




Unbound

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2023 and 2022



Unbound
December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Unbound
Kansas City, Kansas

Opinion

We have audited the consolidated financial statements of Unbound, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Unbound as of December 31, 2023 and 2022, 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.

Basis for Opinion

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

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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS,LLP

Kansas City, Missouri
May 30, 2024

Unbound
Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 18,885,748 | \$ 14,428,463 |
| Accounts receivable | 621,034 | 526,895 |
| Prepaid expenses and other assets | 610,414 | 747,087 |
| Investments | 63,329,541 | 64,737,170 |
| Property and equipment, net of accumulated depreciation; 2023 - \$5,789,230; 2022 - \$6,521,126 | <u>2,750,532</u> | <u>2,945,554</u> |
| Total assets | <u>\$ 86,197,269</u> | <u>\$ 83,385,169</u> |

Liabilities and Net Assets

Liabilities

| | | |
|---------------------------------------|------------------|------------------|
| Accounts payable | \$ 394,705 | \$ 302,828 |
| Accrued expenses and deferred revenue | 708,355 | 1,263,320 |
| Annuity obligations | <u>630,850</u> | <u>608,610</u> |
| Total liabilities | <u>1,733,910</u> | <u>2,174,758</u> |

Net Assets

| | | |
|----------------------------------|----------------------|----------------------|
| Without donor restrictions | 50,531,115 | 47,421,461 |
| With donor restrictions | <u>33,932,244</u> | <u>33,788,950</u> |
| Total net assets | <u>84,463,359</u> | <u>81,210,411</u> |
| Total liabilities and net assets | <u>\$ 86,197,269</u> | <u>\$ 83,385,169</u> |

Unbound
Consolidated Statement of Activities
Year Ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------|
| Public Support, Gains and Other Revenues | | | |
| Public support | | | |
| Sponsorships | \$ 89,510,082 | \$ 29,510,788 | \$ 119,020,870 |
| Contributions | 13,443,392 | 4,339,430 | 17,782,822 |
| Total public support | 102,953,474 | 33,850,218 | 136,803,692 |
| Other revenue | 3,153,996 | 1,178 | 3,155,174 |
| Unrealized gains on foreign currency exchanges | 1,921 | - | 1,921 |
| Unrealized gains on investments | 2,197,165 | - | 2,197,165 |
| Net assets released from restrictions | | | |
| Satisfaction of program restrictions | 4,600,127 | (4,600,127) | - |
| Expiration of time restrictions | 29,107,975 | (29,107,975) | - |
| Total net assets released from restrictions | 33,708,102 | (33,708,102) | - |
| Total public support, gains and other revenues | 142,014,658 | 143,294 | 142,157,952 |
| Expenses | | | |
| Program services | 125,345,642 | - | 125,345,642 |
| Fundraising | 7,386,716 | - | 7,386,716 |
| General and administrative | 6,172,646 | - | 6,172,646 |
| Total expenses | 138,905,004 | - | 138,905,004 |
| Increase in Net Assets | 3,109,654 | 143,294 | 3,252,948 |
| Net Assets, Beginning of Year | 47,421,461 | 33,788,950 | 81,210,411 |
| Net Assets, End of Year | \$ 50,531,115 | \$ 33,932,244 | \$ 84,463,359 |

