

**UNBOUNDED LEARNING, INC.**

**NEW YORK, NEW YORK**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**OTHER CONSOLIDATING FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2023**



BUSINESS  
ADVISORS  
AND CPAS

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BUSINESS  
ADVISORS  
AND CPAS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Unbounded Learning, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Unbounded Learning, Inc., which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Unbounded Learning, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Unbounded Learning, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter – Asset Transfer Agreement***

As discussed in Note A to the consolidated financial statements, on February 28, 2023, Unbounded Learning, Inc. entered into an agreement with a third party whereby the third party transferred substantially all of its assets and liabilities to the Unbounded Learning, Inc. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Unbounded Learning, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Unbounded Learning, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Unbounded Learning, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Unbounded Learning, Inc.'s internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
March 5, 2024

UNBOUNDED LEARNING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

ASSETS

Cash	\$ 2,584,233
Investments	13,190,651
Pledges and grants receivable	2,760,000
Other receivables, net of allowance for doubtful accounts of \$34,693	4,446,667
Due from related party	568,491
Prepaid expenses	864,608
Inventory	86,044
Refundable income taxes	3,143
Deferred tax assets	236,619
TOTAL ASSETS	<u>\$ 24,740,456</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 2,854,059
Accrued salaries and benefits	1,364,032
Deferred revenue	1,661,700
TOTAL LIABILITIES	<u>5,879,791</u>

NET ASSETS

Without donor restrictions	14,233,369
With donor restrictions	4,627,296
TOTAL NET ASSETS	<u>18,860,665</u>

TOTAL LIABILITIES AND NET ASSETS \$ 24,740,456

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

UNBOUNDED LEARNING, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Sales and royalties	\$ 3,047,349	\$ -	\$ 3,047,349
Contracted services	12,361,889	-	12,361,889
Grants and contributions	3,558,477	6,949,795	10,508,272
In-kind contributions	340,637	-	340,637
Investment income	391,092	-	391,092
Contributed net assets	<u>2,451,504</u>	<u>932,489</u>	<u>3,383,993</u>
	22,150,948	7,882,284	30,033,232
Net assets released from restrictions	<u>4,300,068</u>	<u>(4,300,068)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	26,451,016	3,582,216	30,033,232
Expenses:			
CORE cost of sales and management and general	3,871,244	-	3,871,244
Program services	19,829,515	-	19,829,515
Management and general	5,353,539	-	5,353,539
Fundraising	<u>2,828,063</u>	<u>-</u>	<u>2,828,063</u>
TOTAL EXPENSES	<u>31,882,361</u>	<u>-</u>	<u>31,882,361</u>
CHANGE IN NET ASSETS	(5,431,345)	3,582,216	(1,849,129)
Net assets at beginning of year	<u>19,664,714</u>	<u>1,045,080</u>	<u>20,709,794</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,233,369</u>	<u>\$ 4,627,296</u>	<u>\$ 18,860,665</u>

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

UNBOUNDED LEARNING, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	<u>Unbounded Learning</u>				<u>CORE</u>	<u>Consolidated</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Personnel service costs:						
Leadership and operations	\$ 1,044,762	\$ 757,434	\$ 2,186,628	\$ 3,988,824	\$ -	\$ 3,988,824
Product development	2,648,372	665,831	192,215	3,506,418	-	3,506,418
Organization and events	<u>2,050,028</u>	<u>515,428</u>	<u>148,906</u>	<u>2,714,362</u>	<u>2,073,582</u>	<u>4,787,944</u>
Total salaries and wages	5,743,162	1,938,693	2,527,749	10,209,604	2,073,582	12,283,186
Cost of goods sold	106,981	-	-	106,981	1,304,711	1,411,692
Technology	-	-	-	-	34,952	34,952
Fringe benefits and payroll taxes	1,289,389	317,038	93,169	1,699,596	-	1,699,596
Professional services	3,138,785	-	91,656	3,230,441	496,229	3,726,670
Website development costs	18,155	-	-	18,155	-	18,155
Travel expenses	305,736	395,701	22	701,459	45,381	746,840
Marketing/recruitment	817,499	-	-	817,499	70,111	887,610
Standard institute and professional development event costs	7,539,913	-	-	7,539,913	-	7,539,913
Office expenses	370,538	92,540	26,715	489,793	-	489,793
Administrative expenses	90,528	240,736	4,637	335,901	14,134	350,035
Legal fees	-	364,212	-	364,212	20,259	384,471
Finance/audit/accounting fees	-	376,540	79,166	455,706	-	455,706
Staff development	68,192	17,144	4,949	90,285	-	90,285
Insurance	-	75,766	-	75,766	-	75,766
Occupancy	-	5,668	-	5,668	6,225	11,893
In-kind expenditures	340,637	-	-	340,637	-	340,637
Bad debt expense	-	4,756	-	4,756	-	4,756
Federal and state deferred income tax benefit	-	-	-	-	(195,395)	(195,395)
Federal and state income tax expense	-	-	-	-	1,055	1,055
Integration expense	-	1,524,745	-	1,524,745	-	1,524,745
	<u>\$ 19,829,515</u>	<u>\$ 5,353,539</u>	<u>\$ 2,828,063</u>	<u>\$ 28,011,117</u>	<u>\$ 3,871,244</u>	<u>\$ 31,882,361</u>

