

Unbound

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

Unbound
December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Unbound
Kansas City, Kansas

We have audited the accompanying consolidated financial statements of Unbound, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unbound as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Kansas City, Missouri
May 16, 2019

Unbound
Consolidated Statements of Financial Position
December 31, 2018 and 2017

Assets

	2018	2017
Cash and cash equivalents	\$ 12,586,057	\$ 11,931,578
Accounts receivable	180,196	425,210
Prepaid expenses and other assets	860,475	796,330
Investments	41,435,131	37,274,287
Property and equipment, net of accumulated depreciation; 2018 - \$6,607,529, 2017 - \$6,136,499	3,348,367	3,510,097
Total assets	\$ 58,410,226	\$ 53,937,502

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 260,734	\$ 190,261
Accrued expenses and deferred revenue	1,338,178	1,226,550
Annuity obligations	582,919	461,733
Total liabilities	2,181,831	1,878,544

Net Assets

Without donor restrictions	23,958,747	20,284,746
With donor restrictions	32,269,648	31,774,212
Total net assets	56,228,395	52,058,958
Total liabilities and net assets	\$ 58,410,226	\$ 53,937,502

Unbound
Consolidated Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Gains and Other Revenues			
Public support			
Sponsorships	\$ 92,832,574	\$ 29,024,364	\$ 121,856,938
Contributions	4,898,089	7,112,342	12,010,431
Total public support	<u>97,730,663</u>	<u>36,136,706</u>	<u>133,867,369</u>
Other revenue	<u>1,852,661</u>	<u>4,503</u>	<u>1,857,164</u>
Unrealized losses on investments	<u>(1,481,759)</u>	<u>-</u>	<u>(1,481,759)</u>
Net assets released from restrictions			
Satisfaction of program restrictions	7,126,671	(7,126,671)	-
Expiration of time restrictions	<u>28,519,102</u>	<u>(28,519,102)</u>	<u>-</u>
Total net assets released from restrictions	<u>35,645,773</u>	<u>(35,645,773)</u>	<u>-</u>
Total public support, gains and other revenues	<u>133,747,338</u>	<u>495,436</u>	<u>134,242,774</u>
Expenses			
Program services	121,140,867	-	121,140,867
Fundraising	4,471,562	-	4,471,562
General and administrative	<u>4,460,908</u>	<u>-</u>	<u>4,460,908</u>
Total expenses	<u>130,073,337</u>	<u>-</u>	<u>130,073,337</u>
Increase in Net Assets	3,674,001	495,436	4,169,437
Net Assets, Beginning of Year	<u>20,284,746</u>	<u>31,774,212</u>	<u>52,058,958</u>
Net Assets, End of Year	<u>\$ 23,958,747</u>	<u>\$ 32,269,648</u>	<u>\$ 56,228,395</u>

Unbound
Consolidated Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Gains and Other Revenues			
Public support			
Sponsorships	\$ 93,409,358	\$ 28,519,103	\$ 121,928,461
Contributions	4,651,319	7,109,098	11,760,417
Total public support	<u>98,060,677</u>	<u>35,628,201</u>	<u>133,688,878</u>
Other revenue	<u>1,325,484</u>	<u>4,760</u>	<u>1,330,244</u>
Unrealized gains on investments	<u>1,000,913</u>	<u>-</u>	<u>1,000,913</u>
Net assets released from restrictions			
Satisfaction of program restrictions	6,625,303	(6,625,303)	-
Expiration of time restrictions	26,535,311	(26,535,311)	-
Total net assets released from restrictions	<u>33,160,614</u>	<u>(33,160,614)</u>	<u>-</u>
Total public support, gains and other revenues	<u>133,547,688</u>	<u>2,472,347</u>	<u>136,020,035</u>
Expenses			
Program services	118,674,860	-	118,674,860
Fundraising	4,956,632	-	4,956,632
General and administrative	4,409,871	-	4,409,871
Total expenses	<u>128,041,363</u>	<u>-</u>	<u>128,041,363</u>
Increase in Net Assets	5,506,325	2,472,347	7,978,672
Net Assets, Beginning of Year	<u>14,778,421</u>	<u>29,301,865</u>	<u>44,080,286</u>
Net Assets, End of Year	<u>\$ 20,284,746</u>	<u>\$ 31,774,212</u>	<u>\$ 52,058,958</u>

