

**CHILDREN'S DEFENSE FUND
AND CHILDREN'S DEFENSE FUND
ACTION COUNCIL**

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2013 AND 2012

Children's Defense Fund and Children's Defense Fund Action Council

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Independent Auditor's Report

Board of Directors

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We have audited the accompanying consolidated financial statements of **Children's Defense Fund and Children's Defense Fund Action Council** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of December 31, 2013 and 2012, and the related Consolidated Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditor's 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.

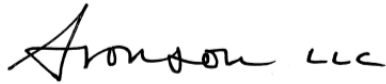
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Children's Defense Fund and Children's Defense Fund Action Council** as of December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As more fully described in Notes 2 and 3 to the financial statements, the financial statements include investments valued at approximately \$5,135,000 and \$4,880,000 (24% and 23% of net assets) at December 31, 2013 and 2012, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment fund managers.



Rockville, Maryland
June 4, 2014

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statements of Financial Position

<i>December 31,</i>	2013	2012
Assets		
Cash and cash equivalents	\$ 2,271,711	\$ 2,136,555
Investments	18,568,529	20,253,604
Pledges receivable, net	4,461,871	3,366,759
Government contracts and grants receivable	270,171	176,008
Property and equipment, net	9,234,343	9,891,020
Other assets	322,808	333,987
Total assets	\$ 35,129,433	\$ 36,157,933
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,822,588	\$ 1,944,903
Lines of credit	7,500,000	7,500,000
Bonds payable	4,645,000	5,040,000
Total liabilities	13,967,588	14,484,903
Net assets		
Unrestricted	5,662,111	8,304,507
Temporarily restricted	8,353,134	6,261,923
Permanently restricted	7,146,600	7,106,600
Total net assets	21,161,845	21,673,030
Total liabilities and net assets	\$ 35,129,433	\$ 36,157,933

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2013</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Revenue, gains and other support				
Contributions and donations				
Foundations and corporations	\$ 593,454	\$ 10,004,660	\$ 40,000	\$ 10,638,114
Individuals	1,608,164	-	-	1,608,164
Organizations and groups	131,548	-	-	131,548
In kind donations	182,604	-	-	182,604
Other				
Special events	3,378,982	-	-	3,378,982
Training and Haley Farm fees	2,571,032	-	-	2,571,032
Government contracts and grants	2,903,513	-	-	2,903,513
Service contracts	621,369	-	-	621,369
Rental income	387,938	-	-	387,938
Miscellaneous	277,960	-	-	277,960
Investment income				
Endowment				
Interest and dividends	211,650	131,214	-	342,864
Realized and unrealized losses, net of management fees	(18,329)	(11,362)	-	(29,691)
Net assets released from restrictions	8,033,301	(8,033,301)	-	-
Total revenue, gains and other support	20,883,186	2,091,211	40,000	23,014,397
Expenses				
Program services				
Leadership development and state and community capacity building	17,277,036	-	-	17,277,036
Policy and program development and implementation	1,321,631	-	-	1,321,631
Public education, media campaigns, internet outreach and publications	1,581,446	-	-	1,581,446
Total program services	20,180,113	-	-	20,180,113
Supporting services				
General and administrative	2,458,761	-	-	2,458,761
Fundraising	886,708	-	-	886,708
Total supporting services	3,345,469	-	-	3,345,469
Total expenses	23,525,582	-	-	23,525,582
Change in net assets	(2,642,396)	2,091,211	40,000	(511,185)
Beginning net assets	8,304,507	6,261,923	7,106,600	21,673,030
Ending net assets	\$ 5,662,111	\$ 8,353,134	\$ 7,146,600	\$ 21,161,845

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2012</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Revenue, gains and other support				
Contributions and donations				
Foundations and corporations	\$ 1,066,296	\$ 7,816,082	\$ -	\$ 8,882,378
Individuals	1,598,350	-	-	1,598,350
Organizations and groups	488,709	-	-	488,709
In kind donations	62,669	-	-	62,669
Other				
Special events	2,316,723	-	-	2,316,723
Training and Haley Farm fees	2,909,859	-	-	2,909,859
Government contracts and grants	168,890	-	-	168,890
Service contracts	487,016	-	-	487,016
Rental income	312,625	-	-	312,625
Miscellaneous	263,377	-	-	263,377
Investment income				
Endowment				
Interest and dividends	174,380	97,625	-	272,005
Realized and unrealized gains, net of management fees	435,222	235,258	-	670,480
Operating interest and dividends	6,248	-	-	6,248
Net assets released from restrictions	10,693,453	(10,693,453)	-	-
Total revenue, gains and other support	20,983,817	(2,544,488)	-	18,439,329
Expenses				
Program services				
Leadership development and state and community capacity building	16,520,141	-	-	16,520,141
Policy and program development and implementation	1,094,995	-	-	1,094,995
Public education, media campaigns, internet outreach and publications	1,543,908	-	-	1,543,908
Total program services	19,159,044	-	-	19,159,044
Supporting services				
General and administrative	2,434,425	-	-	2,434,425
Fundraising	869,107	-	-	869,107
Total supporting services	3,303,532	-	-	3,303,532
Total expenses	22,462,576	-	-	22,462,576
Change in net assets	(1,478,759)	(2,544,488)	-	(4,023,247)
Beginning net assets	9,783,266	8,806,411	7,106,600	25,696,277
Ending net assets	\$ 8,304,507	\$ 6,261,923	\$ 7,106,600	\$ 21,673,030

