

Unbound

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2017 and 2016



Unbound
December 31, 2017 and 2016

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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, 2017 and 2016, 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
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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, 2017 and 2016, 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 Matter

As described in *Note 2* to the financial statements, in 2017, Unbound adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Kansas City, Missouri
May 14, 2018

Unbound
Consolidated Statements of Financial Position
December 31, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 11,931,578	\$ 11,945,391
Accounts receivable	425,210	351,784
Prepaid expenses and other assets	796,330	916,135
Investments	37,274,287	28,719,695
Property and equipment, net of accumulated depreciation; 2017 - \$6,136,499, 2016 - \$5,650,721	<u>3,510,097</u>	<u>3,931,275</u>
Total assets	<u><u>\$ 53,937,502</u></u>	<u><u>\$ 45,864,280</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 190,261	\$ 173,008
Accrued expenses and deferred revenue	1,226,550	1,130,136
Annuity obligations	<u>461,733</u>	<u>480,850</u>
Total liabilities	<u>1,878,544</u>	<u>1,783,994</u>

Net Assets

Without donor restrictions	20,284,746	14,778,421
With donor restrictions	<u>31,774,212</u>	<u>29,301,865</u>
Total net assets	<u>52,058,958</u>	<u>44,080,286</u>
Total liabilities and net assets	<u><u>\$ 53,937,502</u></u>	<u><u>\$ 45,864,280</u></u>

Unbound
Consolidated Statement of Activities
Year Ended December 31, 2017

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

Unbound
Consolidated Statement of Activities
Year Ended December 31, 2016

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Gains and Other Revenues			
Public support			
Sponsorships	\$ 89,421,755	\$ 26,535,312	\$ 115,957,067
Contributions	4,567,611	6,852,276	11,419,887
Total public support	<u>93,989,366</u>	<u>33,387,588</u>	<u>127,376,954</u>
Other revenue	<u>1,096,985</u>	<u>4,987</u>	<u>1,101,972</u>
Unrealized gains (losses) on investments	<u>536,470</u>	<u>(12,421)</u>	<u>524,049</u>
Net assets released from restrictions			
Satisfaction of program restrictions	6,656,707	(6,656,707)	-
Expiration of time restrictions	26,361,509	(26,361,509)	-
Total net assets released from restrictions	<u>33,018,216</u>	<u>(33,018,216)</u>	<u>-</u>
Total public support, gains and other revenues	<u>128,641,037</u>	<u>361,938</u>	<u>129,002,975</u>
Expenses			
Program services	115,148,019	-	115,148,019
Fundraising	5,436,664	-	5,436,664
General and administrative	4,248,285	-	4,248,285
Total expenses	<u>124,832,968</u>	<u>-</u>	<u>124,832,968</u>
Increase in Net Assets	3,808,069	361,938	4,170,007
Net Assets, Beginning of Year	<u>10,970,352</u>	<u>28,939,927</u>	<u>39,910,279</u>
Net Assets, End of Year	<u>\$ 14,778,421</u>	<u>\$ 29,301,865</u>	<u>\$ 44,080,286</u>

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

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

Unbound
Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Fund Raising	General and Administrative	Total
Child, aging and local outreach support	\$ 105,384,521	\$ -	\$ -	\$ 105,384,521
Staff salaries and benefits	6,725,368	2,910,438	1,881,860	11,517,666
Appeal stipends	-	518,041	-	518,041
Awareness and education	462,894	23,306	5,307	491,507
Travel	221,863	305,197	12,160	539,220
Postage	862,049	189,348	513,583	1,564,980
Printing and duplicating	359,261	238,963	182,333	780,557
Bank service fees	-	-	1,176,727	1,176,727
Professional services	34,588	29,382	169,151	233,121
Advertising	81	878,405	7,982	886,468
Equipment maintenance and purchases	120,064	26,351	27,172	173,587
Supplies	200,682	94,613	58,052	353,347
Field audits	169,102	-	-	169,102
Telephone	46,324	29,506	12,004	87,834
Insurance	70,834	25,169	15,590	111,593
Utilities	61,344	15,801	15,801	92,946
Facility maintenance	76,093	15,213	14,963	106,269
Seminars, conferences and educational materials	4,216	24,407	6,177	34,800
Rent	1,387	7,045	357	8,789
Publications	1,529	1,391	6,339	9,259
Depreciation	331,759	77,020	77,020	485,799
Miscellaneous	14,060	27,068	65,707	106,835
	<u>\$ 115,148,019</u>	<u>\$ 5,436,664</u>	<u>\$ 4,248,285</u>	<u>\$ 124,832,968</u>
Total expenses	<u>\$ 115,148,019</u>	<u>\$ 5,436,664</u>	<u>\$ 4,248,285</u>	<u>\$ 124,832,968</u>

