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**Unbound Philanthropy  
and Subsidiary**

Consolidated Financial Statements

December 31, 2013 and 2012

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**Independent Auditors' Report****The Board of Directors  
Unbound Philanthropy**

We have audited the accompanying consolidated financial statements of Unbound Philanthropy and Subsidiary (the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements

***Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error

***Auditors' 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unbound Philanthropy and Subsidiary as of December 31, 2013 and 2012, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*O'Connor Davies, LLP*

September 19, 2014

O'CONNOR DAVIES, LLP

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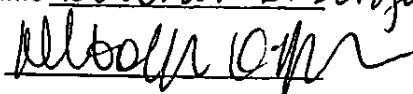
UK COMPANY REGISTRATION NO.  
FC030857

**Unbound Philanthropy  
and Subsidiary**

**Consolidated Statements of Financial Position**

	December 31,	
	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,594,108	\$ 9,199,198
Receivable from sale of investments	-	2,500,000
Prepaid expenses and other assets	25,103	63,375
Prepaid federal excise tax	98,296	95,788
Investments	158,314,725	149,134,755
	<u>\$166,032,232</u>	<u>\$160,993,116</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 452,299	\$ 206,598
Grants payable	3,104,651	3,495,181
Deferred federal excise tax	648,000	460,000
Total Liabilities	4,204,950	4,161,779
 Net Assets, Unrestricted	<u>161,827,282</u>	<u>156,831,337</u>
	<u>\$166,032,232</u>	<u>\$160,993,116</u>

Printed Name Deborah K. Berger

Signature 

Signed by Board Chair on behalf of  
Unbound Philanthropy

See notes to consolidated financial statements

**Unbound Philanthropy  
and Subsidiary**

**Consolidated Statements of Activities**

	Year Ended December 31,	
	2013	2012
<b>INCOME AND SUPPORT</b>		
Realized investment income		
Realized gain on sale of investments	\$ 324,131	\$ 9,254,732
Dividends and interest	2,673	4,721
Total Realized Investment Income	326,804	9,259,453
Contributions	14,000,000	24,100,000
Foreign currency exchange (loss) gain	(17,671)	82,281
Total Income and Support	14,309,133	33,441,734
<b>EXPENSES</b>		
Grants made	7,582,802	7,934,893
Operations and governance	3,506,729	2,592,679
Federal excise (benefit) tax , net of refund of \$86,804 and \$0	(71,479)	71,607
Total Expenses	11,018,052	10,599,179
Excess of Income and Support Over Expenses	3,291,081	22,842,555
Unrealized appreciation of investments, net of provision for deferred Federal excise tax of \$188,000 and \$460,000	1,704,864	3,636,640
Change in Net Assets	4,995,945	26,479,195
<b>NET ASSETS</b>		
Beginning of year	156,831,337	130,352,142
End of year	\$161,827,282	\$156,831,337

See notes to consolidated financial statements

**Unbound Philanthropy  
and Subsidiary**

**Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,995,945	\$ 26,479,195
Adjustments to reconcile change in net assets to net cash from operating activities		
Donated partnership Interests	(7,000,000)	-
Unrealized gain on investments	(1,892,864)	(4,096,640)
Realized gain from sale of investments	(324,131)	(9,172,451)
Foreign currency loss (gain)	17,671	(82,281)
Deferred federal excise tax provision	188,000	460,000
Depreciation of other assets and related adjustments	-	19,092
Net changes in operating assets and liabilities		
Accounts receivable	2,500,000	(2,500,000)
Prepaid expenses and other assets	38,272	(28,280)
Prepaid federal excise tax	(2,508)	(88,795)
Accounts payable and accrued liabilities	245,701	111,550
Grants payable	(390,530)	1,053,628
Net Cash From Operating Activities	<u>(1,624,444)</u>	<u>12,155,018</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,500,000)	(47,000,000)
Proceeds from sale of investments	<u>2,519,354</u>	<u>29,136,589</u>
Net Cash From Investing Activities	<u>19,354</u>	<u>(17,863,411)</u>
Net Change in Cash and Cash Equivalents	(1,605,090)	(5,708,393)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>9,199,198</u>	<u>14,907,591</u>
End of year	<u>\$ 7,594,108</u>	<u>\$ 9,199,198</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Federal excise and unrelated business income taxes paid	\$ 17,500	\$ 174,300
Refunds from federal excise and unrelated business income taxes paid	\$ 86,804	\$ -
Non cash investing activity		
Receipt of donated partnership interests	\$ 7,000,000	\$ -

