

COLLEGE UNBOUND

FINANCIAL STATEMENTS

JUNE 30, 2021

COLLEGE UNBOUND

Financial Statements and Supplemental Information

June 30, 2021 and 2020

C O N T E N T S

Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-16
Supplementary Information:	
Financial Responsibility Supplemental Schedule	17
Financial Responsibility Supplemental Disclosures	18-19
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-22



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
College Unbound
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of College Unbound (a non-profit organization) (the “College” or “CUB”), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 the College as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 17-19 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of the College'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 solely 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 effectiveness of the College's 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 the College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

March 8, 2022

COLLEGE UNBOUND

Statements of Financial Position

June 30, 2021 and 2020

COLLEGE UNBOUND

Statements of Financial Position

June 30,

Assets

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and equivalents	\$ 722,530	\$ 1,038,863
Restricted cash and equivalents	769,865	149,193
Accounts receivable, net	27,310	33,573
Pledges receivable	140,000	115,000
Prepaid expenses	<u>6,087</u>	<u>20,496</u>
Total Current Assets	<u>1,665,792</u>	<u>1,357,125</u>
Non-Current Assets:		
Long term pledges receivable	-	70,000
Computer equipment, net	<u>27,078</u>	<u>14,732</u>
Total Non-Current Assets	<u>27,078</u>	<u>84,732</u>
Total Assets	<u>\$ 1,692,870</u>	<u>\$ 1,441,857</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued expenses	\$ 99,701	\$ 76,552
Deferred revenue	<u>37,853</u>	<u>156,126</u>
Total Current Liabilities	<u>137,554</u>	<u>232,678</u>
Non-Current Liability:		
Paycheck protection program loan	<u>-</u>	<u>247,600</u>
Net Assets:		
Without Donor Restrictions	645,451	627,386
With Donor Restrictions	<u>909,865</u>	<u>334,193</u>
Total Net Assets	<u>1,555,316</u>	<u>961,579</u>
Total Liabilities and Net Assets	<u>\$ 1,692,870</u>	<u>\$ 1,441,857</u>

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

COLLEGE UNBOUND

Statements of Activities and Changes in Net Assets

For the Years Ended June 30,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:						
Revenues:						
Tuition	\$ 1,470,960	\$ -	\$ 1,470,960	\$ 1,195,753	\$ -	\$ 1,195,753
Less: scholarships and aid to students	<u>(381,482)</u>	<u>-</u>	<u>(381,482)</u>	<u>(554,055)</u>	<u>-</u>	<u>(554,055)</u>
Net tuition and fees	1,089,478	-	1,089,478	641,698	-	641,698
Donations and grants	885,513	735,007	1,620,520	1,067,399	329,518	1,396,917
In-kind	207,247	-	207,247	180,363	-	180,363
Federal Grants	140,214	-	140,214	856	-	856
Net assets released from restrictions	<u>159,335</u>	<u>(159,335)</u>	<u>-</u>	<u>363,828</u>	<u>(363,828)</u>	<u>-</u>
Total Revenues and Contributed Support	<u>2,481,787</u>	<u>575,672</u>	<u>3,057,459</u>	<u>2,254,144</u>	<u>(34,310)</u>	<u>2,219,834</u>
Expenses:						
Program services	1,783,493	-	1,783,493	1,183,615	-	1,183,615
Management and general	748,358	-	748,358	583,549	-	583,549
Fundraising	<u>183,663</u>	<u>-</u>	<u>183,663</u>	<u>210,258</u>	<u>-</u>	<u>210,258</u>
Total Expenses	<u>2,715,514</u>	<u>-</u>	<u>2,715,514</u>	<u>1,977,422</u>	<u>-</u>	<u>1,977,422</u>
Change in Net Assets from Operations	<u>(233,727)</u>	<u>575,672</u>	<u>341,945</u>	<u>276,722</u>	<u>(34,310)</u>	<u>242,412</u>
Nonoperating Activities:						
Investment income	4,192	-	4,192	6,015	-	6,015
Forgiveness of Paycheck Protection Program loan	<u>247,600</u>	<u>-</u>	<u>247,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>18,065</u>	<u>575,672</u>	<u>593,737</u>	<u>282,737</u>	<u>(34,310)</u>	<u>248,427</u>
Net Assets, Beginning of Year	<u>627,386</u>	<u>334,193</u>	<u>961,579</u>	<u>344,649</u>	<u>368,503</u>	<u>713,152</u>
Net Assets, End of Year	<u>\$ 645,451</u>	<u>\$ 909,865</u>	<u>\$ 1,555,316</u>	<u>\$ 627,386</u>	<u>\$ 334,193</u>	<u>\$ 961,579</u>