Unbound
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Increase in net assets	\$ 7,978,672	\$ 4,170,007
Items not requiring (providing) operating cash flows		
Net realized and unrealized gains on investments	(1,012,084)	(456,516)
Change in cash surrender value of life insurance	(4,918)	(4,861)
Contributions of investment securities	(50,916)	(344,117)
Depreciation	485,778	485,799
Changes in		
Accounts receivable	(73,426)	216,534
Prepaid expenses and other assets	96,955	(29,268)
Accounts payable and accrued expenses	113,667	8,980
	<u>7,533,728</u>	<u>4,046,558</u>
Net cash provided by operating activities		
	<u>7,533,728</u>	<u>4,046,558</u>
Investing Activities		
Purchase of property and equipment	(64,600)	(182,865)
Purchase of investments	(13,198,764)	(7,726,845)
Proceeds from disposition of investments	5,712,090	4,873,889
Maturity of reinsurance agreements	40,135	40,413
	<u>(7,511,139)</u>	<u>(2,995,408)</u>
Net cash used in investing activities		
	<u>(7,511,139)</u>	<u>(2,995,408)</u>
Financing Activities		
Proceeds from issuance of annuity obligations	11,452	14,338
Payments on annuity obligations	(47,854)	(47,425)
	<u>(36,402)</u>	<u>(33,087)</u>
Net cash used in financing activities		
	<u>(36,402)</u>	<u>(33,087)</u>
Increase (Decrease) in Cash and Cash Equivalents	(13,813)	1,018,063
Cash and Cash Equivalents, Beginning of Year	<u>11,945,391</u>	<u>10,927,328</u>
Cash and Cash Equivalents, End of Year	<u>\$ 11,931,578</u>	<u>\$ 11,945,391</u>

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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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

Nature of Operations

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

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

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

Foreign Affiliation

Unbound has an affiliation agreement with Delegación de la Fundación Cristiana para Niños y Ancianos (DFCNA), a similar organization in Spain. Because Unbound does not exercise control over DFCNA, the operations of this entity are not consolidated in Unbound's consolidated financial statements. DFCNA sends sponsorship contributions to the organization for distribution to the various Unbound programs. These funds are included in sponsorship support. Total sponsorship contributions received from DFCNA amounted to \$315,174 and \$334,319 during the years ended December 31, 2017 and 2016, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Unbound

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Cash and Cash Equivalents

Unbound considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted of money market funds.

At December 31, 2017, approximately \$3,141,600 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 statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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

Property and Equipment

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

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

Unbound evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2017 and 2016.

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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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 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. Any actuarial gain or loss resulting from the computation of the liability for the present value of future payments is recorded as a change in revenue without donor restriction.

Net Assets

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

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

Sponsorships and Contributions

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

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Notes to Consolidated Financial Statements

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

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the consolidated financial statements for contributed services. However, time and resources have been contributed by volunteers in furtherance of Unbound's objectives, where the volunteers were not experts in the field they were providing services. Management has estimated the value of the approximately 20,900 hours of services donated in 2017 at \$437,000 and 20,300 hours of services donated in 2016 at \$408,000.

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 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 14, 2018, which is the date the consolidated financial statements were available to be issued.

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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

Note 2: Change in Accounting Principle

In 2017, Unbound, adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the Statement of Financial Position.

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:

	2017	2016
Investments carried at fair value		
U.S. agency securities	\$ 8,980,764	\$ 10,119,903
Common stock	7,799,523	6,514,841
Corporate bonds	9,169,190	2,079,775
Foreign obligations	807,124	709,915
Municipal bonds	457,102	465,592
Mutual funds	192,267	151,617
	<hr/>	<hr/>
Total investments carried at fair value	27,405,970	20,041,643
Annuities carried at contract value	9,744,824	8,559,479
Life insurance carried at cash surrender value	123,493	118,573
	<hr/>	<hr/>
	<u>\$ 37,274,287</u>	<u>\$ 28,719,695</u>

