

# **Unbound**

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2020 and 2019

**Unbound**  
**December 31, 2020 and 2019**

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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, 2020 and 2019, 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.

Board of Directors  
Unbound  
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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, 2020 and 2019, 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 26, 2021

**Unbound**  
**Consolidated Statements of Financial Position**  
**December 31, 2020 and 2019**

**Assets**

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 17,426,373	\$ 13,894,735
Accounts receivable	491,938	282,734
Prepaid expenses and other assets	1,174,658	751,260
Investments	55,915,365	48,499,148
Property and equipment, net of accumulated depreciation; 2020 - \$7,232,301, 2019 - \$6,948,168	3,089,208	3,204,050
Total assets	\$ 78,097,542	\$ 66,631,927

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 893,602	\$ 288,383
Accrued expenses and deferred revenue	1,381,392	1,492,024
Annuity obligations	636,619	571,238
Paycheck Protection Program loan	2,386,100	-
Total liabilities	5,297,713	2,351,645

**Net Assets**

Without donor restrictions	40,146,228	31,597,985
With donor restrictions	32,653,601	32,682,297
Total net assets	72,799,829	64,280,282
Total liabilities and net assets	\$ 78,097,542	\$ 66,631,927

**Unbound**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support, Gains and Other Revenues</b>			
Public support			
Sponsorships	\$ 95,512,332	\$ 29,052,833	\$ 124,565,165
Contributions	11,983,198	2,855,164	14,838,362
Total public support	<u>107,495,530</u>	<u>31,907,997</u>	<u>139,403,527</u>
Other revenue	<u>2,023,947</u>	<u>4,908</u>	<u>2,028,855</u>
Unrealized gains on foreign currency exchanges	818	-	818
Unrealized gains on investments	<u>770,964</u>	<u>-</u>	<u>770,964</u>
Net assets released from restrictions			
Satisfaction of program restrictions	2,410,509	(2,410,509)	-
Expiration of time restrictions	<u>29,531,092</u>	<u>(29,531,092)</u>	<u>-</u>
Total net assets released from restrictions	<u>31,941,601</u>	<u>(31,941,601)</u>	<u>-</u>
Total public support, gains and other revenues	<u>142,232,860</u>	<u>(28,696)</u>	<u>142,204,164</u>
<b>Expenses</b>			
Program services	123,811,020	-	123,811,020
Fundraising	5,348,385	-	5,348,385
General and administrative	<u>4,525,212</u>	<u>-</u>	<u>4,525,212</u>
Total expenses	<u>133,684,617</u>	<u>-</u>	<u>133,684,617</u>
<b>Increase (Decrease) in Net Assets</b>	8,548,243	(28,696)	8,519,547
<b>Net Assets, Beginning of Year</b>	<u>31,597,985</u>	<u>32,682,297</u>	<u>64,280,282</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 40,146,228</u></u>	<u><u>\$ 32,653,601</u></u>	<u><u>\$ 72,799,829</u></u>

**Unbound**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support, Gains and Other Revenues</b>			
Public support			
Sponsorships	\$ 93,765,262	\$ 29,531,091	\$ 123,296,353
Contributions	11,677,804	2,368,044	14,045,848
Total public support	<u>105,443,066</u>	<u>31,899,135</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	2,465,077	(2,465,077)	-
Expiration of time restrictions	<u>29,024,364</u>	<u>(29,024,364)</u>	<u>-</u>
Total net assets released from restrictions	<u>31,489,441</u>	<u>(31,489,441)</u>	<u>-</u>
Total public support, gains and other revenues	<u>140,809,270</u>	<u>412,649</u>	<u>141,221,919</u>
<b>Expenses</b>			
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>
<b>Increase in Net Assets</b>	7,639,238	412,649	8,051,887
<b>Net Assets, Beginning of Year</b>	<u>23,958,747</u>	<u>32,269,648</u>	<u>56,228,395</u>
<b>Net Assets, End of Year</b>	<u>\$ 31,597,985</u>	<u>\$ 32,682,297</u>	<u>\$ 64,280,282</u>