See notes to consolidated financial statements

## **Unbound Philanthropy and Subsidiary**

### **Notes to Consolidated Financial Statements December 31, 2013 and 2012**

#### **1. Organization**

Unbound Philanthropy is a private grant making foundation chartered in Hawaii in 2005 dedicated to ensuring that migrants, refugees and their families are treated with respect and dignity, are able to contribute fully in their new communities and can ultimately thrive in a society that is comfortable with the diversity and opportunity that immigration brings. Unbound Philanthropy is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is a private foundation as defined in Section 509(a) of the Code.

Unbound Investments, Ltd. (the "Subsidiary") is a Cayman Island company organized in 2005 as a wholly owned subsidiary of the Foundation to support the charitable activities of the Foundation. Unbound Philanthropy and its Subsidiary are collectively known as the "Foundation."

#### **2 Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or the absence of donor-imposed restrictions. The Foundation's net assets are neither permanently nor temporarily restricted by donor-imposed restrictions and are classified as unrestricted.

##### ***Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Unbound Philanthropy and its wholly owned subsidiary, Unbound Investments, Ltd. All intercompany balances and transactions have been eliminated.

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

Cash equivalents represent short-term investments with maturities at the time of purchase of three months or less.

**Unbound Philanthropy  
and Subsidiary**

Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

**2. Summary of Significant Accounting Policies (continued)**

***Fair Value Measurements***

The Foundation follows U S GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

***Investments Valuation***

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. U S GAAP guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein and their classification within Level 2 or 3 is based on the Foundation's ability to redeem its interest in the near term.

***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

***Investments Risks and Uncertainties***

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

**Unbound Philanthropy  
and Subsidiary**

Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

**2 Summary of Significant Accounting Policies (*continued*)**

***Grant Expense***

The Foundation recognizes grant expense upon award of the grant

***Reclassification***

Certain 2012 amounts have been reclassified to conform with 2013 presentation

***Accounting for Uncertainty in Income Taxes***

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation has no uncertain tax positions that would require financial statement disclosures. The Foundation is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2010.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 19, 2014.

**3. Concentrations of Credit Risk**

The Foundation's cash, cash equivalents and investments are potentially exposed to concentrations of credit risk. The Foundation invests its cash and equivalents with quality financial institutions. The Foundation invests in limited partnerships. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.



**Unbound Philanthropy  
and Subsidiary**

Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

**4 Investments**

The following are major categories of investments grouped by the fair value hierarchy for those investments measured at fair value using NAV on a recurring basis at December 31,.

Description	2013			
	Level 1	Level 2	Level 3	Total
Hedge Funds				
Diversified Global Macro	\$ -	\$ 41,373,193	\$ -	\$ 41,373,193
Credit Relative Value	-	80,051,092	-	80,051,092
Fixed Income Relative Value	-	6,612,404	-	6,612,404
Diversified Systematic	-	9,426,035	-	9,426,035
Long/Short Equity	-	455,354	-	455,354
Diversified Emerging Market	-	20,396,647	-	20,396,647
Total Investments, at fair value	\$ -	\$ 158,314,725	\$ -	\$ 158,314,725

Description	2012			
	Level 1	Level 2	Level 3	Total
Hedge Funds				
Diversified Global Macro	\$ -	\$ 43,928,162	\$ -	\$ 43,928,162
Credit Relative Value	-	70,252,340	-	70,252,340
Fixed Income Relative Value	-	6,717,030	-	6,717,030
Diversified Systematic	-	12,356,937	-	12,356,937
Long/Short Equity	-	307,729	-	307,729
Diversified Emerging Market	-	15,572,557	-	15,572,557
Total Investments, at fair value	\$ -	\$ 149,134,755	\$ -	\$ 149,134,755

