UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Financial Statements and Supplemental Schedules

June 30, 2014
(with summarized comparative information for fiscal 2013)

(With Independent Auditors' Report Thereon)

UNITED STATES FUND FOR UNICEF AND AFFILIATES

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Boards of Directors
United States Fund for UNICEF and Affiliates:

We have audited the accompanying consolidated financial statements of the United States Fund for UNICEF and Affiliates, 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 Consolidated 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 the United States Fund for UNICEF and Affiliates as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the 2013 consolidated financial statements of the United States Fund for UNICEF and Affiliate, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated October 15, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 17, 2014

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Financial Position

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

Assets		2014	2013
Cash and cash equivalents	$	65,399,775	36,438,291
Investments (note 2)		44,493,316	42,486,165
Contributions receivable (note 3)		116,317,206	46,095,013
Prepaid expenses and other assets		1,269,165	1,276,846
Investments held for split-interest agreements (note 4)		7,765,176	7,024,188
Deferred bond acquisition costs		941,233	978,882
Property and equipment, net (note 6)		36,778,205	37,693,858
Total assets	$	272,964,076	171,993,243
Liabilities and Net Assets			
Liabilities:			
Grants payable (note 5)	$	49,022,646	29,898,001
Accrued expenses and other liabilities		7,541,627	8,371,096
Liabilities under split-interest agreements (note 4)		3,489,603	3,871,244
Loans payable (note 7)		26,850,000	10,750,000
Bonds payable (note 7)		40,050,000	40,815,000
Total liabilities		126,953,876	93,705,341
Net assets:			
Unrestricted		47,595,626	29,614,247
Temporarily restricted (note 10)		96,777,245	47,049,326
Permanently restricted (note 11)		1,637,329	1,624,329
Total net assets		146,010,200	78,287,902
Total liabilities and net assets	$	272,964,076	171,993,243

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Activities

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

		2014				2013
	Unrestricted	Temporarily restricted	Permanently restricted	Total		Total
Public support and revenue:						
Public support:						
Contributions:						
Corporate	$ 15,456,204	5,154,042	—	20,610,246		15,063,959
Major gifts	23,668,729	4,166,264	—	27,834,993		22,609,267
Foundations	103,274,597	47,912,823	—	151,187,420		107,364,848
Nongovernmental organizations (NGO)	68,163,056	20,904,249	—	89,067,305		10,425,343
Direct marketing	44,983,966	—	—	44,983,966		32,488,076
Trick-or-treat program	2,749,536	—	—	2,749,536		2,096,851
Internet	21,572,983	5,883	—	21,578,866		17,733,677
Other	3,106,825	2,517	—	3,109,342		7,161,535
Gifts-in-kind	212,111,614	—	—	212,111,614		360,980,827
Special events income, net of expenses of $2,346,373 in 2014 and $1,434,549 in 2013)	5,618,802	32,500	—	5,651,302		4,472,601
Bequests and legacies	20,150,173	142,563	13,000	20,305,736		6,249,549
Total public support	520,856,485	78,320,841	13,000	599,190,326		586,646,533
Revenue:						
Greeting cards revenue	3,471,827	—	—	3,471,827		3,472,318
Investment return (note 2)	4,047,158	—	—	4,047,158		2,680,199
Change in value of split-interest agreements	116,719	43,505	—	160,224		(206,983)
Total revenue	7,635,704	43,505	—	7,679,209		5,945,534
Net assets released from restrictions	28,636,427	(28,636,427)	—	—		—
Total public support, revenue, and net assets released from restrictions	557,128,616	49,727,919	13,000	606,869,535		592,592,067
Expenses:						
Program services:						
Grants to UNICEF and other nongovernmental organizations (NGOs) (note 5)	474,626,933	—	—	474,626,933		517,600,879
Public information, education, and program services	10,903,715	—	—	10,903,715		8,588,110
Advocacy	961,921	—	—	961,921		892,409
Total program services	486,492,569	—	—	486,492,569		527,081,398
Supporting services:						
Management and general	14,571,585	—	—	14,571,585		14,418,483
Fund-raising expenses	38,083,083	—	—	38,083,083		36,630,320
Total supporting services	52,654,668	—	—	52,654,668		51,048,803
Total expenses	539,147,237	—	—	539,147,237		578,130,201
Increase in net assets	17,981,379	49,727,919	13,000	67,722,298		14,461,866
Net assets:						
Beginning of year	29,614,247	47,049,326	1,624,329	78,287,902		63,826,036
End of year	$ 47,595,626	96,777,245	1,637,329	146,010,200		78,287,902

