

COLLEGE UNBOUND

COLLEGE UNBOUND
Financial Statements
June 30, 2025 and 2024
With Independent Auditor's Reports

College Unbound
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June 30, 2025 and 2024

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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) ("CU"), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 CU as of June 30, 2025 and 2024, 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 CU, 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 CU'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 CU'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 CU'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 15, 2025, on our consideration of CU'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 CU'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 CU's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

December 15, 2025

College Unbound
Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash	\$ 2,918,383	\$ 482,955
Accounts receivable, net of allowance for credit losses of \$682,856 \$890,124 at June 30, 2025 and 2024, respectively	215,214	666,370
Unconditional promises, net	831,240	628,018
Employee retention credit receivable	289,063	-
Prepaid expenses and other assets	<u>53,945</u>	<u>12,000</u>
Total current assets	<u>4,307,845</u>	<u>1,789,343</u>
Non-current assets		
Assets whose use is limited	293,478	256,244
Unconditional promises, net	94,359	212,058
Computer and other equipment, net	12,486	36,759
Right-of-use asset, operating	<u>98,687</u>	<u>190,156</u>
Total non-current assets	<u>499,010</u>	<u>695,217</u>
 Total assets	 <u>\$ 4,806,855</u>	 <u>\$ 2,484,560</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 561,563	\$ 245,947
Deferred revenue	119,799	136,131
Current portion of operating lease liabilities	<u>97,182</u>	<u>91,940</u>
Total current liabilities	778,544	474,018
Long-term liabilities		
Lease liabilities - operating, net of current portion	<u>2,000</u>	<u>98,216</u>
Total liabilities	<u>780,544</u>	<u>572,234</u>
Net assets		
Without donor restrictions	1,022,711	326,189
With donor restrictions	<u>3,003,600</u>	<u>1,586,137</u>
Total net assets	<u>4,026,311</u>	<u>1,912,326</u>
 Total liabilities and net assets	 <u>\$ 4,806,855</u>	 <u>\$ 2,484,560</u>

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, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Revenues						
Tuition and fees	\$ 4,902,259	\$ -	\$ 4,902,259	\$ 4,481,459	\$ -	\$ 4,481,459
Less: Scholarships and aid to students	(1,016,625)	-	(1,016,625)	(1,267,165)	-	(1,267,165)
Total tuition and fees, net	3,885,634	-	3,885,634	3,214,294	-	3,214,294
Contributions and grants	762,282	2,829,226	3,591,508	845,311	1,829,317	2,674,628
Federal grants	1,201,921	-	1,201,921	1,266,730	-	1,266,730
Net assets released from restrictions	1,411,763	(1,411,763)	-	1,614,856	(1,614,856)	-
Total revenues	7,261,600	1,417,463	8,679,063	6,941,191	214,461	7,155,652
Expenses						
Program services	4,131,212	-	4,131,212	4,151,244	-	4,151,244
Management and general	2,558,977	-	2,558,977	2,524,522	-	2,524,522
Fundraising	373,944	-	373,944	365,669	-	365,669
Total expenses	7,064,133	-	7,064,133	7,041,435	-	7,041,435
Change in net assets from operations	197,467	1,417,463	1,614,930	(100,244)	214,461	114,217
Nonoperating activities						
Income from employee retention credit	475,132	-	475,132	-	-	-
Investment income	23,923	-	23,923	1,615	-	1,615
Total nonoperating activities	499,055	-	499,055	1,615	-	1,615
Changes in net assets	696,522	1,417,463	2,113,985	(98,629)	214,461	115,832
Net assets						
Beginning of year	326,189	1,586,137	1,912,326	424,818	1,371,676	1,796,494
End of year	\$ 1,022,711	\$ 3,003,600	\$ 4,026,311	\$ 326,189	\$ 1,586,137	\$ 1,912,326