There were no transfers into or out of each level of the fair value hierarchy for assets measured at fair value for the years ended December 31, 2013 and 2012

Three of the hedge funds represented 40%, 22% and 13%, respectively, of the Foundations' total investment portfolio at December 31, 2013

At December 31, 2013 and 2012 the Foundation had no unpaid capital commitments

**Unbound Philanthropy  
and Subsidiary**

Notes to Consolidated Financial Statements  
December 31, 2013 and 2012

**4. Investments (continued)**

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2013 is as follows

Description	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>Hedge Funds</b>			
Diversified Global Macro (a)	\$ 41,373,193	Quarterly	30-36 days
Credit Relative Value (b)	80,051,092	Quarterly	30 day
Fixed Income Relative Value (c)	6,612,404	Quarterly	30 day
Diversified Systematic (d)	9,426,035	Monthly	30 day
Long/Short Equity (e)	455,354	Quarterly	30 day
Diversified Emerging Market (f)	20,396,647	Monthly	30 day
	<u>\$ 158,314,725</u>		

- (a) *Diversified Global Macro* - This class includes investments in hedge funds that employ both a discretionary trading strategy in G12 developed markets interest rates and foreign exchange and a systematic trend following strategy which employs a statistical framework to determine trends across fixed income, foreign exchange, commodity and equity markets
- (b) *Credit Relative Value* - This class includes hedge funds that employ an index arbitrage strategy which aims to capture price differentials between credit default swap indices and their constituencies
- (c) *Fixed Income Relative Value* - This class includes investments in hedge funds that employ strategies that exploit interest rate anomalies in large liquid markets of North America, Europe and the Pacific Rim. The financial instruments traded include government bonds, interest rate swaps and futures contracts
- (d) *Diversified Systematic* - This class includes hedge funds with investment objectives that seek to achieve long term appreciation in the value of its assets through the implementation of systematic rules based trading models
- (e) *Long/Short Equity* - This class includes hedge funds that invest in value stocks to create its investment portfolios. It employs long and short strategies in its investments and purchases equities in the companies
- (f) *Diversified Emerging Market* - This class includes hedge funds that employ multiple strategies in investments in emerging markets. These investments include equities, real estate, commodities and foreign exchange in these markets

**Unbound Philanthropy  
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Notes to Consolidated Financial Statements  
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**5. Federal Excise Tax**

The Foundation is subject to excise tax of 2% of its net investment income, as defined, for tax purposes. However the excise tax is reduced to 1% if certain conditions are met.

Deferred taxes principally arise from the differences between the cost and fair value of investments. The Foundation provides for deferred Federal excise tax at 2% on the net unrealized appreciation in the fair value of investments. At December 31, 2013 and 2012 the fair value of the Foundation's investments exceeded the total cost, accordingly deferred Federal excise tax payable amounted to \$648,000 and \$460,000 at December 31, 2013 and 2012.

The Foundation's investment in certain alternative investments gives rise to the potential for unrelated business income tax liabilities taxed at general corporate rates.

**6. Retirement Plan**

Retirement benefits under a defined contribution plan are provided to full-time employees who have completed 1,000 hours of service in any given year. The Foundation contributes 3% of an employee's annual salary to the plan. Retirement plan expense was \$37,900 and \$20,451 for 2013 and 2012.

**7. Lease Commitments**

The Foundation leases office space in New York City and London. The Foundation signed a new lease for its New York City office in 2013. The new lease is for the period beginning January 1, 2014 and ending in May 2024. The Foundation renews its London lease and agrees to rent terms annually.

As of December 31, 2013 future minimum annual rental payments are as follows.

	<u>Amount</u>
2014	\$ 247,306
2015	415,944
2016	415,944
2017	415,944
2018	415,944
Thereafter	<u>2,399,862</u>
	<u>\$4,310,944</u>

\* \* \* \* \*