KPMG

SAVE THE CHILDREN FEDERATION, INC. AND RELATED ENTITIES

Consolidated Financial Statements

December 31, 2021
(With summarized comparative financial information as of and
for the year ended December 31, 2020)

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Trustees
Save the Children Federation, Inc.:

Opinion

We have audited the consolidated financial statements of Save the Children Federation, Inc. and related entities (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Save the Children Federation, Inc. and related entities as of December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited Save the Children Federation Inc. and related entities' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

New York, New York
June 1, 2022

SAVE THE CHILDREN FEDERATION, INC. AND RELATED ENTITIES

Consolidated Statement of Financial Position

December 31, 2021
(with comparative financial information as of December 31, 2020)

(In thousands)

Assets		**2021**	**2020**
Cash and cash equivalents (note 14)	$	79,026	54,342
Grants and contracts receivable (notes 2(b), 2(c), and 14)		77,309	60,181
Contributions receivable, net (note 6)		24,806	34,146
Inventory		8,160	4,890
Due from Save the Children International, net (notes 2(f))		29,217	33,419
Prepaid expenses and other assets		2,222	2,088
Investments (notes 3 and 4)		219,676	206,750
Assets of pooled income fund and charitable gift annuities (notes 2(e) and 4)		3,792	3,247
Property, plant and equipment, net (note 7)		5,420	6,957
Beneficial interests in perpetual trusts held by third parties (note 4)		17,333	15,946
Total assets	$	466,961	421,966
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	52,511	32,711
Deferred revenue (notes 2(b), 2(c), and 14)		47,975	56,134
Postretirement benefits other than pensions (note 10)		4,269	5,656
Total liabilities		104,755	94,501
Commitments and contingencies (notes 3, 8, 9, 10, 12, 13, and 14)			
Net assets:			
Without donor restrictions:			
Undesignated		36,197	15,202
Board-designated operating reserve (note 2(c))		11,041	14,537
Board-designated endowment (notes 5 and 16)		129,211	121,357
Investment in property, plant, and equipment (note 7)		4,946	6,957
Total net assets without donor restrictions		181,395	158,053
With donor restrictions:			
Purpose restricted (notes 5 and 11)		118,884	110,533
Donor-restricted endowment corpus (notes 5, 11, and 16)		44,594	42,933
Beneficial interests in perpetual trusts held by third parties (notes 4 and 11)		17,333	15,946
Total net assets with donor restrictions		180,811	169,412
Total net assets		362,206	327,465
Total liabilities and net assets	$	466,961	421,966

See accompanying notes to consolidated financial statements.

SAVE THE CHILDREN FEDERATION, INC. AND RELATED ENTITIES

Consolidated Statement of Activities

Year ended December 31, 2021
(with summarized comparative financial information for the year ended December 31, 2020)

(In thousands)

		2021			2020
		Without donor restrictions	**With donor restrictions**	**Total**	**Total**
Operating revenue:					
Contributions of cash and other financial assets	$	252,941	65,867	318,808	311,689
Contributions of non-financial assets (note 2(d))		4,418	58,399	62,817	76,652
U.S. government grants and contracts (note 14)		419,008	—	419,008	344,780
Child sponsorships		—	73,169	73,169	70,977
Commodities and freight (notes 2(d) and 14)		64,480	—	64,480	54,081
Fee for service contracts		992	—	992	944
Bequests (note 2(c))		6,309	570	6,879	13,109
Net investment return appropriated for operations (notes 3 and 5)		5,637	1,655	7,292	6,778
Other		454	145	599	458
		754,239	199,805	954,044	879,468
Net assets released from restrictions		194,489	(194,489)	—	—
Total operating revenue		948,728	5,316	954,044	879,468
Operating expenses:					
Program services:					
Program activities (note 15)		182,587	—	182,587	181,002
Program activities – Save the Children International (note 15)		561,913	—	561,913	451,466
Program development and public policy support		48,556	—	48,556	78,859
Total program services		793,056	—	793,056	711,327
Supporting services:					
Management and general		28,236	—	28,236	29,888
Management and general – Save the Children International		22,462	—	22,462	20,646
Fund-raising		89,963	—	89,963	77,976
Total supporting services		140,661	—	140,661	128,510
Total operating expenses		933,717	—	933,717	839,837
Excess of operating revenue over expenses before net transfers		15,011	5,316	20,327	39,631
Net transfers to (from) operating revenue (note 2(c))		3,496	—	3,496	(7,996)
Excess of operating revenue over expenses		18,507	5,316	23,823	31,635
Nonoperating activities:					
Net investment return in excess of appropriated for operations		7,690	3,355	11,045	17,395
Foreign currency exchange and derivative instruments gain (loss)		449	—	449	(685)
Endowment contributions and transfers		(781)	1,315	534	2,846
Transfers, net (note 2(c))		(3,496)	—	(3,496)	7,996
Contributions and changes in value of split-interest agreements		530	1,413	1,943	1,086
Post-retirement changes other than net periodic benefit costs (note 10)		1,123	—	1,123	—
Other		(680)	—	(680)	(425)
Total nonoperating activities		4,835	6,083	10,918	28,213
Increase in net assets		23,342	11,399	34,741	59,848
Net assets at beginning of year		158,053	169,412	327,465	267,617
Net assets at end of year	$	181,395	180,811	362,206	327,465

See accompanying notes to consolidated financial statements.

