COLLEGE UNBOUND
Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

College Unbound
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June 30, 2024 and 2023

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
College Unbound:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of College Unbound (a non-profit organization) (the "College" or "CU"), which comprise the statements of financial position as of June 30, 2024 and 2023, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits 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 ("*Government Auditing Standards*"). 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 the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the 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 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the College'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College'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.

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 17-18 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 December 6, 2024, 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.

Withum Smith + Brown, PC

December 6, 2024

College Unbound
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash	$ 546,530	$ 680,772
Restricted cash	192,669	192,625
Accounts receivable, net of allowance for credit losses of $890,124 $231,957 at June 30, 2024 and 2023, respectively	666,370	614,506
Pledges receivable	840,076	636,222
Prepaid expenses and other assets	12,000	26,754
Total current assets	2,257,645	2,150,879
Computer and other equipment, net	36,759	60,209
Right-of-use asset, operating	190,156	84,862
Total assets	$ 2,484,560	$ 2,295,950
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 245,947	$ 357,101
Deferred revenue	136,131	57,493
Current portion of operating lease liabilities	91,940	82,862
Total current liabilities	474,018	497,456
Long-term liabilities		
Lease liabilities - operating, net of current portion	98,216	2,000
Total liabilities	572,234	499,456
Net assets		
Without donor restrictions	326,189	424,818
With donor restrictions	1,586,137	1,371,676
Total net assets	1,912,326	1,796,494
Total liabilities and net assets	$ 2,484,560	$ 2,295,950

The Notes to Financial Statements are an integral part of these statements.

College Unbound
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Revenues						
Tuition and fees	$ 4,481,459	$ -	$ 4,481,459	$ 2,901,469	$ -	$ 2,901,469
Less: Scholarships and aid to students	(1,267,165)	-	(1,267,165)	(1,268,478)	-	(1,268,478)
Total tuition and fees, net	3,214,294	-	3,214,294	1,632,991	-	1,632,991
Contributions and grants	845,311	1,829,317	2,674,628	1,241,684	1,834,705	3,076,389
Contributions of nonfinancial assets	-	-	-	100,000	-	100,000
Federal grants	1,266,730	-	1,266,730	1,696,133	-	1,696,133
Net assets released from restrictions	1,614,856	(1,614,856)	-	468,798	(468,798)	-
Total revenues	6,941,191	214,461	7,155,652	5,139,606	1,365,907	6,505,513
Expenses						
Program services	4,151,244	-	4,151,244	3,269,879	-	3,269,879
Management and general	2,524,522	-	2,524,522	2,056,303	-	2,056,303
Fundraising	365,669	-	365,669	341,093	-	341,093
Total expenses	7,041,435	-	7,041,435	5,667,275	-	5,667,275
Change in net assets from operations	(100,244)	214,461	114,217	(527,669)	1,365,907	838,238
Nonoperating activities						
Investment income	1,615	-	1,615	2,062	-	2,062
Changes in net assets	(98,629)	214,461	115,832	(525,607)	1,365,907	840,300
Net assets						
Beginning of year	424,818	1,371,676	1,796,494	950,425	5,769	956,194
End of year	$ 326,189	$ 1,586,137	$ 1,912,326	$ 424,818	$ 1,371,676	$ 1,796,494

The Notes to Financial Statements are an integral part of these statements.