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

COLLEGE UNBOUND
Statements of Functional Expenses
For the Years Ended June 30,

	2021				2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Costs:								
Salaries	\$ 1,176,148	\$ 468,694	\$ 132,507	\$ 1,777,349	\$ 824,966	\$ 355,340	\$ 133,335	\$ 1,313,641
Fringe benefits	208,094	82,925	23,444	314,463	100,167	43,145	16,190	159,502
Payroll taxes	<u>110,033</u>	<u>43,848</u>	<u>12,397</u>	<u>166,278</u>	<u>78,655</u>	<u>33,879</u>	<u>12,714</u>	<u>125,248</u>
Total Personnel Costs	<u>1,494,275</u>	<u>595,467</u>	<u>168,348</u>	<u>2,258,090</u>	<u>1,003,788</u>	<u>432,364</u>	<u>162,239</u>	<u>1,598,391</u>
Other Expenses:								
Bad debt expense	139,419	-	-	139,419	-	-	-	-
Consultants	46,836	36,077	931	83,844	55,168	42,496	1,095	98,759
Information Technology	35,566	17,783	5,928	59,277	35,338	17,669	5,889	58,896
Professional fees	-	35,787	-	35,787	-	33,255	-	33,255
Supplies and materials	13,457	7,851	1,122	22,430	16,898	9,857	1,408	28,163
Student activities	19,573	-	-	19,573	33,956	-	-	33,956
Marketing	12,044	6,205	-	18,249	-	1,185	-	1,185
Depreciation	6,348	2,328	1,904	10,580	2,756	1,011	827	4,594
Telephone and internet	4,750	4,539	1,267	10,556	2,822	2,696	752	6,270
Bank fees	-	9,560	-	9,560	-	7,994	-	7,994
Insurance	-	9,390	-	9,390	-	2,593	-	2,593
Professional development	-	8,762	-	8,762	240	960	-	1,200
Rent	3,565	3,406	950	7,921	7,557	7,221	2,014	16,792
Accreditation	7,012	-	-	7,012	1,500	-	-	1,500
Printing and copying	1,837	3,296	270	5,403	4,060	7,285	598	11,943
Travel	238	953	3,572	4,763	2,362	9,449	35,436	47,247
Books and subscriptions	1,939	1,239	-	3,178	3,761	1,937	-	5,698
Postage	328	1,312	-	1,640	103	414	-	517
Meals	80	-	-	80	13,306	1,479	-	14,785
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,684</u>	<u>-</u>	<u>3,684</u>
Total Other Expenses	<u>292,992</u>	<u>148,488</u>	<u>15,944</u>	<u>457,424</u>	<u>179,827</u>	<u>151,185</u>	<u>48,019</u>	<u>379,031</u>
Total Expenses	<u>\$ 1,787,267</u>	<u>\$ 743,955</u>	<u>\$ 184,292</u>	<u>\$ 2,715,514</u>	<u>\$ 1,183,615</u>	<u>\$ 583,549</u>	<u>\$ 210,258</u>	<u>\$ 1,977,422</u>