SAVE THE CHILDREN FEDERATION, INC. AND RELATED ENTITIES

Consolidated Statement of Functional Expenses

Year ended December 31, 2021
(with summarized comparative financial information for the year ended December 31, 2020)

(In thousands)

	Program services			Supporting services				
	Program activities (note 16)	**Program development and public policy support**	**Total program services**	**Management and general**	**Fundraising**	**Total supporting services**	**2021 Total**	**2020 Total**
Salaries	$ 45,543	23,124	68,667	15,901	19,845	35,746	104,413	99,101
Employee fringe benefits (notes 9 and 10)	14,555	6,582	21,137	5,605	5,569	11,174	32,311	27,909
Total salaries and related expenses	60,098	29,706	89,804	21,506	25,414	46,920	136,724	127,010
Grants to and charges from SCI	561,913	—	561,913	22,462	—	22,462	584,375	472,112
Grants to other agencies	79,524	381	79,905	1	125	126	80,031	96,066
Commodities and freight	13,446	—	13,446	—	—	—	13,446	9,288
Supplies, materials, etc.	9,994	372	10,366	670	1,500	2,170	12,536	13,187
Travel	1,306	109	1,415	8	143	151	1,566	1,856
Professional fees	7,669	3,471	11,140	3,353	7,947	11,300	22,440	19,598
Advertising (note 2(d))	307	10,899	11,206	—	40,730	40,730	51,936	71,548
Occupancy (note 12)	4,866	2,631	7,497	903	993	1,896	9,393	9,205
Printing	213	11	224	62	4,272	4,334	4,558	4,828
Telecommunications	719	295	1,014	139	2,707	2,846	3,860	3,179
Postage and shipping	533	25	558	31	2,530	2,561	3,119	3,479
Depreciation and amortization	1,354	65	1,419	455	671	1,126	2,545	2,806
Other	2,558	591	3,149	1,108	2,931	4,039	7,188	5,675
Total expenses	$ 744,500	48,556	793,056	50,698	89,963	140,661	933,717	839,837

See accompanying notes to consolidated financial statements.

SAVE THE CHILDREN FEDERATION, INC. AND RELATED ENTITIES

Consolidated Statement of Cash Flows

Year ended December 31, 2021
(with comparative financial information for the year ended December 31, 2020)

(In thousands)

		2021	2020
Cash flows from operating activities:			
Increase in net assets	$	34,741	59,848
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		2,545	2,806
Loss on disposal of building and equipment		—	126
Change in gifts-in-kind and other inventory		(3,270)	(1,362)
Net appreciation in fair value of investments		(17,926)	(24,282)
Contributions restricted for long-term investment		(534)	(2,846)
Change in beneficial interests in perpetual trusts held by third Parties		(1,387)	(992)
Changes in operating assets and liabilities:			
Grants and contracts receivable		(17,128)	201
Contributions receivable		8,492	(10,576)
Due from Save the Children International, net		4,202	(13,112)
Prepaid expenses and other assets		(158)	4,716
Accounts payable and accrued liabilities		19,350	4,810
Deferred revenue		(8,159)	18,326
Postretirement benefits other than pensions		(1,387)	430
Net cash provided by operating activities		19,381	38,093
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(534)	(1,026)
Purchases of investments		(97,063)	(92,046)
Proceeds from sale of investments		102,063	63,038
Net cash provided by (used in) investing activities		4,466	(30,034)
Cash flows from financing activities:			
Contributions received for long-term investment		1,382	7,511
Distribution of split interest agreements, net		(545)	(374)
Net cash provided by financing activities		837	7,137
Net increase in cash and cash equivalents		24,684	15,196
Cash and cash equivalents at beginning of year		54,342	39,146
Cash and cash equivalents at end of year	$	79,026	54,342
Supplemental cash flow information:			
Donated non-financial assets	$	62,817	76,652
Commodities		64,480	54,081
Acquisition of land partially financed by trade payable		474	—

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

Save the Children Federation, Inc. (SCUS) was established in 1932 and operates as a voluntary, nonsectarian, nonprofit organization in the United States of America and throughout the world providing services for children and community self-help assistance.

SCUS is a member of Save the Children Association (SCA), a Swiss membership organization. SCA currently has 29 independent, autonomous, nonprofit, private voluntary membership organizations that bear the name Save the Children or a related designation (the Members). SCA created Save the Children International (SCI), a United Kingdom based charitable entity, of which SCA is the sole member, and therefore, SCI is a wholly owned subsidiary of SCA.

In 2011, SCUS, in concert with the 29 other independent Members, entered into a series of agreements to create a single global program delivery platform through SCI. Under these agreements, SCUS works with other Members through the SCI platform to deliver nondomestic programs to benefit children. SCUS continues to design programs, coordinate with donors, and provide technical assistance to ensure program quality, monitoring, and reporting. The costs of implementing programs through the SCI structure are covered by program funds raised by SCUS (and other Members) and the allocation of administrative expenses among the Members.

In addition to the program delivery platform and cost-sharing, SCUS and other Members agreed to transfer certain in-country program assets to SCI to facilitate the delivery of programs overseas. SCUS started to transition country offices in 2011. As of December 31, 2021, one country office had not yet transitioned to SCI. SCUS is continuing to work towards transitioning this office to SCI and currently is operating under a pre-transition agreement.

SCUS Head Start Programs, Inc. (Head Start) began operations in 2012 as a voluntary, nonsectarian, nonprofit organization in the United States of America delivering early childhood development programming. SCUS is the sole member of Head Start, and accordingly, Head Start is a consolidated related entity.

Save the Children Action Network, Inc. (SCAN) was established in March 2014 as a nonprofit organization organized and operated exclusively for purposes related to the social welfare of children. SCUS is the sole member of SCAN, and accordingly, SCAN is a consolidated related entity.

Community Development Aquaventures Pte. Ltd. (CDA) and SCF Social Ventures Pte. Ltd. (SCF) were incorporated in September 2020 as exempt private companies limited by shares. In March 2021, PT Solusi Masyarakat Mandiri (PT SMM) was incorporated as an LLC with ownership shares from CDA and SCF. SCUS is the sole member of CDA and SCF, and accordingly, CDA, SCF, and PT SMM are consolidated related entities.

