

Unbound Global
Financial Statements
December 31, 2021
(With Independent Auditor's Report Thereon)



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Unbound Global:

Opinion

We have audited the accompanying financial statements of Unbound Global (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Jaynes, Reitmeier, Boyd, and Thewell, P.C.

October 6, 2022

Unbound Global
Statement of Financial Position
December 31, 2021

Assets

Current assets:	
Cash	\$ 611,758
Accounts receivable	142,955
Inventories	7,421
Other current assets	1,333
Total current assets	<u>763,467</u>
Property and equipment:	
Furniture, fixtures, and equipment	12,840
Vehicles	11,650
Less accumulated depreciation	<u>(15,327)</u>
Total property and equipment	<u>9,163</u>
Beneficial interest in assets held by the Waco Foundation	49,797
Beneficial interest in assets held by the National Christian Foundation	<u>184,357</u>
	<u>\$ 1,006,784</u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	\$ 26,997
Deferred revenue	<u>35,000</u>
Total current liabilities	<u>61,997</u>
Net assets:	
Without donor restrictions	861,714
With donor restrictions	<u>83,073</u>
Total net assets	<u>944,787</u>
	<u>\$ 1,006,784</u>

See accompanying notes to financial statements.

Unbound Global

Statement of Activities

Year Ended December 31, 2021

Changes in net assets without donor restrictions:	
Revenues and other support:	
Contributions	\$ 739,223
Federal, state and local contracts and grants	256,528
Special events	140,831
Donated services and facilities	129,859
Other income	18,973
Total unrestricted revenue	<u>1,285,414</u>
Net assets released from restrictions	<u>-</u>
Total revenues and other support	<u>1,285,414</u>
Expenses:	
Program expenses:	
Survivor advocacy	246,160
Prevention and training	105,752
Heart of Texas Human Trafficking Coalition	80,517
Supporting expenses:	
Management and general	329,743
Fund-raising	<u>127,118</u>
Total expenses	<u>889,290</u>
Increase in net assets without donor restrictions	<u>396,124</u>
Changes in net assets with donor restrictions:	
Revenues and other support:	
Contributions	83,073
Net assets released from restrictions	<u>-</u>
Increase in net assets with donor restrictions	<u>83,073</u>
Change in net assets	479,197
Net assets at beginning of year	<u>465,590</u>
Net assets at end of year	<u><u>\$ 944,787</u></u>

See accompanying notes to financial statements.

Unbound Global
Statement of Functional Expenses
Year Ended December 31, 2021

	Program			Supporting		Total
	Survivor advocacy	Prevention and training	Heart of Texas Human Trafficking Coalition	Management and general	Fund- raising	
Salaries	\$ 147,152	78,610	50,000	190,571	25,277	491,610
Payroll taxes	10,901	6,155	3,873	11,944	1,441	34,314
Employee benefits	14,274	4,614	10,775	18,896	1,286	49,845
Events	552	-	5,489	-	78,342	84,383
Travel	2,438	609	261	1,989	-	5,297
Telephone	5,349	-	-	416	-	5,765
Supplies	403	5,489	1,184	8,353	4,329	19,758
Cost of goods sold	-	-	-	-	8,863	8,863
Contributions to other organizations	29,171	-	-	-	-	29,171
Education and seminars	4,971	5,076	-	1,838	-	11,885
Occupancy	-	-	-	23,304	-	23,304
Insurance	-	-	-	11,218	-	11,218
Postage	-	-	-	1,342	-	1,342
Printing	-	-	-	2,992	-	2,992
Dues and subscriptions	-	-	-	3,391	-	3,391
Professional fees	-	-	-	8,955	7,580	16,535
Advertising	-	2,300	7,813	4,087	-	14,200
Volunteer services	-	-	-	3,962	-	3,962
Depreciation	-	-	-	7,663	-	7,663
Leases, repairs and maintenance	40	-	-	-	-	40
Victim services	23,635	-	-	-	-	23,635
Miscellaneous	7,274	2,899	1,122	28,822	-	40,117
	<u>\$ 246,160</u>	<u>105,752</u>	<u>80,517</u>	<u>329,743</u>	<u>127,118</u>	<u>889,290</u>

See accompanying notes to financial statements.