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

COLLEGE UNBOUND

Statements of Cash Flows

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase in net assets	<u>\$ 593,737</u>	<u>\$ 248,427</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan	(247,600)	-
Depreciation	10,580	4,594
Bad debt	139,419	-
Changes in assets and liabilities:		
Prepaid expenses	14,409	(1,661)
Accounts receivable	(133,156)	(9,841)
Pledges receivable	45,000	(185,000)
Accounts payable and accrued expenses	23,149	8,823
Deferred revenue	<u>(118,273)</u>	<u>156,126</u>
Net Adjustments	<u>(266,472)</u>	<u>(26,959)</u>
Net Cash Provided by Operating Activities	<u>327,265</u>	<u>221,468</u>
Cash Flows from Investing Activity:		
Purchase of computer equipment	<u>(22,926)</u>	<u>(12,988)</u>
Cash Flows from Financing Activity:		
Proceeds from paycheck protection program loan	<u>-</u>	<u>247,600</u>
Net Increase in Cash and Equivalents and Restricted Cash	304,339	456,080
Cash and Equivalents and Restricted Cash, Beginning of Year	<u>1,188,056</u>	<u>731,976</u>
Cash and Equivalents and Restricted Cash, End of Year	<u>\$ 1,492,395</u>	<u>\$ 1,188,056</u>
Cash and equivalents and restricted cash consist of the following at June 30,:		
Cash and equivalents	\$ 722,530	\$ 1,038,863
Restricted cash	<u>769,865</u>	<u>149,193</u>
Total	<u>\$ 1,492,395</u>	<u>\$ 1,188,056</u>

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

COLLEGE UNBOUND

Notes to the Financial Statements

June 30, 2021 and 2020

Note 1 - **Summary of Significant Accounting Policies**

Description of Organization

College Unbound (the “College” or “CUB”), is a Rhode Island non-profit corporation exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. CUB’s mission is to reinvent higher education for underrepresented returning adult learners, using a model that is individualized, interest-based, project driven, work-enhanced, flexible, supportive, and affordable. Major sources of revenue include contributions from individuals and organizations throughout the United States of America and tuition revenue from students in Rhode Island.

On November 20, 2020, CUB was granted initial accreditation by the New England Commission of Higher Education.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (“COVID-19”) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College's operations in response to government requirements and observing safety measures.

In response to the pandemic, the federal government provided to the College Higher Education Emergency Relief Funds ("HEERF") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid. The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus.

The College was awarded a total of \$213,680 in student aid awards and \$123,772 in institutional awards. The College expended \$111,600 for emergency grants to students and \$28,614 for institutional costs from the HEERF funds as of June 30, 2021.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institution award must be spent by May 2022.

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Basis of Presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, which require CUB to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the objectives of CUB. These net assets may be used at the discretion of CUB's management and board of directors.

Net assets with donor restrictions - Net assets subject to stipulation imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of CUB or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Income Tax Status

Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a “more likely than not” sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely. As a not-for-profit entity exempt from income taxes in accordance with section 501(c)(3) of the Internal Revenue Code, College Unbound may, however, be subject to tax on unrelated business income.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CUB's ongoing purpose. Nonoperating activities are limited to resources that generate return from cash deposits and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

Contributions are recognized as revenue when the conditions contained in the respective agreements have been met. Contributions are conditional if there is a barrier that must be overcome before the recipient is entitled to the asset transferred and the donor has the right to request the asset back if it was not used properly.

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding the purpose and how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Tuition revenue is recorded as earned at the College's established rates, net of institutional scholarships. Net transaction price is fixed and determinable. Such amounts are recorded as revenue when performance obligations are satisfied which is generally over time as educational services are rendered. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgement involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Deferred Revenue

Deferred revenue represents the amount of unearned related services that are in progress as of year-end related to net tuition and fees. Such amounts are reflected as revenue ratably over time with such amounts generally being recognized on a current basis given the nature and duration of the underlying services being provided.

Substantially all amounts included in deferred revenue at the opening of each period were recognized as revenues during the following fiscal period with very limited amounts not being earned associated with student withdrawal rights that management did not consider material. Contract liabilities represent the amount of the remaining performance obligation which is time driven given the academic calendar that underlies the earnings process for tuition and fees revenue. Contract liabilities are

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

presented in the Statements of Financial Position as deferred revenue, if applicable, and are recognized as income in the period in which the obligation takes place. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis.

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 about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require.

As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts receivable and estimating depreciation.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management believes that the balances are collectible and that an allowance for doubtful accounts is not required.

Pledges Receivable

Unconditional promises to give, less an allowance of uncollectible amounts, are recognized as revenue in the period pledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give with amounts due later than one year are discounted to reflect the present value of estimated future cash flows if material.