(Continued)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The consolidated financial statements include the accounts of SCUS, Head Start, SCAN, CDA, SCF and PT SMM (collectively, the Organization) and have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). All significant intercompany account balances and transactions have been eliminated in consolidation.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization’s net assets and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. As reflected in the accompanying consolidated financial statements and by resolution of the Organization’s Board of Trustees, for 2021, unrestricted bequest revenue received in excess of current year budget is transferred to the operating reserve, whereas in 2020, the excess of unrestricted bequest revenue over $4,500 was transferred.
- With donor restrictions – Net assets that are subject to donor-imposed restrictions. These include net assets that are subject to time or purpose restrictions and donor restricted endowments. Assets with time or purpose restrictions are satisfied either by the passage of time or by actions of the Organization. Donor restricted endowments must be maintained permanently by the Organization and only the income may be used as specified by the donor. Donor restricted endowments consist primarily of the historical dollar value of contributions to donor-restricted endowment funds.

Revenue is reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. If an expense is incurred for a purpose for which net assets with donor restrictions are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as release from restrictions in the consolidated statement of activities. The organization adopts the simultaneous release option for donor-restricted conditional grants that are recognized and used within the same reporting period, and thus are reported as net assets without donor restrictions.

Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or by law.

(b) United States Government Grants and Contracts

The Organization receives funding under grants and contracts from the government of the United States of America (U.S.) for direct and indirect program costs and to provide certain whole or partial sub-grants to other agencies. This funding is subject to U.S. government restrictions, which must be met through incurring qualifying expenses for particular programs. Revenue from U.S. government grants and contracts is recognized when funds are utilized by the Organization to carry out the activity, accomplish the milestones/objectives, or meet performance obligations stipulated in the grant or contract agreement.

(Amounts in thousands)

		2021	2020
U.S. government grants and contracts receivable, net	$	62,413	53,577
U.S. government deferred revenue		2,253	4,174
U.S. government obligated conditional contributions (2022-2026)		432,203	375,866
U.S. government obligated conditional grants by SCUS to subrecipients (2022-2026)		336,101	240,883

Fees related to U.S. government contracts are recognized as earned. Fees earned are reported on the consolidated statement of activities as other income.

(c) Contributions, Private Grants, and Other Public Sources

The Organization receives funding under grants and contributions from United Nations agencies and other public and private grantors, for direct and indirect program costs and to provide certain whole or partial subgrants to other agencies. This funding may be subject to donor restrictions, which must be met through incurring qualifying expenses for particular programs.

		2021	2020
Non-U.S. government grants and contracts receivable, net	$	14,896	6,604
Non-U.S. government deferred revenue		45,722	51,960
Non-U.S. government obligated conditional contributions (2022-2026)		250,526	247,650
Non-U.S. government obligated conditional grants by SCUS to subrecipients (2022-2026)		200,488	161,414

Public and private grants or contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred asset or a right of release of the promisor’s obligation to the transferred assets. Conditional contributions received with donor-imposed barriers are recognized as revenue when the barriers have been met. Amounts received in advance of satisfying the donor-imposed barriers are reported as deferred revenue until the barriers are met.

Unconditional contributions are recognized as revenue at fair value when received or pledged. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting anticipated future cash receipts at a risk-adjusted rate for the duration of the donor’s payment plan. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions is estimated based upon prior year collection history and analysis of past-due amounts. Time or purpose restrictions on the use of contributions are satisfied by passage of time or use of funds, and released from restriction, accordingly.

Bequest income is recorded when the will has gone through probate, is declared legally valid, and the interests that the Organization has in a decedent's estate are reasonably estimated and assured to be received. For 2021, the Board of Trustees has determined by resolution that bequest income without donor restrictions is included in operating revenue up to the current year board approved budget for bequest revenue, rather than over $4,500 in 2020 and prior. In the event there is an excess of unrestricted bequests, this will first make up any operating revenue shortfall, and the remainder will be reclassified to board-designated operating reserves under nonoperating activities. The amounts classified as board-designated funds shall address key strategic purposes as determined by the management team. In 2021 and 2020, respectively, the Organization has transferred the excess bequest of $0 and $7,996 to the board-designated operating reserve, and released $3,496 and $0 for operations from the reserve.

(d) Gifts-in-Kind, Donated Services, and Commodities

The Organization receives various forms of gift-in-kind (GIK) including media, food and non-food items such as books and household goods, in-kind services, pharmaceuticals and medical supplies, and cryptocurrency. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated GIK are not sold and goods are only distributed for program use. Cryptocurrency is held only until sold by a third party crypto donation platform.

(Amounts in thousands)

Non-financial contributions category	Type of contributions for beneficiaries	Valuation		2021	2020
Media	Digital, broadcast, and public service announcements	Third-party estimates using billing rates in like circumstances	$	29,037	54,431
Food and non-food items	Food, books, hygiene products, and household goods	U.S. wholesale prices of identical or similar products		27,289	21,095
In-kind services	Professional services such as human resources consulting and legal pro bono services	Standard industry pricing for similar services		1,088	635
Pharmaceuticals	Pharmaceuticals and medical supplies	Based on where distributed, the International Drug Price Indicator is used for wholesale prices where the GIK are distributed		—	130
Cryptocurrency	Digital currency	Converted to cash by third party processor		5,403	361
Total			$	62,817	76,652

A substantial number of individuals have volunteered significant amounts of their time to program and supporting functions; however, these services do not meet the criteria for recognition in accordance with U.S. generally accepted accounting principles and, therefore, are not recorded in the accompanying consolidated financial statements.

