

Unbound

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2019 and 2018

Unbound
December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matters

As described in *Note 2* to the consolidated financial statements, in 2019, Unbound adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

BKD, LLP

Kansas City, Missouri
June 4, 2020

Unbound
Consolidated Statements of Financial Position
December 31, 2019 and 2018

Assets

	2019	2018
Cash and cash equivalents	\$ 13,894,735	\$ 12,586,057
Accounts receivable	282,734	180,196
Prepaid expenses and other assets	751,260	860,475
Investments	48,499,148	41,435,131
Property and equipment, net of accumulated depreciation; 2019 - \$6,948,168, 2018 - \$6,607,529	3,204,050	3,348,367
Total assets	\$ 66,631,927	\$ 58,410,226

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 288,383	\$ 260,734
Accrued expenses and deferred revenue	1,492,024	1,338,178
Annuity obligations	571,238	582,919
Total liabilities	2,351,645	2,181,831

Net Assets

Without donor restrictions	31,597,985	23,958,747
With donor restrictions	32,682,297	32,269,648
Total net assets	64,280,282	56,228,395
Total liabilities and net assets	\$ 66,631,927	\$ 58,410,226

Unbound
Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Gains and Other Revenues			
Public support			
Sponsorships	\$ 93,765,262	\$ 29,531,091	\$ 123,296,353
Contributions	6,752,741	7,293,107	14,045,848
Total public support	<u>100,518,003</u>	<u>36,824,198</u>	<u>137,342,201</u>
Other revenue	<u>2,006,221</u>	<u>2,955</u>	<u>2,009,176</u>
Unrealized loss on foreign currency exchanges	(921)	-	(921)
Unrealized gains on investments	<u>1,871,463</u>	<u>-</u>	<u>1,871,463</u>
Net assets released from restrictions			
Satisfaction of program restrictions	7,390,140	(7,390,140)	-
Expiration of time restrictions	<u>29,024,364</u>	<u>(29,024,364)</u>	<u>-</u>
Total net assets released from restrictions	<u>36,414,504</u>	<u>(36,414,504)</u>	<u>-</u>
Total public support, gains and other revenues	<u>140,809,270</u>	<u>412,649</u>	<u>141,221,919</u>
Expenses			
Program services	123,379,605	-	123,379,605
Fundraising	5,149,475	-	5,149,475
General and administrative	<u>4,640,952</u>	<u>-</u>	<u>4,640,952</u>
Total expenses	<u>133,170,032</u>	<u>-</u>	<u>133,170,032</u>
Increase in Net Assets	7,639,238	412,649	8,051,887
Net Assets, Beginning of Year	<u>23,958,747</u>	<u>32,269,648</u>	<u>56,228,395</u>
Net Assets, End of Year	<u>\$ 31,597,985</u>	<u>\$ 32,682,297</u>	<u>\$ 64,280,282</u>

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
	<u>97,730,663</u>	<u>36,136,706</u>	<u>133,867,369</u>
Other revenue	1,852,661	4,503	1,857,164
Unrealized losses on investments	(1,481,759)	-	(1,481,759)
Net assets released from restrictions			
Satisfaction of program restrictions	7,126,671	(7,126,671)	-
Expiration of time restrictions	28,519,102	(28,519,102)	-
	<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	4,460,908	-	4,460,908
	<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 Functional Expenses
Year Ended December 31, 2019

	Program Services	Fundraising	General and Administrative	Total
Child, aging and local outreach support	\$ 112,998,236	\$ -	\$ -	\$ 112,998,236
Staff salaries and benefits	7,697,735	3,018,098	2,031,770	12,747,603
Appeal stipends	-	437,991	-	437,991
Awareness and education	546,482	43,690	4,523	594,695
Travel	403,983	254,806	15,188	673,977
Postage	588,291	192,153	474,127	1,254,571
Printing and duplicating	178,923	243,335	135,524	557,782
Bank service fees	690	-	1,449,018	1,449,708
Professional services	76,483	149,296	231,403	457,182
Advertising	292	475,217	6,430	481,939
Equipment maintenance and purchases	84,464	16,528	15,512	116,504
Supplies	228,349	112,495	78,724	419,568
Telephone	44,953	10,330	10,165	65,448
Insurance	85,181	31,159	21,502	137,842
Utilities	68,560	17,757	17,312	103,629
Facility maintenance	88,874	18,704	18,246	125,824
Seminars, conferences and educational materials	19,605	36,085	8,636	64,326
Rent	2,117	546	546	3,209
Publications	663	869	529	2,061
Depreciation	252,047	55,934	55,934	363,915
Miscellaneous	13,677	34,482	65,863	114,022
	<u>\$ 123,379,605</u>	<u>\$ 5,149,475</u>	<u>\$ 4,640,952</u>	<u>\$ 133,170,032</u>
Total expenses	<u>\$ 123,379,605</u>	<u>\$ 5,149,475</u>	<u>\$ 4,640,952</u>	<u>\$ 133,170,032</u>

