

UNBOUNDED LEARNING, INC.

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Unbounded Learning, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Unbounded Learning, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the period from October 1, 2015 (date of inception) to June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditor's 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 financial position of Unbounded Learning, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the period from October 1, 2015 (date of inception) to June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
May 5, 2017

UNBOUNDED LEARNING, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Cash	\$ 445,407
Prepaid expenses	<u>40,000</u>
TOTAL ASSETS	<u>\$ 485,407</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 141,929
Accrued expenses	671
Deferred revenue	<u>342,786</u>
TOTAL LIABILITIES	485,386

<u>NET ASSETS</u> , unrestricted	<u>21</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 485,407</u>
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The accompanying notes are an integral part of the financial statements.

UNBOUNDED LEARNING, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM OCTOBER 1, 2015 (DATE OF INCEPTION) TO JUNE 30, 2016

Public support and revenue:		
Grants and contributions		\$ 1,273,881
Interest income		<u>21</u>
	TOTAL PUBLIC SUPPORT AND REVENUE	1,273,902
Expenses:		
Program services		1,077,936
Management and general		71,154
Fundraising		<u>124,791</u>
	TOTAL EXPENSES	<u>1,273,881</u>
	CHANGE IN NET ASSETS	21
Unrestricted net assets at beginning of period		<u>-</u>
	UNRESTRICTED NET ASSETS AT END OF PERIOD	<u>\$ 21</u>

The accompanying notes are an integral part of the financial statements.

UNBOUNDED LEARNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM OCTOBER 1, 2015 (DATE OF INCEPTION) TO JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Service Costs:				
Leadership & Operations	\$ 163,106	\$ -	\$ 70,000	\$ 233,106
Product Development	108,600	-	-	108,600
Organization & Events	<u>46,344</u>	<u>45,271</u>	<u>23,333</u>	<u>114,948</u>
Total Salaries and Wages	318,050	45,271	93,333	456,654
Fringe Benefits & Payroll Taxes	65,568	9,367	18,734	93,669
Professional Services	134,523	-	-	134,523
Website Development Costs	117,493	-	-	117,493
Travel Expenses	24,855	2,611	5,223	32,689
Marketing / Recruitment	-	-	60	60
Standard Institute &				
Professional Development Event Costs	390,460	-	-	390,460
Office Expenses	3,167	452	905	4,524
Equipment	4,926	704	1,407	7,037
Administrative Expenses	4,828	690	1,379	6,897
Legal Fees	6,370	910	1,820	9,100
Finance/Audit/Accounting Fees	3,710	530	1,060	5,300
Temporary Administrative Support	945	-	-	945
Staff Development	2,910	416	832	4,158
Insurance	-	10,184	-	10,184
Other	131	19	38	188
	<u>\$ 1,077,936</u>	<u>\$ 71,154</u>	<u>\$ 124,791</u>	<u>\$ 1,273,881</u>

The accompanying notes are an integral part of the financial statements.

UNBOUNDED LEARNING, INC.

STATEMENT OF CASH FLOWS

PERIOD FROM OCTOBER 1, 2015 (DATE OF INCEPTION) TO JUNE 30, 2016

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$	21
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Changes in certain assets and liabilities affecting operations:		
Prepaid expenses		(40,000)
Accounts payable		141,929
Accrued expenses		671
Deferred revenue		<u>342,786</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES		445,407
	NET INCREASE IN CASH	445,407
Cash at beginning of period		<u>-</u>
	CASH AT END OF PERIOD	<u>\$ 445,407</u>

The accompanying notes are an integral part of the financial statements.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Unbounded Learning, Inc. (the "Organization") was established as a not-for-profit corporation on October 1, 2015. The purpose of the Organization is to provide online curriculum resources for grades Pre K-12. These online resources provide educators with standards-based knowledge and content to integrate into their classroom.

Financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets: Represents all net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established for the Organization. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Temporarily restricted net assets: Represents all contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled or otherwise removed by actions of the Organization pursuant to those stipulations. The Organization had no temporarily restricted net assets at June 30, 2016.

Permanently restricted net assets: Represents net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2016.

Contributions

The Organization records contributions when a donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction. Approximately 93% of public support and revenue was received from two donors during the period ended June 30, 2016.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2016

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash

Cash is maintained at financial institutions located in New York, New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Income taxes

Unbounded Learning, Inc. is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

Use of estimates

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

Marketing/recruitment costs

Marketing and recruitment costs are charged to operations when incurred. Marketing/recruitment expense approximated \$60 for the period ended June 30, 2016.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through May 5, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: RETIREMENT PLAN

The Organization sponsors a 401(k) plan which allows its eligible employees to make contributions to the Plan on a tax deferred basis. The Organization can make a discretionary matching contribution and/or a discretionary profit-sharing contribution. There were no employer contributions to the Plan for the period ended June 30, 2016.