Donated commodities under awards are reported at fair value and recognized as revenue and expense when the commodities are distributed for program purposes and received by the recipients. During the years ended December 31, 2021 and 2020, the Organization was granted, under awards, certain agricultural commodities for famine relief and food aid, medical commodities for health programming, and other nonfood items. The commodities and related freight, where applicable, are detailed below:

(Amounts in thousands)

	Commodity type		**2021**	**2020**
World Food Programme	Agricultural	$	27,037	31,883
The Global Fund	Pharmaceutical		9,070	5,960
Various private vendors from USDA	Agricultural		13,446	9,288
Catholic Relief Services from USAID	Agricultural		792	649
United States Department of Agriculture	Agricultural		10,076	3,077
USAID	Agricultural		3,712	1,638
USAID	Pharmaceutical		—	1,350
Other private vendors	Other nonfood		347	236
		$	64,480	54,081

Food commodities supplied to the Organization through U.S. government programs managed by U.S. Agency for International Development (USAID) or U.S. Department of Agriculture (USDA) are valued according to commercial prices paid as stated on the purchase order and ocean bill of lading. USAID/USDA food commodities are procured by the Farm Service Agency, the procurement arm of USDA that purchases all food commodities on behalf of international nongovernmental organizations (NGOs) and the World Food Program (WFP), on the U.S. commercial market using funds granted to the Organization.

Other WFP contracts procure commodities through the conduct of its own competitive tender solicitations in various countries around the world. The value of those commodities is the amount WFP pays to its commercial vendors. The freight portion of the WFP commodity value is the amount WFP pays to carriers who are contracted through the solicitation of competitive offers.

(e) Split-Interest Agreements

Split-interest agreements consist of charitable gift annuities, charitable remainder unitrusts, charitable lead annuity trusts, pooled income funds, and perpetual trusts. Such split-interest agreements provide for payments to the donors, their beneficiaries based upon either the income earned on related investments, or the specified annuity amounts. Assets held under these arrangements are reported at fair value in the accompanying consolidated statement of financial position. Contribution revenue is recognized at the date of the trust or the annuity contract are established, and liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the life expectancy of the donor or beneficiary, amortization of the discount, and other changes in the estimate of future payments and recognized as a nonoperating activity. The related liability split-interest agreements is included in accounts payable and accrued liabilities in the accompanying consolidated statement of financial position.

Investments of charitable gift annuities held by Save the Children Federation, Inc. as of December 2021 and 2020, respectively, are $3,792 and $3,247. The related liability is included in accounts payable and accrued liabilities in the accompanying consolidated statement of financial position in the amount of $1,422 and $1,536 for 2021 and 2020, respectively.

(f) Functional Expenses

The Organization allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are reported, accordingly. Other expenses that are common to several functions are allocated by various statistical bases, which attribute the cost to functional categories. Statistical bases utilized include but are not limited to, square footage occupied by business units and estimated time and effort supporting other functions.

The Organization conducts activities related to fundraising that have elements of other functions, such as program services (advocacy), for which the fundraising expenses are allocated (joint costs). For 2021, the total expense included in the allocation is $39,369 and $62,483 for 2021 and 2020, respectively. Of the totals, $12,620 and $42,729 is allocated to program services and $26,749 and $19,754 are allocated to supporting services, in 2021 and 2020, respectively. These costs include GIK for media and broadcast time, salaries for staff dependent on the nature of work, and campaigns, which are reviewed for intent of messaging, and nature of support.

Other expenses represents the aggregate of various other program service costs (community labor expense and cash transfer programs) and items not individually classified in the accompanying consolidated statement of functional expenses due to their varying nature and amount from year to year (includes items such as event expense, reference materials, bad debt, and membership fees).

Program activities include costs of the Organization associated with the delivery of programs relating to emergencies, education, health and nutrition, hunger, livelihoods, HIV/AIDS, child protection, and child rights governance. Program activities – SCI includes these activities implemented through SCI. Program development and public policy support relate to the development and technical support of programs and the advocacy efforts in support of the children. Management and general – SCI represents the Organization’s payment of SCI’s management and general expense.

Due from SCI, net includes the amounts advanced by the Organization for program operations and working capital to achieve programmatic objectives.

(g) Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are integral to its program services and supporting services. The measure of operations for the years ended December 31, 2021 and 2020 includes investment return appropriated for operations and excludes investment returns in excess of or less than the amount appropriated for operations, transfers to board-designated, bequests excess as mentioned in note 2(c), increases or decreases in donor-restricted endowment funds, foreign currency exchange and derivative instruments gains/losses, contributions and changes in value of split-interest agreements, post-retirement changes other than net periodic benefit cost, and other nonrecurring transactions.

(h) Foreign Currency Translation and Derivative Instruments

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars, the reporting currency at exchange rates in effect at the consolidated statement of financial position date, and revenue and expenses are translated at rates, which approximate those in effect on transaction dates. Net transaction and translation gains and losses are included as foreign currency exchange gain or loss in the accompanying consolidated statement of activities.

The Organization transacts derivative instruments, specifically foreign currency forward contracts, primarily to maintain a predictable level of funding for certain sponsorship operations. Nonoperating gain (loss) on foreign currency forward contracts as of December 31, 2021 and 2020 is $901 and ($831), respectively.

(i) Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less, other than those held as part of the investment portfolio, to be cash equivalents.

(j) Investments

Investments with readily determinable fair values are reported at fair value based upon quoted market prices or published net asset values for alternative investments with characteristics similar to a mutual fund. Other alternative investments (nontraditional, not readily marketable vehicles), such as certain hedge funds, private equity, private company preferred stock shares, alternative hedged strategies, and real assets are reported at net asset value, as a practical expedient for estimated fair value, as provided by the investment managers of the respective funds. These values are reviewed and evaluated by the Organization’s management for reasonableness. The reported values may differ from the values that would have been reported had a ready market for these investments existed. All other investments are stated at fair value based upon quoted market prices in active markets.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the consolidated statement of activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

(k) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires the

(Continued)

(Amounts in thousands)

Organization to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. 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 a reporting entity has the ability to access at the measurement date or published net asset value for alternative investments with characteristics similar to a mutual fund.
- 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.

The level in the fair value hierarchy within which a fair value measurement falls, in its entirety, is based on the lowest level input that is significant to the fair value measurement.

(l) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost if purchased or fair value on date of contribution. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the respective assets. Capitalizable costs incurred in connection with ongoing capital projects are recorded as systems and construction in progress. These costs will be reclassified into categories and depreciated once placed in service.