Unbound
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	375,700	255,379	4,970	636,049
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
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>

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Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Increase in net assets	\$ 8,051,887	\$ 4,169,437
Items not requiring (providing) operating cash flows		
Net realized and unrealized (gains) losses on investments	(1,936,468)	1,268,370
Change in cash surrender value of life insurance	(3,377)	(4,792)
Contributions of investment securities	-	(2,983)
Depreciation	363,915	471,032
Changes in		
Accounts receivable	(102,538)	245,014
Prepaid expenses and other assets	109,148	(82,097)
Accounts payable and accrued expenses	181,495	182,101
	<u>6,664,062</u>	<u>6,246,082</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(219,598)	(309,302)
Purchase of investments	(27,672,705)	(36,575,417)
Proceeds from disposition of investments	22,548,533	31,153,978
Maturity of reinsurance agreements	39,938	40,135
	<u>(5,303,832)</u>	<u>(5,690,606)</u>
Net cash used in investing activities		
Financing Activities		
Proceeds from issuance of annuity obligations	-	147,513
Payments on annuity obligations	(51,552)	(48,510)
	<u>(51,552)</u>	<u>99,003</u>
Net cash provided by (used in) financing activities		
Increase in Cash and Cash Equivalents	1,308,678	654,479
Cash and Cash Equivalents, Beginning of Year	<u>12,586,057</u>	<u>11,931,578</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,894,735</u>	<u>\$ 12,586,057</u>

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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. Unbound Colombia 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 \$106,791 and \$272,673 during the years ended December 31, 2019 and 2018, respectively. DFCNA closed during 2019 in the month of August, and it is no longer operating.

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.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Cash and Cash Equivalents

Unbound considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted of money market funds.

At December 31, 2019, approximately \$5,136,000 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 and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

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, 2019 and 2018.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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. For 2019, Unbound increased the reserve to \$300,000. 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 restrictions.

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

Contributions are provided to Unbound either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Unbound overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met

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Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue without donor restrictions.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue without donor restrictions.

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 16,025 hours of services donated in 2019 at \$425,000 and 16,600 hours of services donated in 2018 at \$389,000.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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 June 4, 2020, which is the date the consolidated financial statements were available to be issued.

There has been significant volatility in the investment markets both nationally and globally since December 31, 2019, resulting in an overall market decline in certain market segments which has resulted in a substantial decline in the value of the Company's investment portfolio.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. Unbound received a loan in the amount of \$2,386,100 pursuant to the Paycheck Protection Program. Unbound anticipates using all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven.

Note 2: Change in Accounting Principles

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) that replaces existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Unbound does not have a material amount of revenues that are subject to ASU 2014-09. However, Unbound's contributions will be subject to ASU 2018-08.

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Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Contributions Received and Contributions Made

On January 1, 2019, Unbound adopted FASB ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified-prospective method of adoption to agreements that were not completed as of or entered into after the effective date. The core guidance in ASU 2018-08 provided clarification on the determination of a contribution versus an exchange transaction and if determined to be a contribution, clarification on the presence of a condition which governs when the revenue is recognized.

This change had no impact on previously reported total change in net assets.

