Unbound Now

Financial Statements with Supplementary Information and Compliance Reports
December 31, 2022

Unbound Now
Contents

SFC
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Unbound Now

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Unbound Now (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization changed its method of accounting for its leases effective January 1, 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 26, 2023

Unbound Now
Statement of Financial Position
December 31, 2022

Assets

Current assets:	
Cash	$ 1,059,559
Contributions receivable	115,136
Grants receivable	405,259
Inventory	6,668
Prepaid expenses	40,365
Total current assets	1,626,987
Noncurrent assets:	
Property and equipment, net	612,805
Right-of-use asset - operating lease	32,371
Beneficial interest in assets held by others	219,370
Total assets	$ 2,491,533

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	$ 228,045
Right-of-use liability - operating lease, current	21,355
Total current liabilities	249,400
Noncurrent liabilities:	
Right-of-use liability - operating lease, net	11,016
Total liabilities	260,416
Net assets:	
Without donor restrictions	2,020,444
With donor restrictions	210,673
Total net assets	2,231,117
Total liabilities and net assets	$ 2,491,533

See notes to financial statements.

Unbound Now
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of financial assets	$ 1,174,283	$ 686,038	$ 1,860,321
Contributions of nonfinancial assets	298,744	-	298,744
Government grants	850,957	-	850,957
Special events, net of direct costs of $142,741	73,672	-	73,672
Merchant sales, net of cost of goods sold and discounts of $5,197	(206)	-	(206)
Change in beneficial interest in assets held by others	(14,784)	-	(14,784)
Net assets released from restrictions	558,438	(558,438)	-
Total revenue and support	2,941,104	127,600	3,068,704
Expenses:			
Program services	1,864,411	-	1,864,411
General and administrative	707,708	-	707,708
Fundraising	216,343	-	216,343
Total expenses	2,788,462	-	2,788,462
Change in net assets from operations	152,642	127,600	280,242
Non-operating income:			
Gain on acquisition	1,006,088	-	1,006,088
Change in net assets	1,158,730	127,600	1,286,330
Net assets at beginning of year	861,714	83,073	944,787
Net assets at end of year	$ 2,020,444	$ 210,673	$ 2,231,117

See notes to financial statements.

Unbound Now

Statement of Functional Expenses

Year Ended December 31, 2022

	Program				Support Services		
	Survivor Services	Youth prevention	Outreach & Professional training	Total Programs	General and Administrative	Fundraising	Total
Salaries and benefits	$ 982,059	$ 144,858	$ 140,424	$ 1,267,341	$ 406,983	$ 158,976	$ 1,833,300
Staff appreciation	13,500	233	919	14,652	14,935	540	30,127
Professional fees	73,872	800	7,550	82,222	119,637	1,854	203,713
Victim servies	24,347	-	-	24,347	-	-	24,347
Contributions to other organizations	56,782	21	4,855	61,658	-	-	61,658
Travel and meetings	22,709	3,139	130,056	155,904	20,584	4,464	180,952
Telephone	7,234	1,544	230	9,008	19,756	228	28,992
Supplies	86,914	1,889	841	89,644	6,222	2,329	98,195
Fundraisers and donor development	-	-	-	-	614	147,467	148,081
Insurance	-	-	-	-	17,287	-	17,287
Postage and printing	2,495	289	244	3,028	13,186	7,139	23,353
Dues and subscriptions	23,516	396	409	24,321	41,733	24,340	90,394
Advertising	23,183	-	1,694	24,877	695	1,647	27,219
Depreciation	16,634	-	-	16,634	5,297	-	21,931
Occupancy	82,100	2,810	1,247	86,157	31,664	4,858	122,679
Miscellaneous	3,187	20	1,411	4,618	9,115	5,242	18,975
Total expenses by function	1,418,532	155,999	289,880	1,864,411	707,708	359,084	2,931,203
Less: expenses included with revenues on the statement of activities							
Direct costs of special events	-	-	-	-	-	(142,741)	(142,741)
Total expenses included in the expense section on the statement of activities	$ 1,418,532	$ 155,999	$ 289,880	$ 1,864,411	$ 707,708	$ 216,343	$ 2,788,462

See notes to financial statements.