The estimated useful lives by asset class are as follows:

	Years
Buildings	25–50
Buildings improvements	10
Vehicles	5
Furniture and office equipment	5
Software and computer equipment	3–5

(m) Tax Status

The Internal Revenue Service has ruled that, pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code), SCUS and Head Start are exempt from federal income taxes and are publicly supported organizations, as defined in Section 509(a)(1) of the Code. Effective March 11, 2014, the Internal Revenue Service determined that SCAN is exempt from federal income tax under Section 501(c)(4) of the Code. As not-for-profit organizations, SCUS, Head Start, and SCAN are also exempt from state and local income taxes. CDA and SCF were incorporated in Singapore in September 2020 as exempt private companies limited by shares. PT SMM was incorporated in Indonesia in 2021 as an LLC.

The Organization follows the guidance of Accounting Standards Codification Topic 740, *Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization believes it has taken no significant uncertain tax positions.

(n) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimate made in the preparation of the consolidated financial statements includes the fair value of GIK. Actual results could differ from those estimates.

(o) Inventory

Inventory consists of program materials and emergency response supplies not used as of December 31. Inventory is recorded at cost on purchase, while contributed inventory is recorded at fair value. Inventory is reduced and expensed when used and distributed.

(p) Presentation of Certain Prior Year Information

The consolidated statements of activities and functional expenses include certain prior year summarized consolidated financial information for comparative purposes only, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended December 31, 2020 from which the summarized information was derived.

(q) Recent Accounting Pronouncements

During 2021, the Organization adopted the presentation and disclosure requirements of Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires presentation of contributed nonfinancial assets apart from contributions of cash and other financial assets. Upon adoption, the Organization reclassified contributions as of December 31, 2020, in order to present comparative consolidated financial statements.

The Financial Accounting Standards Board issued, *Leases* (Topic 842) – The guidance is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing agreements. This Accounting Standards Update is effective for the year ending December 31, 2022.

(r) Reclassifications

Reclassifications were made to certain 2020 amounts to conform to the current year presentation.

(Amounts in thousands)

(3) Investments

Investments consisted of the following at December 31, 2021 and 2020:

	Fair value 2021	Fair value 2020
Cash equivalents	$ 23,272	28,301
Fixed income	28,614	28,081
Public equity	104,410	93,555
Private equity	7,197	3,281
Alternative hedged strategies	45,671	46,244
Real assets	10,512	7,288
	$ 219,676	206,750

The Organization is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. Unfunded commitments were $5,741 as of December 31, 2021.

Information pertaining to investment strategies is as follows:

- Cash equivalents provide short-term liquidity and serve as a funding source for distributions and rebalancing.
- The fixed income category comprises strategies that invest principally in debt instruments issued by governments or companies or through the securitization of certain types of collateral. Fixed income provides stability and protection in deflationary environments.
- The public equity category comprises investment strategies that invest principally in publicly traded equity securities. These strategies are generally designed with reference to a benchmark that itself comprises equity securities that are traded on a recognized exchange. Public equities may include hedge funds whose investment objectives are benchmarked to equity markets.
- The private equity category comprises investment strategies that invest principally in privately issued equity-related securities. This category includes strategies that participate in venture capital, leveraged buyouts and control-oriented distressed situations. This category also includes private company preferred stock shares.
- The alternative hedged strategies category comprises strategies that seek to generate return streams that are not highly correlated to broad capital markets and that rely less on the general direction of capital markets to produce positive returns. These strategies may take a variety of forms, including long or short positions in the public equity or credit markets that seek to capitalize on perceived mispricing or on the anticipated outcome of an “event,” such as a merger or bankruptcy proceeding. Alternative hedged strategies are employed to offer market comparable returns with lower expected volatility.

(Amounts in thousands)

- Real assets comprise strategies that invest in securities relating to real estate. This strategy provides the portfolio with a diversified hedge against inflation as well as a yield component. The real assets strategy consisted of one real estate investment trust and a mutual fund. Investments within this strategy include commodities, global natural resource stocks, global infrastructure stocks, U.S. real estate investment trusts, and treasury inflation protected securities.

The above asset categories are managed to create a portfolio effect to balance risk and return to meet investment objectives.

(4) Fair Value Measurements

The following table presents investments by strategy and fair value as of December 31, 2021:

	Assets at fair value as of December 31, 2021				
	Measured at NAV	Level 1	Level 2	Level 3	Total
Long-term investment strategies:					
Cash equivalents	$ —	23,272	—	—	23,272
Fixed income:					
Domestic mutual funds	—	28,614	—	—	28,614
Equity:					
Global	—	7,744	—	—	7,744
Hedge funds	96,666	—	—	—	96,666
Private equity	7,197	—	—	—	7,197
Alternative hedged strategies	45,671	—	—	—	45,671
Real assets:					
Real estate investment trust	13	—	—	—	13
Mutual funds	—	10,499	—	—	10,499
Total investments	$ 149,547	70,129	—	—	219,676
Assets of Pooled Income Funds (PIF) and Charitable Gift Annuities (CGA):					
Cash equivalents	$ —	165	—	—	165
Fixed income	793	9	122	—	924
Public equity	2,342	361	—	—	2,703
Total assets of PIF and CGA	$ 3,135	535	122	—	3,792
Beneficial interests in perpetual trusts held by third parties	$ —	—	—	17,333	17,333

(Amounts in thousands)

	Assets at fair value as of December 31, 2020				
	Measured at NAV	Level 1	Level 2	Level 3	Total
Long-term investment strategies:					
Cash equivalents	$ —	28,301	—	—	28,301
Fixed income:					
Domestic mutual funds	—	15,460	—	—	15,460
Common collective trust fund	12,621	—	—	—	12,621
Equity:					
Hedge funds	93,555	—	—	—	93,555
Private equity	3,281	—	—	—	3,281
Alternative hedged strategies	46,244	—	—	—	46,244
Real assets:					
Real estate investment trust	8	—	—	—	8
Mutual funds	—	7,280	—	—	7,280
Total investments	$ 155,709	51,041	—	—	206,750
Assets of Pooled Income Funds (PIF) and Charitable Gift Annuities (CGA):					
Cash equivalents	$ —	24	—	—	24
Fixed income	692	9	173	—	874
Public equity	2,043	306	—	—	2,349
Total assets of PIF and CGA	$ 2,735	339	173	—	3,247
Beneficial interests in perpetual trusts held by third parties	$ —	—	—	15,946	15,946

The following table includes a roll-forward for the years ended December 31, 2021 and 2020 for financial instruments classified within Level 3.