College Unbound
Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel costs								
Salaries	$ 2,692,569	$ 1,717,674	$ 232,118	$ 4,642,361	$ 2,112,629	$ 1,347,712	$ 182,123	$ 3,642,464
Fringe benefits	298,749	190,581	25,754	515,084	199,522	127,281	17,200	344,003
Payroll taxes	257,558	164,304	22,203	444,065	195,054	124,431	16,815	336,300
Total personnel costs	3,248,876	2,072,559	280,075	5,601,510	2,507,205	1,599,424	216,138	4,322,767
Other expenses								
Consultants	83,015	224,449	-	307,464	73,754	199,409	-	273,163
Travel	4,242	17,674	48,779	70,695	8,258	34,409	94,967	137,634
Student activities	54,964	-	-	54,964	98,959	-	-	98,959
Lease	55,349	35,308	4,771	95,428	47,560	30,340	4,100	82,000
Subcontracts	108,869	-	-	108,869	229,823	-	-	229,823
Information technology	27,984	17,851	2,412	48,247	41,453	26,445	3,574	71,472
Membership	73,479	27,177	-	100,656	45,670	16,891	-	62,561
Bad debt expense	339,853	-	-	339,853	58,880	-	-	58,880
Professional fees	-	55,673	-	55,673	-	58,639	-	58,639
Miscellaneous	6,254	3,990	539	10,783	32,641	20,823	2,814	56,278
Meals	47,290	2,027	18,240	67,557	25,471	1,092	9,825	36,388
Supplies and materials	21,659	17,680	4,862	44,201	17,268	14,096	3,877	35,241
Depreciation	18,772	11,975	1,618	32,365	17,129	10,927	1,477	29,533
Bank fees	17,861	11,395	1,540	30,796	13,460	8,588	1,161	23,209
Advertising	8,595	4,628	-	13,223	14,114	7,600	-	21,714
Utilities	11,141	7,108	961	19,210	11,323	7,223	976	19,522
Printing and copying	5,028	3,207	433	8,668	10,460	6,673	902	18,035
Telephone and internet	5,173	3,300	446	8,919	7,796	4,974	672	13,442
Insurance	9,812	6,259	846	16,917	6,328	4,037	546	10,911
Books and subscriptions	1,325	1,175	-	2,500	1,587	1,408	-	2,995
Professional development	-	-	-	-	-	2,833	-	2,833
Postage	1,703	1,087	147	2,937	740	472	64	1,276
Total other expenses	902,368	451,963	85,594	1,439,925	762,674	456,879	124,955	1,344,508
Total expenses	$ 4,151,244	$ 2,524,522	$ 365,669	$ 7,041,435	$ 3,269,879	$ 2,056,303	$ 341,093	$ 5,667,275

The Notes to Financial Statements are an integral part of these statements.

College Unbound
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating activities		
Changes in net assets	$ 115,832	$ 840,300
Adjustments to reconcile changes in net assets to net cash (used in) operating activities		
Depreciation	32,365	29,533
Bad debt expense	339,853	58,880
Amortization of right-of-use assets - operating	(105,294)	78,654
Changes in operating assets and liabilities		
Accounts receivable	(391,717)	(607,378)
Pledges receivable	(203,854)	(561,222)
Prepaid expenses and other assets	14,754	(1,301)
Accounts payable and accrued expenses	(111,154)	202,186
Lease liabilities - operating	105,294	(78,654)
Deferred revenue	78,638	(997)
Net cash (used in) operating activities	(125,283)	(39,999)
Investing activity		
Purchase of computer and other equipment	(8,915)	(44,476)
Net change in cash and restricted cash	(134,198)	(84,475)
Cash and restricted cash		
Beginning of year	873,397	957,872
End of year	$ 739,199	$ 873,397
Reconciliation of cash and restricted cash reported in the statements of financial position:		
Cash	$ 546,530	$ 680,772
Restricted cash	192,669	192,625
Total cash and restricted cash	$ 739,199	$ 873,397
Supplemental non-cash flow information		
Right-of-use assets obtained for new operating lease liabilities	$ 169,722	$ 46,719

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION

College Unbound (the "College" or "CU") 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. CU'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, CU was granted initial accreditation by the New England Commission of Higher Education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America which requires that information regarding its financial position and activities are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include investment in property and equipment, net of accumulated depreciation and amortization and related debt obligations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time, the events specified by the donor or both. Other donor-imposed restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations

The statements of activities and changes in net assets report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CU'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.

Cash

Cash includes bank deposits and money market funds, as well as any highly liquid debt instruments with original maturities of three months or less.

Restricted Cash

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

Accounts Receivable and Credit Losses

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic. Payments for tuition and fees are generally due by the start of the academic period with the recognition that on behalf payments being made by the United States Department of Education ("DOE") or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus, cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the College. Student accounts are not collateralized. Student accounts are stated net of an allowance for expected credit losses. The allowance for expected credit losses is established based on historical experience which is reviewed and assessed periodically. The opening balance of accounts receivable at July 1, 2022 was $66,008.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2024, because the composition of the accounts receivable at this date is consistent with that used in developing the historical credit-loss percentages. However, management has determined that the current and reasonable and supportable forecasted economic conditions have improved as compared with the economic conditions included in historical information. Management evaluated the effects of those differences in current conditions and forecasted changes and determined no further changes to loss rates are necessary. Management developed this estimate based on its knowledge of past experience for which there were similar improvements in the economy. Accordingly, the allowance for expected credit losses at June 30, 2024, totaled $890,124. The ultimate collectability of accounts receivable may differ from that estimated by management, and those differences may be significant.