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

UNBOUNDED LEARNING, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ (1,849,129)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Bad debt expense	4,756
Noncash contributed net assets	(2,897,180)
Realized and unrealized gains on investments	(99,868)
Changes in certain assets and liabilities affecting operations:	
Pledges and grants receivable	(2,260,000)
Other receivables	457,044
Due from related party	134,881
Prepaid expenses	(540,626)
Inventory	38,502
Refundable income taxes	57,802
Deferred tax assets	(195,395)
Accounts payable and accrued expenses	(163,905)
Accrued salaries and benefits	762,061
Deferred revenue	400,810
	<u>400,810</u>
NET CASH USED FOR OPERATING ACTIVITIES	(6,150,247)

CASH FLOWS - INVESTING ACTIVITIES

Purchases of investments	(27,045,399)
Proceeds from sales of investments	23,954,616
	<u>23,954,616</u>
NET CASH USED FOR INVESTING ACTIVITIES	(3,090,783)

NET DECREASE IN CASH (9,241,030)

Cash at beginning of year	<u>11,825,263</u>
CASH AT END OF YEAR	<u>\$ 2,584,233</u>



UNBOUNDED LEARNING, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2023

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Income taxes	\$ 12,635
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NON-CASH OPERATING AND INVESTING ACTIVITIES

Non-cash contributed net assets:

Pledges and grants receivable	\$ 500,000
Other receivables	2,493,112
Due from related party	703,372
Prepaid expenses	7,828
Inventory	124,546
Refundable income taxes	60,945
Deferred tax assets	41,224
Accounts payable and accrued expenses	(448,750)
Accrued salaries and benefits	(146,606)
Deferred revenue	(438,491)
	<u>\$ 2,897,180</u>

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

UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Unbounded Learning, Inc. (“Unbounded”) was established as a not-for-profit corporation on October 1, 2015. The purpose of Unbounded 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.

On September 12, 2022, the Organization entered into an asset transfer agreement with Pivot Learning (“Pivot”) and on February 28, 2023, the transfer took place whereby Pivot contributed substantially all its assets to Unbounded and Unbounded assumed certain liabilities of Pivot. At June 30, 2023, the amount due to Unbounded from Pivot was \$568,491.

As part of the asset transfer agreement, on February 28, 2023, Unbounded received 100% of Consortium on Reaching Excellence in Education’s (“CORE”) privately held stock. CORE, a for-profit entity, is a national professional learning organization that has been serving schools, school districts, and states for 24 years. CORE applies the research on best practices and effective adult learning principles to equip educators with the knowledge and skills to significantly improve academic achievement. Through targeted professional development, job-embedded coaching, principal mentorship, and careful selection of curriculum and assessments, CORE collaborates with school systems to implement high quality reading, writing, language, and math instruction for pre-kindergarten through 12th grade. Unbounded and CORE continue to deliver their respective services and work together to implement comprehensive solutions that take advantage of the unique strengths of each organization.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Unbounded and its wholly owned for-profit subsidiary, CORE, hereinafter referred to as (the “Organization”). All material intercompany balances and transactions have been eliminated in consolidation.

Basis of accounting

The accompanying consolidated 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.

UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

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

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.

