

UNBOUNDED LEARNING, INC.

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017

(With Comparative Totals for 2016)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9

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, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, 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, 2017, and the changes in its net assets, functional expenses, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Unbounded Learning, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2017. In our opinion, the summarized comparative information presented herein as of June 30, 2016 and for the period October 1, 2015 (date of inception) to June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
January 31, 2018

UNBOUNDED LEARNING, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative totals for 2016)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 4,580,903	\$ 445,407
Grants and contracts receivable	1,760,575	-
Prepaid expenses	5,380	40,000
TOTAL ASSETS	<u>\$ 6,346,858</u>	<u>\$ 485,407</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>LIABILITIES</u>		
Accounts payable	\$ 854,375	\$ 141,929
Accrued expenses	815,619	671
Deferred revenue	3,442,041	342,786
TOTAL LIABILITIES	5,112,035	485,386
 <u>NET ASSETS, unrestricted</u>	 <u>1,234,823</u>	 <u>21</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,346,858</u>	<u>\$ 485,407</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017
(With Comparative totals for 2016)

	Year ended June 30, 2017	Period from October 1, 2015 (date of inception) to June 30, 2016
Public support and revenue:		
Grants and contributions	\$ 7,967,412	\$ 1,273,881
Contracted services	3,295,500	-
Miscellaneous revenue	4,463	-
Interest income	789	21
TOTAL PUBLIC SUPPORT AND REVENUE	<u>11,268,164</u>	<u>1,273,902</u>
Expenses:		
Program services	8,548,744	1,077,936
Management and general	714,703	71,154
Fundraising	<u>769,915</u>	<u>124,791</u>
TOTAL EXPENSES	<u>10,033,362</u>	<u>1,273,881</u>
CHANGE IN NET ASSETS	1,234,802	21
Unrestricted net assets at beginning of year	<u>21</u>	<u>-</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 1,234,823</u>	<u>\$ 21</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(With Comparative totals for 2016)

	<u>Year Ended June 30, 2017</u>				Period from
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	October 1, 2015 (date of inception) to June 30, 2016
Personnel service costs:					
Leadership and operations	\$ 184,606	\$ 369,212	\$ 369,212	\$ 923,030	\$ 233,106
Product development	1,527,284	-	-	1,527,284	108,600
Organization and events	439,971	-	-	439,971	114,948
Total salaries and wages	2,151,861	369,212	369,212	2,890,285	456,654
Fringe benefits and payroll taxes	372,206	53,172	106,345	531,723	93,669
Professional services	969,464	-	-	969,464	134,523
Website development costs	1,018,732	-	-	1,018,732	117,493
Travel expenses	277,757	39,679	79,359	396,795	32,689
Marketing/recruitment	-	98,248	98,249	196,497	60
Standard institute and professional development event costs	2,505,868	-	-	2,505,868	390,460
Office expenses	61,300	8,757	17,515	87,572	4,084
Equipment	19,009	2,716	5,431	27,156	7,037
Administrative expenses	142,060	20,294	40,589	202,943	7,525
Legal fees	37,703	5,386	10,772	53,861	9,100
Finance/audit/accounting fees	147,781	19,327	38,665	205,773	5,300
Temporary administrative support	15,020	-	-	15,020	945
Staff development	13,224	1,889	3,778	18,891	4,158
Insurance	-	22,442	-	22,442	10,184
Occupancy	-	73,581	-	73,581	-
Grant disbursements	816,759	-	-	816,759	-
	<u>\$ 8,548,744</u>	<u>\$ 714,703</u>	<u>\$ 769,915</u>	<u>\$10,033,362</u>	<u>\$ 1,273,881</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative totals for 2016)

	Year ended June 30, 2017	Period from October 1, 2015 (date of inception) to June 30, 2016
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,234,802	\$ 21
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(1,760,575)	-
Prepaid expenses	34,620	(40,000)
Accounts payable	712,446	141,929
Accrued expenses	814,948	671
Deferred revenue	<u>3,099,255</u>	<u>342,786</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	4,135,496	445,407
NET INCREASE IN CASH	4,135,496	445,407
Cash at beginning of year	<u>445,407</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 4,580,903</u>	<u>\$ 445,407</u>

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

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(With Comparative totals for 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, 2017 or 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, 2017 or 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 26% and 15% of public support and revenue was received from two donors during the year ended June 30, 2017. Approximately 46% and 47% of public support and revenue was received from two donors during the period ended June 30, 2016.

Contracted services

Contracted services revenue is recognized in the period in which it is earned.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative totals for 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.

Grants and contracts receivables

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2017 and 2016.

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.

Product development costs and website development costs

Product development costs and website development costs are expensed in the period they are incurred.

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.

The Organization has filed for and received income tax exemptions in the various jurisdictions where they are required to do so. The Organization files Form 990 tax returns in the U.S. federal jurisdiction and in New York State. The tax returns for years ended June 30, 2016 and June 30, 2017 are still subject to potential audit by the IRS and taxing authorities in New York State. Management of the Organization believes they have no material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits.

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 \$196,500 and \$60 for the year ended June 30, 2017 and period ended June 30, 2016, respectively.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative totals for 2016)

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

Occupancy costs

Occupancy costs relate to the rental of temporary space on an as-needed basis.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Comparatives for year ended June 30, 2016

The financial statements include certain prior year summarized comparative information in total, but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through January 31, 2018, 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 was an employer contribution to the plan for the year ended June 30, 2017 of approximately \$79,900. There were no employer contributions to the Plan for the period ended June 30, 2016.