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Statements of Cash Flows

<i>Years Ended December 31,</i>	2013	2012
Cash flows from operating activities		
Change in net assets	\$ (511,185)	\$ (4,023,247)
Adjustment to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	714,670	743,029
Realized and unrealized gains on investments	(165,840)	(914,282)
Donated securities	(80,533)	(152,590)
Discount on pledges receivable	15,070	10,408
Contribution restricted for permanent endowment	(40,000)	-
Change in assets and liabilities		
Pledges receivable	(1,110,182)	(479,835)
Government contracts and grants receivable	(94,163)	(146,888)
Other assets	11,179	(26,469)
Accounts payable and accrued expenses	(122,315)	582,131
Net cash used by operating activities	(1,383,299)	(4,407,743)
Cash flows from investing activities		
Proceeds from sales of investments	17,086,226	5,142,608
Purchases of investments	(15,154,778)	(3,368,221)
Proceeds from sales of property and equipment	-	4,081
Purchases of property and equipment	(57,993)	(209,761)
Net cash provided by investing activities	1,873,455	1,568,707
Cash flows from financing activities		
Contribution restricted for permanent endowment	40,000	-
Proceeds from lines of credit	-	7,500,000
Payments on lines of credit	-	(4,000,000)
Principal payments on bonds payable	(395,000)	(375,000)
Net cash (used) provided by financing activities	(355,000)	3,125,000
Increase in cash and cash equivalents	135,156	285,964
Cash and cash equivalents, beginning of year	2,136,555	1,850,591
Cash and cash equivalents, end of year	\$ 2,271,711	\$ 2,136,555
Supplemental cash flows information		
Actual cash payments of interest	\$ 124,324	\$ 132,981

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

Organization: The Children's Defense Fund is a private, nonprofit corporation that began in 1973 in Washington, D.C. The Children's Defense Fund's Leave No Child Behind mission is to ensure every child a *Healthy Start*, a *Head Start*, a *Fair Start*, a *Safe Start* and a *Moral Start* in life and successful passage to adulthood with the help of caring families and communities. The Children's Defense Fund provides a strong, effective and independent voice for *all* the children of America who cannot vote, lobby or speak for themselves. It pays particular attention to the needs of poor and minority children and those with disabilities. The Children's Defense Fund educates the nation about the needs of children and encourages preventive investments before they get sick, drop out of school, get into trouble or suffer family breakdown. The Children's Defense Fund is supported primarily by foundation and corporate grants, individual donations and federal government grants.

The Children's Defense Fund Action Council shares the Children's Defense Fund's mission. It was organized to conduct lobbying activities and grassroots mobilization in advocating for legislation that meets the needs of children. The organizations are under common management, with the Children's Defense Fund staff performing duties for the Children's Defense Fund Action Council.

The Washington Research Project was granted 501(c)(3) status in 2011 and also shares the Children's Defense Fund's mission. It was organized to provide education and technical assistance to governmental units, private nonprofit organizations, and others that receive funding to support programs intended to advance the health, education and welfare of children. In 2012, the Children's Defense Fund assumed responsibility for providing these services. The Washington Research Project is currently in the process of being dissolved and had no activity in 2013 and 2012.

Basis of consolidation: The consolidated financial statements include the accounts of the Children's Defense Fund, the Children's Defense Fund Action Council and the Washington Research Project (collectively referred to as "CDF"). Because the organizations are under common control and an economic interest exists between them, they have been consolidated as required under accounting principles generally accepted in the United States of America. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting: The consolidated financial statements have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Cash and cash equivalents: CDF considers demand deposits, money market funds and commercial paper with original maturities of three months or less to be cash and cash equivalents. Uninvested cash held in certain endowment investment accounts is considered to be an investment as such amounts are not to be used for general operating purposes. CDF maintains a legal right of offset with certain financial institutions, allowing any potential overdrafts to be offset with funds from other accounts held at the same institution. CDF maintains accounts which may exceed federally insured limits. Management does not consider this to be a significant credit risk.

Investments: Investments in marketable securities and bond funds are presented at fair value based on quoted market prices in principal active markets for identical assets. Fair values of alternative investments were developed using the net asset value (NAV) as reported by the underlying fund managers in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers. Because of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Money market funds are recorded at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes CDF's gains and losses on investments bought and sold as well as held during the year.

Fair value of financial instruments: As of December 31, 2013 and 2012, the estimated fair values of financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies believed to be appropriate for these purposes.

Gains and losses on investments, including changes in fair value, are reported in the Consolidated Statements of Activities and Changes in Net Assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation, applicable laws, or under the accounting rules for endowments pursuant to the DC Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Fair value: CDF values certain investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2013 and 2012.

Pledges receivable: Pledges receivable represent unconditional promises to give and are recorded in the consolidated financial statements at the time the promises are made. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. All amounts are considered collectible and therefore no allowance for doubtful accounts is deemed necessary at December 31, 2013 and 2012. Amounts due in excess of one year are recorded at the present value of their estimated future cash flows, using discount rates equal to the prevailing local borrowing rate which ranged from 1.60% to 1.75% for the years ended December 31, 2013 and 2012. Amortization of the discount is included in contribution revenue.

Government contracts and grants receivable: Government contracts and grants receivable include all current billed and unbilled costs chargeable to those awards within the respective cost limits. All unbilled receivables will be billed at the next billing date and are expected to be collected within a twelve-month period. The face amount of receivables is reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. As of December 31, 2013 and 2012, management fully expects to collect all balances and therefore no allowance for doubtful accounts is deemed necessary.