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Cash Flows

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

		2014	2013
Cash flows from operating activities:			
Increase in net assets	$	67,722,298	14,461,866
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		1,897,594	1,842,609
Net appreciation in fair value of investments		(2,615,866)	(1,186,421)
Change in value of split-interest agreements		(351,388)	(2,402)
Permanently restricted contributions		(13,000)	(25,000)
Changes in operating assets and liabilities:			
Contributions receivable		(70,222,193)	(9,695,322)
Prepaid expenses and other assets		7,681	96,167
Grants payable		19,124,645	(1,014,204)
Accrued expenses and other liabilities		(829,469)	2,186,755
Net cash provided by operating activities		14,720,302	6,664,048
Cash flows from investing activities:			
Purchases of property and equipment		(944,292)	(1,128,951)
Proceeds from sales of investments		8,465,329	6,021,461
Purchases of investments		(8,544,045)	(13,357,445)
Net cash used in investing activities		(1,023,008)	(8,464,935)
Cash flows from financing activities:			
Proceeds from permanently restricted contributions		13,000	25,000
Proceeds from contributions under split-interest agreements		384,270	447,780
Payments under split-interest agreements		(468,080)	(478,933)
Payment of bonds payable		(765,000)	(725,000)
Proceeds from loans payable		16,100,000	5,125,000
Net cash provided by financing activities		15,264,190	4,393,847
Net increase in cash and cash equivalents		28,961,484	2,592,960
Cash and cash equivalents:			
Beginning of year		36,438,291	33,845,331
End of year	$	65,399,775	36,438,291
Cash paid for interest	$	2,130,839	2,176,791
Noncash operating activity:			
Gifts-in-kind revenue/expenses	$	212,111,614	360,980,827

See accompanying notes to consolidated financial statements.

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidated Statement of Functional Expenses

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

	Program services				Supporting services			Totals	
	Grants to UNICEF and other NGOs	**Public information**	**Advocacy**	**Total**	**Management and general**	**Fund-raising**	**Total**	**2014**	**2013**
Grants to UNICEF and other NGOs	$ 474,626,933	—	—	474,626,933	—	—	—	474,626,933	517,600,879
Salaries, payroll taxes, and employee benefits	—	4,343,742	642,809	4,986,551	8,459,774	11,144,946	19,604,720	24,591,271	24,788,993
Outside printing and telemarketing	—	524,687	1,097	525,784	194,072	6,596,812	6,790,884	7,316,668	8,269,365
Postage and shipping	—	22,643	200	22,843	36,521	5,127,578	5,164,099	5,186,942	5,825,653
Mailing list rental	—	—	—	—	—	156,826	156,826	156,826	438,548
Consulting and other fees	—	3,337,983	126,723	3,464,706	762,143	9,848,293	10,610,436	14,075,142	9,730,400
Telephone	—	38,468	1,732	40,200	67,793	73,282	141,075	181,275	252,624
Occupancy	—	41,518	83,056	124,574	75,130	407,386	482,516	607,090	550,924
Conferences, conventions, meetings and travel	—	1,086,260	16,775	1,103,035	536,920	1,197,066	1,733,986	2,837,021	2,061,126
Equipment, repairs, and supplies	—	182,821	5,617	188,438	895,176	444,499	1,339,675	1,528,113	1,447,652
Legal and accounting	—	1,502	—	1,502	424,091	57,336	481,427	482,929	459,017
Insurance	—	63,452	—	63,452	114,821	108,064	222,885	286,337	274,570
Depreciation and amortization	—	286,793	28,647	315,440	497,232	1,084,922	1,582,154	1,897,594	1,842,609
Interest	—	845,194	—	845,194	863,306	812,498	1,675,804	2,520,998	2,414,531
Miscellaneous	—	128,652	55,265	183,917	1,644,606	1,023,575	2,668,181	2,852,098	2,173,310
Total expenses, year ended June 30, 2014	$ 474,626,933	10,903,715	961,921	486,492,569	14,571,585	38,083,083	52,654,668	539,147,237	578,130,201
Total expenses, year ended June 30, 2013	$ 517,600,879	8,588,110	892,409	527,081,398	14,418,483	36,630,320	51,048,803	—	578,130,201

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the United States Fund for UNICEF (Fund) and its supporting organizations, United States Fund for UNICEF In-Kind Assistance Corporation (USF-IKAC) and Bridge Fund Grant Assistance Corporation (BF-GAC); collectively (USF). The Fund is the sole voting member of USF-IKAC and BF-GAC and elects their boards of directors. There were no transactions for BF-GAC in 2014 and 2013.