Unbound
Consolidated Statement of Activities
Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|------------------------------------|----------------------|
| Public Support, Gains and Other Revenues | | | |
| Public support | | | |
| Sponsorships | 91,577,678 | 29,107,976 | \$ 120,685,654 |
| Contributions | <u>12,276,357</u> | <u>4,600,055</u> | <u>16,876,412</u> |
| Total public support | <u>103,854,035</u> | <u>33,708,031</u> | <u>137,562,066</u> |
| Other revenue | <u>1,807,281</u> | <u>1,295</u> | <u>1,808,576</u> |
| Unrealized losses on foreign currency exchanges | <u>(2,206)</u> | <u>-</u> | <u>(2,206)</u> |
| Unrealized losses on investments | <u>(5,091,136)</u> | <u>-</u> | <u>(5,091,136)</u> |
| Net assets released from restrictions | | | |
| Satisfaction of program restrictions | 4,668,272 | (4,668,272) | - |
| Expiration of time restrictions | <u>29,489,287</u> | <u>(29,489,287)</u> | <u>-</u> |
| Total net assets released from restrictions | <u>34,157,559</u> | <u>(34,157,559)</u> | <u>-</u> |
| Total public support, gains and other revenues | <u>134,725,533</u> | <u>(448,233)</u> | <u>134,277,300</u> |
| Expenses | | | |
| Program services | 124,534,540 | - | 124,534,540 |
| Fundraising | 6,562,518 | - | 6,562,518 |
| General and administrative | <u>5,145,104</u> | <u>-</u> | <u>5,145,104</u> |
| Total expenses | <u>136,242,162</u> | <u>-</u> | <u>136,242,162</u> |
| Increase in Net Assets | (1,516,629) | (448,233) | (1,964,862) |
| Net Assets, Beginning of Year | <u>48,938,090</u> | <u>34,237,183</u> | <u>83,175,273</u> |
| Net Assets, End of Year | <u>\$ 47,421,461</u> | <u>\$ 33,788,950</u> | <u>\$ 81,210,411</u> |

Unbound
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

| | Program Services | Fundraising | General and Administrative | Total |
|---|-----------------------------|---------------------|---|-----------------------|
| Child, aging and local outreach support | \$ 114,480,392 | \$ - | \$ - | \$ 114,480,392 |
| Staff salaries and benefits | 8,578,502 | 4,094,816 | 3,089,788 | 15,763,106 |
| Appeal stipends | - | 288,097 | - | 288,097 |
| Awareness and education | 160,749 | 29,006 | 13,808 | 203,563 |
| Travel | 230,548 | 209,611 | 50,665 | 490,824 |
| Postage | 369,256 | 178,604 | 386,246 | 934,106 |
| Printing and duplicating | 91,869 | 330,214 | 95,139 | 517,222 |
| Bank service fees | 2,274 | 192 | 1,473,725 | 1,476,191 |
| Professional services | 200,171 | 175,705 | 478,741 | 854,617 |
| Advertising | 2,090 | 1,157,143 | 12,267 | 1,171,500 |
| Equipment maintenance and purchases | 56,969 | 23,928 | 14,865 | 95,762 |
| Supplies | 588,126 | 595,671 | 231,718 | 1,415,515 |
| Telephone | 58,612 | 27,053 | 15,002 | 100,667 |
| Insurance | 114,772 | 53,428 | 29,682 | 197,882 |
| Utilities | 59,213 | 26,034 | 14,463 | 99,710 |
| Facility maintenance | 99,964 | 39,489 | 21,938 | 161,391 |
| Seminars, conferences and educational materials | 10,758 | 32,217 | 11,466 | 54,441 |
| Rent | 10,548 | 4,910 | 2,728 | 18,186 |
| Depreciation | 186,400 | 73,249 | 40,694 | 300,343 |
| Miscellaneous | 44,429 | 47,349 | 189,711 | 281,489 |
| | <u>\$ 125,345,642</u> | <u>\$ 7,386,716</u> | <u>\$ 6,172,646</u> | <u>\$ 138,905,004</u> |
| Total expenses | <u>\$ 125,345,642</u> | <u>\$ 7,386,716</u> | <u>\$ 6,172,646</u> | <u>\$ 138,905,004</u> |