Unbound Now
Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	$ 1,286,330
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Gain on acquisition	(1,006,088)
Donated property and equipment	(172,622)
Depreciation	21,931
Amortization of right-of-use asset - operating lease	5,201
Change in beneficial interest held by others	14,784
Changes in assets and liabilities:	
Contributions receivable	(115,136)
Grants receivable	(262,304)
Inventory	753
Prepaid expenses	(39,032)
Accounts payable and accrued expenses	201,048
Deferred revenue	(35,000)
Right-of-use liability - operating lease	(5,201)
Net cash used by operating activities	(105,336)
Cash flows from investing activities:	
Purchases of property and equipment	(259,051)
Cash received from acquisition	812,188
Net cash provided by investing activities	553,137
Net change in cash	447,801
Cash at beginning of year	611,758
Cash at end of year	$ 1,059,559
Supplemental cash flow information:	
Right-of-use asset obtained in exchange for new lease liability	$ 37,572
Noncash investing activities:	
Donated property and equipment	$ 172,622

See notes to financial statements.

1. Organization

Unbound Now (Organization) is a nonprofit organization that exists to support survivors and resource communities to fight human trafficking. The Organization has three main lines of effort: Survivor Services (which includes survivor advocacy, a 24/7 drop-in center, and a residential home), Youth Prevention (which includes early intervention and prevention education) and outreach and training. The Organization is primarily supported by government grants and private donations.

The Organization started in 2012 in Waco, Texas as a ministry of Antioch Community Church. It began operating as a dba of Antioch Community Church in Waco, and launched additional offices as dbas of Antioch churches in other cities across Texas. As it began to receive federal funds for its work, it started legal entities for Unbound that were separate from the Antioch churches. The Fort Worth office was the first to file as a Texas nonprofit corporation and receive 501(c)(3) status from the Internal Revenue Service (IRS) in 2019. The original Waco office followed shortly thereafter in 2020, filing under the name Unbound Global. The offices in Houston, Bryan College Station, and Austin then began a similar process.

The Organization’s international offices created their own legal entities in compliance with national requirements and remain as such to this day.

The Waco-based entity, Unbound Global, formed in 2020, became the legal entity supporting the rest of the U.S. offices and service regions, as well as providing administrative support for international offices. This entity’s 2020 financials represent the programmatic work and services of Unbound Now in Waco, Texas as well as administrative support for all other Unbound Now offices and service areas, including the three other offices in Texas at the time, and work in four international locations. They do not include programmatic or service income or expenses for the 7 other areas, as they were all operating through separate legal entities.

The Organization’s 2021 financials are the same. They reflect Waco programs and services and administration for 7 other offices, along with support for launch assessment in new locations.

The Organization recognized the high costs of having nonprofit management expertise at each office, and managing finances, audits, HR, IT, payroll, etc. separately for each entity/location. It hired consultants to help assess its options, and the clear choice was to integrate its Texas offices into one legal entity. With a commitment to remain responsive to local needs and partnerships, but with a desire to move forward as one organization with a shared mission and vision, it integrated its Texas offices as of October 1, 2022, into the Waco-based entity Unbound Global, which by then had changed its name to Unbound Now.

Again for 2022, because integration did not occur until the 4th quarter, most of the Organization's financials reflect programming and services only for Waco, but with significantly increasing administrative support for all other offices and service areas, including two new areas – Austin and Poland. Again, most of the programmatic/service income and expenses are reflected in other entities' financials. The net result of this is that the Organization's financials to date show a higher than might normally be expected percentage of administrative expenses. This can be understood, though, in the context of providing administrative support for work carried out on behalf of a significant number of other entities whose programmatic expenses are not reflected in the Organization's financials.

In 2022 and 2021, as the Organization worked toward integration of its Texas offices, it began to build an HQ team of nonprofit professionals to support the work of all of its offices and set its teams up for long term success. The Organization transitioned its Waco Executive Director to a full time CEO, hired a COO, and added to our finance, development, and HR teams. The Organization purchased and customized human resources, accounting, and development software to streamline and centralize its administrative functions across offices. The investments reflected in its 2022 and 2021 financials have laid a foundation upon which the Organization can build sustainable and scalable services across an increasing number of service areas in the years to come.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of December 31, 2022, no such net asset restrictions existed.

Contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization chooses to show restricted contributions whose restrictions are met in the same reporting period as net assets without restrictions.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash, contributions receivable, grants receivable and beneficial interest in assets held by others. Cash is placed with high credit quality financial institutions to minimize risk. Contributions receivable are unsecured and are due from various donors. Grants receivable are unsecured and are due from various governmental agencies under contributory and cost-reimbursement grants. The Organization continually evaluates the collectability of contributions and grants receivable and maintains allowances for potential losses, if considered necessary. As of December 31, 2022, no allowances were found necessary. All receivables are expected to be collected within one year.

The Organization maintains cash balances at various financial institutions located in Texas. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2022, the Organization’s uninsured balance totaled $650,893. The Organization has not experienced any losses on such assets.