	Perpetual trusts
Balance, December 31, 2019	$ 14,954
Net appreciation	992
Balance, December 31, 2020	15,946
Net appreciation	1,387
Balance, December 31, 2021	$ 17,333

(Amounts in thousands)

Investments measured at net asset value contain various monthly, quarterly, and annual redemption restrictions with required written notice ranging from1 to 90 days. In addition, certain of these investments are restricted by lockup periods. As of December 31, 2021, the following table summarizes the composition of such investments by the various redemption and lockup provisions:

Redemption period	Days notice for redemption		Amount
Monthly:			
Public equity – hedge funds	30	$	11,136
Quarterly:			
Equity – hedge funds and alternative hedged strategies	30–60		68,751
Annually:			
Alternative hedged strategies	60–90		28,448
Lockup (a):			
Equity – hedge funds	Not applicable		33,679
Alternative hedged strategies	Not applicable		323
Private equity	Not applicable		7,197
Real estate investment trust	Not applicable		13
Pooled income funds and gift annuity	Not applicable		3,135
Total		$	152,682

(a) The amounts subject to redemption lockups at December 31, 2021 that are set to expire are as follows:

Fiscal year		Amount
2022:		
Equities – hedge funds	$	33,679
Alternative hedged strategies		323
Private equity		7,197
Real estate investment trust		13
2023 and beyond:		
Assets of PIF and CGA		3,135
Total	$	44,347

(5) Endowments

The Organization's endowment consists of 96 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Organization is subject to the State of Connecticut's version of the Uniform Prudent Management of Institutional Funds Act (CUPMIFA). Based on the interpretation of CUPMIFA by the Board of Trustees of the Organization, applicable accounting guidance, and absent explicit donor stipulations to the contrary, the Organization classifies net assets of a perpetual nature with donor restrictions as (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Trustees of the Organization in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization
- Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original dollar value of the endowment fund or the level specifically required to be retained by the donor. The Organization considers prudence in maintaining an endowment fund in perpetuity. So while spending may occur from an endowment fund whose fair value is below its historic value, the organization has determined that its policies will continue the perpetual nature of the endowment over time. There were no deficiencies as of December 31, 2021 and 2020.

(b) Return Objectives and Risk Parameters

The Organization 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs of at least 4.5% over the long term while shouldering an acceptable level of risk and maintaining adequate liquidity. Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The policy governing the investment of the Organization's endowment is twofold: to provide a reasonable and prudent level of currently expendable income in accordance with the spending policy set by the Finance and Administration Committee of the Organization's Board of Trustees at 4.5% (in 2021 and 2020) of the average of the endowment's total market value for the 12 quarters ending June 30 of the previous year in which distribution is planned; and to support the Organization and its mission over the long term by ensuring that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for the benefit of future generations of children in need.

The Finance and Administration Committee, after consideration of the factors provided in CUPMIFA, approved a policy, which states that, absent donor-imposed directions, it is prudent given the current market climate to apply the current spending policy to below historic value funds until such funds hit the threshold of 50% of historic value.

(Amounts in thousands)

At December 31, 2021 and 2020, endowment net assets, excluding beneficial interests in perpetual trusts held by third parties, consist of the following:

		2021		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$	—	60,375	60,375
Board-designated funds		129,211	600	129,811
Total endowments	$	129,211	60,975	190,186

		2020		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted funds	$	—	55,269	55,269
Board-designated funds		121,357	150	121,507
Total endowments	$	121,357	55,419	176,776

Changes in endowment net assets, not including endowment receivables of $600 and $1,450 as of December 31, 2021 and 2020, respectively, for the years ended December 31, 2021 and 2020 consisted of the following:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, December 31, 2019	$	107,655	41,113	148,768
Investment return, net		16,373	7,253	23,626
Contributions		10	7,511	7,521
Endowment transfers		1,986	925	2,911
Spending rate		(4,667)	(1,383)	(6,050)
Endowment net assets, December 31, 2020		121,357	55,419	176,776
Investment return, net		12,668	5,024	17,692
Contributions		—	1,382	1,382
Endowment transfers		—	781	781
Spending rate		(4,814)	(1,631)	(6,445)
Endowment net assets, December 31, 2021	$	129,211	60,975	190,186

(Amounts in thousands)

(6) Contributions Receivable, Net

Contributions receivable consisted of the following as of December 31, 2021 and 2020:

		2021	2020
Contributions receivable:			
Due within one year	$	21,262	27,712
Due within two to five years		3,050	5,992
		24,312	33,704
Less discount to present value (average rate of 0.10% to 2.54%)		(17)	(50)
Pledges receivable, net		24,295	33,654
Charitable remainder unitrusts and charitable lead annuity trusts receivable		511	492
Total contributions receivable, net	$	24,806	34,146

At December 31, 2021 and 2020, amounts receivable from two donors represents approximately 12% and 25%, respectively, of the net contributions receivable.