Unbound Global

Statement of Cash Flows

Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 479,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	7,663
Unrealized gain on beneficial interest in assets held	1,926
Increase in accounts receivable	(51,050)
Increase in other current assets	(4,019)
Decrease in accounts payable and accrued expenses	(4,045)
Increase in deferred revenue	<u>35,000</u>
Net cash provided by operating activities	<u>464,672</u>
Cash flows from investing activities:	
Investment in beneficial interest in assets	<u>(186,000)</u>
Net cash used in investing activities	<u>(186,000)</u>
Net increase in cash	278,672
Cash at beginning of year	<u>333,086</u>
Cash at end of year	\$ <u><u>611,758</u></u>

See accompanying notes to financial statements.

Unbound Global

Notes to Financial Statements

December 31, 2021

(1) Summary of Significant Accounting Policies

(a) Nature of Services Provided

Unbound Global (the “Organization”) is a nonprofit organization which serves McLennan and other surrounding counties in the Central Texas area to bring about support and resources to fight human trafficking. The Organization assists with survivor advocacy, prevention and awareness training, and provides leadership and coordination for the regional multi-disciplinary human trafficking task force called the Heart of Texas Human Trafficking Coalition (“HOTHTC”). The Organization also provides administrative and supportive services to four affiliated Texas organizations and four international affiliates.

(b) Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. These donor restrictions are temporary in nature and the restrictions will be met by actions of the Organization or by the passage of time.

(c) Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a 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 statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Unbound GlobalNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(c) Support and Expenses (continued)

The Organization reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Program revenue, consisting primarily of contributions and federal, state, and local awards, are recorded as earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

(d) Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(e) Inventory

Inventory consists of merchandise items for use in providing retail sales programs and fundraising. Inventory is stated at the lower of cost or net realizable value. Cost is determined using the weighted average method.

(f) Property and Equipment

Property and equipment is stated at cost. The Organization defines property and equipment as assets with an initial, individual cost of more than \$2,000. Donated assets are stated at estimated fair value in the year donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets. Depreciation expense totaled \$7,663 for the year ended December 31, 2021.

Unbound GlobalNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(g) Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code whose revenues are primarily derived from grants, contributions and other fundraising activities, and is generally not subject to federal or state income taxes. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization records interest related to unrecognized tax benefits and penalties in management and general expense.

(h) Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2021, advertising costs were \$14,200.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivable and beneficial interests held and the carrying value of property and equipment. Actual results could differ from those estimates.

(2) Accounts Receivable and Conditional Promises to Give

Accounts receivable consist of amounts due to the Organization under reimbursement-type grants and other amounts due for services provided to other unrelated organizations. Unconditional promises to give are expected to be collected within one year. An allowance for doubtful accounts is not considered necessary based upon management's review of the collectability of accounts receivable at year-end.

Unbound GlobalNotes to Financial Statements
(Continued)(2) Accounts Receivable and Conditional Promises to Give (continued)

The Organization has received reimbursement-type grants for its programs that are considered to be contributions. However, the reimbursement grants are conditional based upon the Organization incurring qualifying costs. The Organization was awarded funds as a subrecipient for a three-year grant of \$588,523. At December 31, 2021, approximately \$223,900 of total grant awards remained for the period from January 1, 2022 to September 30, 2022. These funds are to be used for the HOTHTEC services but they have not been recognized as revenue because the qualifying conditions have not been met.

(3) Beneficial Interest in Assets Held

The Organization transferred assets to the Waco Foundation, a community foundation, designating itself as the beneficiary during 2020 and 2021. The income earned (including net realized and unrealized appreciation) on the transferred assets will be paid at least annually to the Organization. The income may, if both the Organization and the Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of the Waco Foundation. It is intended that assets be held for the benefit of the Organization as long as the need for the fund exists. However, the assets are subject to the governing documents of the Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of the Organization without the approval of the Organization. Investments held by the Waco Foundation are reported as net assets without donor restrictions and were \$49,797 for the year ended December 31, 2021.

The Organization transferred assets to the National Christian Foundation (“NCF”), a public charity, designating itself as the beneficiary during 2020 and 2021. The income earned (including net realized and unrealized appreciation) on the transferred assets will be paid to the Organization upon request. The income may, if both the Organization and the NCF agree, remain and accumulate with the principal. It is intended that assets be held for the benefit of the Organization as long as the need for the fund exists. However, the assets are subject to the governing documents of the NCF and the policies and procedures of its governing body. Consequently, the NCF has the right to substitute another beneficiary in the place of the Organization without the approval of the Organization. Investments held by the NCF are reported as net assets without donor restrictions and were \$184,357 for the year ended December 31, 2021.

