014755/20

UK Company Registration No. FC030857

Unbound Philanthropy and Subsidiary

Consolidated Financial Statements

December 31, 2018 and 2017

PKF
O'CONNOR
DAVIES
ACCOUNTANTS AND ADVISORS

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 statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unbound Philanthropy and Subsidiary as of December 31, 2018 and 2017, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, during the year ended December 31, 2018 Unbound Philanthropy and Subsidiary adopted new accounting guidance resulting in a change in the manner in which they present net assets and reports certain aspects of their consolidated financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

November 4, 2019

Unbound Philanthropy
and Subsidiary

Consolidated Statements of Financial Position

	December 31	
	2018	2017
ASSETS		
Cash and cash equivalents	$ 1,066,494	$ 4,947,459
Redemption proceeds receivable	2,925,556	48,168,119
Prepaid expenses and other assets	103,788	52,595
Prepaid federal excise tax and related receivable	146,324	29,063
Investments	157,489,469	130,634,907
	$ 161,731,631	$ 183,832,143
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 286,311	$ 306,527
Grants payable	3,089,160	3,256,729
Deferred rent	128,936	144,088
Deferred federal excise tax	155,452	395,452
Total Liabilities	3,659,859	4,102,796
Net assets without donor restrictions	158,071,772	179,729,347
	$ 161,731,631	$ 183,832,143

Printed Name: Deborah K. Berger

Signature:

Signed by Board Chair on behalf of
Unbound Philanthropy

4th November 2019

See notes to consolidated financial statements

Unbound Philanthropy
and Subsidiary

Consolidated Statements of Activities

	Year Ended December 31	
	2018	2017
INVESTMENT RETURN		
Investment income	$ 788,699	$ 252,207
Net realized and unrealized (loss) gain on investments	(8,661,656)	5,376,234
Less: investment expenses	(525,827)	(215,005)
Investment Return	(8,398,784)	5,413,436
EXPENSES		
Program services		
Fund administrated program	1,019,332	1,014,480
General programs	11,215,899	12,039,327
Total Program Services	12,235,231	13,053,807
General management and taxes	1,023,560	1,117,296
Total Expenses	13,258,791	14,171,103
Change in Net Assets	(21,657,575)	(8,757,667)
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	179,729,347	188,487,014
End of year	$ 158,071,772	$ 179,729,347

See notes to consolidated financial statements

Unbound Philanthropy
and Subsidiary

Statement of Functional Expenses

	Year Ended December 31,							
	2018				2017			
	Program Services				Program Services			
	Fund Administrated Program	General Programs	General Management and Taxes	Total	Fund Administrated Program	General Programs	General Management and Taxes	Total
Grants, net of loss (gain) on foreign currency conversion of $181,459 and ($65,889) in 2018 and 2017	$ -	$ 9,056,739	$ -	$ 9,056,739	$ -	$ 9,865,012	$ -	$ 9,865,012
Salary and related expenses	-	1,393,876	705,242	2,099,118	-	1,227,246	620,934	1,848,180
Programmatic consultants	922,728	-	-	922,728	879,920	-	-	879,920
Professional fees	-	258,819	253,548	512,367	-	261,288	170,869	432,157
Occupancy	-	152,459	77,138	229,597	-	180,570	91,361	271,931
Travel, convenings, and conferences	96,604	107,167	71,143	274,914	134,437	174,736	36,465	345,638
Office, software, and miscellaneous admin expenses	-	137,826	65,375	203,201	123	119,009	49,038	168,170
Legal fees	-	39,284	13,095	52,379	-	27,040	2,454	29,494
Accounting and audit expenses	-	61,766	31,251	93,017	-	176,689	89,397	266,086
Insurance	-	7,963	4,029	11,992	-	7,737	3,915	11,652
Federal excise and other taxes (benefit)	-	-	(197,261)	(197,261)	-	-	52,863	52,863
	$ 1,019,332	$ 11,215,899	$ 1,023,560	$ 13,258,791	$ 1,014,480	$ 12,039,327	$ 1,117,296	$ 14,171,103

See notes to consolidated financial statements

Unbound Philanthropy
and Subsidiary

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (21,657,575)	$ (8,757,667)
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized (gain) loss on investments	12,215,362	(1,574,842)
Realized gain from sale of investments	(3,553,706)	(3,801,392)
Deferred rent	(15,152)	(13,752)
Deferred federal excise tax	(240,000)	14,477
Net changes in operating assets and liabilities		
Accrued interest receivable	-	721,579
Prepaid expenses and other assets	(51,193)	45,143
Prepaid federal excise tax and related receivable	(117,261)	38,386
Accounts payable and accrued expenses	(20,216)	209,064
Grants payable	(167,569)	831,436
Net Cash From Operating Activities	(13,607,310)	(12,287,568)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(364,013,797)	(42,656,923)
Redemption proceeds receivable	45,242,563	(35,808,898)
Transfers from brokerage account	47,666,197	5,550,110
Proceeds from sale of investments	280,831,382	88,442,799
Net Cash From Investing Activities	9,726,345	15,527,088
Net Change in Cash and Cash Equivalents	(3,880,965)	3,239,520
CASH AND CASH EQUIVALENTS		
Beginning of year	4,947,459	1,707,939
End of year	$ 1,066,494	$ 4,947,459
SUPPLEMENTAL CASH FLOW INFORMATION		
Federal excise taxes paid	$ 160,000	$ -