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

College Unbound
Statements of Functional Expenses
Years Ended June 30, 2025 and 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel costs								
Salaries	\$ 2,899,470	\$ 1,849,662	\$ 249,954	\$ 4,999,086	\$ 2,692,569	\$ 1,717,674	\$ 232,118	\$ 4,642,361
Fringe benefits	298,874	190,661	25,765	515,300	298,749	190,581	25,754	515,084
Payroll taxes	274,870	175,348	23,696	473,914	257,558	164,304	22,203	444,065
Total personnel costs	<u>3,473,214</u>	<u>2,215,671</u>	<u>299,415</u>	<u>5,988,300</u>	<u>3,248,876</u>	<u>2,072,559</u>	<u>280,075</u>	<u>5,601,510</u>
Other expenses								
Consultants	10,059	27,198	-	37,257	83,015	224,449	-	307,464
Travel	3,063	12,765	35,231	51,059	4,242	17,674	48,779	70,695
Student activities	89,047	-	-	89,047	54,964	-	-	54,964
Lease	61,171	39,023	5,273	105,467	55,349	35,308	4,771	95,428
Subcontracts	-	-	-	-	108,869	-	-	108,869
Information technology	121,253	77,351	10,453	209,057	27,984	17,851	2,412	48,247
Membership	77,570	28,690	-	106,260	73,479	27,177	-	100,656
Provision for expected credit losses	175,337	-	-	175,337	339,853	-	-	339,853
Professional fees	-	86,267	-	86,267	-	55,673	-	55,673
Miscellaneous	-	-	-	-	6,254	3,990	539	10,783
Meals	39,044	1,673	15,060	55,777	47,290	2,027	18,240	67,557
Supplies and materials	11,048	9,019	2,480	22,547	21,659	17,680	4,862	44,201
Depreciation	14,078	8,981	1,214	24,273	18,772	11,975	1,618	32,365
Bank fees	21,861	13,947	1,885	37,693	17,861	11,395	1,540	30,796
Advertising	454	244	-	698	8,595	4,628	-	13,223
Utilities	8,515	5,432	734	14,681	11,141	7,108	961	19,210
Printing and copying	6,250	3,987	539	10,776	5,028	3,207	433	8,668
Telephone and internet	5,645	3,601	487	9,733	5,173	3,300	446	8,919
Insurance	12,005	7,658	1,035	20,698	9,812	6,259	846	16,917
Books and subscriptions	-	-	-	-	1,325	1,175	-	2,500
Professional development	-	16,450	-	16,450	-	-	-	-
Postage	1,598	1,020	138	2,756	1,703	1,087	147	2,937
Total other expenses	<u>657,998</u>	<u>343,306</u>	<u>74,529</u>	<u>1,075,833</u>	<u>902,368</u>	<u>451,963</u>	<u>85,594</u>	<u>1,439,925</u>
Total expenses	<u>\$ 4,131,212</u>	<u>\$ 2,558,977</u>	<u>\$ 373,944</u>	<u>\$ 7,064,133</u>	<u>\$ 4,151,244</u>	<u>\$ 2,524,522</u>	<u>\$ 365,669</u>	<u>\$ 7,041,435</u>

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

College Unbound
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating activities		
Changes in net assets	\$ 2,113,985	\$ 115,832
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	24,273	32,365
Provision for expected credit losses	175,337	339,853
Contribution with restriction for long-term purposes	(35,500)	(30,155)
Amortization of right-of-use assets - operating	91,469	91,477
Changes in operating assets and liabilities		
Accounts receivable	275,819	(391,717)
Unconditional promises, net	(85,523)	(203,854)
Employee retention credit receivable	(289,063)	-
Prepaid expenses and other assets	(41,945)	14,754
Accounts payable and accrued expenses	315,616	(111,154)
Lease liabilities - operating	(90,974)	(91,477)
Deferred revenue	(16,332)	78,638
Net cash provided by (used in) operating activities	<u>2,437,162</u>	<u>(155,438)</u>
Investing activity		
Purchase of computer and other equipment	<u>-</u>	<u>(8,915)</u>
Financing activity		
Contribution with restriction for long-term purposes	<u>35,500</u>	<u>30,155</u>
Net change in cash and assets whose use is limited	2,472,662	(134,198)
Cash and assets whose use is limited		
Beginning of year	<u>739,199</u>	<u>873,397</u>
End of year	<u>\$ 3,211,861</u>	<u>\$ 739,199</u>
Reconciliation of cash and restricted cash reported in the statements of financial position		
Cash	\$ 2,918,383	\$ 482,955
Assets whose use is limited	<u>293,478</u>	<u>256,244</u>
Total cash and assets whose use is limited	<u>\$ 3,211,861</u>	<u>\$ 739,199</u>
Supplemental non-cash flow information		
Right-of-use assets obtained for new operating lease liabilities	<u>\$ -</u>	<u>\$ 169,722</u>

