UNBOUNDED LEARNING, INC.

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020
(With Comparative Totals for 2019)

MMB

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

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, 2020, 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.

100 Chestnut Street | Suite 1200 | Rochester, NY 14604 | P 585.423.1860 | F 585.423.5966 | mengelmetzgerbarr.com
Additional Offices: Elmira, NY • Canandaigua, NY • Hornell, NY • An Independent Member of the BDO Seidman Alliance

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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2020. In our opinion, the summarized comparative information presented herein as of June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matters

As discussed in Note A to the financial statements, in 2020, Unbounded Learning, Inc. adopted new accounting guidance for recognition of revenue and contributions received and contributions made. Our opinion is not modified with respect to these matters.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
February 10, 2021

UNBOUNDED LEARNING, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020
(With Comparative totals for 2019)

	June 30, 2020	June 30, 2019
ASSETS		
Cash	$ 5,884,506	$ 6,151,707
Grants and contracts receivable, net of allowance for doubtful accounts of $16,125 at June 30, 2020	1,063,467	1,041,402
Prepaid expenses	46,610	307,271
TOTAL ASSETS	$ 6,994,583	$ 7,500,380
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 250,158	$ 195,739
Accrued expenses	150,624	386,651
Deferred revenue	2,043,867	5,119,352
Paycheck Protection Program note payable	644,502	-
TOTAL LIABILITIES	3,089,151	5,701,742
NET ASSETS, without donor restrictions	3,905,432	1,798,638
TOTAL LIABILITIES AND NET ASSETS	$ 6,994,583	$ 7,500,380

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, 2020
(With Comparative totals for 2019)

	Year ended June 30,	
	2020	2019
Public support and revenue:		
Grants and contributions	$ 5,294,116	$ 7,066,083
Contracted services	8,920,617	4,764,725
Miscellaneous revenue	56,085	33,248
Interest income	100	150
TOTAL PUBLIC SUPPORT AND REVENUE	14,270,918	11,864,206
Expenses:		
Program services	10,085,044	9,700,314
Management and general	1,574,557	1,543,014
Fundraising	504,523	632,446
TOTAL EXPENSES	12,164,124	11,875,774
CHANGE IN NET ASSETS	2,106,794	(11,568)
Net assets without restrictions at beginning of year	1,798,638	1,810,206
NET ASSETS WITHOUT RESTRICTIONS AT END OF YEAR	$ 3,905,432	$ 1,798,638

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

UNBOUNDED LEARNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020
(With Comparative totals for 2019)

	Year Ended June 30,				
	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
Personnel service costs:					
Leadership and operations	$ -	$ 571,919	$ 155,480	$ 727,399	$ 1,017,640
Product development	2,161,629	-	31,628	2,193,257	2,755,418
Organization and events	1,065,909	277,985	56,943	1,400,837	1,499,669
Total salaries and wages	3,227,538	849,904	244,051	4,321,493	5,272,727
Fringe benefits and payroll taxes	611,374	160,993	46,229	818,596	914,741
Professional services	145,810	-	130,850	276,660	287,959
Website development costs	251,512	-	-	251,512	715,279
Travel expenses	350,048	1,826	10,508	362,382	588,965
Marketing/recruitment	118,017	368,456	-	486,473	391,537
Standard institute and professional development event costs	4,978,665	-	-	4,978,665	3,012,684
Office expenses	92,600	24,303	6,998	123,901	99,248
Administrative expenses	40,125	29,729	1,576	71,430	73,736
Legal fees	54,193	20,843	8,337	83,373	86,468
Finance/audit/accounting fees	142,753	41,962	54,905	239,620	228,952
Temporary administrative support	6,600	-	-	6,600	13,082
Staff development	-	55,547	-	55,547	37,851
Insurance	-	17,280	-	17,280	16,583
Occupancy	14,152	3,714	1,069	18,935	54,796
Grant disbursements	21,282	-	-	21,282	70,291
Bad debt expense	30,375	-	-	30,375	10,875
	$10,085,044	$ 1,574,557	$ 504,523	$12,164,124	$11,875,774