See notes to consolidated financial statements

1. Organization

Unbound Philanthropy is a private grant making foundation chartered in Hawaii in 2005 and is dedicated to the strategic development of foundations and leading nonprofits in the field of migration and integration and innovation, and the support and funding of advocacy groups and philanthropic purposes related to immigration, refugees, human rights, social justice, race, and/or LGBT issues. 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 2008 as a wholly owned subsidiary of Unbound Philanthropy to support its charitable activities. Unbound Philanthropy and its Subsidiary are collectively known as the "Foundation."

The Foundation operates its programs through offices located in New York City and London, United Kingdom.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of consolidated 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. Accordingly, actual results could differ from those estimates. Significant estimates made by management in the preparation of the consolidated financial statements include fair value of alternative investments, and depreciation and amortization. Management believes that the estimates utilized in preparing these consolidated financial statements are reasonable and appropriate.

Change in Accounting Principle

On January 1, 2018, the Foundation adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. The guidance requires the Foundation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Foundation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

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

Net Asset Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All net assets are without donor restrictions.

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 and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents, except for those managed by the investment manager as port of its long-term investment strategy.

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.

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

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not categorized within the fair value hierarchy.

Investments Valuation and Investment Income Recognition

Investments are carried at fair value. 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.

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

Investments Risks and Uncertainties

Alternative investments can 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, may sometimes include investments that are not currently traded in a public market or 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.

Investment Expenses

Investment expenses on the consolidated statements of activities consists of fees paid directly to the Foundation's investment managers and custodians.

Contributions and Promises to Give

Contributions received and written unconditional promises to give are recorded as contributions at net realizable value in the period received and are considered to be available for any use unless specifically restricted by the donor.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the asset is amortized over its estimated useful life. Operating lease payments are charged to rental expenses.

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

Deferred Rent

The Foundation records rent expense on a straight-line basis. Deferred rent represents the difference between rent expense and the actual cash payments as well as the costs incurred in connection with obtaining the Foundation's long-term lease discussed in note 8, which are being amortized on a straight-line basis over the term of the agreement.

Grant Expense

The Foundation recognizes grant expense upon award of the grant.

Foreign Currency Exchange

Approximately 38% of the Foundation's grants are awarded and paid in British Pounds. Any change in the foreign currency rate of exchange between the date of award and the date paid is recognized in the consolidated financial statements as a component of grants made. Accordingly, the resulting change has been netted with grant expenses on the consolidated statements of functional expenses.

Functional Allocation of Expenses

The consolidated financial statements report categories that are attributed to either grants or general management. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses can be directly identified as either grants or general management expenses and are classified accordingly. Salary and related expenses for management and supervision of program service functions by function have been allocated on the basis of estimates of time and effort as determined by management of the Foundation to be appropriate.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year 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 recognition or disclosure. The Foundation is no longer subject to examinations by applicable taxing jurisdictions for periods prior to December 31, 2015.

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is November 4, 2019.

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 primarily in hedge funds and 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.

4. Investments

The Foundation's investments at December 31 include those classified within the fair value hierarchy as well as those not included within the fair value hierarchy (see note 2), and are as follows:

	2018	2017
Level 1 investment included in fair value hierarchy		
Mutual funds	$ 26,644,592	$ -
Investments not included in fair value hierarchy		
Private equities	6,448,848	
Hedge funds	54,623,100	122,360,144
Real estate fund	6,748,026	7,018,956
Limited partnerships	40,747,481	-
	108,567,455	129,379,100
Cash and cash equivalents, at cost	22,277,422	1,255,807
	$ 157,489,469	$ 130,634,907

As described in note 2, all of the Foundation's investments valued at NAV are not categorized within the fair value hierarchy. There were no transfers into or out of any level of the fair value hierarchy during the years ended December 31, 2018 and 2017.

4. Investments *(continued)*

Total investments measured using NAV as a practical expedient are as follows:

	2018	2017
Alternative Investments		
Long only equity	$ 45,135,038	$ -
Diversified systematic	18,722,903	30,823,648
Long/short equity	14,411,745	3,315,429
Credit relative value	14,376,085	67,023,849
Real estate	6,748,026	7,018,956
Event driven	2,724,810	-
Venture capital	2,268,968	-
Secondaries	1,592,088	-
Energy	1,028,064	-
Buyout	1,013,069	-
Growth equity	546,659	-
Diversified emerging market	-	2,126,383
Diversified global macro	-	19,070,835
Total	$ 108,567,455	$ 129,379,100

Three of the funds represented 10%, 9% and 9% of the Foundations' total investment portfolio at December 31, 2018 and 42%, 24% and 11% at December 31, 2017.