Unbound
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

| | Program Services | Fundraising | General and Administrative | Total |
|---|-----------------------------|---------------------|---|-----------------------|
| Child, aging and local outreach support | \$ 115,210,711 | \$ - | \$ - | \$ 115,210,711 |
| Staff salaries and benefits | 7,331,124 | 3,498,195 | 2,428,674 | 13,257,993 |
| Appeal stipends | - | 258,571 | - | 258,571 |
| Awareness and education | 58,201 | 9 | 93 | 58,303 |
| Travel | 208,681 | 188,354 | 23,408 | 420,443 |
| Postage | 313,566 | 156,753 | 386,085 | 856,404 |
| Printing and duplicating | 135,576 | 198,457 | 136,129 | 470,162 |
| Bank service fees | 939 | - | 1,487,499 | 1,488,438 |
| Professional services | 222,079 | 176,810 | 237,469 | 636,358 |
| Advertising | 2,318 | 1,159,438 | 20,818 | 1,182,574 |
| Equipment maintenance and purchases | 63,474 | 31,818 | 13,436 | 108,728 |
| Supplies | 479,967 | 633,125 | 156,724 | 1,269,816 |
| Telephone | 21,868 | 10,011 | 5,555 | 37,434 |
| Insurance | 110,916 | 49,146 | 38,213 | 198,275 |
| Utilities | 51,212 | 22,759 | 12,644 | 86,615 |
| Facility maintenance | 84,237 | 39,213 | 21,921 | 145,371 |
| Seminars, conferences and educational materials | 15,524 | 11,678 | 5,173 | 32,375 |
| Rent | 1,659 | 825 | 429 | 2,913 |
| Depreciation | 175,915 | 68,369 | 37,983 | 282,267 |
| Miscellaneous | 46,573 | 58,987 | 132,851 | 238,411 |
| | <u>\$ 124,534,540</u> | <u>\$ 6,562,518</u> | <u>\$ 5,145,104</u> | <u>\$ 136,242,162</u> |
| Total expenses | <u>\$ 124,534,540</u> | <u>\$ 6,562,518</u> | <u>\$ 5,145,104</u> | <u>\$ 136,242,162</u> |

Unbound
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Operating Activities | | |
| Increase (decrease) in net assets | \$ 3,252,948 | \$ (1,964,862) |
| Items not requiring (providing) cash | | |
| Net realized and unrealized (gains) losses on investments | (2,609,394) | 5,529,376 |
| Change in cash surrender value of life insurance | (1,178) | (1,295) |
| Donated investments | - | (428,245) |
| Loss on disposal of property and equipment | 84,940 | - |
| Depreciation | 300,343 | 282,267 |
| Changes in | | |
| Accounts receivable | (94,139) | 467,022 |
| Prepaid expenses and other assets | 134,996 | 351,764 |
| Accounts payable and accrued expenses | (463,088) | 6,754 |
| | <u>605,428</u> | <u>4,242,781</u> |
| Net cash provided by operating activities | | |
| Investing Activities | | |
| Purchase of property and equipment | (190,261) | (271,302) |
| Purchase of investments | (18,146,722) | (26,390,597) |
| Proceeds from disposition of investments | 22,164,923 | 22,773,227 |
| Maturity of reinsurance agreements | 31,795 | 25,295 |
| | <u>3,859,735</u> | <u>(3,863,377)</u> |
| Net cash provided by (used in) investing activities | | |
| Financing Activities | | |
| Proceeds from issuance of annuity obligations | 61,190 | - |
| Payments on annuity obligations | (69,068) | (65,780) |
| | <u>(7,878)</u> | <u>(65,780)</u> |
| Net cash used in financing activities | | |
| Increase in Cash and Cash Equivalents | 4,457,285 | 313,624 |
| Cash and Cash Equivalents, Beginning of Year | <u>14,428,463</u> | <u>14,114,839</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 18,885,748</u> | <u>\$ 14,428,463</u> |
| Supplemental Cash Flows Information | | |
| Donated investments | \$ - | \$ 428,245 |

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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 and Unbound Philippines are consolidated in Unbound's consolidated 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 31 project offices in 17 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.

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.

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, 2023 and 2022, cash equivalents consisted primarily of a money market savings account.

At December 31, 2023, approximately \$16,210,000 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.

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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Investments and Net Investment Return

Unbound measures securities, other than investments that qualify for the equity method of accounting, at fair value. Annuity contracts are recorded at cost, 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 over \$25,000 and furniture and equipment acquisitions over \$10,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated lives of 40 years for the buildings and three to 15 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, 2023 and 2022.