Property and equipment: Property and equipment over \$1,000 are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	30 years
Building improvements	5 to 30 years
Furniture, equipment and software	2 to 10 years

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Impairment of long-lived assets: CDF evaluates the carrying value of its long-lived assets held for use for impairment based upon a comparison of the undiscounted future net cash flows for the asset to the net book value. These evaluations for impairment are significantly impacted by estimates of revenue, costs and expenses, and other factors. If the net book value is greater than the future undiscounted cash flows estimated, CDF records an impairment adjustment to reduce its assets cost basis to its fair value.

At December 31, 2013 and 2012, CDF has performed a recoverability analysis of all long-lived assets and does not believe an impairment adjustment is required.

Net assets: Unrestricted net assets represent resources that are not restricted, either temporarily or permanently, by donor-imposed stipulations. They are available for support of all organizational operations and services.

Temporarily restricted net assets represent assets contributed whose use is limited by donor-imposed stipulations. These restrictions are temporary in that they either expire by the passage of time or by the fulfillment of certain actions of CDF pursuant to those stipulations.

Permanently restricted net assets represent assets contributed that are received with donor stipulations requiring that the original gift amount be held in perpetuity and only the earnings, if any, be used for the purposes designated by the donor.

Endowment fund: CDF has established an endowment fund to account for gifts which are required by donors to be held in perpetuity or designated by donors for a specific purpose and to account for board designated funds. The gifts, grants, contributions, and investment income of the endowment fund are recorded as either unrestricted, temporarily restricted, or permanently restricted revenue and support, depending on the restrictions, if any, imposed by the donors. The endowment fund is managed according to the guidelines and policies established by CDF's finance committee and approved by the Board of Directors.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Revenue recognition: Contributions, including unconditional promises to give, are recognized when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor for a specific time or purpose are reported as temporarily or permanently restricted contributions based on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions. Amounts restricted and released in the same year are recorded as unrestricted contributions. Applying this policy at times creates year-to-year fluctuations of changes in net assets, with grants immediately recognized as revenue in an earlier period than grant related expenses. Conditional promises to give are not included as support until the conditions are substantially met.

Special events are activities not regularly conducted. Special events, training and Haley Farm fees, and miscellaneous revenue are recognized when the services are performed or the event is held.

Allocation of functional expenses: The costs of providing the various programs and other activities have been summarized in the accompanying Consolidated Statements of Activities and Changes in Net Assets. Costs which cannot be specifically identified with a particular function and which benefit more than one functional category are allocated based on either the portion of time expended by the staff on the various functions, or the average number of people in the division.

Program services definitions: Leadership Development and State and Community Capacity Building expenses relate to child advocacy services across many different programs. The major programs are:

Freedom Schools: This program provides summer and after-school enrichment through a research-based and multicultural curriculum that supports children and families.

Beat the Odds Scholarship and Leadership Development: For more than 20 years, the Children's Defense Fund has honored outstanding high school students with our *Beat the Odds* college scholarship and leadership training program.

Young Advocate Leadership Training (YALT): CDF believes that the next great movement for children will have to be led by the next generation of servant leaders. YALT is an action-oriented training series for young leaders to empower them at the national, state, and local level to take action for justice and social progress on behalf of children.

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Notes to Consolidated Financial Statements

CDF Haley Farm: This farm, located in Tennessee, is the CDF home for spiritual renewal, interdisciplinary, intergenerational, interfaith, and interracial discourse for building the children's movement. Training programs at the farm have touched nearly 20,000 leaders.

Policy and Program Development and Implementation expenses represent costs associated with the collection and analysis of data and problems of children, private and governmental health, family income, teen pregnancy prevention, childcare, child protection, and violence prevention. Over the years, CDF has become known for careful research on policies that effect children in all racial and income groups, and for independent analyses of how federal and state policies affect children, their families, and their communities.

Public Education, Media Campaigns, Internet Outreach and Publications expenses are related to external communications and publications. Some of the major campaigns in this area include:

Cradle to Prison Pipeline campaign seeks to replace the pipeline that sends children to prison with a pipeline to college, work, and successful adulthood.

Be Careful What You Cut campaign makes the economic case that cutting children from the budget now will cost all of us later.

All Healthy Children campaign seeks to ensures that 95 percent of all children will have access to health care under the Affordable Care Act.

Protect Children, Not Guns campaign seeks to educate the public and policy makers about children injured or killed by guns and to support common sense gun safety laws.

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Tax status: Children's Defense Fund is a public charity exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. Children's Defense Fund Action Council is a social welfare organization exempt from federal income tax under section 501(c)(4) of the Internal Revenue Code. Washington Research Project is a public charity exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

Uncertainty in income taxes: CDF evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than not recognition standard. If that threshold is met, the tax position is then measured as the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2013 and 2012, there are no accruals for uncertain tax positions. If applicable, CDF records interest and penalties as a component of income tax expense. Tax years from 2010 through the current year remain open for examination by tax authorities.

Subsequent events: Management has evaluated subsequent events for disclosure in the consolidated financial statements through June 4, 2014, which is the date the consolidated financial statements were available to be issued.

