

UNBOUNDED LEARNING, INC.

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

(With Comparative Totals for 2017)



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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2018. In our opinion, the summarized comparative information presented herein as of June 30, 2017 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
March 11, 2019

UNBOUNDED LEARNING, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative totals for 2017)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 4,077,285	\$ 4,580,903
Grants and contracts receivable	768,250	1,760,575
Prepaid expenses	740,943	5,380
TOTAL ASSETS	<u>\$ 5,586,478</u>	<u>\$ 6,346,858</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>LIABILITIES</u>		
Accounts payable	\$ 445,786	\$ 854,375
Accrued expenses	257,192	815,619
Deferred revenue	3,073,294	3,442,041
TOTAL LIABILITIES	3,776,272	5,112,035
<u>NET ASSETS</u> , unrestricted	<u>1,810,206</u>	<u>1,234,823</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,586,478</u>	<u>\$ 6,346,858</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, 2018
(With Comparative totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Public support and revenue:		
Grants and contributions	\$ 10,122,431	\$ 7,967,412
Contracted services	1,915,158	3,295,500
Miscellaneous revenue	15,550	4,463
Interest income	<u>150</u>	<u>789</u>
TOTAL PUBLIC SUPPORT AND REVENUE	12,053,289	11,268,164
Expenses:		
Program services	9,886,101	8,548,744
Management and general	728,351	714,703
Fundraising	<u>863,454</u>	<u>769,915</u>
TOTAL EXPENSES	<u>11,477,906</u>	<u>10,033,362</u>
CHANGE IN NET ASSETS	575,383	1,234,802
Unrestricted net assets at beginning of year	<u>1,234,823</u>	<u>21</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 1,810,206</u>	<u>\$ 1,234,823</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018
(With Comparative totals for 2017)

	Year Ended June 30,				2017
	2018			Total	
	Program Services	Management and General	Fundraising		Total
Personnel service costs:					
Leadership and operations	\$ 145,315	\$ 290,628	\$ 290,628	\$ 726,571	\$ 923,030
Product development	2,827,593	-	-	2,827,593	1,527,284
Organization and events	1,353,826	-	-	1,353,826	439,971
Total salaries and wages	4,326,734	290,628	290,628	4,907,990	2,890,285
Fringe benefits and payroll taxes	598,529	88,568	173,836	860,933	531,723
Professional services	1,003,296	-	-	1,003,296	969,464
Website development costs	1,095,501	-	-	1,095,501	1,018,732
Travel expenses	461,465	65,924	131,847	659,236	396,795
Marketing/recruitment	-	105,236	105,237	210,473	196,497
Standard institute and professional development event costs	1,009,636	-	-	1,009,636	2,505,868
Office expenses	66,039	9,435	18,869	94,343	87,572
Equipment	29,849	4,264	8,528	42,641	27,156
Administrative expenses	190,042	27,149	54,298	271,489	202,943
Legal fees	30,798	4,400	8,799	43,997	53,861
Finance/audit/accounting fees	181,755	25,965	51,930	259,650	205,773
Temporary administrative support	65,785	-	-	65,785	15,020
Staff development	68,187	9,741	19,482	97,410	18,891
Insurance	-	14,473	-	14,473	22,442
Occupancy	-	82,568	-	82,568	73,581
Grant disbursements	758,485	-	-	758,485	816,759
	<u>\$ 9,886,101</u>	<u>\$ 728,351</u>	<u>\$ 863,454</u>	<u>\$11,477,906</u>	<u>\$10,033,362</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018
(With Comparative totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 575,383	\$ 1,234,802
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	992,325	(1,760,575)
Prepaid expenses	(735,563)	34,620
Accounts payable	(408,589)	712,446
Accrued expenses	(558,427)	814,948
Deferred revenue	<u>(368,747)</u>	<u>3,099,255</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	<u>(503,618)</u>	<u>4,135,496</u>
NET (DECREASE) INCREASE IN CASH	(503,618)	4,135,496
Cash at beginning of year	<u>4,580,903</u>	<u>445,407</u>
CASH AT END OF YEAR	<u>\$ 4,077,285</u>	<u>\$ 4,580,903</u>

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

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Comparative totals for 2017)

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, 2018 or 2017.

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, 2018 or 2017.

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 42% and 15% of public support and revenue was received from two donors during the year ended June 30, 2018. Approximately 26% and 15% of public support and revenue was received from the same two donors, respectively, during the year ended June 30, 2017.

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, 2018

(With Comparative totals for 2017)

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, 2018 and 2017.

Prepaid expenses

At June 30, 2018, the Organization has paid expenses related to a conference to be held in July 2018. This expense is recorded as prepaid expense until such time that the conference is held at which time it will be recognized as expense.

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, California and Massachusetts. The tax returns for years ended June 30, 2016 through June 30, 2018 are still subject to potential audit by the IRS and taxing authorities in each 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.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative totals for 2017)

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

Marketing/recruitment costs

Marketing and recruitment costs are charged to operations when incurred. Marketing/recruitment expense approximated \$210,500 and \$196,500 for the years ended June 30, 2018 and 2017, respectively.

Occupancy costs

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

Comparatives for year ended June 30, 2017

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, 2017, 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 March 11, 2019, 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 will make safe harbor contributions to the Plan in the amount of 3% of participants' compensation and can make a discretionary profit-sharing contribution. There were employer contributions to the plan for the years ended June 30, 2018 and 2017 of approximately \$100,000 and \$79,900, respectively.