(b) Nature of Activities

The Fund is a not-for-profit organization, chartered by the State of New York, organized to support programs through fund-raising, education, and advocacy activities, providing lifesaving medicine, better nutrition, clean water and sanitation, quality basic education, and emergency relief to children, families, and communities in more than 150 countries and territories. As a partner in the global commitment to build a world fit for children, the Fund is working to create a world that is free from poverty, disease, violence, exploitation, and discrimination.

USF-IKAC is a not-for-profit organization, chartered by the State of New York, organized to support the Fund by facilitating the contribution and distribution of in-kind donations to advance the health, education, and welfare of children throughout the world.

BF-GAC is a not-for-profit organization, chartered by the State of New York, to receive contributions and other financial support and give grants to international charitable organizations to be used by such organizations to benefit children throughout the world.

USF-IKAC and BF-GAC operate exclusively for the benefit of and to perform specific functions of the Fund for charitable and educational purposes.

(c) Financial Statement Presentation

The consolidated financial statements include certain prior year summarized comparative information, which does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be viewed in conjunction with USF's consolidated financial statements for the year ended June 30, 2013 from which the summarized information was derived.

USF prepares its consolidated financial statements on the accrual basis in accordance with GAAP. Net assets of USF and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of USF and/or by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by USF, but permit USF to expend all or part of the income derived therefrom. This income is available to support operations.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, except for those restrictions met in the same year as received, which are reported as unrestricted revenues ($426 million in fiscal 2014), are reported as net assets released from restrictions. The $426 million represents $212 million of gifts-in-kind and $214 million in cash contributions.

(d) Cash and Cash Equivalents

USF considers highly liquid investments with original maturities of three months or less to be cash equivalents, except for such investments purchased by USF's investment managers as part of their long term investment strategies. Financial instruments that potentially subject USF to concentrations of credit risk consist principally of cash, certificates of deposit, and commercial paper. Cash and cash equivalents in excess of insurable limits aggregated approximately $64.4 million and $36 million at June 30, 2014 and 2013, respectively.

(e) Investments, Including Investments Held for Split-Interest Agreements

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon values provided by USF's external investment managers or upon quoted market prices. Investments in limited partnerships are reflected at estimated fair values, which, as a practical expedient, are the net asset values as reported by the general partners. The estimated fair value may differ from the values that would have been reported had a ready market for these securities existed. USF reviews and evaluates the values provided by the general partners and agrees with the valuation methods and assumptions used in determining the estimated fair value of the limited partnerships.

Realized and unrealized gains on investments generated by permanently restricted net assets are available for unrestricted use and are recorded as unrestricted revenue.

Investment income is recorded when earned. Realized and unrealized gains and losses are determined on the basis of specific identification.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Because of the level of risk associated with certain investments, it is at least reasonably possible that changes in their values will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

(f) Property and Equipment, Net

Property and equipment are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements, over the lesser of the remaining terms of the leases or the estimated useful lives of the improvements.

Useful lives used in the calculation of depreciation by major category of assets are as follows:

Office condominium	39 years
Computer equipment and internal use software	3–5 years
Furniture and fixtures	5–7 years
Office equipment	3–5 years

(g) Revenue Recognition

Contributions through direct mail and other campaigns are recorded as public support when received.

Gifts-in-kind are recorded as public support at their estimated fair value on the date of receipt. Gifts-in-kind received by USF-IKAC are in the form of contributed medical supplies from pharmaceutical companies and other supplies from various companies. For donated gifts-in-kind, certain donors provide fair values for their donations while other donors provide no such fair value amount. USF performs a review and evaluation of gift-in-kind fair values by using methods that include reviewing observable market data and independently quoted prices for that particular pharmaceutical product or a similar pharmaceutical product. When fair value is provided by the donor, USF incorporates this value in the fair value measurement evaluation process. USF does not sell donated gifts-in-kind. The inputs used to measure the fair value of gifts-in-kind are considered Level 3 within the fair value hierarchy (note 1(l)).