**Unbound**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	<b>Program Services</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
Child, aging and local outreach support	\$ 114,065,924	\$ -	\$ -	\$ 114,065,924
Staff salaries and benefits	8,156,207	3,176,280	2,113,192	13,445,679
Appeal stipends	-	219,845	-	219,845
Awareness and education	157,435	5,462	172	163,069
Travel	103,102	102,342	11,969	217,413
Postage	286,459	129,426	341,433	757,318
Printing and duplicating	186,832	188,458	124,087	499,377
Bank service fees	718	-	1,467,567	1,468,285
Professional services	59,443	163,242	176,643	399,328
Advertising	77	896,419	1,477	897,973
Equipment maintenance and purchases	93,436	27,748	19,004	140,188
Supplies	228,114	285,097	76,434	589,645
Telephone	26,958	6,685	6,685	40,328
Insurance	89,517	34,005	21,992	145,514
Utilities	50,970	12,815	12,815	76,600
Facility maintenance	69,523	17,907	17,907	105,337
Seminars, conferences and educational materials	21,315	6,817	2,068	30,200
Rent	1,881	484	484	2,849
Depreciation	197,405	43,364	43,364	284,133
Miscellaneous	15,704	31,989	87,919	135,612
	<u>\$ 123,811,020</u>	<u>\$ 5,348,385</u>	<u>\$ 4,525,212</u>	<u>\$ 133,684,617</u>
Total expenses	<u>\$ 123,811,020</u>	<u>\$ 5,348,385</u>	<u>\$ 4,525,212</u>	<u>\$ 133,684,617</u>



**Unbound**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	<b>Program Services</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>Total</b>
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 Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Activities</b>		
Increase in net assets	\$ 8,519,547	\$ 8,051,887
Items not requiring (providing) operating cash flows		
Net realized and unrealized gains on investments	(1,271,987)	(1,936,468)
Change in cash surrender value of life insurance	(5,467)	(3,377)
Contribution of other assets	(365,000)	-
Depreciation	284,133	363,915
Changes in		
Accounts receivable	(209,204)	(102,538)
Prepaid expenses and other assets	18,133	109,148
Accounts payable and accrued expenses	494,587	181,495
	<u>7,464,742</u>	<u>6,664,062</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(169,291)	(219,598)
Purchase of investments	(29,875,690)	(27,672,705)
Proceeds from disposition of investments	23,736,109	22,548,533
Maturity of reinsurance agreements	39,345	39,938
	<u>(6,269,527)</u>	<u>(5,303,832)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Payments on annuity obligations	(50,495)	(51,552)
Proceeds from Paycheck Protection Program loan	2,386,100	-
	<u>2,335,605</u>	<u>(51,552)</u>
Net cash provided by (used in) financing activities		
<b>Increase in Cash and Cash Equivalents</b>	3,530,820	1,308,678
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>13,894,735</u>	<u>12,586,057</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 17,425,555</u>	<u>\$ 13,894,735</u>

# Unbound

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

#### **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 37 project offices in 19 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 consolidated 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 during the year ended December 31, 2019. 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.

# Unbound

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

#### ***Cash and Cash Equivalents***

Unbound considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are considered to be cash and cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market funds.

At December 31, 2020, approximately \$15,636,000 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***

Unbound measures securities, other than investments that qualify for the equity method of accounting, 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 consolidated statements of financial position.

#### ***Property and Equipment***

Property and equipment acquisitions over \$2,500 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

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

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, 2020 and 2019.

#### ***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. During 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.

# Unbound

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

#### ***Sponsorships and Contributions***

Sponsorships and 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 sponsorship and contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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
<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.

# Unbound

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

#### ***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 2,770 hours of services donated in 2020 at \$200,090 and 16,025 hours of services donated in 2019 at \$425,000.

#### ***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.

#### ***Revisions***

Certain immaterial revisions have been made to the 2019 consolidated financial statements to properly present \$4,925,063 of public support revenue without donor restrictions which had previously been presented as public support revenue with donor restrictions and released from restriction in 2019. The detail of Net Assets Released from Restrictions in *Note 5* has been revised as well. These revisions did not have a significant impact on the financial statement line items impacted.

#### ***Subsequent Events***

Subsequent events have been evaluated through May 26, 2021, which is the date the consolidated financial statements were available to be issued.

**Unbound**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

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

***Investments***

Investments at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Investments carried at fair value		
U.S. agency securities	\$ 2,068,034	\$ 1,944,027
Common stock	11,562,971	9,005,699
Corporate bonds	25,110,510	23,201,876
Foreign obligations	3,855,445	2,491,517
Municipal bonds	252,724	162,870
Mutual funds	221,069	197,180
	<hr/>	<hr/>
Total investments carried at fair value	43,070,753	37,003,169
Annuities carried at contract value	12,707,485	11,364,319
Life insurance carried at cash surrender value	137,127	131,660
	<hr/>	<hr/>
	<u>\$ 55,915,365</u>	<u>\$ 48,499,148</u>

***Investment Return***

Total investment return is comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 1,165,043	\$ 1,176,745
Realized gains	500,205	65,926
Unrealized gains	771,782	1,870,542
	<hr/>	<hr/>
Return on investments carried at fair value	2,437,030	3,113,213
Return on investments carried at contract value	347,613	288,590
	<hr/>	<hr/>
	<u>\$ 2,784,643</u>	<u>\$ 3,401,803</u>



**Unbound**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

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

	<b>2020</b>	<b>2019</b>
Investment return included in other revenue	\$ 2,012,861	\$ 1,531,261
Unrealized gains on investments	771,782	1,870,542
	\$ 2,784,643	\$ 3,401,803

***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

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, 2020.