Computer Equipment and Depreciation

Depreciation is computed using the straight-line method to amortize the cost of the assets or fair market value, if donated, over their estimated useful lives. CUB capitalizes any fixed asset purchase and donation over \$1,000 that has an estimated life of more than one year.

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

In-Kind

Contributions of services are recognized if the services received: (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. A substantial number of unpaid volunteers, including board members, have made significant contributions of their time to develop CUB's fundraising campaigns and other administrative matters. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and does not meet the criteria of generally accepted accounting principles.

Functional Allocation of Expenses

Expenses are categorized as program services, management and general, or fundraising on a direct identification basis, where practical, and on a percentage allocation basis based on management's judgment.

Cash and Equivalents

For purposes of the statements of cash flows, CUB considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

The College's restricted cash consists of funds set aside for donor restrictions.

Allowance for Doubtful Accounts

Account and pledges receivables are periodically evaluated for collectability based on past experience.

Compensated Absences

Eligible employees accrue vacation for time they work. Upon termination, the employees are entitled to receive payment of their unused balance. An employee can only carry their unused balance to December 31st in the next fiscal year.

Adoption of Accounting Pronouncement

FASB issued ASU 2014-09, Revenue from Contracts with Customers, and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as "the new revenue recognition standard"). The purpose of the new revenue recognition standard is to remove inconsistencies and weaknesses in current revenue recognition requirements; to provide a more robust framework for addressing revenue recognition

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

issues and to improve comparability of recognition across entities, industries, jurisdictions and capital markets. It requires the College to perform certain specific steps to identify performance obligations and determine transaction prices to establish the appropriate revenue recognition. The College adopted the provisions of ASU 2014-09 on a retrospective basis as of July 1, 2019 and did not necessitate an adjustment to net assets in the prior period.

New Accounting Pronouncements

FASB issued ASU 2016-02, *Leases*, which is effective for periods beginning after December 15, 2021. The purpose of this pronouncement will require lessees to recognize on their statement of financial position the rights and obligations resulting from leases categorized as operating leases as assets and liabilities. It provides for an election on leases with terms of less than twelve months to be excluded. Management is in the process of evaluating this pronouncement and has not yet determined its impact on the financial statements.

Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation.

Note 2 - Accounts Receivable, net

Accounts receivable at June 30, consist of the following:

	<u>2021</u>	<u>2020</u>
Student receivable	\$ 139,419	\$ 17,283
Student receivable from another institution	-	6,328
Federal grant receivable	21,768	-
Other receivables	<u>5,542</u>	<u>9,962</u>
	166,729	33,573
Less: allowance of doubtful accounts	<u>(139,419)</u>	<u>-</u>
Total	<u>\$ 27,310</u>	<u>\$ 33,573</u>

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 3 - **Pledges Receivable**

Pledges receivable at June 30, 2021, consist of the following:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 140,000	\$ 115,000
Due in one to five years	-	70,000
Total	<u>\$ 140,000</u>	<u>\$ 185,000</u>

Pledges receivable has not been discounted due to a lack of materiality.

Note 4 - **Computer Equipment, Net**

Computer equipment, net at June 30, is as follows:

	<u>2021</u>	<u>2020</u>
Computers	\$ 77,831	\$ 54,905
Less: Accumulated depreciation	<u>(50,753)</u>	<u>(40,173)</u>
Net Computer Equipment	<u>\$ 27,078</u>	<u>\$ 14,732</u>

Computer equipment are depreciated over a three-year period.

Note 5 - **Paycheck Protection Program Loan**

In April 2020, the College received a Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in the amount of \$247,600. The loan will be forgiven based upon the College using the proceeds on eligible expenses over a twenty-four-week period from the time that the loan is obtained. Eligible expenses include payroll and related benefits. The College used the entire funds from the loan in accordance with the provisions of the CARES Act. In May 2021, the Small Business Administration, acting on behalf of the federal government, forgave the entire loan.