Additionally, a substantial number of volunteers have donated their time to support the USF's fund-raising and other activities. The value of these contributed services is not included in the consolidated financial statements since they do not meet the criteria for financial statement recognition established under GAAP.

(h) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting service areas that were benefited.

(i) Deferred Bond Acquisition Costs

Costs incurred to obtain long-term debt are deferred and amortized over the life of the debt.

(j) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated 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 revenues and expenses during the reporting period. Significant estimates made in the preparation of the consolidated financial statements include net realizable value of contributions receivable, fair value of gifts-in-kind and functional expense allocations. Actual results could differ from those estimates.

(k) Income Tax Status

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and is classified as a publicly supported organization as defined in Section 509(a)(1) of the IRC. USF-IKAC and BF-GAC are also exempt from federal income taxes under Section 501(c)(3) of the IRC, and are classified as publicly supported organizations as defined in Section 509(a)(3) of the IRC. The Fund, USF-IKAC, and the BF-GAC are also exempt from state and local income taxes and qualify for the maximum charitable contribution deduction by donors.

USF recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes has been made as USF has not reported any taxable unrelated business income and any unrelated business income is offset by associated expenditures. USF evaluates, on an annual basis, the effects of any uncertain tax positions on its consolidated financial statements. As of June 30, 2014 and 2013, USF has not identified or provided for any such positions.

(l) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Fair value inputs are categorized within a fair value hierarchy as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs observable or corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of USF's interest therein, its classification in Level 2 or Level 3 is based on USF's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of hedge funds and other investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each of the hedge fund's underlying assets and liabilities.

The carrying values of USF's grants payable and accrued expenses and other liabilities approximated their fair values at June 30, 2014 and 2013 because of the terms and relatively short maturities of these financial instruments. These estimated values, however, involve unobservable inputs and are considered to be Level 3 in the fair value hierarchy. The fair value of investments, contributions receivable and bonds payable is discussed in notes 1(e), 3 and 7, respectively.

(m) Reclassifications

Certain reclassifications of 2013 amounts have been made to conform to the 2014 presentation.

(2) Investments

The classification of investments by level in the fair value hierarchy as of June 30, 2014 and 2013 is as follows:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 11,573,760	—	—	11,573,760
Corporate fixed income	—	20,376,654	—	20,376,654
Equity securities:				
U.S. equity	6,492,094	—	—	6,492,094
Non-U.S. equity	2,830,612	—	—	2,830,612
Hedge funds	—	1,224,542	1,224,542	2,449,084
Other investment	—	771,112	—	771,112
	$ 20,896,466	22,372,308	1,224,542	44,493,316

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 13,748,807	—	—	13,748,807
Corporate fixed income	—	16,967,527	—	16,967,527
Equity securities:				
U.S. equity	6,430,286	—	—	6,430,286
Non-U.S. equity	2,321,565	—	—	2,321,565
Hedge funds	—	1,124,300	1,124,300	2,248,600
Other investment	—	769,380	—	769,380
	$ 22,500,658	18,861,207	1,124,300	42,486,165

The following table presents USF’s activities for the year ended June 30, 2014 and 2013 for the above assets classified in Level 3:

Balance at June 30, 2013	$ 1,124,300
Net appreciation	100,242
Balance at June 30, 2014	$ 1,224,542

Balance at June 30, 2012	$ 1,124,300
Redemptions	(11,597)
Net depreciation	(33,826)
Balance at June 30, 2013	$ 1,078,877

Return on investments for the years ended June 30, 2014 and 2013 consists of the following:

	2014	**2013**
Dividends and interest, net of fees	$ 1,431,292	1,493,778
Appreciation in fair value	2,615,866	1,186,421
Total investment return	$ 4,047,158	2,680,199

At June 30, 2014 and 2013, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance, and requires a 91-day notice period. A third investment is a fund which may be redeemed bimonthly and requires a 6-day notice period.