The following is an analysis of the allowance for credit losses for accounts receivable for the year ended June 30, 2024:

Balance at the beginning of the year	$ 231,957
Provision for expected credit losses	998,020
Bad debt recovery	318,314
Receivable written off	(658,167)
Balance at the end of the year	$ 890,124

Pledges Receivable

Pledges receivable are reported at fair value on the date the promise is verifiably committed. Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with the risks involved and the time duration at the time the pledge is received.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

Earned Revenues

CU derives revenues primarily through tuition and fees which are under arrangements that are aligned to an academic semester which is less than one year in length.

Under accounting standards, revenue measurement is driven via a principles-based process that requires the entities to: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

Tuition and fees revenue is recorded as earned at the College's established rates, net of institutional financial aid and scholarships provided directly to students. 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.

Contributions and Grant Support
Contributions and grants 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.

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 and changes in net assets 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.

Contributions of Nonfinancial Assets
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 CU'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.

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. At June 30, 2024 and 2023, deferred revenue related to tuition and fees was $136,131 and $57,493, respectively. The opening balance of deferred revenue related to tuition and fees at July 1, 2022, was $58,490.

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 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.

Computer and Other Equipment

Computer and other equipment are recorded at cost at the date of acquisition or for donated assets, at fair market value at the date of the donation when the item has a useful life in excess of one year. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend the useful lives are capitalized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

College Unbound reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Management has determined that no triggering event has occurred during the years ended June 30, 2024 and 2023, and therefore, there has been no impairment of long-lived assets.

Leases

The College categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the College to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position. The College had no finance leases during 2024.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. The services are accounted for separately and the College allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based the risk-free rate. Right of use assets are recognized based on the initial present value of the fixed lease payments plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

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.

Advertising
Costs for advertising are expensed as incurred. Such expense totaled $13,223 and $21,714 for the years ended June 30, 2024 and 2023, respectively.

Endowment Funds
The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requires classification of a portion of a donor-restricted endowment fund of perpetual duration as net assets restricted in perpetuity with earnings thereon classified as restricted by purpose or time until such time as these earnings are appropriated for use by the Board of Trustees ("Board") and any donor imposed time or purpose restrictions are achieved, at which time these earnings are released to net assets without donor restrictions. Funds allocated to the endowment by the Board, including net investment gain (loss), are classified as without donor restrictions - board designated.

UPMIFA requires donor-restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors' stipulations must be classified as temporarily restricted net assets until approved for expenditure by the organization. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as temporarily restricted net assets until approved for expenditure by the organization.

The College's endowment funds are primarily for the awarding of scholarships. The goal of the College's endowment spending and distribution policy is to preserve the purchasing power of the endowment and provide predictable support of operations and scholarships.

From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required perpetual duration, commonly referred to as "underwater", is reported as losses within net assets with donor restrictions. The Board of Trustees has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2024, the College did not have endowment funds below the amount of the donor-required levels.

Functional Allocation of Expenses
The cost of providing the programs and the administration of College Unbound has been summarized on a functional basis in the statement of activities and changes in net assets. Salaries, payroll taxes, and fringe benefits are allocated based on estimations of time and effort. Expenses are categorized and charged to the program services, the management and general services, or the fundraising services employing a direct identification method where applicable, and a percentage allocation strategy guided by management's assessment. This allocation process ensures the proper assignment of expenses to programmatic, managerial, or fundraising activities, spanning consultancies, subcontracts, memberships, student activities, meals, advertising, insurance, travel, conferences, professional development, meeting expenses, books and subscriptions, along with supplies and materials. Additionally, lease, information technology, telephone and internet, printing and copying, as well as miscellaneous expenses, are apportioned based on calculated proportions derived from the distribution of salaries.

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.

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.

Recently Adopted Accounting Pronouncement - Current Expected Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued an ASU amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposure and other financial instruments recorded at amortized cost.