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Net Assets**

Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Partnership program support	\$ 866,454	\$ 304,575
Scholarships for students	<u>43,411</u>	<u>29,618</u>
Total	<u>\$ 909,865</u>	<u>\$ 334,193</u>

Net Assets Released from Restrictions

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the purposes specified by the donors for the years ended June 30, as follows:

	<u>2021</u>	<u>2020</u>
Partnership program support	\$ 136,960	\$ 38,116
Strategic planning	-	712
Scholarships for students	<u>22,375</u>	<u>325,000</u>
Total	<u>\$ 159,335</u>	<u>\$ 363,828</u>

Note 7 - **Related Party Transactions**

CUB receives in-kind personnel and administrative services from The Big Picture Company, Inc. ("BPC"). The BPC is a not-for-profit organization under common management. In-kind personnel costs provided by BPC were approximately \$207,000 and \$180,000 for the years ended June 30, 2021 and 2020, respectively.

CUB rents office space from the Metropolitan Regional Career and Technical Center ("MET") as a tenant-at-will. The MET is a component unit of the State of Rhode Island that is under common management with CUB. Rent expense related to the tenant-at-will agreement with the MET was approximately \$8,000 and \$17,000 for the years ended June 30, 2021 and 2020, respectively.

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 8- **Retirement Plan**

Through December 31, 2017, eligible CUB employees were included in a Section 403(b) defined contribution retirement plan through a related entity. In January 2018, in anticipation of opening a separate retirement plan, CUB started withholding voluntary employee and employer contributions. On December 31, 2019, CUB terminated its efforts to open a qualified retirement plan and elected to pay out both the employee and employer contributions. CUB paid out the remaining employee and employer contributions in fiscal year ended June 30, 2021.

As of June 30, 2020, CUB had recognized a retirement contribution liability of \$11,032. Of this amount, \$2,871 is employee contributions, with the remaining balance representing CUB contributions. These obligations are included within the accounts payable and accrued expenses reported on the Statements of Financial Position.

For the years ended June 30, 2021 and 2020, retirement plan expense included in fringe benefit expense was \$48,286 and \$31,628, respectively. Retirement plan expense includes the in-kind personnel costs disclosed in Note 7.

Note 9 - **Concentrations, Risks, and Uncertainties**

Concentration of Revenue Sources

The College's support comes primarily from individuals and Foundations. For the year ending June 30, 2021, five donors represented 89% of the total contributions.

For the year ended June 30, 2020, three donors represented 89% of the total contributions.

Cash

CUB periodically maintains cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insurable limit. Management monitors the financial condition of the banking institution, along with its cash balances, and tries to keep the potential risk to a minimum. At June 30, 2021, there was \$805,034 in uninsured cash balances in excess of the FDIC insurance limit.

COLLEGE UNBOUND

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Contingencies

Various lawsuits are pending or threatened against the College that arose from the ordinary course of operations. In the opinion of management, no litigation is now pending or threatened, which would materially affect the College's financial position.

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. The College must repay any disallowed expenditures resulting from such audits. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the College.

Note 10 - Availability and Liquidity

The following represents CUB's financial assets at June 30,:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and equivalents	\$ 722,530	\$ 1,038,863
Accounts receivable	<u>27,310</u>	<u>33,573</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 749,840</u>	<u>\$ 1,072,436</u>

CUB reviews its cash position on a regular basis to ensure that adequate funds are on hand to meet expenses. For the years ended June 30, 2021 and 2020, management believes CUB does not have any liquidation issues.

Note 11 - Subsequent Events

Management has evaluated subsequent events through March 8, 2022, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to June 30, 2021 requiring disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