(Continued)

(3) Contributions Receivable

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

Contributions receivable at June 30, 2014 and 2013 consist of unconditional promises to give, due as follows:

		2014	2013
Less than one year	$	111,529,009	30,278,119
One to five years		7,029,424	16,906,103
		118,558,433	47,184,222
Less:			
Discount to present value (rates ranging from 0.95% to 5.11%)		(162,550)	(321,370)
Allowance for uncollectible pledges		(2,078,677)	(767,839)
Net contributions receivable	$	116,317,206	46,095,013

Included in gross contributions receivable at June 30, 2014 is approximately $106 million due from five donors. Gift-in-kind revenue is primarily received from two donors. Included in contribution revenue is approximately $162 million from two foundations and a nongovernmental organization.

(4) Investments Held for Split-Interest Agreements

Split-interest agreements for which USF is a trustee, and consist principally of charitable gift annuities (CGA), related assets of which total $7,391,901 and $6,682,546 at June 30, 2014 and 2013, respectively. Such designated assets exceed the legally mandated reserve. The classification of investments held for split-interest agreements by their level in the fair value hierarchy as of June 30, 2014 and 2013 is as follows:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 491,505	—	—	491,505
Corporate fixed income	—	3,705,029	—	3,705,029
Other fixed income				—
Equity securities:				
U.S. equity	1,720,232	—	—	1,720,232
Non-U.S. equity	843,480	—	—	843,480
Hedge funds	—	488,721	488,721	977,442
Other Investment	—	27,488	—	27,488
	$ 3,055,217	4,221,238	488,721	7,765,176

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 342,231	—	—	342,231
Corporate fixed income	—	3,063,454	—	3,063,454
Other fixed income	—	—	—	—
Equity securities:				
U.S. equity	2,057,742	—	—	2,057,742
Non-U.S. equity	682,375	—	—	682,375
Hedge funds	—	439,193	439,193	878,386
	$ 3,082,348	3,502,647	439,193	7,024,188

The following table presents USF's activities for the year ended June 30, 2014 for the above assets classified in Level 3:

Balance at June 30, 2013	$ 439,193
Net appreciation	49,528
Balance at June 30, 2014	$ 488,721

At June 30, 2014 and 2013, there were two hedge funds. Each may be redeemed quarterly, up to 25% of the balance, and requires a 91-day notice period.

Changes in fair value of these split-interest agreements are reflected in USF's consolidated statement of activities. On an annual basis, the Fund values the liability to the designated beneficiaries based upon actuarial assumptions. The present value of the estimated future payments of $3,489,603 and $3,871,244 at June 30, 2014 and 2013, respectively, is calculated using the Internal Revenue Service discount rate and applicable mortality tables.

(5) Grants

The boards of directors of USF authorized grants to UNICEF-assisted projects and various nonprofit organizations from funds and in-kind gifts received by USF during the years ended June 30, 2014 and 2013. Such grants are to be used by UNICEF and nonprofit organizations solely for those assistance projects approved by the boards of directors to provide life-saving medicine, better nutrition, clean water and sanitation, quality basic education, and emergency relief to children, families, women, and communities in more than 150 countries and territories.

As of June 30, 2014 and 2013, grants payable to UNICEF and NGOs were calculated as follows:

		2014	2013
Grants payable to UNICEF and NGOs – beginning of year	$	29,898,001	30,912,205
Add:			
Gifts-in-kind (including $881,232 of 2014 purchases by USF)		212,992,846	360,980,827
Greeting cards revenue and support		3,550,417	3,389,951
Grants to UNICEF		252,876,428	148,386,822
Grants to NGOs		5,207,242	4,843,279
Total additions		474,626,933	517,600,879
Less:			
Cash paid to UNICEF		236,607,295	152,554,965
Gifts-in-kind		212,992,846	360,980,827
Cash paid to NGOs		5,902,147	5,079,291
Total deductions		455,502,288	518,615,083
Grants payable to UNICEF and NGOs – end of year	$	49,022,646	29,898,001

(6) Property and Equipment, Net

Property and equipment at June 30, 2014 and 2013 consisted of the following:

		2014	2013
Office condominium	$	41,665,013	41,565,862
Computer equipment and internal use software		5,442,346	4,956,571
Leasehold improvements		307,126	307,126
Furniture and fixtures		2,745,726	2,386,360
Office equipment		418,588	418,588
		50,578,799	49,634,507
Less accumulated depreciation and amortization		(13,800,594)	(11,940,649)
	$	36,778,205	37,693,858