(7) Property, Plant, and Equipment, Net

Property, plant, and equipment consisted of the following as of December 31, 2021 and 2020:

		2021	2020
Land	$	476	2
Buildings and improvements		69	69
Software and computer equipment		23,541	23,365
Vehicles		351	351
Furniture and office equipment		155	155
		24,592	23,942
Accumulated depreciation and amortization		(20,726)	(18,181)
Systems and construction in progress		1,554	1,196
Total property, plant, and equipment, net	$	5,420	6,957

(Amounts in thousands)

(8) Lines of Credit

In 2021, the Organization maintained one $15,000 revolving line of credit. The line of credit expires October 28, 2022. Borrowings under the current $15,000 line of credit bear interest equal to the BSBY Daily Floating Rate plus 0.65%. In addition to the revolving line of credit, the Organization maintained two standby letters of credit totaling $3,499 during 2021, expiring in July 2022. In November 2020, the Organization obtained pre-approval for an asset backed lease line of credit up to $7,000, with an expiration date of November 10, 2021. This pre-approval facility was not renewed in 2021 as the Organization had sufficient liquidity with the current revolving line of credit. As of December 31, 2021 and 2020, there were no borrowings outstanding under such agreements nor any borrowings during the fiscal years.

(9) Employee Benefits

The Organization maintains two defined-contribution plans covering all eligible employees. The plans require the Organization to contribute 4% of each eligible employee’s compensation and match 100% of the first 4% contributed by each eligible employee. During the years ended December 31, 2021 and 2020, total pension expense under the defined contribution plans was $6,328 and $5,860, respectively.

The Organization has self-insured group health benefit plans, including comprehensive medical, dental and prescription drug coverage. For 2021, the individual stop loss limit is $175 per person and the aggregate maximum is $14,643 in claims.

(10) Postretirement Benefits Other than Pensions

In addition to providing pension benefits, the Organization provides healthcare benefits for certain retired employees. To be eligible for these benefits, employees must complete at least 10 years of service and have reached age 55. Dental, life, and accidental death and dismemberment benefits for participants who retired before October 1, 1995 are also provided. The expected cost of providing postretirement benefits to employees and their beneficiaries and covered dependents, if applicable, is accrued during the years that the employees render service. The following tables set forth amounts relating to postretirement benefits other than pensions recognized as of and for the years ended December 31, 2021 and 2020:

		2021	2020
Change in benefit obligation:			
Benefit obligation at beginning of year	$	5,656	5,226
Service cost		715	267
Interest cost		128	141
Plan participant contributions		102	199
Plan amendments		—	(309)
Actuarial (gain) loss		(1,805)	774
Benefits paid		(527)	(642)
Benefit obligation at end of year		4,269	5,656

(Amounts in thousands)

		2021	2020
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
SCUS contribution		425	443
Plan participant contributions		102	199
Benefits paid		(527)	(642)
Fair value of plan assets at end of year		—	—
Postretirement benefits other than pensions liability	$	4,269	5,656
Components of net periodic benefit cost:			
Service cost	$	715	267
Interest cost		128	141
Amortization of prior service cost		(50)	—
Amortization of net loss		13	—
Net periodic benefit cost	$	806	408

	2021	2020
Assumption used for benefit obligation as of December 31, 2021 and 2020:		
Discount rate	2.68 %	2.32 %
Assumptions used for benefit cost for the years ended December 31, 2021 and 2020:		
Discount rate	2.32 %	2.79 %

(Continued)

(Amounts in thousands)

		2021	2020
The components of postretirement benefit cost other than net periodic benefit cost for the years ended December 31, 2021 and 2020, reported in fringe benefit expenses:			
Net actuarial (gain) loss	$	(1,768)	465
Total	$	(1,768)	465
Amounts not yet recognized as a component of net periodic benefit cost as of December 31, 2021 and 2020:			
Net actuarial loss (gain)	$	1,372	(397)
Total	$	1,372	(397)

The following future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years		Amount
2022	$	188
2023		196
2024		217
2025		209
2026		210
2027–2031		1,373

The benefit obligation takes into account several assumptions, including the incidence and magnitude of medical claims by age, medical trend, employee turnover, and mortality. The mortality assumption includes projections of improved longevity in the future. The medical trend assumption has limited impact on the benefit obligation because of the organization capping its cost portion at January 1, 2001 levels. Effective January 1, 2002, retirees began paying for cost increases in excess of the January 1, 2001 levels.

The Organization has not identified any provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act that would be expected to have a significant impact on the measured obligation at December 31, 2021 and 2020.

(Amounts in thousands)

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes for the years ended December 31, 2021 and 2020, inclusive of appreciation on endowment corpus of $16,981 and $13,336, respectively.

		2021	2020
International country office programs	$	10,012	11,580
U.S. programs		41,059	37,245
International programs including match		2,683	3,798
Sector/thematic programs (emergency, education, health, etc.)		34,427	28,888
GIK programs		5,677	1,903
Other		25,026	27,119
Beneficial interest in perpetual trusts		17,333	15,946
Endowment corpus		43,994	41,483
Endowment corpus contribution receivable		600	1,450
	$	180,811	169,412

(12) Lease Commitments

The following is a schedule of the minimum future lease commitments for operating leases having initial or remaining noncancelable lease terms greater than one year as of December 31, 2021:

Years		Amount
2022	$	4,719
2023		4,730
2024		4,781
2025		4,846
2026		4,924
Thereafter		19,389
	$	43,389

Rent expense, included in occupancy on the consolidated statement of functional expenses, amounted to $5,446 and $5,221 for the years ended December 31, 2021 and 2020, respectively.

(13) Commitments and Contingencies

The Organization is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on the Organization’s financial position, changes in net assets, or cash flows.

The Organization receives funding from government agencies for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures, which would be absorbed by the Organization, in management’s opinion, the ultimate outcome of such audits would not have a significant effect on the financial position, changes in net assets, or cash flows of the Organization.