College Unbound adopted the new standard effective July 1, 2023, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption. The adoption of this standard did not have a significant impact to College Unbound's financial statements.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2024	2023
Tuition and fees receivable	$ 1,172,597	$ 231,957
Federal grant receivable	383,897	614,506
	1,556,494	846,463
Less: Allowance for expected credit losses	(890,124)	(231,957)
	$ 666,370	$ 614,506

4. PLEDGES RECEIVABLE

Pledges receivable discount was calculated using 1 year treasury rate of 5.09% and 5.4% at June 30, 2024 and 2023, respectively. Pledges receivable are summarized as follows as of June 30:

	2024	2023
Unconditional promises expected to be collected in		
Due in less than one year	$ 628,018	$ 351,451
Due in one to five years	230,000	315,000
	858,018	666,451
Less: Discounts to present value	(17,942)	(30,229)
Pledges receivable, net	$ 840,076	$ 636,222

5. COMPUTER AND OTHER EQUIPMENT

Computer and other equipment are as follows at June 30:

	2024	2023
Computer and other equipment	$ 137,373	$ 128,458
Less: Accumulated depreciation	(100,614)	(68,249)
Computer and other equipment, net	$ 36,759	$ 60,209

Depreciation expense for the years ended June 30, 2024 and 2023, was $32,365 and $29,533, respectively.

6. LEASE OBLIGATIONS

The College leases office and parking lot space under long-term, non-cancelable operating lease agreements. The leases expire at various dates through July 2026 and provide for renewal options. The renewal options have not been included in the lease liability calculation, since it is not reasonably certain that they will be exercised, based on general uncertainties that come with the passage of time.

Because the rates implicit in the leases are generally not available, the College utilizes the risk-free rate as the discount rate.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2024:

2025	$ 98,383
2026	98,383
2027	1,999
	198,765
Less: Imputed interest	(8,609)
Lease liabilities	$ 190,156

Operating lease expenses and cash paid for operating leases for the years ended June 30, 2024 and 2023 were $95,428 and $82,000.

The weighted average discount rate associated with operating leases is 4.73% and 2.84% as of June 30, 2024 and 2023, while the weighted-average remaining lease term of operating leases is 1.98 years and 1.03 years as of June 30, 2024 and 2023.

7. HIGHER EDUCATION EMERGENCY RELIEF FUNDS

In response to the COVID-19 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 recognized $24,426 for emergency grants to students for the year ended June 30, 2024. For the year ended June 30, 2023, $18,473 for emergency grants to students was recognized from the HEERF funds.

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. In 2022, an extension was approved by the Department of Education, such that the student aid award and the institutional award must be spent by December 2023. The College had an unexpended balance of $73,033 as of June 30, 2024, which has expired.

8. NET ASSETS

Net Assets with Donor Restrictions

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

	2024	2023
Partnership program support	$ 968,762	$ 694,015
Scholarships for students	350,920	421,321
Permanent restrictions for scholarships	266,455	256,340
	$ 1,586,137	$ 1,371,676

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:

	2024	2023
Partnership program support	$ 1,257,018	$ 262,619
Scholarships for students	357,838	206,179
	$ 1,614,856	$ 468,798

9. ENDOWMENT NET ASSETS

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	With Donor Restrictions	
	2024	2023
Endowment net assets, beginning of year	$ 36,340	$ -
Contributions	30,250	36,340
Endowment net assets, end of year	$ 66,590	$ 36,340

10. RELATED PARTY TRANSACTIONS

CU received 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 cost provided by BPC was approximately $100,000 for the year ended June 30, 2023. The contributions are valued based on estimations of time and effort for CU and have no donor-imposed restrictions.

CU 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 CU. Lease expense related to the tenant-at-will agreement with the MET was $9,583 and $0 for the years ended June 30, 2024 and 2023, respectively.

11. CONCENTRATIONS, RISKS, AND UNCERTAINTIES

Cash

CU has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of $250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on CU's financial condition, results of operations, and cash flows. Uninsured cash totaled $535,928 and $627,316 as of June 30, 2024 and 2023, respectively.

Concentration of Revenue Sources

The College's support comes primarily from individuals and foundations. The College had six donors that represented 54% of the total contributions and six donors that represented 59% of the total contributions for the years ended June 30, 2024 and 2023, respectively.

Contingencies

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

CU 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. CU 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 CU.

12. AVAILABILITY AND LIQUIDITY

The following represents CU's financial assets at June 30:

	2024	2023
Financial assets at year-end		
Cash	$ 546,530	$ 680,772
Accounts receivable	666,370	614,506
Pledges receivable (due in less than one year)	628,018	351,451
Pledges receivable with donor restrictions	(386,321)	(300,000)
Financial assets available to meet general expenditures within one year	$ 1,454,597	$ 1,346,729

CU 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, 2024 and 2023, management believes CU does not have any liquidation issues.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2024, the date the financial statements were available to be issued. There are no recognized or non-recognized subsequent events, or events that provide evidence about conditions that existed at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.

