

**UNBOUNDED LEARNING, INC.**

**NEW YORK, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2019**

**(With Comparative Totals for 2018)**



**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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 11, 2019. In our opinion, the summarized comparative information presented herein as of June 30, 2018 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 6, 2020

UNBOUNDED LEARNING, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative totals for 2018)

	<u>ASSETS</u>	<u>June 30,</u>	
		<u>2019</u>	<u>2018</u>
Cash		\$ 6,151,707	\$ 4,077,285
Grants and contracts receivable		1,041,402	768,250
Prepaid expenses		<u>307,271</u>	<u>740,943</u>
	TOTAL ASSETS	<u>\$ 7,500,380</u>	<u>\$ 5,586,478</u>
 <u>LIABILITIES AND NET ASSETS</u>  			
<u>LIABILITIES</u>			
Accounts payable		\$ 195,739	\$ 445,786
Accrued expenses		386,651	257,192
Deferred revenue		<u>5,119,352</u>	<u>3,073,294</u>
	TOTAL LIABILITIES	5,701,742	3,776,272
<u>NET ASSETS</u> , without donor restrictions		<u>1,798,638</u>	<u>1,810,206</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,500,380</u>	<u>\$ 5,586,478</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, 2019  
(With Comparative totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Public support and revenue:		
Grants and contributions	\$ 7,066,083	\$ 10,122,431
Contracted services	4,764,725	1,915,158
Miscellaneous revenue	33,248	15,550
Interest income	150	150
TOTAL PUBLIC SUPPORT AND REVENUE	<u>11,864,206</u>	<u>12,053,289</u>
Expenses:		
Program services	9,700,314	9,886,101
Management and general	1,543,014	728,351
Fundraising	<u>632,446</u>	<u>863,454</u>
TOTAL EXPENSES	<u>11,875,774</u>	<u>11,477,906</u>
CHANGE IN NET ASSETS	(11,568)	575,383
Net assets without restrictions at beginning of year	<u>1,810,206</u>	<u>1,234,823</u>
NET ASSETS WITHOUT RESTRICTIONS AT END OF YEAR	<u>\$ 1,798,638</u>	<u>\$ 1,810,206</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019  
(With Comparative totals for 2018)

	Year Ended June 30,				2018
	2019			Total	
	Program Services	Management and General	Fundraising		Total
Personnel service costs:					
Leadership and operations	\$ -	\$ 845,123	\$ 172,517	\$ 1,017,640	\$ 726,571
Product development	2,441,251	216,667	97,500	2,755,418	2,827,593
Organization and events	<u>1,450,597</u>	<u>-</u>	<u>49,072</u>	<u>1,499,669</u>	<u>1,353,826</u>
Total salaries and wages	3,891,848	1,061,790	319,089	5,272,727	4,907,990
Fringe benefits and payroll taxes	679,042	181,234	54,465	914,741	860,933
Professional services	178,213	-	109,746	287,959	1,003,296
Website development costs	715,279	-	-	715,279	1,095,501
Travel expenses	562,555	2,744	23,666	588,965	659,236
Marketing/recruitment	198,718	144,614	48,205	391,537	210,473
Standard institute and professional development event costs	3,012,684	-	-	3,012,684	1,009,636
Office expenses	81,619	19,239	5,782	106,640	94,343
Equipment	2,573	700	210	3,483	42,641
Administrative expenses	61,877	9,769	2,090	73,736	271,489
Legal fees	43,234	34,587	8,647	86,468	43,997
Finance/audit/accounting fees	148,819	22,895	57,238	228,952	259,650
Temporary administrative support	13,082	-	-	13,082	65,785
Staff development	-	37,851	-	37,851	97,410
Insurance	-	16,583	-	16,583	14,473
Occupancy	40,480	11,008	3,308	54,796	82,568
Grant disbursements	<u>70,291</u>	<u>-</u>	<u>-</u>	<u>70,291</u>	<u>758,485</u>
	<u>\$ 9,700,314</u>	<u>\$ 1,543,014</u>	<u>\$ 632,446</u>	<u>\$11,875,774</u>	<u>\$11,477,906</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019  
(With Comparative totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (11,568)	\$ 575,383
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Bad debt expense	10,875	-
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(284,027)	992,325
Prepaid expenses	433,672	(735,563)
Accounts payable	(250,047)	(408,589)
Accrued expenses	129,459	(558,427)
Deferred revenue	<u>2,046,058</u>	<u>(368,747)</u>
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	<u>2,074,422</u>	<u>(503,618)</u>
NET INCREASE (DECREASE) IN CASH	2,074,422	(503,618)
Cash at beginning of year	<u>4,077,285</u>	<u>4,580,903</u>
CASH AT END OF YEAR	<u>\$ 6,151,707</u>	<u>\$ 4,077,285</u>

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



UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative totals for 2018)

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.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities and net assets of the Organization are reported in the following self-balancing net asset groups:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Organization.

*Net Assets With Donor Restrictions*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction. Approximately 13% and 42% of public support and revenue was received from a donor during the years ended June 30, 2019 and 2018, respectively. Approximately 15% of public support and revenue was received from an additional donor during the year ended June 30, 2018.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative totals for 2018)

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

Contracted services

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

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, 2019 and 2018.

Prepaid expenses

At June 30, 2019 and 2018, the Organization has paid expenses related to a conference to be held in July 2019 and 2018, respectively. 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, 2019 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.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative totals for 2018)

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

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.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 “*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*”. The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
  - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
  - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
  - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP’s financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Director’s decisions.
  - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
  - e) Method(s) used to allocate costs among program and support functions.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative totals for 2018)

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

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Organization has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization’s financial position or results of operations.

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. There has been an exposure draft proposed that would delay the ASU from the initial timetable and, if passed, will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization’s financial position or results of operations.

Marketing/recruitment costs

Marketing and recruitment costs are charged to operations when incurred. Marketing/recruitment expense approximated \$391,500 and \$210,500 for the years ended June 30, 2019 and 2018, respectively.

Occupancy costs

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

Comparatives for year ended June 30, 2018

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, 2018, from which the summarized information was derived.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative totals for 2018)

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

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through March 6, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

	<u>Amount</u>
Cash	\$ 6,151,707
Grants and contracts receivable	<u>1,041,402</u>
	<u>\$ 7,193,109</u>

NOTE C: 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, 2019 and 2018 of approximately \$131,900 and \$100,000, respectively.

NOTE D: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time, effort, and usage.