2. Investments

Investments as of December 31 consist of the following:

	2013	2012
Mutual funds:		
Money market funds	\$ 85,033	\$ 3,845,868
Short-term bonds	6,518,157	4,129,273
Intermediate-term bonds	1,212,837	1,022,484
Inflation-protected bonds	219,536	4,623,166
Nontraditional bonds	2,521,614	-
Bank loans	1,721,160	-
High yield bonds	163,522	-
Emerging markets bonds	79,923	-
World bonds	216,131	-
Intermediate governments	693,944	-
Conservative allocation	-	1,753,096
Hedge fund	4,236,772	3,849,082
Real estate investment trust fund	898,019	1,030,635
Stocks	1,881	-
Total endowment investments	\$ 18,568,529	\$ 20,253,604

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Net investment income consists of the following for the years ended:

December 31, 2013	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 211,650	\$ 131,214	\$ 342,864
Net realized and unrealized gains	102,373	63,467	165,840
Management fees	(120,702)	(74,829)	(195,531)
Total investment income	\$ 193,321	\$ 119,852	\$ 313,173

December 31, 2012	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 174,380	\$ 97,625	\$ 272,005
Net realized and unrealized gains	593,479	320,803	914,282
Management fees	(158,257)	(85,545)	(243,802)
Operating gain	6,248	-	6,248
Total investment income	\$ 615,850	\$ 332,883	\$ 948,733

For the years ended December 31, 2013 and 2012, in conjunction with a line of credit with BB&T, BB&T has a continuing security interest (see Note 7) in the Morgan Stanley investment account, which had a balance of \$10,647,276 and \$9,209,628 at December 31, 2013 and 2012, respectively.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

3. **Fair value of investments** The fair value of investments is presented as follows:

December 31, 2013	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Money market	\$ 85,033	\$ 85,033	\$ -	\$ -
Short term bond	6,518,157	6,518,157	-	-
Intermediate term bond	1,212,837	1,212,837	-	-
Inflation protected bond	219,536	219,536	-	-
Nontraditional bond	2,521,614	2,521,614	-	-
Bank loan	1,721,160	1,721,160	-	-
High yield bond	163,522	163,522	-	-
Emerging markets bond	79,923	79,923	-	-
World bond	216,131	216,131	-	-
Intermediate government	693,944	693,944	-	-
Stocks	1,881	1,881	-	-
Hedge fund	4,236,772	-	-	4,236,772
Real estate investment trust fund	898,019	-	-	898,019
Total	\$ 18,568,529	\$ 13,433,738	\$ -	\$ 5,134,791

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

December 31, 2012	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Money market	\$ 3,845,868	\$ 3,845,868	\$ -	\$ -
Conservative allocation	1,753,096	1,753,096	-	-
Short term bond	4,129,273	4,129,273	-	-
Intermediate term bond	1,022,484	1,022,484	-	-
Inflation protected bond	4,623,166	4,623,166	-	-
Hedge fund	3,849,082	-	-	3,849,082
Real estate investment trust fund	1,030,635	-	-	1,030,635
Total	\$ 20,253,604	\$ 15,373,887	\$ -	\$ 4,879,717

Level 3 values for alternative investments were developed using the NAV as reported by the underlying fund managers and evaluated by CDF. The NAV is determined by the fund managers based on the fair market value of the underlying investments on the most recent practicable date. The NAV per share of each series within a class is determined by first allocating any increase or decrease in the NAV among all shares of the series pro rata. Each share within a series has the same NAV. CDF's determination of fair value is based upon the best available information and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. The values generally represent CDF's proportionate share of the funds' fair value as reported by their general partners. Market value of underlying securities is determined by external managers based on a combination of discounted cash flow analysis, industry comparable, and outside appraisals. There have been no changes to the valuation techniques for the years ended December 31, 2013 and 2012. The risk of any derivative exposure is limited to the amount invested with each manager.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

CDF has determined through monitoring the valuation methodologies and practices of managers to rely on the fair values reported by the fund managers, unless information becomes available indicating the reported NAV may require adjustment. CDF assessed factors including, but not limited to, the external advisor's adherence to fair value principles in calculating the capital account balance, CDF's ability to redeem these investments at NAV at the measurement date, and the existence or absence of certain restrictions at the measurement date. CDF believes the reported amounts of its Level 3 investments are a reasonable estimate of fair value as of December 31, 2013 and 2012. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. CDF has no immediate plans to sell its Level 3 investments for values other than the NAV as of December 31, 2013 and 2012.

CDF has invested in alternative investments for the purpose of diversifying investment risk. The significant Level 3 investments are comprised of the following:

Hedge Fund (Tudor Futures Fund) – The investment manager's objective for the fund is the gradual and consistent appreciation of assets through the speculative trading of commodity interest contracts and securities. The success of the fund depends largely on anticipation of market trends and effective purchase and sale of commodity interest contracts and securities accordingly. The portfolio includes trading of commodity and financial interests including futures contracts, spot and forward contracts, other commodity interests and financial instruments, swaps, derivative and hybrid instruments, securities, options and repurchase and reverse repurchase agreements.

The underlying investments of the hedge fund consist of securities that are valued based on quoted market prices or other observable inputs. The value of the underlying investments is determined by the investment manager's general valuation policies. Depending on the instrument being valued, the investment manager's valuation policies include using independent market closing or settlement prices, third party vendor prices or dealer quotations, model based prices, special rules applicable to illiquid and/or distressed instruments, third party advisors, and private direct investments using a variety of techniques.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Limited partners, including CDF, may redeem units at NAV on the last calendar day of any month following the second anniversary of the issue of such units provided that notice is given at least 60 days prior to the requested redemption date or at another date as the investment manager may determine at its sole discretion. Redemptions that would reduce the remaining NAV of the limited partner's units to below \$25,000 are not permitted. The fund has a stated termination date of December 31, 2014; however, the general manager of the fund has proposed eliminating the termination date.