(7) Long-Term Debt

(a) Bonds Payable

On June 14, 2007, a private placement of New York City Industrial Development Agency issued Civic Facility Revenue Bonds (Bonds) totaling $43,510,000 consisting of two series: Series 2007A (Series A) in the amount of $7,910,000, fixed interest rate 5.05% and Series 2007B (Series B) in the amount of $35,600,000, fixed interest rate 5.30%. Proceeds of the Bonds, net of issuance costs of $1,204,778, were used by USF to acquire an Office Condominium (the Facility) and to pay for related interior space construction costs, to purchase furniture and fixtures, and to pay related costs as well as closing costs of the bond issuance (collectively, the Project). The Bonds are not secured by any mortgage lien or security interest in the Facility or any property of USF. The Bonds also have a financial covenant in which USF guarantees to maintain minimum net assets at $10,000,000.

Series A Bonds require principal payments through November 1, 2018. Series B Bonds require principal payments beginning November 1, 2019 and through November 1, 2038.

The fair value of USF's bonds, approximately $43 million and $37 million at June 30, 2014 and 2013, respectively, is estimated based on the discounted future cash payments using a current market interest rate. The fair value can be based on significant observable inputs that fall within Level 2 of the fair value hierarchy.

The maturities of the bonds payable subsequent to June 30, 2014 are as follows:

		Amount
Fiscal year ending:		
2015	$	805,000
2016		845,000
2017		885,000
2018		935,000
2019		980,000
Thereafter		35,600,000
Total	$	40,050,000

Interest expense on bonds payable for the years ended June 30, 2014 and 2013 was $2,152,883 and $2,178,638, respectively.

(b) Loans Payable

On December 31, 2011, The USF-IKAC entered into a loan agreement with various philanthropic investors for use with the Revolving Guarantee Bridge Fund (RGBF) program. RGBF is an innovative tool that secures better pricing, faster delivery, and a consistent flow of essential goods for children in the developing world by distributing critical, flexible capital to overcome traditional funding obstacles when purchasing urgently needed supplies that save children's lives. RGBF funds its program activities and grants by obtaining net worth grants and similar contributions, below market loans, and program-related investments from financial institutions, foundations, and other lenders. The RGBF provides UNICEF's Supply Division with access to U.S. mission investment funding to bridge procurement costs until regular, slower payments become available.

The loan payable balance of $26,850,000 represents various loans from corporate and individual lenders with interest rates ranging from 0% to 2.75% per annum. The loan payable balances range from three (3) to five (5) years from the date of the loan agreement. Interest expense on loans payable for the years ended June 30, 2014 and 2013 was $368,115 and $235,893, respectively.

(8) Commitments and Contingencies

(a) Leases

The Fund is obligated under noncancelable operating lease agreements for the rental of offices and warehouse space expiring through 2016. Such leases generally contain provisions for increased rentals based upon increases in real estate taxes and operating expenses. Total rent expense was $607,090 and $550,924 for the years ended June 30, 2014 and 2013, respectively. In accordance with GAAP, rent expense is recognized on a straight-line basis over the term of the lease. The excess of rent expense accrued on a straight-line basis over rental payments is reported as accrued expenses and other liabilities on the consolidated statement of financial position.

Future minimum lease payments are as follows:

Fiscal year ending:		
2015	$	486,664
2016		491,793
2017		463,803
2018		384,373
2019		312,859
Thereafter		932,331
Total	$	3,071,823

(b) Guarantee

In December 2012, USF provided a letter of guarantee to UNICEF over the 2013–2016 time frame to support a Long Term Agreement (LTA) for procurement of Oral Polio Vaccine (OPV) by UNICEF from a particular supplier, which will enable UNICEF to save approximately $10 million over the life of the LTA. USF has agreed to guarantee up to $16.915 million in specified amounts per calendar year and will be liable for such amounts if UNICEF fails to procure the yearly Planned Purchase, as defined. As of January 27, 2014, the amount of the guarantee has now been reduced to $12.015 million. The annual guarantee amount is segregated into calendar year tranches amounting to $4.76 million for 2014, $3.92 million for 2015, and $3.335 million for 2016.