At December 31, 2022, the balance due from one governmental agency accounted for 90% of total grants receivable.

At December 31, 2022, the balance due from one donor accounted for 51% of total contributions receivable.

The Organization received funding from one governmental agency during the year ended December 31, 2022 accounting for 11% of total revenue and support.

The Organization's beneficial interest in assets held by others is exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Organization.

Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances.
Donated goods are reflected as contributions of nonfinancial assets at their estimated fair value at date of receipt. Donated property and equipment is recorded at fair value on the date of receipt in the appropriate account.

Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation.

The Organization received cost-reimbursable grants of $2,856,984 that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred.

Special event revenue is recognized at the time of the event. Merchandise sales revenue is recorded at the time of sale.

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1	Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
Level 2	Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;
Level 3	Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. The Organization capitalizes expenditures for property and equipment with a value greater than $2,000 and with an estimated useful life greater than one year. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 40 years. The cost of maintenance and repairs is expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred. For the year ended December 31, 2022, advertising costs totaled $27,219.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on a pro rata time basis. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Estimates and Assumptions

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimated.

Contract Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's financial statements.

Federal Income Tax

The Organization is recognized by the IRS as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended December 31, 2022. Accordingly, no provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax position taken by the Organization and has concluded that as of December 31, 2022, there are no uncertain tax position taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Accounting Pronouncements Adopted

The Organization adopted ASU 2016-02*, Leases* (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted the provisions from ASU 2016-02 and recorded the impact of the adoption as of January 1, 2022, using the retrospective method resulting in the recording of right-of-use asset and operating lease liability totaling $37,572. No changes were required to net assets as of January 1, 2022.

The Organization adopted ASU 2020-07, *Presentation and Disclosures* by *Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributed nonfinancial assets (gifts in-kind) as a separate line item in the statement of activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended December 31, 2022. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions of nonfinancial assets, and therefore, no changes were required to net assets as of January 1, 2022. The presentation and disclosures of contributed nonfinancial assets have been enhanced in accordance with this standard.

3. Property and Equipment

Property and equipment consist of the following at December 31, 2022:

Land	$ 25,540
Building and improvements	507,758
Furniture, fixtures and equipment	62,260
Vehicles	48,205
Animals	6,300
	650,063
Less accumulated depreciation	(37,258)
Property and equipment, net	$ 612,805

Depreciation expense for the year ended December 31, 2022 totaled $21,931.

4. Beneficial Interest in Assets Held by Others

The Organization transferred assets to the Waco Foundation, a community foundation designating itself as the beneficiary during 2021 and 2020. The income earned (including net realized and unrealized loss) 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. 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 beneficial interest in assets held by others and totaled $48,771 for the year ended December 31, 2022.

The Organization transferred assets to the National Christian Foundation (NCF), a public charity, designating itself as the beneficiary during 2021 and 2020. The income earned (including net realized and unrealized loss) 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 beneficial interest in assets held by others and totaled $170,599 for the year ended December 31, 2022.

Fair value of the Organization’s beneficial interest in assets held by others is determined by third party trustees and is based on the underlying assets in the Waco Foundation and NCF trusts. Since these values are based on unobservable inputs, the are considered level 3 investments.

The following table presents a roll forward of activity for assets held by the Waco Foundation and NCF at fair value for the year ended December 31, 2022:

	Waco Foundation	NCF	Total
Beginning balance	$ 49,797	$ 184,357	$ 234,154
Total net investment loss included in change in net assets	(1,026)	(13,758)	(14,784)
Ending balance	$ 48,771	$ 170,599	$ 219,370
The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ (1,715)	$ (11,999)	$ (13,714)

The change in beneficial interest in assets held by others consisted of the following for the year ended December 31, 2022:

	Waco Foundation	NCF	Total
Unrealized loss	$ (1,715)	$ (11,999)	$ (13,714)
Dividends and interest	963	-	963
Less: investment fees	(274)	(1,759)	(2,033)
	$ (1,026)	$ (13,758)	$ (14,784)

5. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes as of December 31, 2022:

Advocacy and Drop-in Center	$ 63,311
Community outreach coordinator	26,161
Continuum of care	10,000
Empowerment specialist	25,000
Ukraine response	19,101
Youth prevention	67,100
	$ 210,673

6. Leases

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position.