Real Estate Investment Trust Fund (TIFF Real Estate Partners I (REP I)) – The primary objective of REP I is to assist members in maintaining endowment purchasing power by generating portfolio returns less volatile than that of index funds attempting to track the broad US stock market. The secondary objective is to generate annual returns that are at least 300 basis points above CPI inflation. To achieve their objectives, REP I invests capital in private real estate managers pursuing traditional commercial property strategies as well as unconventional real estate opportunities.

Valuation of underlying funds is based on the investment manager's determination with assistance of outside managers and with fund portfolios adjusted for manager fees and carried interests. Cash income generated by REP I is distributed semi-annually, net of expenses and reserves. Cash proceeds from sale of holdings by the investment manager are distributed as soon as practicable after receipt of proceeds.

REP I is illiquid because the units are subject to restrictions on transferability and cannot be sold unless they are subsequently registered under the Securities Act of 1933, as amended, and all other applicable securities laws or an exemption from such laws is available.

The real estate investment trust fund has a 15-year term expiring December 31, 2016, subject to extension at the managing member's discretion for up to five consecutive one-year periods.

CDF entered into an investment agreement on December 14, 2001 committing up to \$3 million over the life of the fund through December 31, 2016. As of December 31, 2013, CDF has contributed \$2,574,655. If CDF were to fail to make a payment in accordance with the terms of the agreement, CDF would forfeit, at a minimum, 25% of its investment. As of December 31, 2013, CDF has made all payments in accordance with the terms of the agreement. CDF anticipates contributions required in 2014 will be approximately \$60,000.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

A reconciliation of beginning and ending balances of investments measured using Level 3 inputs is as follows for the years ended:

December 31, 2013	Hedge Fund	Real Estate Investment Trust Fund	Total
Beginning balance	\$ 3,849,082	\$ 1,030,635	\$ 4,879,717
Realized gains	-	55,528	55,528
Unrealized gains	548,582	27,526	576,108
Purchases	970	1,453	2,423
Sales	-	(199,235)	(199,235)
Management fees	(161,862)	(17,888)	(179,750)
Ending balance	\$ 4,236,772	\$ 898,019	\$ 5,134,791

December 31, 2012	Hedge Fund	Real Estate Investment Trust Fund	Total
Beginning balance	\$ 4,870,841	\$ 1,154,931	\$ 6,025,772
Unrealized gains	488,978	83,414	572,392
Purchases	-	24,655	24,655
Sales	(1,283,120)	(216,179)	(1,499,299)
Management fees	(227,617)	(16,186)	(243,803)
Ending balance	\$ 3,849,082	\$ 1,030,635	\$ 4,879,717

CDF recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the years ended December 31, 2013 and 2012.

Gains and losses (realized and unrealized) on all investments included in changes in net assets for the years ended December 31 are reported in investment income (loss) as follows:

December 31	Total investment income (loss)	
	2013	2012
Total realized (loss) gain included in change in net assets	\$ (37,833)	\$ 64,067
Change in unrealized gain relating to assets still held at December 31	203,673	850,215
Total realized and unrealized gain	\$ 165,840	\$ 914,282

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

4. Risks and uncertainties CDF holds investments in various securities and alternative investments that are exposed to risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future consolidated financial statements.

5. Pledges receivable and concentration CDF has received the following multi-year commitments as of December 31:

	2013	2012
Due in less than one year	\$ 3,390,783	\$ 2,792,477
Due in one to five years	1,099,502	587,626
Total pledges receivable	4,490,285	3,380,103
Less: Discounts on pledges receivable	(28,414)	(13,344)
Total pledges receivable, net	\$ 4,461,871	\$ 3,366,759

Concentration of pledges receivable and foundation revenue: One of the receivables as of December 31, 2013 and three of the receivables as of December 31, 2012 included in CDF's pledges receivable in the accompanying Consolidated Statements of Financial Position comprise 50% and 37% of the amounts, respectively. Total foundations and corporation revenue for the years ended December 31, 2013 and 2012 in the accompanying Consolidated Statements of Activities and Changes in Net Assets includes two grantors constituting 47% and three grantors consisting of 26% of the amounts, respectively.

6. Property and equipment Property and equipment consist of the following as of:

	Headquarters and State and		
December 31, 2013	Local Offices	Haley Farm	Total
Land	\$ 2,015,788	\$ 592,874	\$ 2,608,662
Buildings and improvements	13,139,350	5,185,845	18,325,195
Furniture, equipment and software	4,544,955	737,048	5,282,003
Total property and equipment	19,700,093	6,515,767	26,215,860
Less: Accumulated depreciation	(13,891,835)	(3,089,682)	(16,981,517)
Net property and equipment	\$ 5,808,258	\$ 3,426,084	\$ 9,234,343

Children’s Defense Fund and Children’s Defense Fund Action Council

Notes to Consolidated Financial Statements

December 31, 2012	Headquarters and State and Local Offices	Haley Farm	Total
Land	\$ 1,995,718	\$ 592,874	\$ 2,588,592
Buildings and improvements	13,156,920	5,177,488	18,334,408
Furniture, equipment and software	4,503,316	732,350	5,235,666
Total property and equipment	19,655,954	6,502,712	26,158,666
Less: Accumulated depreciation	(13,347,142)	(2,919,704)	(16,266,846)
Net property and equipment	\$ 6,308,812	\$ 3,583,008	\$ 9,891,820

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 was \$714,670 and \$743,029, respectively.