Unbound Global

Notes to Financial Statements (Continued)

(4) Fair Value Measurements

At December 31, 2021, the Organization's assets and liabilities measured at fair value have been classified, for disclosure purposes, based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2021.

	December 31, 2021	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interests held				
Waco Foundation	\$ 49,797	-	49,797	-
NCF	184,357	184,357	-	-
	<u>\$ 234,154</u>	<u>184,357</u>	<u>49,797</u>	<u>-</u>

For beneficial interests held at Waco Foundation, described in Note 3, the fair value is estimated based on the allocated percentage of the underlying fair value of net assets of Waco Foundation. For beneficial interests held at NCF, also described in Note 3, the fair value is based on the investment in equity securities with readily determinable fair values based upon quoted market prices.

Unbound GlobalNotes to Financial Statements
(Continued)(5) Donated Services and Facilities

Volunteers are an integral part of the Organization's client services programs, providing support to advocacy programs. These volunteers receive training prior to performing any services; however, the skills do not qualify their services for recognition as contributions under generally accepted accounting principles and have not been recorded in the accompanying financial statements. Those unrecorded services in 2021, which include approximately 1,160 hours, have a fair value of approximately \$31,600.

Total in-kind contributions, principally donated personnel services and facilities, and fundraising donations, for the year ended December 31, 2021 are \$129,859. These expenses are reflected in fundraising, general and administrative, and rent. Income is reflected in donated services and facilities revenue.

(6) Business and Credit Concentrations

At December 31, 2021, and at various times during the year, the Organization maintained deposits at a financial institution in excess of federally insured limits.

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Further, because of the significance of investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

For the year ended December 31, 2021, approximately \$125,000 of total gifts in kind and related expenses were provided by two donors. Additionally, federal, state, and local grant awards represented nearly 20% of total revenues. Increased competition for a limited pool of government grants could adversely affect the Organization's ability to adequately serve its clients' needs. Also, the Organization provides its services to clients primarily in Central Texas communities.

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021, totaled \$83,073. These contributions are available for the purpose of purchasing The Reagan, a rehabilitation facility for minors, which was acquired subsequent to year-end, and funding its operations related to personnel.

Unbound Global

Notes to Financial Statements (Continued)

(8) Functional Allocation of Expenses

The costs of providing the program services, fundraising and other activities have been summarized on a functional basis in the statement of functional expenses. Salary and salary related expenses, as well as all other expenses, have primarily been charged directly to the functional areas. However, certain costs have been allocated among the programs and fundraising activities benefited on the basis of time and effort. Management and general expenses are primarily related to providing administrative and support services to eight Texas and international affiliates.

(9) Availability and Liquidity

The following reflects the Organization's financial assets available for general expenditure without donor restrictions as of December 31, 2021:

Financial assets at year end:	
Cash	\$ 611,758
Accounts receivable	142,955
	754,713
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(83,073)
Financial assets available to meet general expenditures over the next twelve months	
	\$ 671,640

The Organization's goal is to generally maintain financial assets to meet 120 days of operating expenses. As part of its liquidity plan, excess cash is invested in funds where the Organization holds beneficial interests.

(10) Contingencies

Amounts received or receivable under grant awards are subject to adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the Organization. The amount, if any, of expenses which may be disallowed by grantors cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

Unbound GlobalNotes to Financial Statements
(Continued)(11) Authoritative Pronouncements Not Yet Effective

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this update is to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The effects of the implementation have not yet been determined. The new standard is effective on a retrospective basis for the Organization's fiscal year beginning January 1, 2022.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principles of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively.

A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for the Organization's fiscal year beginning January 1, 2022. The effects of the implementation have not yet been determined.

(12) Subsequent Events

In March 2022, the Board approved a combination with four Texas organizations affiliated with Unbound Global (all previously separate 501(c)(3) organizations) into one combined organization.

Unbound Global formally changed its name with the State of Texas and the Internal Revenue Service to Unbound Now effective May 2022.

In July 2022, the Organization purchased a house, The Reagan, for approximately \$190,000 to be used as a rehabilitation facility for minors.

The Organization has evaluated subsequent events from date of the statement of financial position through October 6, 2022, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.