There are various remedies to reduce any potential guarantee amounts, which can be retroactively applied. For calendar year 2014, based upon year to date purchases, UNICEF expects to purchase the required amounts, and accordingly, no liability has been recorded in the 2014 consolidated statement of financial position.

(9) Retirement Plan

The Fund has a defined contribution retirement plan, under IRC Section 403 (b), which is offered to all of its qualified employees. Employees can contribute a portion of their salary to the plan up to the maximum permitted under the IRC. The Fund will match employee contributions up to 4% of an employee’s salary (up to 6% of base compensation prior to July 8, 2013). The employee must complete one year and 1,000 hours of service and must be at least 21 years of age. In addition, the Fund makes a nonmatching contribution of 5% of salary to eligible employees. The Fund’s matching and nonmatching contributions totaled $1,204,459 and $1,452,000 for the years ended June 30, 2014 and 2013, respectively.

The Fund has a deferred compensation plan under IRC Section 457 (b) in which selected management employees can contribute additional salary up to the maximum permitted by the IRC. The Fund does not match these contributions.

(Continued)

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

		2014	2013
Advocacy	$	304,223	—
Child protection		2,929,439	3,764,075
Child survival		81,965,363	31,172,992
Education		2,578,342	5,702,423
Emergencies		2,931,148	805,855
HIV/Aids		16,278	460,236
Other NGO's		586,117	1,129,699
Underwriting		2,931,352	1,863,912
Others		2,354,945	2,013,601
Value of split interest		180,038	136,533
Total	$	96,777,245	47,049,326

(11) Endowment

USF's endowment consists of 18 individual donor-restricted funds. Net assets associated with these permanent endowments are classified and reported based on the existence or absence of donor-imposed restrictions. USF has no board-designated endowment funds.

USF operates in accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA). In accordance with the accounting guidance associated with the adoption of NYPMIFA, 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 USF in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The 2013 fair value of assets associated with individual donor-restricted endowment funds fell below the Fund's historic dollar value, and such deficiencies are reported in unrestricted net assets. These deficiencies were recovered in 2014.

The following table summarizes USF's endowment by net asset class and changes therein for the years ended June 30, 2014 and 2013:

Description		Unrestricted	Permanently restricted	Total
Net assets at June 30, 2012	$	(250,365)	1,599,329	1,348,964
Investment return		125,468	—	125,468
Contributions		—	25,000	25,000
Net assets at June 30, 2013		(124,897)	1,624,329	1,499,432
Investment return		168,146	—	168,146
Contributions		—	13,000	13,000
Net assets at June 30, 2014	$	43,249	1,637,329	1,680,578

(12) Subsequent Events

USF considers events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. With respect to the 2014 consolidated financial statements, subsequent events have been evaluated from June 30, 2014 through October 17, 2014, the date such consolidated statements were approved for issuance, and determined that no additional disclosures are required.

Schedule 1

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidating Schedule of Financial Position

June 30, 2014

Assets	United States Fund for UNICEF	USF-IKAC Gifts-in-Kind	Bridge Fund	Subtotal	Total	Intercompany eliminations	Consolidated total
Cash and cash equivalents	$ 65,296,686	—	103,089	103,089	65,399,775	—	65,399,775
Investments	29,757,350	—	14,735,966	14,735,966	44,493,316	—	44,493,316
Contributions receivable	116,317,206	—	—	—	116,317,206	—	116,317,206
Prepaid expenses and other assets	1,269,165	—	—	—	1,269,165	—	1,269,165
Due from affiliate	—	106,165	20,562,316	20,668,481	20,668,481	(20,668,481)	—
Investments held for split-interest agreements	7,765,176	—	—	—	7,765,176	—	7,765,176
Deferred bond acquisition costs	941,233	—	—	—	941,233	—	941,233
Property and equipment, net	36,778,205	—	—	—	36,778,205	—	36,778,205
Total assets	$ 258,125,021	106,165	35,401,371	35,507,536	293,632,557	(20,668,481)	272,964,076
Liabilities and Net Assets							
Liabilities:							
Grants payable	$ 49,022,646	—	—	—	49,022,646	—	49,022,646
Accrued expenses and other liabilities	7,306,397	—	235,230	235,230	7,541,627	—	7,541,627
Liabilities under split-interest agreements	3,489,603	—	—	—	3,489,603	—	3,489,603
Due to affiliate	20,668,481	—	—	—	20,668,481	(20,668,481)	—
Loans payable	—	—	26,850,000	26,850,000	26,850,000	—	26,850,000
Bonds payable	40,050,000	—	—	—	40,050,000	—	40,050,000
Total liabilities	120,537,127	—	27,085,230	27,085,230	147,622,357	(20,668,481)	126,953,876
Net assets:							
Unrestricted	39,173,320	106,165	8,316,141	8,422,306	47,595,626	—	47,595,626
Temporarily restricted	96,777,245	—	—	—	96,777,245	—	96,777,245
Permanently restricted	1,637,329	—	—	—	1,637,329	—	1,637,329
Total net assets	137,587,894	106,165	8,316,141	8,422,306	146,010,200	—	146,010,200
Total liabilities and net assets	$ 258,125,021	106,165	35,401,371	35,507,536	293,632,557	(20,668,481)	272,964,076