**Unbound**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 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, 2020 and 2019:

	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2020</b>				
Cash equivalents - money market funds	\$ 822,790	\$ 822,790	\$ -	\$ -
Investments				
U.S. agency securities	2,068,034	-	2,068,034	-
Common stock	11,562,971	11,562,971	-	-
Corporate bonds	25,110,510	-	25,110,510	-
Foreign obligations	3,855,445	-	3,855,445	-
Municipal bonds	252,724	-	252,724	-
Mutual funds	221,069	221,069	-	-
<b>Total</b>	<b>\$ 43,893,543</b>	<b>\$ 12,606,830</b>	<b>\$ 31,286,713</b>	<b>\$ -</b>

	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>December 31, 2019</b>				
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	-	-
<b>Total</b>	<b>\$ 44,891,760</b>	<b>\$ 17,091,470</b>	<b>\$ 27,800,290</b>	<b>\$ -</b>

**Unbound**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**Note 3: Property and Equipment**

Property and equipment at December 31 consisted of the following:

	<b>2020</b>	<b>2019</b>
Land	\$ 273,053	\$ 273,053
Buildings	5,102,190	4,970,230
Furniture and equipment	2,190,643	2,068,373
CASA software	2,755,623	2,755,623
Construction in progress	-	84,939
	10,321,509	10,152,218
Less accumulated depreciation	(7,232,301)	(6,948,168)
	\$ 3,089,208	\$ 3,204,050

**Note 4: Paycheck Protection Program Loan**

In April 2020, Unbound received a loan through the Small Business Administration (SBA) Paycheck Protection Program established by the CARES Act. A portion or all of the loan may be eligible for forgiveness under the CARES Act. Unbound submitted the application for forgiveness in October 2020, however, the SBA has not forgiven any portion of the obligation under the loan. Payments of principal and interest are deferred until the date of notice from the SBA if the loan is forgiven or not entitled to forgiveness. In the event the forgiveness application is denied, the balance due on the loan and interest of 1 percent is payable in monthly installments through April 2022.

**Unbound**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**Note 5: 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>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or period		
Child sponsorships	\$ 25,861,600	\$ 26,277,583
Aging sponsorships	3,106,659	3,164,886
Project/urgent needs	1,700,621	1,487,066
Project grants	840,487	1,012,527
Birthday fund	520,847	477,104
Vocation sponsorships	84,574	88,623
Restricted in perpetuity	36,322	36,322
Other	502,491	138,186
	<u>\$ 32,653,601</u>	<u>\$ 32,682,297</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>2020</u>	<u>2019</u>
Satisfaction or purpose restrictions		
Child sponsorships	\$ 26,277,582	\$ 25,951,373
Aging sponsorships	3,164,887	2,985,881
Project/urgent needs	1,487,065	1,415,010
Project grants	446,340	524,822
Birthday fund	477,104	525,245
Vocation sponsorships	88,623	87,110
	<u>\$ 31,941,601</u>	<u>\$ 31,489,441</u>

**Unbound**  
**Notes to Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**Note 6: 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, 2020 and December 31, 2019, comprise the following:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 17,426,373	\$ 13,894,735
Investments	55,915,365	48,499,148
Total financial assets	73,341,738	62,393,883
Financial assets with restrictions:		
Annuities with maturity dates greater than one year	(9,476,600)	(8,227,564)
Financial assets with donor-imposed time restriction greater than one year	(36,684)	(36,322)
Financial assets reserved to fund charitable gift annuity program	(300,000)	(300,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 63,528,454	\$ 53,829,997

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 2020. 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.

# Unbound

## Notes to Consolidated Financial Statements

### December 31, 2020 and 2019

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, 2020 and 2019, available financial assets totaling \$32,653,601 and \$32,682,297, respectively, were inclusive of such contributions.

For both 2020 and 2019, 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 2020 and 2019.

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 7: 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 \$581,011 and \$559,678 for 2020 and 2019, respectively.

#### **Note 8: Risks and Uncertainties**

As a result of the spread of the SARS-Co-V-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, change in net assets and cash flows of Unbound. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.