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Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Fundraising	General and Administrative	Total
Child, aging and local outreach support	\$ 110,728,092	\$ -	\$ -	\$ 110,728,092
Staff salaries and benefits	7,367,140	2,803,627	1,985,045	12,155,812
Appeal stipends	-	440,885	-	440,885
Awareness and education	633,144	26,125	4,815	664,084
Travel	209,988	255,379	4,970	470,337
Postage	749,905	154,556	442,722	1,347,183
Printing and duplicating	297,980	182,802	146,748	627,530
Bank service fees	613	-	1,366,369	1,366,982
Professional services	36,012	43,554	205,638	285,204
Advertising	19	254,572	8,120	262,711
Equipment maintenance and purchases	59,828	11,133	10,229	81,190
Supplies	251,509	88,183	68,752	408,444
Field audits	165,712	-	-	165,712
Telephone	36,135	8,962	6,958	52,055
Insurance	86,666	31,479	22,950	141,095
Utilities	72,989	18,782	18,782	110,553
Facility maintenance	81,691	16,405	17,375	115,471
Seminars, conferences and educational materials	17,356	37,782	6,735	61,873
Rent	816	411	211	1,438
Publications	877	982	453	2,312
Depreciation	322,954	74,039	74,039	471,032
Miscellaneous	21,441	21,904	69,997	113,342
	<u>\$ 121,140,867</u>	<u>\$ 4,471,562</u>	<u>\$ 4,460,908</u>	<u>\$ 130,073,337</u>
Total expenses	<u>\$ 121,140,867</u>	<u>\$ 4,471,562</u>	<u>\$ 4,460,908</u>	<u>\$ 130,073,337</u>

Unbound
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Fundraising	General and Administrative	Total
Child, aging and local outreach support	\$ 108,329,028	\$ -	\$ -	\$ 108,329,028
Staff salaries and benefits	7,214,438	2,850,187	1,906,821	11,971,446
Appeal stipends	-	513,310	-	513,310
Awareness and education	544,802	48,033	3,615	596,450
Travel	232,267	320,311	32,941	585,519
Postage	752,051	143,156	494,420	1,389,627
Printing and duplicating	510,157	161,275	168,380	839,812
Bank service fees	237	1	1,268,050	1,268,288
Professional services	35,606	26,015	179,477	241,098
Advertising	173	570,144	8,678	578,995
Equipment maintenance and purchases	77,656	17,570	17,414	112,640
Supplies	179,906	82,117	49,681	311,704
Field audits	147,240	-	-	147,240
Telephone	28,989	8,840	6,388	44,217
Insurance	89,675	31,958	21,612	143,245
Utilities	67,615	17,416	17,416	102,447
Facility maintenance	108,437	23,295	23,295	155,027
Seminars, conferences and educational materials	7,057	40,757	3,152	50,966
Rent	1,809	1,290	297	3,396
Publications	1,113	772	4,653	6,538
Depreciation	331,772	77,003	77,003	485,778
Miscellaneous	14,832	23,182	126,578	164,592
	<u>\$ 118,674,860</u>	<u>\$ 4,956,632</u>	<u>\$ 4,409,871</u>	<u>\$ 128,041,363</u>
Total expenses	<u>\$ 118,674,860</u>	<u>\$ 4,956,632</u>	<u>\$ 4,409,871</u>	<u>\$ 128,041,363</u>

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Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Increase in net assets	\$ 4,169,437	\$ 7,978,672
Items not requiring (providing) operating cash flows		
Net realized and unrealized (gains) losses on investments	1,268,370	(1,012,084)
Change in cash surrender value of life insurance	(4,792)	(4,918)
Contributions of investment securities	(2,983)	(50,916)
Depreciation	471,032	485,778
Changes in		
Accounts receivable	245,014	(73,426)
Prepaid expenses and other assets	(82,097)	96,955
Accounts payable and accrued expenses	182,101	113,667
	<u>6,246,082</u>	<u>7,533,728</u>
Net cash provided by operating activities		
	<u>6,246,082</u>	<u>7,533,728</u>
Investing Activities		
Purchase of property and equipment	(309,302)	(64,600)
Purchase of investments	(36,575,417)	(13,198,764)
Proceeds from disposition of investments	31,153,978	5,712,090
Maturity of reinsurance agreements	40,135	40,135
	<u>(5,690,606)</u>	<u>(7,511,139)</u>
Net cash used in investing activities		
	<u>(5,690,606)</u>	<u>(7,511,139)</u>
Financing Activities		
Proceeds from issuance of annuity obligations	147,513	11,452
Payments on annuity obligations	(48,510)	(47,854)
	<u>99,003</u>	<u>(36,402)</u>
Net cash provided by (used in) financing activities		
	<u>99,003</u>	<u>(36,402)</u>
Increase (Decrease) in Cash and Cash Equivalents	654,479	(13,813)
Cash and Cash Equivalents, Beginning of Year	<u>11,931,578</u>	<u>11,945,391</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,586,057</u>	<u>\$ 11,931,578</u>