For the year ended June 30, 2023 the Organization records revenues both over time and at a point in time as follows:

Revenues earned over time	\$ 2,334,951
Revenues earned at a point in time	<u>13,074,287</u>
	<u>\$ 15,409,238</u>

Product and service revenue

All sales fall under the categories of one time only or subscription-based. Sales where the customer immediately receives access to the product or the product is shipped as soon as possible are recognized as revenue at the time of shipping or delivery of the electronic materials. Sales under the subscription-based category are recognized over the period of access to the materials. When customers have a right to return eligible products, potential returns are taken into consideration and the estimated transaction price is recorded as revenue. The Organization does not have any significant financing components as payments are received at or shortly after the point of sale.

Program fees and contracted services

The Organization recognizes program fees and 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.

UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

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

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

	June 30,		
	2023	2022	2021
	<u>(Consolidated)</u>	<u>(Unconsolidated)</u>	<u>(Unconsolidated)</u>
Other receivables (net of allowance for doubtful accounts)	\$ 4,446,667	\$ 2,415,355	\$ 1,709,898
Deferred revenue	\$ 1,661,700	\$ 822,399	\$ 245,818

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 consolidated statement of activities and changes in net assets as net assets released from restriction.

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 consolidated statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying consolidated statement of financial position. There were no amounts reported as deferred revenue relating to grants at June 30, 2023.

Cash

Cash is maintained at financial institutions 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.

Investments

In accordance with GAAP, the Organization is required to report investments in equity securities with readily determinable fair values and all debt securities at fair value, with gains and losses reflected in the consolidated statement of activities and changes in net assets. Investment securities are exposed to various risks, such as interest rate risk, market and credit risk. Due to the risk associated with investment securities and the uncertainty related to changes in the fair market value of investment securities, it is at least reasonably possible that changes in fair market value could affect the net assets of the Organization.

UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

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

Pledges and grants receivable

Pledges and grants receivable represent unconditional promises to give. Those that are expected to be collected within one year are recorded at their realizable value. Those that are to be collected in future years are recorded at the present value of estimated future collections. Discounts on those amounts are computed using an interest rate which is applicable to the year in which the promise is received.

Other receivables

Other receivables mainly represent customer receivables. Customer receivables are stated at the amount billed to the customer. Management reviews all delinquent accounts and after all attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful accounts. The allowance for doubtful accounts at June 30, 2023 was \$34,693. Based on the information available, the Organization believes the allowance for doubtful accounts at June 30, 2023 is adequate.

Prepaid expenses

Prepaid expenses represent expenditures that have been paid and will benefit future periods. At June 30, 2023, the Organization had paid expenses related to an in-person conference that was held in July 2023. This expense was recorded as prepaid expense until such time that the conference was held at which time it was recognized as expense. Prepaid expenses mainly consist of such expenses.

Inventory

Inventory consists of training materials and is recorded at the lower of cost or net realizable value.

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. Program fees received in advance are recorded as deferred revenue until they are earned.

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 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. CORE is a for profit entity.

Unbounded has filed for and received income tax exemptions in the various jurisdictions where they are required to do so. Unbounded files Form 990 tax returns in the U.S. federal jurisdiction and in various states. CORE files tax returns in the U.S. federal jurisdiction and in various states. With few exceptions, as of June 30, 2023, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended prior to June 30, 2020. The tax returns for years ended June 30, 2020 through June 30, 2023 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 CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

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

Deferred income tax assets and liabilities arise from temporary differences associated with differences between CORE's financial statements and tax basis of assets and liabilities, as measured by the enacted tax rates which are expected to be in effect when these differences reverse.

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 \$888,000 for the year ended June 30, 2023.

Occupancy costs

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

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. 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.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through March 5, 2024, which is the date the consolidated financial statements are available to be issued. See Note K.

UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

NOTE B: LIQUIDITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30, 2023:

Cash	\$ 2,584,233
Investments	13,190,651
Current portion of pledges and grants receivable	2,360,000
Other receivables, net	<u>4,446,667</u>
Total financial assets available within one year	22,581,551
Less:	
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	<u>(2,077,296)</u>
Total amounts available for general expenditures within one year	<u>\$ 20,504,255</u>

To help manage unanticipated liquidity needs, the Organization has two lines of credit in the amount of \$500,000 each which it could draw upon. No amounts were outstanding on these lines of credit at June 30, 2023.