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

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

1. ORGANIZATION

College Unbound ("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 ("GAAP"), 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.

Assets whose use is limited

Assets whose use is limited consist of funds held in escrow at the request of the Department of Education, totaling \$192,669 as of June 30, 2025 and 2024, and amounts designated for donor restrictions of \$100,809 and \$63,575 as of June 30, 2025 and 2024, respectively.

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

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 CU. 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, 2023 was \$614,506.

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, 2025 and 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, 2025 and 2024, totaled \$682,856 and \$890,124, respectively. 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 years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	\$ 890,124	231,957
Provision for expected credit losses	175,337	339,853
Bad debt recovery	-	318,314
Receivable written off	(382,605)	-
Balance at the end of the year	<u>\$ 682,856</u>	<u>\$ 890,124</u>

Unconditional Promises

Unconditional promises are reported at fair value on the date the promise is verifiably committed. Unconditional promises that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises 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 unconditional promises is received.

CU recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return or release – are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

Grants and contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Unconditional grants and other receivables are recognized as revenue when the related promise to give 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 CU'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.

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June 30, 2025 and 2024

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, 2025 and 2024, deferred revenue related to tuition and fees was \$119,799 and \$136,131, respectively. The opening balance of deferred revenue related to tuition and fees at July 1, 2023, was \$57,493.

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, 2025 and 2024, and therefore, there has been no impairment of long-lived assets.

Leases

CU categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow CU 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. CU had no finance leases during 2025 and 2024.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. The services are accounted for separately and CU 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.

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Notes to Financial Statements
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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 \$698 and \$13,223 for the years ended June 30, 2025 and 2024, 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.

CU's endowment funds are primarily for the awarding of scholarships. The goal of CU'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 has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2025, CU 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 statements 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.

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

Income Tax Status

GAAP requires 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 GAAP 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.

Reclassification

Certain prior period amounts have been reclassified to conform to the current year’s presentation. These reclassifications had no effect on prior reported changes in net assets.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Tuition and fees receivable	\$ 831,510	\$ 1,172,597
Federal grant receivable	<u>66,560</u>	<u>383,897</u>
	898,070	1,556,494
Less: Allowance for expected credit losses	<u>(682,856)</u>	<u>(890,124)</u>
	<u>\$ 215,214</u>	<u>\$ 666,370</u>

4. UNCONDITIONAL PROMISES

Unconditional promises discount was calculated using 1 year treasury rate of 3.96% and 5.09% at June 30, 2025 and 2024, respectively. Unconditional promises are summarized as follows as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Unconditional promises expected to be collected in		
Due in less than one year	\$ 831,240	\$ 628,018
Due in two to four years	<u>100,000</u>	<u>230,000</u>
	931,240	858,018
Less: Discounts to net present value	<u>(5,641)</u>	<u>(17,942)</u>
Unconditional promises, net	<u>\$ 925,599</u>	<u>\$ 840,076</u>

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

5. COMPUTER AND OTHER EQUIPMENT

Computer and other equipment are as follows at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Computer and other equipment	\$ 137,373	\$ 137,373
Less: Accumulated depreciation	<u>(124,887)</u>	<u>(100,614)</u>
Computer and other equipment, net	<u>\$ 12,486</u>	<u>\$ 36,759</u>

Depreciation expense for the years ended June 30, 2025 and 2024, was \$24,273 and \$32,365, respectively.

