

UNBOUNDED LEARNING, INC.

NEW YORK, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021

(With Comparative Totals for 2020)



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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2021. In our opinion, the summarized comparative information presented herein as of June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2022 on our consideration of Unbounded Learning, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
February 16, 2022

UNBOUNDED LEARNING, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative totals for 2020)

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 8,374,746	\$ 5,884,506
Grants and contracts receivable, net of allowance for doubtful accounts of \$16,125 at June 30, 2020	1,709,898	1,063,467
Prepaid expenses	117,408	46,610
TOTAL ASSETS	<u>\$ 10,202,052</u>	<u>\$ 6,994,583</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 769,196	\$ 250,158
Accrued expenses	299,194	150,624
Deferred revenue	3,285,161	2,043,867
Paycheck Protection Program note payable	-	644,502
TOTAL LIABILITIES	4,353,551	3,089,151
<u>NET ASSETS</u> , without donor restrictions	<u>5,848,501</u>	<u>3,905,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,202,052</u>	<u>\$ 6,994,583</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, 2021
(With Comparative totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Public support and revenue:		
Grants and contributions	\$ 6,836,507	\$ 5,294,116
Contracted services	4,201,122	8,920,617
Paycheck Protection Program note forgiveness	644,502	-
In-kind contributions	315,203	-
Miscellaneous revenue	-	56,085
Interest income	202	100
TOTAL PUBLIC SUPPORT AND REVENUE	<u>11,997,536</u>	<u>14,270,918</u>
Expenses:		
Program services	8,166,445	10,085,044
Management and general	1,631,299	1,574,557
Fundraising	<u>256,723</u>	<u>504,523</u>
TOTAL EXPENSES	<u>10,054,467</u>	<u>12,164,124</u>
CHANGE IN NET ASSETS	1,943,069	2,106,794
Net assets without restrictions at beginning of year	<u>3,905,432</u>	<u>1,798,638</u>
NET ASSETS WITHOUT RESTRICTIONS AT END OF YEAR	<u>\$ 5,848,501</u>	<u>\$ 3,905,432</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
(With Comparative totals for 2020)

	Year Ended June 30,				2020
	2021				
	Program Services	Management and General	Fundraising	Total	
Personnel service costs:					
Leadership and operations	\$ -	\$ 933,150	\$ 191,123	\$ 1,124,273	\$ 727,399
Product development	2,275,716	-	-	2,275,716	2,193,257
Organization and events	1,462,476	50,000	-	1,512,476	1,400,837
Total salaries and wages	3,738,192	983,150	191,123	4,912,465	4,321,493
Fringe benefits and payroll taxes	698,362	183,670	35,705	917,737	818,596
Professional services	1,557,359	-	-	1,557,359	276,660
Website development costs	137,416	-	-	137,416	251,512
Travel expenses	4,640	-	-	4,640	362,382
Marketing/recruitment	443,349	-	-	443,349	486,473
Standard institute and professional development event costs	1,033,233	-	-	1,033,233	4,978,665
Office expenses	151,052	38,290	7,443	196,785	123,901
Administrative expenses	31,086	104,480	1,171	136,737	71,430
Legal fees	14,938	91,228	-	106,166	83,373
Finance/audit/accounting fees	22,718	196,229	21,139	240,086	239,620
Temporary administrative support	-	-	-	-	6,600
Staff development	-	24,401	-	24,401	55,547
Insurance	-	9,122	-	9,122	17,280
Occupancy	2,772	729	142	3,643	18,935
Grant disbursements	-	-	-	-	21,282
In-kind expenditures	315,203	-	-	315,203	-
Bad debt expense	16,125	-	-	16,125	30,375
	<u>\$ 8,166,445</u>	<u>\$ 1,631,299</u>	<u>\$ 256,723</u>	<u>\$ 10,054,467</u>	<u>\$ 12,164,124</u>

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

UNBOUNDED LEARNING, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(With Comparative totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,943,069	\$ 2,106,794
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Bad debt expense	16,125	30,375
Paycheck Protection Program note forgiveness	(644,502)	-
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(662,556)	(52,440)
Prepaid expenses	(70,798)	260,661
Accounts payable	519,038	54,419
Accrued expenses	148,570	(236,027)
Deferred revenue	<u>1,241,294</u>	<u>(3,075,485)</u>
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	2,490,240	(911,703)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on Paycheck Protection Program note payable	<u>-</u>	<u>644,502</u>
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>-</u>	<u>644,502</u>
NET INCREASE (DECREASE) IN CASH	2,490,240	(267,201)
Cash at beginning of year	<u>5,884,506</u>	<u>6,151,707</u>
CASH AT END OF YEAR	<u>\$ 8,374,746</u>	<u>\$ 5,884,506</u>

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

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative totals for 2020)

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.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative totals for 2020)

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:

	<u>June 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Grants and contracts receivable	\$ 1,709,898	\$ 1,063,467	\$ 1,041,402
Deferred revenue	\$ 135,203	\$ 9,313	\$ -

Contributions and concentrations

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 15% and 12% of public support and revenue was received from a federal grant and a donor, respectively, during the year ended June 30, 2021. Approximately 11% of public support and revenue was received from a donor during the year ended June 30, 2020.

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. As of June 30, 2021, there were \$864,362 reported as grants and contracts receivable. There were no amounts reported as grants and contracts receivable at June 30, 2020. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There were no amounts reported as deferred revenue at June 30, 2021 and 2020.

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.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative totals for 2020)

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

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, 2021. The allowance for doubtful accounts at June 30, 2020 was \$16,125.

Prepaid expenses

At June 30, 2021 and 2020, the Organization had paid expenses related to a virtual conference that was held in July 2021 and July 2020, 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, 2018 through June 30, 2021 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.

Marketing/recruitment costs

Marketing and recruitment costs are charged to operations when incurred. Marketing/recruitment expense approximated \$443,300 and \$486,500 for the years ended June 30, 2021 and 2020, respectively.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative totals for 2020)

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

In-kind contributions and expenditures

Gifts and donations other than cash are recorded at fair market value at the date of contribution. The Organization received donated services throughout the year. These services were valued at \$315,203 for the year ended June 30, 2021. There were no in-kind contributions for the year ended June 30, 2020. As of June 30, 2021, there were \$315,203 recorded as in-kind expenditures. There were no in-kind expenditures for the year ended June 30, 2020.

Occupancy costs

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

Comparatives for year ended June 30, 2020

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, 2020, from which the summarized information was derived.

New accounting pronouncements

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.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Organization is currently evaluating the provisions of this update to determine the impact it will have on the Organization's financial statements.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative totals for 2020)

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 February 16, 2022, 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, 2021 and 2020:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 8,374,746	\$ 5,884,506
Grants and contracts receivable	<u>1,709,898</u>	<u>1,063,467</u>
	<u>\$ 10,084,644</u>	<u>\$ 6,947,973</u>

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, 2021 and 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, 2021 and 2020 of approximately \$133,500 and \$115,100, 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, 2021). The line is secured by all business assets. There was no outstanding balance at June 30, 2021 and 2020.

UNBOUNDED LEARNING, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative totals for 2020)

NOTE E: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (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. Contracted services decreased by approximately \$4,700,000 during the year ended June 30, 2021, primarily due to COVID-19. 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 2022.

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 and was included in the accompanying statement of financial position at June 30, 2020. In March 2021, the loan was forgiven in full by the Small Business Administration and is included in the statement of activities and changes in net assets as Paycheck Protection Program note forgiveness for the year ended June 30, 2021.

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.