COLLEGE UNBOUND

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2021

Primary Reserve Ratio:	
Expendable Net Assets:	
1 Statement of Financial Position (SFP)	Net assets without donor restrictions \$ 645,451
2 SFP	Net assets with donor restrictions 909,865
3 Not applicable	Secured and Unsecured related party receivable - Total -
4 Not applicable	Unsecured related party receivables -
5 SD Line 7	Property, Plant and Equipment, net (includes Construction in progress) - Total 27,078
6 SD Line 3d	Property, plant and equipment pre-implementation 4,152
7 SD Line 4d	Property, plant and equipment post- implementation with outstanding debt for original purchase -
8 SD Line 6a	Property, plant and equipment post-implementation without outstanding debt for original purchase 22,926
9 SD Line 5	Construction in progress -
10 SFP	Lease right-of-use asset, net - Total -
11 SD Line 14	Lease right-of-use, pre-implementation (grandfather of leases option not chosen) -
12 SD Line 15. Lease right-of-use of asset liability	Lease right-of-use asset, post-implementation -
13 SFP	Intangible assets -
14 SFP	Post-employment and pension liabilities -
15 SD Lines 8d, 9a-c, 10	Long-term debt- for long term purposes - Total -
16 SD Line 8d	Long- term debt- for long term purpose pre-implementation -
17 SD Lines 9a-c	Long-term debt- for long term purposes post-implementation -
18 SD Line 10	Line of Credit for Construction in progress -
19 SFP	Lease right-of-use asset liability - Total -
20 SD Line 17	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen) -
21 SD Line 18	Post-implementation right-of-use asset liability -
22 SD Line 2d	Annuities, term endowment and life income with donor restrictions - Total -
23 SD Line 2a	Annuities with donor restrictions -
24 SD Line 2b	Term Endowments with donor restrictions -
25 SD Line 2c	Life income funds with donor restrictions -
26 SD Line 1	Net Assets with donor restrictions - restricted in perpetuity -
Total Expenses without Donor Restrictions and Losses without Donor Restrictions:	
Statement of Activities (SOA)- Total Expense	Total expenses without donor restrictions- taken directly from Statement of
27 prior to Other Changes	Activities 2,715,514
28 SOA	Non-operating and Net Investment (loss) -
29 SOA	Net Investment losses -
30 SOA	Pension-related changes other than net periodic costs -
Equity Ratio:	
Modified Net Assets:	
31 SFP	Net assets without donor restrictions 645,451
32 SFP	Net assets with donor restrictions 909,865
33 SFP	Intangible Assets -
34 SFP	Intangible Assets- Goodwill -
35 Not applicable	Secured and unsecured related party receivables- Total -
36 Not applicable	Unsecured related party receivables -
Modified Assets:	
37 SFP	Total Assets 1,692,870
38 SD Line 13	Lease right-of-use asset pre-implementation -
39 SD Line 14	Pre-implementation right-of-use asset liability -
40 SFP	Intangible Assets -
41 Not applicable	Secured and unsecured related part receivables -
42 Not applicable	Unsecured related party receivables -
Net Income Ratio:	
Change in Net Assets Without Donor Restrictions:	
43 SOA	Change in net assets without donor restrictions 18,065
Total Revenue without Donor Restrictions and Gains without Donor Restrictions	
44 SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenues and Gains 2,481,787
45 SOA: Investment Return	Investments, net (operating and non-operating) 4,192

College Unbound

Financial Responsibility Supplemental Disclosures

Year Ended June 30, 2021

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate ratios for determining sufficient financial responsibility under Title IV.

Net Assets

1 Net assets with donor restrictions: restricted in perpetuity	\$	-
2 Other net assets with donor restrictions (not perpetually restricted):		
a. Annuities with donor restrictions		-
b. Term Endowments		-
c. Life income funds (trusts)		-
d. Total annuities, term endowment and life income funds with donor restrictions	\$	-

Property, Plant and Equipment, net

3 Pre-implementation property, plant and equipment, net (PP&E, net)		
a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2020 financial statement)		14,732
b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 lease standards		-
c. Less subsequent depreciation and disposals		(10,580)
d. Balance Pre-implementation property, plant and equipment, net		4,152
4 Debt Financed Post-Implementation property, plant and equipment, net		
Long-lived assets acquired with debt subsequent to June 30, 2019:		
a. Equipment		-
b. Land Improvements		-
c. Building		-
d. Total Property, plant and equipment, net acquired with debt exceeding 12 months		-
5 Construction in progress- acquired subsequent to June 30, 2020		-
6 Post-implementation property, plant and equipment, net, acquired without debt:		
a. Long-lived assets acquired without use of debt subsequent to June 30, 2020		22,926
7 Total Property, Plant and Equipment, net- June 30, 2021	\$	27,078