7. Lines of credit

In May 2012, CDF entered into a \$7.5 million line of credit agreement with BB&T, primarily for working capital needs. The line of credit is secured by a portion of CDF’s investments, totaling \$10,647,276 and \$9,209,628 as of December 31, 2013 and 2012, respectively. During the term of the line of credit the outstanding balance is not to exceed 85% of the above mentioned investment balance. Borrowings accrue interest at various rate tiers (1.56% and 1.60% at December 31, 2013 and 2012, respectively). Monthly payments consist of accrued interest only. In July 2013, the line of credit agreement was amended to mature in May 2015. At that time principal and interest are due in full. CDF was in compliance with all covenants related to the line of credit as of December 31, 2013 and 2012.

The outstanding balance on the line of credit at both December 31, 2013 and 2012 was \$7,500,000.

In March 2014, CDF closed the BB&T line of credit and financed the repayment through a new line of credit from Morgan Stanley. The Morgan Stanley line of credit carries a limit of \$7,737,000 and was primarily obtained for working capital needs. The new line of credit is secured by a portion of CDF’s investments and accrues interest at the variable rate of 1.00% plus the 1-month LIBOR rate. The line of credit is structured as an “evergreen” loan with no set maturity as long as CDF maintains a sufficient level of funds under investment; however, Morgan Stanley retains the option of demanding repayment of the line of credit at its sole discretion.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

8. Bonds payable

In April 1997, CDF issued variable rate demand bonds (the Bonds) in the amount of \$9,000,000, as follows:

\$7,500,000 of Tax-exempt Variable Rate Demand Bonds issued through the District of Columbia which provide for scheduled principal payments every April 1 commencing in 1998 in the amount of \$150,000, increasing to a final scheduled payment of \$510,000 in 2022.

\$1,500,000 of Taxable Variable Rate Demand Bonds which provide for scheduled principal payments on April 1, commencing in 1998 in the scheduled amount of \$30,000, increasing to a final scheduled payment of \$120,000 in 2022.

Interest rates on these bonds are determined weekly by a remarketing agent based on prevailing financial market conditions for bonds with comparable maturity dates. The interest rates at December 31, 2013 for the tax-exempt and taxable bonds were .14% and .22%, respectively. The interest rates at December 31, 2012 for the tax-exempt and taxable bonds were 0.25% and 0.26%, respectively. Bond interest expense for the years ended December 31, 2013 and 2012 was \$7,681 and \$9,112, respectively.

Land, building, furniture, equipment and improvements at CDF's Washington, DC headquarters are pledged as collateral. In order to provide enhanced security and liquidity for the remarketing of the bonds, CDF has entered into letters of credit with Wells Fargo Bank. Under the terms of the letters of credit, Wells Fargo Bank is obligated to lend funds to CDF in amounts sufficient to pay the purchase price of any bonds tendered. These agreements contain financial covenants and are subject to periodic review by Wells Fargo Bank. As of December 31, 2013, CDF was in compliance with all letter of credit financial covenant requirements except for the timely filing of audited financial statements and related compliance certification with the bank. CDF subsequently received a waiver from Wells Fargo Bank for the noncompliance of these covenants.

CDF is in the process of restructuring the arrangement given that Wells Fargo Bank, which provides the letters of credit, has indicated it will not continue those agreements beyond October 15, 2014 and accordingly, all bonds payable are considered to be currently maturing as of December 31, 2013. Management is working to obtain a commitment from a bank to replace the existing bonds and letter of credit. Should CDF be unable to obtain new financing, the trustee of the bonds may be forced to draw on the existing letter of credit with the original bank creating new debt which may not be on favorable terms. Alternatively, CDF may elect to repay the existing bonds using its own funds.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

9. Restricted net assets The consolidated temporarily restricted net assets are available for the following programs or purposes as of December 31:

	2013	2012
Operating		
Leadership development and state and community capacity building	\$ 5,125,041	\$ 4,607,815
Policy and program development and implementation	2,831,791	1,443,305
Time restricted for use in future periods	196,460	130,813
Total operating	8,153,292	6,181,933
Endowment		
Leadership development and state and community capacity building	106,659	28,755
Publication of "The State of America's Children"	93,183	51,235
Total endowment	199,842	79,990
Total temporarily restricted net assets	\$ 8,353,134	\$ 6,261,923

In accordance with donor stipulations, permanently restricted net assets are held (and invested) in perpetuity, as of December 31:

	2013	2012
Endowment		
Leadership development and state and community capacity building	\$ 4,646,600	\$ 4,606,600
Publication of "The State of America's Children"	2,500,000	2,500,000
Total permanently restricted net assets	\$ 7,146,600	\$ 7,106,600

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

10. Releases from restrictions	Releases from restrictions were as follows for the years ended December 31:		
		2013	2012
	Leadership development and state and community capacity building	\$ 6,460,916	\$ 7,709,610
	Policy and program development and implementation	1,441,572	1,244,091
	Time and other	130,813	89,752
	Endowment policy and program development and implementation	-	593,161
	Endowment public education, media campaigns, internet outreach and publications	-	1,056,839
	Total releases from restrictions	\$ 8,033,301	\$ 10,693,453

11. Endowment funds CDF's endowment consists of permanently restricted contributions established for a variety of purposes and board designated funds available at the discretion of the board. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law: Management of CDF has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CDF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 will be classified as temporarily restricted net assets (to the extent the cumulative balance in the endowment fund exceeds the original corpus amount) until those amounts are appropriated for expenditure by CDF in a manner consistent with the standard prudence prescribed by UPMIFA. Losses from the endowment fund will be allocated against unrestricted net assets with subsequent earnings and appreciation restoring the unrestricted net assets.