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Investment Return

Total investment return is comprised of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 603,237	\$ 492,098
Realized gains (losses)	11,171	(67,533)
Unrealized gains	<u>1,000,913</u>	<u>524,049</u>
Return on investments carried at fair value	1,615,321	948,614
Return on investments carried at contract value	<u>246,976</u>	<u>213,066</u>
	<u>\$ 1,862,297</u>	<u>\$ 1,161,680</u>

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

	<u>2017</u>	<u>2016</u>
Investment return included in other revenue	\$ 861,384	\$ 637,631
Unrealized gains on investments	<u>1,000,913</u>	<u>524,049</u>
	<u>\$ 1,862,297</u>	<u>\$ 1,161,680</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
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Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

The following tables present the fair value measurements of assets 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, 2017 and 2016:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Cash equivalents - money market funds	\$ 7,621,294	\$ 7,621,294	\$ -	\$ -
Investments				
U.S. agency securities	8,980,764	-	8,980,764	-
Common stock	7,799,523	7,799,523	-	-
Corporate bonds	9,169,190	-	9,169,190	-
Foreign obligations	807,124	-	807,124	-
Municipal bonds	457,102	-	457,102	-
Mutual funds	192,267	192,267	-	-
Total	\$ 35,027,264	\$ 15,613,084	\$ 19,414,180	\$ -

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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, 2016				
Cash equivalents - money market funds	\$ 7,966,103	\$ 7,966,103	\$ -	\$ -
Investments				
U.S. agency securities	10,119,903	-	10,119,903	-
Common stock	6,514,841	6,514,841	-	-
Corporate bonds	2,079,775	-	2,079,775	-
Foreign obligations	709,915	-	709,915	-
Municipal bonds	465,592	-	465,592	-
Mutual funds	151,617	151,617	-	-
Total	\$ 28,007,746	\$ 14,632,561	\$ 13,375,185	\$ -

Note 4: Property and Equipment

Property and equipment at December 31 consisted of the following:

	2017	2016
Land	\$ 273,053	\$ 273,053
Buildings	4,773,197	4,728,511
Furniture and equipment	1,844,723	1,824,809
CASA software	2,755,623	2,755,623
	<u>9,646,596</u>	<u>9,581,996</u>
Less accumulated depreciation	<u>(6,136,499)</u>	<u>(5,650,721)</u>
	<u>\$ 3,510,097</u>	<u>\$ 3,931,275</u>

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Notes to Consolidated Financial Statements
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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>2017</u>	<u>2016</u>
Subject to expenditure for specified purpose or period		
Child sponsorships	\$ 25,634,578	\$ 23,933,607
Aging sponsorships	2,799,004	2,515,393
Project/urgent needs	1,426,872	1,319,429
Project grants	1,077,875	759,371
Birthday fund	572,249	508,894
Vocation sponsorships	85,522	86,311
Restricted in perpetuity	36,322	36,322
Other	141,790	142,538
	<u>\$ 31,774,212</u>	<u>\$ 29,301,865</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>2017</u>	<u>2016</u>
Satisfaction or purpose restrictions		
Child sponsorships	\$ 23,933,607	\$ 23,891,235
Aging sponsorships	2,515,393	2,383,223
Project/urgent needs	2,300,108	2,568,176
Project grants	144,587	185,580
Birthday fund	1,994,427	1,715,013
Christmas fund	2,186,181	2,187,938
Vocation sponsorships	86,311	87,051
	<u>\$ 33,160,614</u>	<u>\$ 33,018,216</u>

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Notes to Consolidated Financial Statements
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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, 2017 and December 31, 2016, comprise the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 11,931,578	\$ 11,945,391
Investments	<u>37,274,287</u>	<u>28,719,695</u>
Total financial assets	49,205,865	40,665,086
Financial assets with restrictions:		
Annuities with maturity dates greater than one year	(6,788,571)	(6,912,623)
Financial assets with donor-imposed time restriction greater than one year	(36,322)	(36,322)
Financial assets reserved to fund charitable gift annuity program	<u>(100,000)</u>	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 42,280,972</u>	<u>\$ 33,616,141</u>

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 B++ or better at year end 2017. The annuities mature in 1- 7 years in the future.

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

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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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

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

Unbound receives significant contributions with donor-imposed time and program restrictions. Restrictions on the majority of those gifts, Unbound's principal source of support, are met within 1-3 months of receipt. At December 31, 2017 and 2016, available financial assets totaling \$31,737,890 and \$29,265,543, respectively, were inclusive of such contributions.

For both 2017 and 2016, 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 2017 and 2016.

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 \$530,031 and \$531,055 for 2017 and 2016, respectively.