Debt to be excluded from expendable net assets

8 Pre-implementation debt:		
a. Ending balance of last financial statement submitted to the Department of Education (June 30, 2019)	\$	-
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.		-
c. Less subsequent debt repayments		-
d. Balance pre-implementation debt		-
9 Allowable post-implementation debt used for capitalized long-lived assets:		
a. Equipment- all capitalized		-
b. Land Improvements		-
c. Buildings		-
10 Construction in progress (CIP) financed with short term debt		-
11 Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value		-
	\$	-

College Unbound

Financial Responsibility Supplemental Disclosures - Continued

Year Ended June 30, 2021

12 Term of current year debt additions:

	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a.	N/A	N/A	N/A	N/A

Lease right-of-use assets and liabilities

13	Lease right-of-use assets			
	Right of use assets as of balance sheet date June 30, 2021		\$	-
14	Lease right-of-use assets- Pre-implementation			
	Right of use assets as of balance sheet date June 30, 2021 excluding leases entered into before Dec 15, 2018 (grandfather option of leases not chosen)		\$	-
15	Lease right-of-use assets- Post-Implementation			
	Right of use assets as of balance sheet date June 30, 2021 excluding leases entered into on or after Dec 15, 2018		\$	-
16	Lease right-of-use liability			
	Lease liabilities as of balance sheet dated June 30, 2021		\$	-
17	Lease right-of-use liability- Pre-implementation			
	Lease liabilities as of balance sheet dated June 30, 2021 excluding leases entered into before Dec 15, 2018 (grandfathering leases not chosen)		\$	-
18	Lease right-of-use liability- Post-implementation			
	Lease liability as of balance sheet dated June 30, 2021 excluding leases entered into on or after Dec 15, 2018		\$	-

Unsecured related party receivables

19	Secured and unsecured related party receivables		\$	-
20	Unsecured related party receivables		\$	-

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
College Unbound
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of College Unbound (a non-profit organization) (the "College" or "CUB"), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 8, 2022.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the College's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described below as item 2021-001 that we consider to be a material weakness.

The College's response to the findings identified in our audit is described below. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Current Year Finding

Finding 2021-001

Criteria

Internal controls should be in place to provide reasonable assurance that the College's trial balance provided to the auditors was accurate and provided on a timely basis.

Condition

The initial trial balance provided to the auditors was not accurate and needed significant adjustments for the financial statements to be in compliance with generally accepted accounting principles.

Cause

Financial year-end procedures were not in place to ensure that the trial balance provided to the auditors was accurate and provided on a timely basis.

Effect

Significant adjustments were required on the initial trial balance provided to the auditors which increases the risk that the financial statements could be materially misstated.

Recommendation:

We recommend that the College update year-end procedures to ensure that a trial balance can be provided to the auditors that is accurate and provided on a timely basis.

Management Response:

At the end of the fiscal year, it is part of College Unbounds annual procedures to review all balance sheet accounts in greater detail prior to the closing of the fiscal year. For the fiscal year in question, the business manager's position was vacant due to a resignation in July of 2021 that was not filled until the following month with a temporary contract employee. Given the temporary reduction in staffing and the time necessary to onboard a temporary employee along with delays in part due to the complexities of remote working and higher absenteeism as a result of the COVID-19 pandemic, said procedures were delayed.

College Unbound has since filled the business manager role with an experienced individual who holds a Master's in Business Administration (MBA) with an accounting concentration. College Unbound views this as a singular occurrence due to a change in staffing and not a failure of controls that will be repeated.

Prior Year Finding

Finding 2020-001

Condition

Beginning in January 2018, the College began holding the employer and employee contributions in anticipation of starting a defined contribution pension plan. The College abandoned this plan and began returning the employer and employee contributions on December 31, 2019. However, there is still employee and employer contributions held as of June 30, 2020. The College is holding approximately \$8,000 and \$3,000 in employer and employee contributions, respectively as of June 30, 2020.

Current Year Update

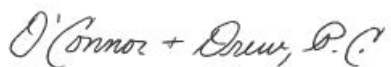
This finding has been resolved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Certified Public Accountants
Braintree, Massachusetts**

March 8, 2022