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. As of December 31, 2023 and 2022, the liability has been

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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

determined using discount rates that range between 1.2 percent and 5.8 percent. 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 sets aside an internally designated reserve to fund these liabilities. As of December 31, 2023 and 2022, the reserve was \$361,000 and \$325,000, respectively. 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 12 months following receipt. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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:

| 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 |
| <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.

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Notes to Consolidated Financial Statements

December 31, 2023 and 2022

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 7,093 hours of services donated in 2023 at \$310,506 and 6,255 hours of services donated in 2022 at \$253,007.

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 __, 2024, which is the date the consolidated financial statements were available to be issued.

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Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

Investments

Investments at December 31 consisted of the following:

| | 2023 | 2022 |
|--|---------------|---------------|
| Investments carried at fair value | | |
| U.S. agency securities | \$ 738,735 | \$ 787,348 |
| Common stock | 11,506,685 | 12,666,971 |
| Corporate bonds | 33,309,183 | 32,039,690 |
| Foreign obligations | 5,815,824 | 4,821,090 |
| Municipal bonds | 223,198 | 223,158 |
| Mutual funds | 60,622 | 240,277 |
| | <hr/> | <hr/> |
| Total investments carried at fair value | 51,654,247 | 50,778,534 |
| Annuity contracts | 11,629,853 | 13,914,373 |
| Life insurance carried at cash surrender value | 45,441 | 44,263 |
| | <hr/> | <hr/> |
| | \$ 63,329,541 | \$ 64,737,170 |
| | <hr/> <hr/> | <hr/> <hr/> |

Investment Return

Total investment return is comprised of the following:

| | 2023 | 2022 |
|---|--------------|----------------|
| Interest and dividend income | \$ 2,050,069 | 1,815,300 |
| Realized gains (losses) | 410,308 | (436,034) |
| Unrealized gains (losses) | 2,199,086 | (5,093,342) |
| | <hr/> | <hr/> |
| Return on investments carried at fair value | 4,659,463 | (3,714,076) |
| Return on other investments | 446,314 | 395,271 |
| | <hr/> | <hr/> |
| | \$ 5,105,777 | \$ (3,318,805) |
| | <hr/> <hr/> | <hr/> <hr/> |

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Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

| | 2023 | 2022 |
|---|---------------------|-----------------------|
| Investment return included in other revenue | \$ 2,906,691 | \$ 1,774,537 |
| Unrealized gains (losses) on investments and foreign currency exchanges | 2,199,086 | (5,093,342) |
| | \$ 5,105,777 | \$ (3,318,805) |

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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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying 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, 2023 and 2022:

| | 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, 2023 | | | | |
| Assets | | | | |
| Cash equivalents - money market funds | \$ 156,152 | \$ 156,152 | \$ - | \$ - |
| Investments | | | | |
| U.S. agency securities | 738,735 | - | 738,735 | - |
| Common stock | 11,506,685 | 11,506,685 | - | - |
| Corporate bonds | 33,309,183 | - | 33,309,183 | - |
| Foreign obligations | 5,815,824 | - | 5,815,824 | - |
| Municipal bonds | 223,198 | - | 223,198 | - |
| Mutual funds | 60,622 | 60,622 | - | - |
| Total assets | <u>\$ 51,810,399</u> | <u>\$ 11,723,459</u> | <u>\$ 40,086,940</u> | <u>\$ -</u> |
| Liabilities | | | | |
| Annuity obligations | <u>\$ 630,850</u> | <u>\$ -</u> | <u>\$ 630,850</u> | <u>\$ -</u> |