Liquidity information for alternative investments valued at NAV using the practical expedient at December 31, 2018 is as follows:

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligibile)	Redemption Notice Period
Alternative Investments				
Long Only Equity (a)	$ 45,135,038	$ -	Varied	Varied
Diversified Systematic (b)	18,722,903	-	0-6 months	30-90 days
Long/Short Equity (c)	14,411,745	-	Varied	Varied
Credit Relative Value (d)	14,376,085	-	12 Months+	90-180 days
Real Estate (e)	6,748,026	-	0-6 months	30-90 days
Event Driven (f)	2,724,810	-	Locked	N/A
Venture Capital (g)	2,268,968	7,336,325	Locked	N/A
Secondaries (h)	1,592,088	9,512,713	Locked	N/A
Energy (i)	1,028,064	11,250	Locked	N/A
Buyout (j)	1,013,069	14,880,715	Locked	N/A
Growth Equity (k)	546,659	5,393,877	Locked	N/A
Distressed (l)	-	2,000,000	Locked	N/A
	$ 108,567,455	$ 39,134,880		

4. Investments *(continued)*

(a) *Long Only Equity* – This class includes hedge funds and separately managed equity accounts. The long only managers actively manage a portfolio of publicly traded equity securities across multiple geographies. They do not utilize any shorts.

(b) *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.

(c) *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.

(d) *Credit Relative Value* - This class includes hedge funds that take advantage of relative discrepancies in price between securities. The price discrepancy can occur due to mispricing of securities compared to related securities, the underlying security or the market overall.

(e) *Real Estate* - This class includes investments in institutional quality real estate utilizing an asset-by-asset valuation approach with target investment markets in large cities in North America.

(f) *Event Driven* – This class includes a hedge funds that invest in securities that should appreciate in corporate transactional events such as consolidations, acquisitions, recapitalizations, bankruptcies, and liquidations.

(g) *Venture Capital* – This class includes private equity firms that make investments in typically in less mature companies, for the launch of a seed or start-up company, early stage development, or expansion of a business.

(h) *Secondaries* – This class of private equity refers to investments made in existing private equity assets. These transactions can involve the sale of private equity fund interests or portfolios of direct investments in privately held companies through the purchase of these investments from existing institutional investors.

(i) *Energy* – This class refers to private equity investments made in a wide variety of companies engaged in the production and sale of energy, including fuel extraction, manufacturing, refining and distribution, or companies engaged in the production or transmission of electrical or renewable power.

(j) *Buyout* – This class of private equity refers to a strategy of making equity investments as part of a transaction in which a company, business unit or business assets is acquired from the current shareholders typically with the use of financial leverage. The companies involved in these transactions are typically mature and generate operating cash flows.

4. Investments *(continued)*

(k) *Growth Equity* – This class of private equity makes equity investments, most often minority investments, in relatively mature companies that are looking for capital to expand or restructure operations, enter new markets or finance a major acquisition without a change of control of the business.

(l) *Distressed* – This class refers to active managers that make both debt and equity investments in distressed or stressed companies. Often the investments are made in companies that are at or near bankruptcy.

5. Liquidity and Availability of Financial Assets

The Foundation's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statement of financial position were as follows for December 31, 2018:

Financial Assets:	
Cash and Cash Equivalents	$ 1,066,494
Redemption proceeds receivable	2,925,556
Investments	157,489,469
Total Financial Assets	161,481,519
Less: Illiquid investments	43,383,632
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 118,097,887

The Foundation monitors its cash needs and availability on a regular basis. Operating expenses and overall grantmaking budgets are approved annually as part of the annual budget process. The Foundation approves grants over the course of the year during six grants committee meetings. Based on these budgets and approvals, operating and grantmaking expenses are monitored and forecasted on a monthly basis, and investments are liquidated once per quarter to fund these activities.

6. Federal Excise Tax

The Foundation is subject to excise tax of 2% on 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, 2018 and 2017 the fair value of the Foundation's investments exceeded the total cost; accordingly deferred federal excise tax amounted to $155,452 and $395,452 at December 31, 2018 and 2017.

6. Federal Excise Tax *(continued)*

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

7. Retirement Plan

Effective January 1, 2016 retirement benefits under a defined contribution plan are provided to all employees who have completed a month of service in any given year. The Foundation contributes, at a minimum, 5% of an employee's annual salary to the plan. In its discretion, the Foundation contributed 10% in 2018 and 2017. Retirement plan expense was $155,823 and $134,650 for 2018 and 2017

8. Lease Commitments

As of December 31, 2017 the Foundation leases office space in New York City and London. During 2017 the Foundation terminated an existing lease agreement, and executed a new agreement for the same office space. The new lease executed, which was amended November 1, 2018, maintains the initial expiration date of May 13, 2024. An irrevocable stand-by letter of credit in the amount of approximately $69,000 was provided to the landlord in lieu of cash security for the New York City office.

Future minimum annual rental payments for the New York City lease as of December 31, 2018 are as follows:

2019	$ 121,595
2020	124,548
2021	124,548
2022	124,548
2023	124,548
Thereafter	45,870
	$ 665,657

The Foundation renews its London lease and agrees to rent terms annually.

As of December 31, 2018 future minimum annual rental payments for the year ending December 31, 2019 for the London office lease are estimated at $57,400.

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