Note 3: Investments and Investment Return and Disclosures About Fair Value of Assets

Investments

Investments at December 31 consisted of the following:

	2019	2018
Investments carried at fair value		
U.S. agency securities	\$ 1,944,027	\$ 2,465,635
Common stock	9,005,699	7,114,778
Corporate bonds	23,201,876	21,073,542
Foreign obligations	2,491,517	-
Municipal bonds	162,870	439,392
Mutual funds	197,180	156,915
	<hr/>	<hr/>
Total investments carried at fair value	37,003,169	31,250,262
Annuities carried at contract value	11,364,319	10,056,584
Life insurance carried at cash surrender value	131,660	128,285
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	<u>\$ 48,499,148</u>	<u>\$ 41,435,131</u>

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Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 4: Investment Return

Total investment return is comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 1,176,745	\$ 847,989
Realized gains	65,926	213,389
Unrealized gains (losses)	<u>1,870,542</u>	<u>(1,481,759)</u>
Return on investments carried at fair value	3,113,213	(420,381)
Return on investments carried at contract value	<u>288,590</u>	<u>265,223</u>
	<u>\$ 3,401,803</u>	<u>\$ (155,158)</u>

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

	<u>2019</u>	<u>2018</u>
Investment return included in other revenue	\$ 1,531,261	\$ 1,326,601
Unrealized gains (losses) on investments	<u>1,870,542</u>	<u>(1,481,759)</u>
	<u>\$ 3,401,803</u>	<u>\$ (155,158)</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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Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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, 2019.

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, 2019 and 2018:

	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, 2019				
Cash equivalents - money market funds	\$ 7,888,591	\$ 7,888,591	\$ -	\$ -
Investments				
U.S. agency securities	1,944,027	-	1,944,027	-
Common stock	9,005,699	9,005,699	-	-
Corporate bonds	23,201,876	-	23,201,876	-
Foreign obligations	2,491,517	-	2,491,517	-
Municipal bonds	162,870	-	162,870	-
Mutual funds	197,180	197,180	-	-
Total	\$ 44,891,760	\$ 17,091,470	\$ 27,800,290	\$ -

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Notes to Consolidated Financial Statements
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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, 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	<u>\$ 38,018,247</u>	<u>\$ 14,039,678</u>	<u>\$ 23,978,569</u>	<u>\$ -</u>

Note 5: Property and Equipment

Property and equipment at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 273,053	\$ 273,053
Buildings	4,970,230	4,881,285
Furniture and equipment	2,068,373	2,045,935
CASA software	2,755,623	2,755,623
Construction in progress	84,939	-
	<u>10,152,218</u>	<u>9,955,896</u>
Less accumulated depreciation	<u>(6,948,168)</u>	<u>(6,607,529)</u>
	<u>\$ 3,204,050</u>	<u>\$ 3,348,367</u>

Unbound
Notes to Consolidated Financial Statements
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Note 6: 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>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose or period		
Child sponsorships	\$ 26,277,583	\$ 25,951,373
Aging sponsorships	3,164,886	2,985,881
Project/urgent needs	1,487,066	1,415,010
Project grants	1,012,527	1,127,923
Birthday fund	477,104	525,245
Vocation sponsorships	88,623	87,111
Restricted in perpetuity	36,322	36,322
Other	138,186	140,783
	<u>\$ 32,682,297</u>	<u>\$ 32,269,648</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>2019</u>	<u>2018</u>
Satisfaction or purpose restrictions		
Child sponsorships	\$ 25,951,373	\$ 25,634,577
Aging sponsorships	2,985,881	2,799,004
Project/urgent needs	2,491,948	2,320,435
Project grants	952,817	594,835
Birthday fund	2,045,100	2,053,332
Christmas fund	1,900,275	2,158,069
Vocation sponsorships	87,110	85,521
	<u>\$ 36,414,504</u>	<u>\$ 35,645,773</u>

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Notes to Consolidated Financial Statements
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Note 7: 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, 2019 and December 31, 2018, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 13,894,735	\$ 12,586,057
Investments	48,499,148	41,435,131
Total financial assets	62,393,883	54,021,188
Financial assets with restrictions:		
Annuities with maturity dates greater than one year	(8,227,564)	(7,011,452)
Financial assets with donor-imposed time restriction greater than one year	(36,322)	(36,322)
Financial assets reserved to fund charitable gift annuity program	(300,000)	(200,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 53,829,997	\$ 46,773,414

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 2019. 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.

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.

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, available financial assets totaling \$32,682,295 and \$32,233,326, respectively, were inclusive of such contributions.

For both 2019 and 2018, 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 2019 and 2018.

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 8: 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 \$559,678 and \$538,324 for 2019 and 2018, respectively.