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Unbound is a not-for-profit organization whose mission is to walk with the poor and marginalized of the world. Unbound's revenues and other support are derived primarily from sponsorships and contributions. Unbound's principal activities are to build personal connections with people in developing countries and work side by side with them to break the bonds of poverty. To do this, dynamic, one-to-one relationships are created. Individuals select a specific child, youth or elderly person to sponsor and offer them support and encouragement on their path to self-sufficiency. During 2017, Unbound Colombia was formed and operations began. Unbound Columbia is consolidated in the Unbound financial statements.

Unbound and its sponsors instill confidence in those who need it most. Unbound partners with families served through the program to challenge poverty by empowering them to choose the benefits they most need to address their unique situations. Not only does Unbound help families provide basic needs such as education, food, medical care and clothing, but it also helps them create long-term solutions through skills training, livelihood initiatives and self-help groups. The support network Unbound and sponsorship offers aids individuals on their journey to transcend poverty and create more resilient families and communities.

Unbound also partners with 36 project offices in 18 countries to administer the various organization programs. Because Unbound does not exercise control over the project offices, the operations of the project offices are not consolidated in Unbound's consolidated financial statements. Funding provided to the project offices are titled "child, aging and local outreach support" within the statements of functional expenses and are categorized as program services.

Foreign Affiliation

Unbound has an affiliation agreement with Delegación de la Fundación Cristiana para Niños y Ancianos (DFCNA), a similar organization in Spain. Because Unbound does not exercise control over DFCNA, the operations of this entity are not consolidated in Unbound's consolidated financial statements. DFCNA sends sponsorship contributions to the organization for distribution to the various Unbound programs. These funds are included in sponsorship support. Total sponsorship contributions received from DFCNA amounted to \$272,673 and \$315,174 during the years ended December 31, 2018 and 2017, respectively.

Use of Estimates

The preparation of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Unbound

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Cash and Cash Equivalents

Unbound considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash equivalents consisted of money market funds.

At December 31, 2018, approximately \$4,898,000 of Unbound's cash was held in a financial institution in excess of federally insured limits. However, management has evaluated the financial stability of the institution and believes the risk of loss is minimal.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at fair value. Annuities are recorded at contract value, plus accrued interest. Life insurance contracts are carried at the cash surrender value of the policy. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated lives of forty years for the buildings and three to fifteen years for furniture, equipment and software.

Unbound capitalizes costs associated with software development when the preliminary application stage is completed. Capitalization of such costs ceases no later than the point at which the application is substantially complete and ready for its intended purposes. Research and other preliminary costs related to software development, as well as computer software maintenance costs, are expensed as incurred.

Unbound evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Annuity Obligations

Annuity obligations consist of contributed amounts subject to obligations to make fixed periodic payments to beneficiaries over their lifetimes or a specified length of time. The annuity liability is recorded at the actuarial present value of the aggregate liability determined by the applicable federal rate and life expectancy tables. Unbound values the fair value of annuity assets and liabilities on an annual basis.

To reduce the risk that the payments to the beneficiaries will not exceed the amount originally contributed, Unbound purchased annuities to cover the beneficiary payments over the life of the beneficiaries for annuities sold prior to 2014. The annuity investments are included within investments in the consolidated statements of financial position.

For annuities sold beginning in 2014, Unbound set aside a reserve of \$100,000 as of December 31, 2014 to fund these liabilities. During 2018, the reserve was increased to \$200,000. Any actuarial gain or loss resulting from the computation of the liability for the present value of future payments is recorded as a change in revenue without donor restriction.

Net Assets

Net assets without donor restrictions represent sponsorship and support services associated with funding Unbound's operating needs and for which all donor-imposed restrictions, if any, have been satisfied.

Net assets with donor restrictions represent sponsorship payments and other contributions which are restricted due to donor-imposed time restrictions or donor-imposed special purpose restrictions such as support for birthday celebrations, Christmas celebrations or urgent needs. Sponsorship is provided to children, their families and the aging living in poverty in developing countries on a recurring monthly basis; however, some donors elect to pay on a yearly or other basis. For those contributions received where the benefit has not been provided to the children or their families, Unbound includes those contributions as net assets with donor restrictions until such time that the benefits are provided for donor-imposed time or special purpose restrictions. Such restrictions generally expire or are otherwise satisfied within the twelve months following receipt. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Sponsorships and Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restriction.