6. LINE OF CREDIT

CU entered into a revolving credit loan agreement ("Agreement") with a financial institution with a limit of \$350,000. The Agreement is secured by a substantially all property owned by CU and bears interest equal to the published Prime rate plus 1% (this resulted in an actual rate of 8.5% at June 30, 2025. There was no balance as of June 30, 2025.

7. LEASE OBLIGATIONS

CU 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, CU 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, 2025:

2026	\$ 99,365
2027	<u>2,000</u>
	101,365
Less: Imputed interest	<u>(2,183)</u>
Lease liabilities	<u>\$ 99,182</u>

Operating lease expenses and cash paid for operating leases for the years ended June 30, 2025 and 2024 were \$105,467 and \$95,428, respectively.

The weighted average discount rate associated with operating leases is 4.75% and 4.73% as of June 30, 2025 and 2024, respectively, while the weighted-average remaining lease term of operating leases is 1.02 years and 1.98 years as of June 30, 2025 and 2024.

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

8. HIGHER EDUCATION EMERGENCY RELIEF FUNDS

In response to the COVID-19 pandemic, the federal government provided to CU 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.

CU was awarded a total of \$213,680 in student aid awards and \$123,772 in institutional awards. CU recognized \$24,426 for emergency grants to students for the year ended June 30, 2024.

9. NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Partnership program support	\$ 2,831,572	\$ 1,171,642
Scholarships for students	71,219	350,920
Endowed for scholarships	<u>100,809</u>	<u>63,575</u>
	<u>\$ 3,003,600</u>	<u>\$ 1,586,137</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, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Partnership program support	\$ 1,258,295	\$ 1,257,018
Scholarships for students	<u>153,468</u>	<u>357,838</u>
	<u>\$ 1,411,763</u>	<u>\$ 1,614,856</u>

10. ENDOWMENT NET ASSETS

Changes in endowment net assets for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning balance	\$ 1,649	\$ 61,926	\$ 63,575
Contributions	-	35,500	35,500
Investment return	<u>1,734</u>	<u>-</u>	<u>1,734</u>
Ending balance in net assets	<u>\$ 3,383</u>	<u>\$ 97,426</u>	<u>\$ 100,809</u>

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

	2024		
	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ 556	\$ 31,771	\$ 32,327
Contributions	-	30,155	30,155
Investment return	1,093	-	1,093
Ending balance in net assets	<u>\$ 1,649</u>	<u>\$ 61,926</u>	<u>\$ 63,575</u>

11. CONCENTRATIONS, RISKS, AND UNCERTAINTIES

Cash

Cash and cash equivalents are a financial instrument which potentially subjects CU to concentrations of credit risk. CU maintains its cash at financial institutions. At times, such deposits may exceed 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 \$2,974,256 and \$535,928 as of June 30, 2025 and 2024, respectively.

Concentration of Revenue Sources

CU's support comes primarily from individuals and foundations. CU had two donors that represented 60% of the total contributions and six donors that represented 54% of the total contributions for the years ended June 30, 2025 and 2024, 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, 2025 and 2024:

	2025	2024
Financial assets at year-end		
Cash	\$ 2,918,383	\$ 482,955
Accounts receivable	215,214	666,370
Unconditional promises (due in less than one year)	831,240	628,018
Unconditional promises with donor restrictions	<u>(722,000)</u>	<u>(386,321)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,242,837</u>	<u>\$ 1,391,022</u>

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, 2025 and 2024, management believes CU does not have any liquidation issues.