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Notes to Consolidated Financial Statements

In accordance with UPMIFA, CDF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The change in endowment net assets is as follows for the years ended:

December 31, 2013	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 13,067,014	\$ 79,990	\$ 7,106,600	\$ 20,253,604
Additions	1,150	-	40,000	41,150
Investment income	193,321	119,852	-	313,173
Appropriation of endowment assets for expenditure	(2,039,398)	-	-	(2,039,398)
Endowment net assets, end of year	\$ 11,222,087	\$ 199,842	\$ 7,146,600	\$ 18,568,529

December 31, 2012	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 12,457,412	\$ 1,397,107	\$ 7,106,600	\$ 20,961,119
Additions	-	-	-	-
Investment income	609,602	332,883	-	942,485
Appropriation of endowment assets for expenditure	-	(1,650,000)	-	(1,650,000)
Endowment net assets, end of year	\$ 13,067,014	\$ 79,990	\$ 7,106,600	\$ 20,253,604

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA as of December 31, 2013 and 2012 is \$7,146,600 and \$7,106,600, respectively.

As discussed in Notes 2 and 7, a portion of the board designated unrestricted endowment is pledged as security for the line of credit.

Spending Policy and How the Investment Objectives Relate to Spending Policy: CDF does not have a formal spending policy at this time.

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

Return Objectives and Risk Parameters: CDF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period and board designated funds. Under the investment policy, the Endowment Investment Program attempts to outperform, over time, the Lipper Analytical Services, Inc.'s Index of Balanced Funds and achieve total return equal to a real rate of return of more than 5%.

Strategies Employed for Achieving Objectives: The Finance Committee evaluates, selects and monitors one or more investment managers to directly manage CDF's investment portfolio of assets within general guidelines provided. To satisfy its long-term rate of return objectives, CDF relies on a return strategy in which investment returns are achieved through current yield (interest and dividends) and capital appreciation.

12. Retirement plan

Employees of CDF participate in a defined contribution plan under Section 403(b) of the Internal Revenue Code, which covers all employees who have completed six months of service and have attained the age of 21. Contributions to the plan are based on percentages of the annual salary of each participating employee ranging from 5% to 7% based upon the employee's length of service. Employees are fully vested after two years of employment. Pension expense totaled \$369,941 and \$435,497 for the years ended December 31, 2013 and 2012, respectively.

13. Leases

CDF is obligated under various noncancelable operating lease agreements for office facilities expiring at various dates through 2018. CDF rents space in multiple locations across the United States, some of which are subject to month-to-month agreements. CDF also subleases some of its space. The minimum payments required under the leases are recorded on a pro rata basis over the term of the leases. The difference between the amounts expensed and the required lease payments is recorded as deferred rent and included in accounts payable and accrued expenses on the accompanying Consolidated Statements of Financial Position. Rent expense for all office space for the years ended December 31, 2013 and 2012 was \$569,717 and \$530,436, respectively. Future minimum lease payments, less sublease rental income, are as follows:

Year Ending December 31,	Payments	Income	Total
2014	\$ 535,906	\$ (201,385)	\$ 334,521
2015	460,242	-	460,242
2016	403,604	-	403,604
2017	362,486	-	362,486
2018	122,483	-	122,483
Total minimum lease payments	\$ 1,884,721	\$ (201,385)	\$ 1,683,336

Children's Defense Fund and Children's Defense Fund Action Council

Notes to Consolidated Financial Statements

14. Related parties

The CDF Marlboro County Office in South Carolina leases office space, for the nominal rate of \$1 per year, in a home that is owned by CDF's Founder. Additional office space for the expansion of the Freedom Schools program in Marlboro Country was acquired in 2012. The land and building being used for this purpose were acquired from a family member of CDF's Founder at a cost of \$150,000. Funding for this purchase was provided by gifts made to CDF in 2012 by CDF's Founder and a family member.

The Children's Defense Fund has a contractual agreement with the Southern Coalition for Education Equity, which is run by a member of CDF's Board of Directors. This organization provides services to support CDF's work in Alabama, Georgia and Mississippi. In 2013 and 2012, the total paid to this organization for consulting services was \$83,171 and \$84,671, respectively.

15. Financial condition

These financial statements are prepared on a going concern basis as shown in the accompanying consolidated financial statements. CDF experienced a decrease in net assets of \$511,185 and \$4,023,247 in 2013 and 2012, respectively. Management has worked to reduce annual losses by obtaining new sources of revenue, such as the \$2.9 million of federal grants received during 2013 combined with savings from expense reductions realized in 2013 (when excluding costs of servicing the new federal grants are taken into consideration). The organization also reduced its largest functional expense, personnel costs, by approximately \$475,000 in 2013 as compared to 2012.

In 2014, management has prioritized restructuring the development function. This is the sole department that has budgeted for new staff positions in 2014. The organization is expanding its efforts to obtain funding from both foundation grants and individual donors and build on the fundraising momentum achieved as CDF celebrates its 40th anniversary. In addition, the organization has retained real estate consultants to study its fixed assets to ensure that the organization maximizes the value of its real property, which was recently appraised at significantly above its book value. Management is considering all options with regards to its real estate. Management believes that these combined steps will allow the organization to fund future operations.