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

UNBOUNDED LEARNING, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020
(With Comparative totals for 2019)

	Year ended June 30, 2020	Year ended June 30, 2019
CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets	$ 2,106,794	$ (11,568)
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Bad debt expense	30,375	10,875
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(52,440)	(284,027)
Prepaid expenses	260,661	433,672
Accounts payable	54,419	(250,047)
Accrued expenses	(236,027)	129,459
Deferred revenue	(3,075,485)	2,046,058
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(911,703)	2,074,422
CASH FLOWS - FINANCING ACTIVITIES		
Borrowings on Paycheck Protection Program note payable	644,502	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	644,502	-
NET (DECREASE) INCREASE IN CASH	(267,201)	2,074,422
Cash at beginning of year	6,151,707	4,077,285
CASH AT END OF YEAR	$ 5,884,506	$ 6,151,707

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

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.

Revenue recognition
Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

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

The Organization records substantially all revenue at a point in time as follows:

Contracted services
The Organization recognizes contracted services revenue at the time the event is held. The Organization does not have any significant financing components as payments are received at or shortly after the event is held.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2020	2019	2018
Grants and contracts receivable	$ 1,063,467	$ 1,041,402	$ 768,250

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 11% of public support and revenue was received from a donor during the year ended June 30, 2020. Approximately 13% of public support and revenue was received from an additional donor during the year ended June 30, 2019.

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. The allowance for doubtful accounts at June 30, 2020 was $16,125. There was no allowance for doubtful accounts at June 30, 2019.

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

Prepaid expenses
At June 30, 2020 and 2019, the Organization had paid expenses related to a virtual conference that was held in July 2020 and a conference that was held in July 2019, respectively. This expense was recorded as prepaid expense until such time that the conference was held at which time it was 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, 2017 through June 30, 2020 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.

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

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 $486,500 and $391,500 for the years ended June 30, 2020 and 2019, respectively.

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

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

Comparatives for year ended June 30, 2019

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, 2019, from which the summarized information was derived.

Adoption of New Accounting Standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued new guidance related to revenue recognition (ASC 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted ASC 606 with a date of initial application of July 1, 2019.

The Organization applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at July 1, 2019. There was no adjustment to the opening balance of net assets at July 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Organization does not expect the adoption of the new revenue standard to have a material impact on its change in net assets on an ongoing basis.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligation, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the provisions of ASU 2018-08 applicable to contributions received and contributions made with a date of initial application of July 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

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

New accounting pronouncement - 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 FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. 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.

Accounting impact of COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through February 10, 2021, which is the date the financial statements are available to be issued. See Note G.

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, 2020 and 2019:

	June 30,	
	2020	2019
Cash	$ 5,884,506	$ 6,151,707
Grants and contracts receivable	1,063,467	1,041,402
	$ 6,947,973	$ 7,193,109

To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of $500,000 which it could draw upon. No amounts were outstanding on this line of credit at June 30, 2020.

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, 2020 and 2019 of approximately $115,100 and $131,900, respectively.

NOTE D: LINE OF CREDIT

The Organization entered into a $500,000 line of credit agreement with a bank during April 2020. Interest is payable at prime plus one percent (effective rate of 4.25% at June 30, 2020). The line is secured by all business assets. There was no outstanding balance at June 30, 2020.

NOTE E: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In response to the COVID-19 outbreak, in April 2020, the Organization applied for and was approved by a bank for a loan of $644,502 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Organization. The loan was funded in April 2020. Due to the potential of forgiveness, repayment terms have not been finalized as of the report date.

NOTE F: 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.

NOTE G: SUBSEQUENT EVENTS

On September 29, 2020, the Organization was notified of a grant award from the U.S. Department of Education for a total amount of $7,294,109. The grant award funds will be provided over a 3-year term commencing October 1, 2020.