Nature of Leases

The Organization leases its office space under an operating lease agreement which expires in June 2024. The lease notes no extension options and requires the Organization to pay all executory costs (taxes, utilities, insurance, etc.). Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments and a reconciliation to the statement of financial position at December 31, 2022 are as follows for the years ending December 31:

2023	$	22,224
2024		11,112
Total future undiscounted lease payments		33,336
Less present value discount		(965)
Operating lease liabilities	$	32,371

The following lease cost and required information for the year ended December 31, 2022:

Total operating lease cost	$	5,556
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	5,201
Right-of-use assets obtained in exchange for new operating lease liabilities	$	37,572
Weighted-average remaining lease term:		
Operating lease		1.5 years
Weighted-average discount rate:		
Operating lease		4.18%

7. Related Party Transactions

Contributions from board members and employees of the Organization totaled $120,561 for the year ended December 31, 2022.

8. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets during the year ending December 31, 2022:

	Program Services	General and Administrative	Fundraising	Assets	Total
Goods	$ 28,321	$ 8,006	$ 1,091	$ -	$ 37,418
Property and equipment	-	-	-	172,622	172,622
Occupancy	49,104	27,600	-	-	76,704
Services	-	12,000	-	-	12,000
	$ 77,425	$ 47,606	$ 1,091	$ 172,622	$ 298,744

Goods

Contributed goods are valued based on the fair market value of similar goods for sale online or the fair market value that vendor would have charged if not donated.

Property and equipment

Contributed property and equipment is valued based on appraisal values of similar properties.

Occupancy

Contributed occupancy costs are valued based on the fair market value of similar property.

Services

Contributed services are valued at the fair market value that the vendor would have charged if not donated.

There were no donor restrictions on the contributions of nonfinancial assets received during the year ended December 31, 2022.

9. Gain on Acquisition

On October 1, 2022, the Organization integrated with other offices within the Unbound Now network to become one legal entity. The integration resulted in a gain on acquisition totaling $1,006,088 which represents cash and other assets absorbed by the Organization at acquisition.

The Organization received the following assets from the acquisition during the year ending December 31, 2022:

Property and equipment	$ 193,900
Cash	812,188
	$ 1,006,088

10. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31, 2022:

Cash	$ 1,059,559
Contributions receivable	115,136
Grants receivable	405,259
Total financial assets	1,579,954
Less amounts unavailable for general expenditures within one year due to:	
Donor-imposed restrictions	210,673
Total financial assets available to meet cash needs for general expenditures within one year	$ 1,369,281

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a goal to maintain financial assets in a cash liquidity state to meet four months of normal operating expenses. During the year ended December 31, 2022, the level of liquidity was managed within the Organization's expectations.

11. Subsequent Events

Management has evaluated subsequent events through, September 26, 2023, the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Supplementary Information and Compliance Reports

Unbound Now
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Agency/ Pass-through Grantor/Program Title	ALN #	Grant #	Federal Expenditures
U.S. Department of Justice:			
Direct:			
Services for Trafficking Victims	16.320	15POVC-22-GK-03681-HT	$ 16,171
Preventing Trafficking of Girls	16.035	15POVC-22-GG-03751-GIRL	16,567
Advocacy Center for Crime Victims and Children:			
Services for Trafficking Victims	16.320	2019-VT-BX-K039	283,326
Unbound North Texas:			
Services for Trafficking Victims	16.320	2020-VT-BX-K027	59,242
Total Services for Trafficing Victims			375,306
Texas Office of the Governer - Criminal Justice Division:			
Crime Victim Assistance	16.575	3961403	124,281
Crime Victim Assistance	16.575	4219501	50,288
Crime Victim Assistance	16.575	4219502	275,386
Total Crime Victim Assitance			449,955
Total U.S. Department of Justice			825,261
U.S. Department of Health and Human Services:			
Fort Worth Independent School District:			
Demonstration Grants for Domestic Victims of Human Trafficing	93.327	HHS-2020-ACF-IOAS-OTIP-TV-0064	14,899
Total U.S. Department of the Health and Human Services			14,899
Total expenditures of federal awards			$ 840,160

See notes to schedule of expenditures of federal awards.

Unbound Now
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Unbound Now (Organization). The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule only presents a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Unbound Now

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Unbound Now (a nonprofit organization) (Organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 26, 2023

SFC
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Unbound Now

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Unbound Now's (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Sutton Frost Cary LLP
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Phone 817.649.8083

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion was expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
September 26, 2023

Unbound Now
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

<u>Section I – Summary of Auditors' Results</u>

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)?	No

Identification of major federal program:

ALN 16.575 Crime Victim Assistance

Dollar threshold used to distinguish between type A and B programs for federal awards:	$750,000
Auditee qualified as low-risk auditee?	No

<u>Section II – Financial Statement Findings</u>

None

<u>Section III – Federal Award Findings and Questioned Costs</u>

None

<u>Section IV – Summary of Prior Year Audit Findings</u>

None