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Notes to Consolidated Financial Statements

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Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restriction unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets as net assets with donor restrictions are reported when the long-lived assets are placed in service.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the consolidated financial statements for contributed services. However, time and resources have been contributed by volunteers in furtherance of Unbound's objectives, where the volunteers were not experts in the field they were providing services. Management has estimated the value of the approximately 16,600 hours of services donated in 2018 at \$389,000 and 20,900 hours of services donated in 2017 at \$437,000.

Income Taxes

Unbound is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Unbound is subject to federal income tax on any unrelated business taxable income. Unbound has evaluated and determined there are no uncertain tax positions that would need to be analyzed for any of the periods presented. Unbound files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program services, fundraising and general and administrative categories based on allocation of salaries and other methods.

Subsequent Events

Subsequent events have been evaluated through May 16, 2019, which is the date the consolidated financial statements were available to be issued.

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Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 2: Investments and Investment Return and Disclosures About Fair Value of Assets

Investments

Investments at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Investments carried at fair value		
U.S. agency securities	\$ 2,465,635	\$ 8,980,764
Common stock	7,114,778	7,799,523
Corporate bonds	21,073,542	9,169,190
Foreign obligations	-	807,124
Municipal bonds	439,392	457,102
Mutual funds	<u>156,915</u>	<u>192,267</u>
Total investments carried at fair value	31,250,262	27,405,970
Annuities carried at contract value	10,056,584	9,744,824
Life insurance carried at cash surrender value	<u>128,285</u>	<u>123,493</u>
	<u>\$ 41,435,131</u>	<u>\$ 37,274,287</u>

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Notes to Consolidated Financial Statements
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Investment Return

Total investment return is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 847,989	\$ 603,237
Realized gains	213,389	11,171
Unrealized gains (losses)	<u>(1,481,759)</u>	<u>1,000,913</u>
Return on investments carried at fair value	(420,381)	1,615,321
Return on investments carried at contract value	<u>265,223</u>	<u>246,976</u>
	<u>\$ (155,158)</u>	<u>\$ 1,862,297</u>

Total investment return is reflected in the consolidated statements of activities as follows:

	<u>2018</u>	<u>2017</u>
Investment return included in other revenue	\$ 1,326,601	\$ 861,384
Unrealized gains (losses) on investments	<u>(1,481,759)</u>	<u>1,000,913</u>
	<u>\$ (155,158)</u>	<u>\$ 1,862,297</u>

Fair Value Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	Fair Value	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)
December 31, 2018				
Cash equivalents - money market funds	\$ 6,767,985	\$ 6,767,985	\$ -	\$ -
Investments				
U.S. agency securities	2,465,635	-	2,465,635	-
Common stock	7,114,778	7,114,778	-	-
Corporate bonds	21,073,542	-	21,073,542	-
Municipal bonds	439,392	-	439,392	-
Mutual funds	156,915	156,915	-	-
Total	\$ 38,018,247	\$ 14,039,678	\$ 23,978,569	\$ -

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	Fair Value	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)
December 31, 2017				
Cash equivalents - money market funds	\$ 7,621,294	\$ 7,621,294	\$ -	\$ -
Investments				
U.S. agency securities	8,980,764	-	8,980,764	-
Common stock	7,799,523	7,799,523	-	-
Corporate bonds	9,169,190	-	9,169,190	-
Foreign obligations	807,124	-	807,124	-
Municipal bonds	457,102	-	457,102	-
Mutual funds	192,267	192,267	-	-
Total	\$ 35,027,264	\$ 15,613,084	\$ 19,414,180	\$ -

Note 3: Property and Equipment

Property and equipment at December 31 consisted of the following:

	2018	2017
Land	\$ 273,053	\$ 273,053
Buildings	4,881,285	4,773,197
Furniture and equipment	2,045,935	1,844,723
CASA software	2,755,623	2,755,623
	<u>9,955,896</u>	<u>9,646,596</u>
Less accumulated depreciation	<u>(6,607,529)</u>	<u>(6,136,499)</u>
	<u>\$ 3,348,367</u>	<u>\$ 3,510,097</u>