NOTE C: PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable at June 30, 2023 are as follows:

Within one year	\$ 2,360,000
In two to five years	<u>400,000</u>
	<u>\$ 2,760,000</u>

UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

NOTE D: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at June 30, 2023:

	<u>Fair value</u>	<u>Cost</u>
Equities	\$ 3,590,007	\$ 3,455,595
Fixed income	8,292,109	8,308,531
Real assets	493,887	524,550
Hedge funds	814,648	799,458
	<u>\$13,190,651</u>	<u>\$13,088,134</u>

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

*Equities, fixed income, real assets, and hedge funds* - Valued at and based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.



UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

NOTE D: INVESTMENTS AND FAIR VALUE MEASUREMENTS, Cont'd

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following presents the financial instruments measured at fair value on a recurring basis at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income:				
Money market funds	\$ 5,432,342	\$ -	\$ -	\$ 5,432,342
Bond fund	265,720	-	-	265,720
Corporate bonds	211,254	-	-	211,254
U.S. treasury bills	2,332,970	-	-	2,332,970
Loan and leverage funds	<u>49,823</u>	<u>-</u>	<u>-</u>	<u>49,823</u>
Total fixed income securities	8,292,109	-	-	8,292,109
Real assets:				
Real estate, U.S. REIT Fund	69,296	-	-	69,296
Commodities	188,643	-	-	188,643
Other real assets	<u>235,948</u>	<u>-</u>	<u>-</u>	<u>235,948</u>
Total real assets	493,887	-	-	493,887
Equities:				
Individual equities	975,113	-	-	975,113
Mutual funds	433,643	-	-	433,643
Exchange traded funds	<u>2,181,251</u>	<u>-</u>	<u>-</u>	<u>2,181,251</u>
Total public equity securities	3,590,007	-	-	3,590,007
Hedge funds:				
Directional	-	517,333	-	517,333
Absolute	<u>-</u>	<u>297,315</u>	<u>-</u>	<u>297,315</u>
Total hedge funds	<u>-</u>	<u>814,648</u>	<u>-</u>	<u>814,648</u>
Total assets at fair value	<u>\$ 12,376,003</u>	<u>\$ 814,648</u>	<u>\$ -</u>	<u>\$ 13,190,651</u>

UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

NOTE E: RETIREMENT PLAN

Unbounded 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 year ended June 30, 2023 of approximately \$368,800.

CORE sponsors a 401(k) plan for eligible employees. Eligible employees are employees working more than 1,000 hours within the calendar year and have completed three consecutive months of service prior to the end of the plan year. Eligible employees may make voluntary contributions by salary reduction to the plan, up to the limit allowed by law. CORE contributes 5% of qualifying salaries to the plan. Total matching contributions for the year ended June 30, 2023 was approximately \$49,800.

NOTE F: LINES OF CREDIT

Unbounded entered into a \$500,000 line of credit agreement with a bank during April 2020. Interest is payable at prime plus 1% (effective rate of 9.25% at June 30, 2023). The line is secured by all business assets of Unbounded. There was no outstanding balance at June 30, 2023.

CORE entered into a \$500,000 line of credit agreement with a bank in June 2023. Interest is payable at prime plus 1.5% (effective rate of 9.75% at June 30, 2023). The line is secured by all assets in possession of the bank and is guaranteed by Unbounded. There was no outstanding balance at June 30, 2023.

NOTE G: NET ASSETS

Net assets with donor restrictions consisted of the following at June 30, 2023:

Equitable Instruction Support	\$ 1,668,008
Equitable Content Creation	409,288
Time restricted	<u>2,550,000</u>
	<u>\$ 4,627,296</u>

Net assets without donor restrictions consisted of the following at June 30, 2023:

Undesignated	<u>\$ 14,233,369</u>
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UNBOUNDED LEARNING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

NOTE H: INCOME TAXES

Provision for income taxes related to CORE consist of the following components for the year ended June 30, 2023:

Current income tax expense	\$ 1,055
Deferred income tax benefit	<u>(195,395)</u>
	<u>\$ (194,340)</u>

CORE's deferred tax assets are as follows at June 30, 2023:

Deferred tax assets:	
Net Operating loss carryforward	\$ 232,092
Accruals and reserves	<u>4,527</u>
Deferred tax assets	<u><u>\$ 236,619</u></u>

CORE has a net operating loss carryforward of approximately \$894,000 available at June 30, 2023, to offset future taxable income. This carryforward has no expiration date.