SUPPLEMENTARY INFORMATION

College Unbound
Financial Responsibility Supplemental Schedule
Year Ended June 30, 2024

Primary Reserve Ratio:				
		Expendable Net Assets:		
1	Statement of Financial Position (SFP)	Net assets without donor restrictions		$ 326,189
2	SFP	Net assets with donor restrictions		1,586,137
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**	36,759	
6	SD Line 3d	Property, plant and equipment pre-implementation		27,844
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		8,915
9	SD Line 5	Construction in progress		-
10	SFP	**Lease right-of-use asset, net - Total**	190,156	
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		190,156
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**	190,156	
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		190,156
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:		
27	Statement of Activities (SOA)- Total Expense prior to Other Changes	Total expenses without donor restrictions- taken directly from Statement of Activities		7,041,435
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		326,189
32	SFP	Net assets with donor restrictions		1,586,137
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		2,484,560
38	SD Line 14	Lease right-of-use asset pre-implementation		-
39	SD Line 17	Pre-implementation right-of-use asset liability		-
40	SFP	Intangible Assets		-
41	Not applicable	Secured and unsecured related party 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		(98,629)
		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		6,941,191
45	SOA: Investment Return	Investments, net (operating and non-operating)		1,615

See Independent Auditor's Report.

College Unbound
Financial Responsibility Supplemental Disclosures
Year Ended June 30, 2024

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.

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, 2023 financial statement)	$	60,209
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		32,365
d. Balance Pre-implementation property, plant and equipment, net		27,844
4 Debt Financed Post-Implementation property, plant and equipment, net		
Long-lived assets acquired with debt subsequent to June 30, 2023:		
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, 2023		-
6 Post-implementation property, plant and equipment, net, acquired without debt:		
a. Long-lived assets acquired without use of debt subsequent to June 30, 2023		8,915
7 Total Property, Plant and Equipment, net- June 30, 2024	$	36,759
Lease right-of-use assets and liabilities		
13 Lease right-of-use assets		
Right of use assets as of balance sheet date June 30, 2024	$	190,156
14 Lease right-of-use assets- Pre-implementation		
Right of use assets as of balance sheet date June 30, 2024 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, 2024 excluding leases entered into on or after Dec 15, 2018	$	190,156
16 Lease right-of-use liability		
Lease liabilities as of balance sheet dated June 30, 2024	$	190,156
17 Lease right-of-use liability- Pre-implementation		
Lease liabilities as of balance sheet dated June 30, 2024 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, 2024 excluding leases entered into on or after Dec 15, 2018	$	190,156

See Independent Auditor's Report.

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 AUDITOR'S REPORT

To the Board of Trustees of
College Unbound:

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 "CU"), which comprise the statement of financial position as of June 30, 2024, 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, and have issued our report thereon dated December 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit 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 over financial reporting was for the limited purpose described in the first paragraph of this section 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 identified a deficiency in internal control, described below as item 2024-001 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 2024-001

Criteria
Effective internal controls should be established to ensure that the trial balance provided to the auditors by the College is accurate and reliable.

Condition
The initial trial balance provided to the auditors was inaccurate and required significant adjustments for the financial statements to comply with generally accepted accounting principles. Specifically, contributions and grants revenue, as well as receivables, were materially misstated, which were corrected by the auditors.

Cause
Financial year-end procedures were not in place to ensure that the trial balance provided to the auditors was accurate.

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 enhance its year-end procedures to ensure that an accurate trial balance can be provided to the auditors. Additionally, we recommend that the College offer comprehensive training to the accounting department to enhance their understanding of proper contributions and grants revenue recognition.

Management Response
It is part of College Unbound's 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, there was turnover administration that led to changes and improvements to our fiscal policies, procedures and practices. College Unbound continues to professionalize its fiscal and operations team and currently includes a Vice President for Institutional and Student Sustainability, a Controller, a Financial Aid Director and Director of Payroll, Benefits, and Student Accounts that oversees Human Resources and Bursar functions. College Unbound continues to improve its accounting practices as it grows our capacity and reorganizes our operations to better support the fiscal needs of the college. It is our expectation that this will not be an issue in the future.

Prior Year Finding

Finding 2023-001

Condition
The initial trial balance provided to the auditors was inaccurate and required significant adjustments for the financial statements to comply with generally accepted accounting principles. Specifically, contributions and grants revenue, as well as receivables, were materially misstated, which were corrected by the auditors.

Current Year Update
This finding has not been resolved.

Report on 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.

December 6, 2024