Independent Auditor's Report on Supplementary Information

Board of Directors

Children's Defense Fund and Children's Defense Fund Action Council
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We have audited the consolidated financial statements of **Children's Defense Fund and Children's Defense Fund Action Council** as of and for the years ended December 31, 2013 and 2012, and our report thereon dated June 4, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Schedules of Functional Expenses on pages 29 and 30 are presented for purposes of additional analysis of the consolidated financial statements and are 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.

Rockville, Maryland
June 4, 2014

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Schedule of Functional Expenses

Year Ended December 31, 2013

	Leadership Development and State and Community Capacity Building	Policy and Program Development and Implementation	Public Education, Media Campaigns, Internet Outreach and Publications	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Grants to organizations in U.S.	\$ 1,456,322	\$ 177,822	\$ -	\$ 1,634,144	\$ -	\$ -	\$ -	\$ 1,634,144
Grants to individuals in U.S.	240,223	-	-	240,223	-	-	-	240,223
Compensation and wages	5,745,086	603,181	814,523	7,162,790	1,047,857	352,788	1,400,645	8,563,435
Pension plan contributions	216,125	22,691	30,642	269,458	39,419	13,272	52,691	322,149
Other employee benefits	630,891	66,238	89,446	786,575	115,069	38,741	153,810	940,385
Payroll taxes	450,328	47,280	63,846	561,454	82,136	27,653	109,789	671,243
Consulting fees	1,997,222	23,675	44,450	2,065,347	77,561	121,124	198,685	2,264,032
Legal fees	14,375	129,000	-	143,375	41,814	-	41,814	185,189
Accounting fees	-	-	-	-	157,119	-	157,119	157,119
Advertising and promotion	40,546	-	42,514	83,060	1,868	30,569	32,437	115,497
Office expenses	376,445	39,523	53,371	469,339	68,660	23,116	91,776	561,115
Information technology	99,466	-	3,466	102,932	70,806	6,319	77,125	180,057
Occupancy	857,083	89,986	121,515	1,068,584	156,325	52,631	208,956	1,277,540
Travel	1,806,504	19,885	8,805	1,835,194	71,037	53,013	124,050	1,959,244
Conferences and conventions	1,105,432	23,587	3,432	1,132,451	15,561	85,933	101,494	1,233,945
Interest	-	-	-	-	176,778	-	176,778	176,778
Depreciation and amortization	479,462	50,339	67,977	597,778	87,450	29,442	116,892	714,670
Insurance	2,878	-	513	3,391	141,535	-	141,535	144,926
Printing and publication	1,520,751	25,756	93,834	1,640,341	27,583	18,334	45,917	1,686,258
Training	-	-	118,452	118,452	-	-	-	118,452
Miscellaneous expenses	237,897	2,668	24,660	265,225	80,183	33,773	113,956	379,181
Total expenses	\$ 17,277,036	\$ 1,321,631	\$ 1,581,446	\$ 20,180,113	\$ 2,458,761	\$ 886,708	\$ 3,345,469	\$ 23,525,582

Refer to accompanying Independent Auditor's Report on Supplementary Information.

Children's Defense Fund and Children's Defense Fund Action Council

Consolidated Schedule of Functional Expenses

Year Ended December 31, 2012

	Leadership Development and State and Community Capacity Building	Policy and Program Development and Implementation	Public Education, Media Campaigns, Internet Outreach and Publications	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Grants to organizations in U.S.	\$ 950,652	\$ -	\$ -	\$ 950,652	\$ -	\$ -	\$ -	\$ 950,652
Grants to individuals in U.S.	273,976	200	-	274,176	-	-	-	274,176
Compensation and wages	6,102,043	666,396	741,786	7,510,225	890,053	406,676	1,296,729	8,806,954
Pension plan contributions	239,035	26,107	29,061	294,203	34,893	15,932	50,825	345,028
Other employee benefits	738,294	80,628	89,750	908,672	107,689	49,204	156,893	1,065,565
Payroll taxes	522,757	57,090	63,548	643,395	76,250	34,839	111,089	754,484
Consulting fees	1,560,347	10,988	34,964	1,606,299	93,204	71,323	164,527	1,770,826
Legal fees	-	-	-	-	61,609	-	61,609	61,609
Accounting fees	-	-	-	-	237,737	-	237,737	237,737
Advertising and promotion	14,092	-	66,549	80,641	-	21,757	21,757	102,398
Office expenses	387,236	42,290	47,074	476,600	56,483	25,808	82,291	558,891
Information technology	80,154	19	9,812	89,985	58,597	3,726	62,323	152,308
Occupancy	985,326	107,606	119,780	1,212,712	143,721	65,668	209,389	1,422,101
Travel	1,875,437	15,249	11,959	1,902,645	152,082	21,883	173,965	2,076,610
Conferences and conventions	1,207,340	32	1,167	1,208,539	22,642	32,231	54,873	1,263,412
Interest	-	-	-	-	149,077	-	149,077	149,077
Depreciation and amortization	514,820	56,223	62,583	633,626	75,092	34,311	109,403	743,029
Insurance	69,209	-	6,007	75,216	81,667	-	81,667	156,883
Printing and publication	808,665	6,851	121,332	936,848	78,076	36,416	114,492	1,051,340
Training	1,000	-	132,744	133,744	-	-	-	133,744
Miscellaneous expenses	189,758	25,316	5,792	220,866	115,553	49,333	164,886	385,752
Total expenses	\$ 16,520,141	\$ 1,094,995	\$ 1,543,908	\$ 19,159,044	\$ 2,434,425	\$ 869,107	\$ 3,303,532	\$ 22,462,576

Refer to accompanying Independent Auditor's Report on Supplementary Information.