NOTE I: FUNCTIONAL EXPENSES

The consolidated 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 J: IN-KIND SERVICES

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 \$340,637 for the year ended June 30, 2023. There were no associated donor restrictions with the donated services. The services were valued at cost indicated by the donor. For the year ended June 30, 2023, there were \$340,637 recorded as in-kind expenditures. All donated services were allocated to program services.

NOTE K: SUBSEQUENT EVENT

On July 10, 2023, CORE entered into an agreement with Unbounded to borrow \$2,000,000. Semi-annual payments of \$288,583 comprised of principal and interest at 8.5% will be payable commencing January 31, 2026 through June 30, 2030. This activity will be eliminated in consolidation.

**UNBOUNDED LEARNING, INC.**

**OTHER CONSOLIDATING FINANCIAL INFORMATION**



BUSINESS  
ADVISORS  
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER CONSOLIDATING FINANCIAL INFORMATION

Board of Directors  
Unbounded Learning, Inc.

We have audited the consolidated financial statements of Unbounded Learning, Inc. as of and for the year ended June 30, 2023, and have issued our report thereon dated March 5, 2024 which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2023, as a whole.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
March 5, 2024

UNBOUNDED LEARNING, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

<u>ASSETS</u>	<u>Unbounded Learning</u>	<u>CORE</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<u>CURRENT ASSETS</u>				
Cash	\$ 2,123,423	\$ 460,810	\$ -	\$ 2,584,233
Investments	13,190,651	-	-	13,190,651
Investment in CORE	1,783,432	-	(1,783,432)	-
Pledges and grants receivable	2,760,000	-	-	2,760,000
Other receivables, net of allowance	2,941,481	1,505,186	-	4,446,667
Due from affiliate	629,316	447,601	(1,076,917)	-
Due from related party	825,039	(256,548)	-	568,491
Prepaid expenses	734,792	129,816	-	864,608
Inventory	-	86,044	-	86,044
Refundable income taxes	-	3,143	-	3,143
Deferred tax assets	-	236,619	-	236,619
TOTAL ASSETS	<u>\$ 24,988,134</u>	<u>\$ 2,612,671</u>	<u>\$ (2,860,349)</u>	<u>\$ 24,740,456</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 2,172,794	\$ 681,265	\$ -	\$ 2,854,059
Due to affiliate	447,601	629,316	(1,076,917)	-
Accrued salaries and benefits	1,021,496	342,536	-	1,364,032
Deferred revenue	1,661,700	-	-	1,661,700
TOTAL LIABILITIES	5,303,591	1,653,117	(1,076,917)	5,879,791
 <u>NET ASSETS</u>				
Without donor restrictions	15,057,247	959,554	(1,783,432)	14,233,369
With donor restrictions	4,627,296	-	-	4,627,296
TOTAL NET ASSETS	<u>19,684,543</u>	<u>959,554</u>	<u>(1,783,432)</u>	<u>18,860,665</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,988,134</u>	<u>\$ 2,612,671</u>	<u>\$ (2,860,349)</u>	<u>\$ 24,740,456</u>

UNBOUNDED LEARNING, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023

	Unbounded Learning	CORE	Eliminations	Consolidated Total
Revenue, support, and gains:				
Sales and royalties	\$ -	\$ 3,047,349	\$ -	\$ 3,047,349
Less: cost of sales	-	1,304,711	-	1,304,711
GROSS PROFIT	-	1,742,638	-	1,742,638
Contracted services	12,361,889	-	-	12,361,889
Grants and contributions	10,508,272	-	-	10,508,272
In-kind contributions	340,637	-	-	340,637
Investment income	391,075	17	-	391,092
Contributed net assets	3,383,993	-	-	3,383,993
TOTAL REVENUE, SUPPORT, AND GAINS	26,985,866	1,742,655	-	28,728,521
Expenses:				
Program services	19,829,515	-	-	19,829,515
Management and general	5,353,539	2,566,533	-	7,920,072
Fundraising	2,828,063	-	-	2,828,063
	28,011,117	2,566,533	-	30,577,650
CHANGE IN NET ASSETS	(1,025,251)	(823,878)	-	(1,849,129)
Net assets at beginning of year	20,709,794	-	-	20,709,794
Transfer of CORE's equity	-	1,783,432	(1,783,432)	-
NET ASSETS AT END OF YEAR	\$ 19,684,543	\$ 959,554	\$ (1,783,432)	\$ 18,860,665