net Assets

Permanently restricted net assets were $17,299,217 and $17,638,394 at June 30, 2015 and 2014, 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 statements of activities for the years ended June 30, 2015 and 2014 and are summarized by country in the accompanying table. As of June 30, 2015 and 2014, ChildFund has sponsorship receivables from these autonomous organizations totaling $1,845,632 and $2,295,283, 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, 2015 and 2014 of $1,248,225 and $1,358,778, 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, 2015 and 2014, and are summarized in the accompanying table.

	Sponsorships	Special gifts for children	General contributions	Total 2015	2014
Autonomous organizations:					
Australia	$ 14,203,776	736,969	263,166	15,203,911	17,088,815
Canada	—	—	—	—	27,842
Denmark	2,919,246	295,431	—	3,214,677	3,872,285
France	1,626,981	77,019	121,146	1,825,146	1,902,952
Germany	4,373,279	243,789	416,700	5,033,768	5,610,083
Ireland	689,768	111,713	57,241	858,722	1,048,278
Japan	97,517	—	29,985	127,502	210,969
Korea	3,494,409	58,917	381,991	3,935,317	4,112,433
New Zealand	5,280,104	531,871	160,705	5,972,680	6,964,340
Sweden	4,438,263	687,034	465,834	5,591,131	6,482,876
Taiwan	6,832,231	616,323	—	7,448,554	8,120,697
Total autonomous organizations	43,955,574	3,359,066	1,896,768	49,211,408	55,441,570
Consolidated operations:					
Brazil	2,027,485	494,892	141,779	2,664,156	3,083,823
Mexico	1,421,751	30,424	154,917	1,607,092	1,905,025
Thailand	8,903,093	151,499	2,421,311	11,475,903	9,175,772
Other	2,984	—	—	2,984	3,015
Total consolidated operations	12,355,313	676,815	2,718,007	15,750,135	14,167,635
Total international sponsors	$ 56,310,887	4,035,881	4,614,775	64,961,543	69,609,205

(12) Total Public Support

Public support is summarized for the years ended June 30, 2015 and 2014, as follows:

	2015	2014
United States	$ 156,793,340	155,355,827
Autonomous organizations, support from sponsors (note 11)	47,314,640	53,404,288
Autonomous organizations, other support	26,656,049	23,321,942
Consolidated operations, support from sponsors (note 11)	13,032,128	11,863,061
Consolidated operations, other support	2,739,109	2,336,412
Total public support	$ 246,535,266	246,281,530

(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, 2015 and 2014.

(14) Related Party Transactions

In April 2002, ChildFund Alliance was established for charitable purposes to promote the well-being of children and their families. The Board of Directors of ChildFund Alliance consists of a significant percentage of ChildFund Board and staff; however, ChildFund does not have an economic or controlling interest in ChildFund Alliance; accordingly, ChildFund Alliance is not consolidated in ChildFund's consolidated financial statements.

(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

(Continued)

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, 2015:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	782,501	8,434,127	9,216,628
Board-designated endowment funds		3,686,220	—	—	3,686,220
Total endowment net assets	$	3,686,220	782,501	8,434,127	12,902,848

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

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, 2015:

		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, June 30, 2014	$	4,513,540	812,406	8,385,551	13,711,497
Investment return:					
Investment income		228,925	3,217	—	232,142
Net depreciation		(253,550)	(3,563)	—	(257,113)
Total investment return		(24,625)	(346)	—	(24,971)
Contributions		—	—	48,576	48,576
Appropriation of endowment assets for expenditure		(817,827)	(14,427)	—	(832,254)
Net assets released from restrictions		15,132	(15,132)	—	—
Endowment net assets, June 30, 2015	$	3,686,220	782,501	8,434,127	12,902,848

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)

(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. At both June 30, 2015 and 2014 there were no deficiencies of this nature.

(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. Investment gains and yields are used to provide the child with food, education, basic healthcare and other assistance.

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

(Continued)

(17) Subsequent Events

ChildFund has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2015 consolidated financial statements through November 18, 2015, the date the consolidated financial statements were issued.