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Notes to Consolidated Financial Statements
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Note 4: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are available for the following purposes or period:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose or period		
Child sponsorships	\$ 25,951,373	\$ 25,634,578
Aging sponsorships	2,985,881	2,799,004
Project/urgent needs	1,415,010	1,426,872
Project grants	1,127,923	1,077,875
Birthday fund	525,245	572,249
Vocation sponsorships	87,111	85,522
Restricted in perpetuity	36,322	36,322
Other	140,783	141,790
	<u>\$ 32,269,648</u>	<u>\$ 31,774,212</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2018</u>	<u>2017</u>
Satisfaction or purpose restrictions		
Child sponsorships	\$ 25,634,577	\$ 23,933,607
Aging sponsorships	2,799,004	2,515,393
Project/urgent needs	2,320,435	2,300,108
Project grants	594,835	144,587
Birthday fund	2,053,332	1,994,427
Christmas fund	2,158,069	2,186,181
Vocation sponsorships	85,521	86,311
	<u>\$ 35,645,773</u>	<u>\$ 33,160,614</u>

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Note 5: Liquidity and Availability

Unbound regularly monitors liquidity to meet both operating needs and to fulfill the requirements of net assets with donor restrictions. Unbound manages liquidity with the goal to utilize financial assets in support of their sponsorship and scholarship programs in the shortest time practical, thus available financial assets are intentionally maintained at relatively minimum levels.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and December 31, 2017, comprise the following:

	2018	2017
Cash and cash equivalents	\$ 12,586,057	\$ 11,931,578
Investments	41,435,131	37,274,287
Total financial assets	54,021,188	49,205,865
Financial assets with restrictions:		
Annuities with maturity dates greater than one year	(7,011,452)	(6,788,571)
Financial assets with donor-imposed time restriction greater than one year	(36,322)	(36,322)
Financial assets reserved to fund charitable gift annuity program	(200,000)	(100,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 46,773,414	\$ 42,280,972

The above are invested in compliance with the U.S. Conference of Catholic Bishops' socially responsible investment guidelines and with Unbound's investment policy that prioritizes safety and liquidation. Earnings from cash and investments are used in support of Unbound's sponsorship and scholarship programs.

Annuities with maturity dates greater than one year represent annuities with life insurance companies. These annuities include redemption penalties if liquidated prior to maturity date. All such annuities carried an AM Best rating of A- or better at year end 2018. The annuities mature in 1- 5 years in the future.

Financial assets with donor-imposed time restrictions greater than one year represent a net asset restricted in perpetuity given to Unbound with a restriction that it exist in perpetuity. The income generated from the net asset restricted in perpetuity is used to support Unbound's sponsorship program.

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Financial assets reserved to fund charitable gift annuity program represent funds set aside by Unbound to meet all of its future charitable gift annuity liabilities that are not funded via reinsurance.

For purposes of analyzing financial assets available to meet cash needs for general expenditures within one year (available financial assets), Unbound considers all expenditures related to its scholarship and sponsorship programs as well as administrative and fund raising services undertaken to support those programs to be general expenditures.

Unbound receives significant contributions with donor-imposed time and program restrictions. Restrictions on the majority of those gifts, Unbound's principal source of support, are met within 1-3 months of receipt. At December 31, 2018 and 2017, available financial assets totaling \$32,233,326 and \$31,737,890, respectively, were inclusive of such contributions.

For both 2018 and 2017, Unbound's available financial assets were, by design, less than the expected and actual cash needs for general expenditures for the following year. Since its inception, Unbound has relied on the continued faithful giving of donors for the majority of their future general expenditure cash needs. This time-proven approach allows Unbound to utilize funds for sponsorship and scholarship programs rather than maintaining a higher amount of financial assets for future needs.

Unbound operates with a balanced budget and without any short or long term non-operating debt. The organization strives to maintain a current cash balance on hand of no less than 30 days of expected future expenditures. Refer to the consolidated statements of cash flows which identify the sources and uses of Unbound's cash and shows positive cash generated by operations for fiscal years 2018 and 2017.

Unbound management designates a portion of available financial assets for future capital or program needs. However, that designation does not preclude Unbound management from utilizing those assets for liquidity or other purposes if needed.

Note 6: Retirement Plan

Unbound has a defined contribution pension plan covering all eligible employees 18 years of age and older. Under the Plan, Unbound contributes an amount equal to 6 percent of each participant's compensation. Participants are fully vested upon entry into the Plan. Pension expense was \$538,324 and \$530,031 for 2018 and 2017, respectively.