Government of Bolivia versus Save the Children (Bolivia)

SCUS was a cooperating sponsor with USAID in connection with USAID’s Food for Peace (USAID/FFP) commodity distribution and monetization program in Bolivia. Due to a long unresolved disagreement between the Government of Bolivia and the Government of the United States and in contravention of bilateral agreements between the two governments, the Government of Bolivia began asserting claims in December 2008 of past due taxes on shipments imported by SCUS and other NGOs working with the USAID/FFP program. As of December 31, 2021, approximately 60 separate claims related to shipments between 2002 and 2009, with a collective value of approximately $18,000, are pending before Bolivian courts. SCUS has filed objections and is defending each claim. Additionally, SCUS maintains no material assets in country. As of December 31, 2021, no amounts have been accrued relating to this matter due to the uncertainty of the outcome.

(14) Significant Funders and Concentrations of Credit Risk

Revenue from U.S. government grants and contracts, including U.S. government commodities and ocean freight, represented 46.9% and 41.4% of total operating revenue for 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, 77.6% and 78.0%, respectively, of such U.S. government revenue were received from USAID through direct and pass-through awards. At December 31, 2021 and 2020, 59.0% and 71.2% of grants and contracts receivable and 2.7% and 0.8%, respectively, of deferred revenue received under grants and contracts were related to USAID. The operations of the Organization’s programs at present levels are dependent upon continued funding from USAID.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of foreign cash and cash equivalents. At December 31, 2021 and 2020, 2.9% and 4.8%, respectively, of cash and cash equivalents (including liquid investments) were deposited in banks in foreign locations. In addition, at December 31, 2021 and 2020, 86.7% and 78.5%, respectively, of the Organization’s cash and cash equivalents were held by a single institution, for which $250 was insured by the Federal Deposit Insurance Corporation.

(Continued)

(Amounts in thousands)

(15) Program Activities

A summary of program activities (without program development and public policy support) by sector and type for the years ended December 31, 2021 and 2020 is as follows:

	2021								
	Emergencies	Education	Health & nutrition	Child poverty/ livelihoods	HIV/AIDS	Child protection	Child rights governance	Total	FY 2020
Salaries	$ 6,043	24,759	7,403	5,712	540	1,077	9	45,543	40,844
Employee fringe benefits	1,824	7,699	2,467	1,918	262	382	3	14,555	12,195
Total salaries and related expenses	7,867	32,458	9,870	7,630	802	1,459	12	60,098	53,039
Grants and charges from SCI	54,113	104,337	235,269	82,997	57,373	25,077	2,747	561,913	451,466
Grants to other agencies	16,721	38,447	7,191	14,501	(135)	2,719	80	79,524	93,352
Commodities and freight	13,446	—	—	—	—	—	—	13,446	9,288
Supplies, material, etc.	2,088	6,590	627	424	16	247	2	9,994	10,210
Travel	588	504	116	67	2	29	—	1,306	1,144
Professional fees	1,551	3,180	1,136	1,685	23	93	1	7,669	5,870
Occupancy	332	4,225	119	154	4	31	1	4,866	4,519
Telecommunications	122	417	81	88	1	10	—	719	503
Printing, postage, and shipping	339	232	36	36	1	102	—	746	670
Depreciation and amortization	328	653	145	186	5	36	1	1,354	867
Other	838	1,502	202	244	6	72	1	2,865	1,540
Total expenses	$ 98,333	192,545	254,792	108,012	58,098	29,875	2,845	744,500	632,468

(16) Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other financial commitments, while also striving to maximize the investment of its available funds. The Organization maintains a financial resources policy that outlines acceptable investment vehicles for working capital, which includes reserves to be spent in the short term on current activities, donor restricted funds meant to be spent down over a relatively short period of time to fund programs, and operating cash, which includes gifts without donor restrictions and with restriction or funds for operating needs. Per the policy, the Organization invests available cash needed for its general expenditures, liabilities, and other obligations in short-term investments, specifically interest bearing checking accounts, money market funds, and money market mutual funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing services for children and community self-help assistance in the U.S. and throughout the world, as well as the conduct of activities to support those service operations, to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient funds to cover general expenditures not covered by donor-restricted resources.

(Amounts in thousands)

Financial assets for general expenditures available within one year from December 31 are as follows:

		2021	2020
Cash and cash equivalents	$	79,026	54,342
Grants and contracts receivable		77,309	60,181
Contributions receivable, net		24,806	34,146
Due from Save the Children International, net		29,217	33,419
Assets of pooled income fund and charitable gift annuities		3,792	3,247
Investments		219,676	206,750
Total financial assets		433,826	392,085
Add endowment spending rate		6,890	6,102
Less amounts unavailable for general expenditures within one year:			
Endowment funds restricted by donors of a perpetual nature		(44,594)	(42,933)
Unencumbered liquid assets required for line of credit		(35,000)	(35,000)
Contributions due beyond one year		(3,544)	(6,434)
Active PIF and CGA not yet terminated		(2,742)	(2,307)
Board-designated endowment		(129,211)	(121,357)
Board-designated operating reserve		(13,698)	(14,537)
Donor restricted endowment appreciation		(16,981)	(13,336)
Total financial assets available for general expenditure within one year		194,946	162,283
Other resources available:			
Lines of credit		15,000	22,000
Total financial assets and other resources available for general expenditure within one year	$	209,946	184,283

In addition to the financial assets and other resources available for general expenditure within one year, the Organization has board-designated endowment net assets without donor restrictions of $129,211 and $121,357 in 2021 and 2020 that, while the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, with Board approval, if necessary. Furthermore, an operating reserve of $13,698 and $14,537 as of December 31, 2021 and December 31, 2020, respectively, is available by action of the Board and is funded from any annual budgeted or unbudgeted surpluses. Board approval is required to access funds from the operating reserve.

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Organization evaluated subsequent events from December 31, 2021 through June 1, 2022, which was the date the consolidated financial statements were available for issuance. In 2021 and prior, the Organization supported international sponsorship for two Save the Children members under a global sponsorship unit. In 2022 and future years, this support will transition to SCI, who will lead the global sponsorship unit management directly, thus impacting revenue and expense accordingly.