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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, 2022 | | | | |
| Assets | | | | |
| Cash equivalents - money market funds | \$ 175,248 | \$ 175,248 | \$ - | \$ - |
| Investments | | | | |
| U.S. agency securities | 787,348 | - | 787,348 | - |
| Common stock | 12,666,971 | 12,666,971 | - | - |
| Corporate bonds | 32,039,690 | - | 32,039,690 | - |
| Foreign obligations | 4,821,090 | - | 4,821,090 | - |
| Municipal bonds | 223,158 | - | 223,158 | - |
| Mutual funds | 240,277 | 240,277 | - | - |
| Total assets | <u>\$ 50,953,782</u> | <u>\$ 13,082,496</u> | <u>\$ 37,871,286</u> | <u>\$ -</u> |
| Liabilities | | | | |
| Annuity obligations | <u>\$ 608,610</u> | <u>\$ -</u> | <u>\$ 608,610</u> | <u>\$ -</u> |

Investments

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 valuation techniques during the year ended December 31, 2023.

Annuity Obligations

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data, and, therefore, classified within Level 2 of the valuation hierarchy.

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Note 3: Property and Equipment

Property and equipment at December 31 consisted of the following:

| | 2023 | 2022 |
|-------------------------------|---------------------|---------------------|
| Land | 273,053 | 273,053 |
| Buildings | 4,821,049 | 5,267,329 |
| Furniture and equipment | 690,037 | 991,467 |
| CASA software | 2,755,623 | 2,755,623 |
| Construction in progress | - | 179,208 |
| | <u>8,539,762</u> | <u>9,466,680</u> |
| Less accumulated depreciation | <u>(5,789,230)</u> | <u>(6,521,126)</u> |
| | <u>\$ 2,750,532</u> | <u>\$ 2,945,554</u> |

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:

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Subject to expenditure for specified purpose or time period | | |
| Child sponsorships - time restricted | \$ 26,073,979 | \$ 25,828,120 |
| Aging sponsorships - time restricted | 3,382,155 | 3,223,344 |
| Project/urgent needs | 1,523,592 | 1,663,490 |
| Project grants | 1,395,123 | 2,191,416 |
| Global classmates | 787,680 | - |
| Birthday fund | 633,036 | 745,220 |
| Vocation sponsorships - time restricted | 54,655 | 56,512 |
| Restricted in perpetuity | 36,322 | 36,322 |
| Other | 45,702 | 44,526 |
| | <u>\$ 33,932,244</u> | <u>\$ 33,788,950</u> |

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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.

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Satisfaction of purpose and time restrictions | | |
| Child sponsorships - time restricted | \$ 25,828,120 | \$ 26,236,286 |
| Aging sponsorships - time restricted | 3,223,343 | 3,170,468 |
| Project/urgent needs | 1,573,881 | 1,882,666 |
| Project grants | 2,281,026 | 1,642,365 |
| Birthday fund | 745,220 | 680,568 |
| Vocation sponsorships - time restricted | 56,512 | 82,533 |
| Other | - | 462,673 |
| | \$ 33,708,102 | \$ 34,157,559 |

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.

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Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2023 and 2022, comprise the following:

| | 2023 | 2022 |
|--|---------------|---------------|
| Cash and cash equivalents | \$ 18,885,748 | \$ 14,428,463 |
| Accounts receivable | 621,034 | 526,895 |
| Investments | 63,329,541 | 64,737,170 |
| Total financial assets | 82,836,323 | 79,692,528 |
| Financial assets with restrictions | | |
| Annuities with maturity dates greater than one year | (4,810,124) | (7,674,590) |
| Financial assets with donor-imposed time restriction greater than one year | (36,584) | (36,584) |
| Financial assets reserved to fund charitable gift annuity program | (361,000) | (325,000) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 77,628,615 | \$ 71,656,354 |

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 the maturity date. All such annuities carried an AM Best rating of A- or better at year end 2023. The annuities mature in 1- 4 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.

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 fundraising services undertaken to support those programs to be general expenditures.

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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, 2023 and 2022, available financial assets totaling \$33,895,660 and \$33,752,366, respectively, were inclusive of such contributions.

For both 2023 and 2022, 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 2023 and 2022.

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 \$668,361 and \$578,148 for 2023 and 2022, respectively.