College Unbound
Notes to Financial Statements
June 30, 2025 and 2024

13. EMPLOYEE RETENTION CREDIT

CU qualified for the Employee Retention Credit ("ERC") under the CARES Act for eligible wages for the fiscal years ended June 30, 2020 and 2021. The ERC is a refundable tax credit that functions similarly to a government grant for qualifying entities. Accordingly, CU recognized ERC income of \$475,132 in the accompanying statement of activities and changes in net assets for the year ended June 30, 2025. As of June 30, 2025, CU has not received payment for a portion of the ERC; therefore, a receivable of \$289,063 has been recorded in the accompanying statements of financial position.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2025, 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, 2025

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 1,022,711
2	SFP	Net assets with donor restrictions	3,003,600
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	12,486
6	SD Line 3d	Property, plant and equipment pre-implementation	12,486
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	-
9	SD Line 5	Construction in progress	-
10	SFP	Lease right-of-use asset, net - Total	98,687
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	98,687
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	99,182
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	99,182
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	7,064,133
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	1,022,711
32	SFP	Net assets with donor restrictions	3,003,600
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	4,806,855
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:			
43	SOA	Change in Net Assets Without Donor Restrictions: Change in net assets without donor restrictions	696,522
44	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total Revenue without Donor Restrictions and Gains without Donor Restrictions Total Revenues and Gains	7,261,600
45	SOA: Investment Return	Investments, net (operating and non-operating)	23,923

See Independent Auditor's Report.

College Unbound

Financial Responsibility Supplemental Disclosures

Year Ended June 30, 2025

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, 2024 financial statement)	\$ 36,759
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	24,273
d. Balance Pre-implementation property, plant and equipment, net	<u>12,486</u>
4 Debt Financed Post-Implementation property, plant and equipment, net	
Long-lived assets acquired with debt subsequent to June 30, 2024:	
a. Equipment	-
b. Land Improvements	-
c. Building	-
d. Total Property, plant and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5 Construction in progress- acquired subsequent to June 30, 2024	-
6 Post-implementation property, plant and equipment, net, acquired without debt:	
a. Long-lived assets acquired without use of debt subsequent to June 30, 2024	-
7 Total Property, Plant and Equipment, net- June 30, 2025	<u>\$ 12,486</u>

Lease right-of-use assets and liabilities

13 Lease right-of-use assets	
Right of use assets as of balance sheet date June 30, 2025	\$ 98,687
14 Lease right-of-use assets- Pre-implementation	
Right of use assets as of balance sheet date June 30, 2025 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, 2025 excluding leases entered into on or after Dec 15, 2018	\$ 98,687
16 Lease right-of-use liability	
Lease liabilities as of balance sheet dated June 30, 2025	\$ 99,182
17 Lease right-of-use liability- Pre-implementation	
Lease liabilities as of balance sheet dated June 30, 2025 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, 2025 excluding leases entered into on or after Dec 15, 2018	\$ 99,182

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) ("CU"), which comprise the statement of financial position as of June 30, 2025, 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 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CU'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 CU's internal control. Accordingly, we do not express an opinion on the effectiveness of CU'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 2025-001 that we consider to be a material weakness.

CU's response to the finding identified in our audit is described below. CU'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 2025-001

Criteria

Effective internal controls should be established to ensure that the trial balance provided to the auditors by CU 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 the accuracy of the trial balance provided to the auditors. This may be due to CU being understaffed in the finance department for several years and lacking personnel dedicated to grant accounting.

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 CU enhance its year-end procedures to ensure an accurate trial balance is provided to the auditors. In addition, CU should consider increasing staffing within the accounting department to maintain accurate recordkeeping and provide comprehensive training to enhance the team's understanding of proper contributions and grant revenue recognition.

Management Response

CU does implement 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, in addition to the prior fiscal year, CU experienced turnover that led to changes and continued improvements to CU's fiscal policies, procedures and practices. CU continues to professionalize its fiscal and operations team which currently includes a Chief Financial Officer, Director of Finance, Financial Aid Director, Student Accounts Specialist, and an outsourced Human Resources professional. CU also created a new Senior Accountant role that will focus on contributions and grants revenue as well as receivables to specifically address the concerns of this finding. It is our expectation that this will not be an issue in the future.

Prior Year Finding

Finding 2024-001

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 CU'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 CU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads 'Withum Smith & Brown, PC'.

December 15, 2025