See accompanying independent auditors' report.

Schedule 2

UNITED STATES FUND FOR UNICEF AND AFFILIATES

Consolidating Schedule of Activities

Year ended June 30, 2014

	United States Fund for UNICEF	USF-IKAC Gifts-in-Kind	Bridge Fund	Subtotal	Total	Intercompany eliminations	Consolidated total
Public support and revenue:							
Public support:							
Contributions:							
Corporate	$ 20,610,246	—	—	—	20,610,246	—	20,610,246
Major gilts	27,834,993	—	—	—	27,834,993	—	27,834,993
Foundations	151,187,420	—	—	—	151,187,420	—	151,187,420
Nongovernment organizations (NGO)	89,067,305	—	—	—	89,067,305	—	89,067,305
Direct marketing	44,983,966	—	—	—	44,983,966	—	44,983,966
Trick-or-treat program	2,749,536	—	—	—	2,749,536	—	2,749,536
Internet	21,578,866	—	—	—	21,578,866	—	21,578,866
Other	2,109,342	238,700	26,153,143	26,391,843	28,501,185	(25,391,843)	3,109,342
Gifts-in-kind	83,240,874	128,870,740	—	128,870,740	212,111,614	—	212,111,614
Special events income	5,651,302	—	—	—	5,651,302	—	5,651,302
Bequests and legacies	20,305,736	—	—	—	20,305,736	—	20,305,736
Total public support	469,319,586	129,109,440	26,153,143	155,262,583	624,582,169	(25,391,843)	599,190,326
Revenue:							
Greeting cards revenue (net)	3,471,827	—	—	—	3,471,827	—	3,471,827
Investment return	3,710,266	—	336,892	336,892	4,047,158	—	4,047,158
Change in value of split-interest agreements	160,224	—	—	—	160,224	—	160,224
Total revenue	7,342,317	—	336,892	336,892	7,679,209	—	7,679,209
Total public support and revenue	476,661,903	129,109,440	26,490,035	155,599,475	632,261,378	(25,391,843)	606,869,535
Expenses:							
Program services:							
Grants to UNICEF and other NGOs	324,044,850	128,870,740	21,711,343	150,582,083	474,626,933	—	474,626,933
Grant to affiliate	25,391,843	—	—	—	25,391,843	(25,391,843)	—
Public information, education, and program services	10,439,600	—	464,115	464,115	10,903,715	—	10,903,715
Advocacy	961,921	—	—	—	961,921	—	961,921
Total program services	360,838,214	128,870,740	22,175,458	151,046,198	511,884,412	(25,391,843)	486,492,569
Supporting services:							
Management and general	14,497,085	21,700	52,800	74,500	14,571,585	—	14,571,585
Fund-raising expenses	37,819,083	217,000	47,000	264,000	38,083,083	—	38,083,083
Total supporting services	52,316,168	238,700	99,800	338,500	52,654,668	—	52,654,668
Total expenses	413,154,382	129,109,440	22,275,258	151,384,698	564,539,080	(25,391,843)	539,147,237
Increase in net assets	63,507,521	—	4,214,777	4,214,777	67,722,298	—	67,722,298
Net assets:							
Beginning of year	74,080,373	106,165	4,101,364	4,207,529	78,287,902	—	78,287,902
End of year	$ 137,587,894	106,165	8,316,141	8,422,306	146,010,200	—	146,010,200

See accompanying independent auditors' report.