

InnovateEDU Inc and Subsidiary

Consolidated Financial Statements

June 30, 2025 and 2024



Independent Auditors' Report

**Board of Directors
InnovateEDU Inc and Subsidiary**

Opinion

We have audited the accompanying consolidated financial statements of InnovateEDU Inc and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of InnovateEDU Inc and Subsidiary as of June 30, 2025 and 2024, and the consolidated changes in their net assets and their 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of InnovateEDU Inc and Subsidiary 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of InnovateEDU Inc and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about InnovateEDU Inc and Subsidiary'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.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of activities and functional expenses for the year ended June 30, 2025 on pages 18 through 20 are presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

Harrison, New York
January 15, 2026

InnovateEDU Inc and Subsidiary

Consolidated Statements of Financial Position

| | June 30, | |
|---|--------------|--------------|
| | 2025 | 2024 |
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 4,064,787 | \$ 4,261,610 |
| Grants and contracts receivable | 182,921 | 314,105 |
| Grants and contracts receivable - discontinued operations | - | 12,680 |
| Program service fee and other receivables | 1,412 | 16,659 |
| Prepaid expenses | 6,917 | 1,116 |
| Total Current Assets | 4,256,037 | 4,606,170 |
| Property and equipment, net | 12,358 | 22,576 |
| | \$ 4,268,395 | \$ 4,628,746 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 335,946 | \$ 72,908 |
| Accrued payroll and payroll taxes | 130,729 | 178,868 |
| Refundable advances | - | 31,452 |
| Total Current Liabilities | 466,675 | 283,228 |
| Net Assets | | |
| Without donor restrictions | 3,142,577 | 2,630,933 |
| With donor restrictions | 659,143 | 1,714,585 |
| Total Net Assets | 3,801,720 | 4,345,518 |
| | \$ 4,268,395 | \$ 4,628,746 |

See notes to consolidated financial statements

InnovateEDU Inc and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2025

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 970,897 | \$ 1,157,643 | \$ 2,128,540 |
| State grant | 31,452 | - | 31,452 |
| City grant | 378,342 | - | 378,342 |
| Donated goods, services, and use of facilities | 2,922,047 | - | 2,922,047 |
| Other income | 5,090 | - | 5,090 |
| Net assets released from restrictions | <u>2,213,085</u> | <u>(2,213,085)</u> | <u>-</u> |
| Total Revenue and Support | <u>6,520,913</u> | <u>(1,055,442)</u> | <u>5,465,471</u> |
| EXPENSES | | | |
| Program services | 5,153,807 | - | 5,153,807 |
| Management and general | 763,997 | - | 763,997 |
| Fundraising | <u>70,876</u> | <u>-</u> | <u>70,876</u> |
| Total Expenses | <u>5,988,680</u> | <u>-</u> | <u>5,988,680</u> |
| Change in Net Assets From Continuing Operations | 532,233 | (1,055,442) | (523,209) |
| DISCONTINUED OPERATIONS | | | |
| Expenses from discontinued operations | <u>(20,589)</u> | <u>-</u> | <u>(20,589)</u> |
| Change in Net Assets | 511,644 | (1,055,442) | (543,798) |
| NET ASSETS | | | |
| Beginning of year | <u>2,630,933</u> | <u>1,714,585</u> | <u>4,345,518</u> |
| End of year | <u>\$ 3,142,577</u> | <u>\$ 659,143</u> | <u>\$ 3,801,720</u> |

InnovateEDU Inc and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 364,435 | \$ 1,575,991 | \$ 1,940,426 |
| State grant | 120,001 | - | 120,001 |
| City grant | 491,561 | - | 491,561 |
| Donated goods, services, and use of facilities | 3,026,922 | - | 3,026,922 |
| Other income | 30,542 | - | 30,542 |
| Net assets released from restrictions | <u>2,622,746</u> | <u>(2,622,746)</u> | <u>-</u> |
| Total Revenue and Support | <u>6,656,207</u> | <u>(1,046,755)</u> | <u>5,609,452</u> |
| EXPENSES | | | |
| Program services | 5,529,022 | - | 5,529,022 |
| Management and general | 818,894 | - | 818,894 |
| Fundraising | <u>72,210</u> | <u>-</u> | <u>72,210</u> |
| Total Expenses | <u>6,420,126</u> | <u>-</u> | <u>6,420,126</u> |
| Change in Net Assets From Continuing Operations | <u>236,081</u> | <u>(1,046,755)</u> | <u>(810,674)</u> |
| DISCONTINUED OPERATIONS | | | |
| Revenue from discontinued operations | 505,570 | - | 505,570 |
| Expenses from discontinued operations | (826,574) | - | (826,574) |
| Net assets released from restrictions | <u>231,106</u> | <u>(231,106)</u> | <u>-</u> |
| Change in Net Assets From Discontinued Operations | <u>(89,898)</u> | <u>(231,106)</u> | <u>(321,004)</u> |
| Change in Net Assets | 146,183 | (1,277,861) | (1,131,678) |
| NET ASSETS | | | |
| Beginning of year | <u>2,484,750</u> | <u>2,992,446</u> | <u>5,477,196</u> |
| End of year | <u>\$ 2,630,933</u> | <u>\$ 1,714,585</u> | <u>\$ 4,345,518</u> |

InnovateEDU Inc and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

| | Program Services | Management and General | Fundraising | Total |
|---|-------------------------|---------------------------|----------------------|-------------------------|
| Salaries | \$ 1,158,898 | \$ 185,889 | \$ 25,990 | \$ 1,370,777 |
| Payroll taxes and benefits | 288,249 | 32,388 | 3,238 | 323,875 |
| Consultants | 704,209 | 79,125 | 7,912 | 791,246 |
| Dues and subscriptions | - | 66,716 | - | 66,716 |
| Accounting/audit services | - | 62,415 | - | 62,415 |
| Legal services | - | 110 | - | 110 |
| Other professional fees | 40,655 | 4,568 | 457 | 45,680 |
| Advertising and promotion | 14,580 | 1,638 | 164 | 16,382 |
| Office expense | 27,058 | 3,040 | 304 | 30,402 |
| Postage, printing and copying | 3,773 | 424 | 42 | 4,239 |
| Insurance | 11,474 | 1,289 | 129 | 12,892 |
| Travel and transportation | 239,930 | 26,958 | 2,696 | 269,584 |
| In-kind | 2,600,622 | 292,205 | 29,220 | 2,922,047 |
| Depreciation | 11,452 | 1,286 | 129 | 12,867 |
| Non-capitalized equipment/website hosting | <u>52,907</u> | <u>5,946</u> | <u>595</u> | <u>59,448</u> |
| Total Expenses | <u>\$ 5,153,807</u> | <u>\$ 763,997</u> | <u>\$ 70,876</u> | <u>\$ 5,988,680</u> |

See notes to consolidated financial statements

InnovateEDU Inc and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|----------------------|-------------------------|
| Salaries | \$ 1,444,438 | \$ 228,359 | \$ 26,317 | \$ 1,699,114 |
| Payroll taxes and benefits | 291,339 | 32,735 | 3,273 | 327,347 |
| Consultants | 576,320 | 64,755 | 6,476 | 647,551 |
| Dues and subscriptions | - | 50,219 | - | 50,219 |
| Accounting/audit services | - | 79,706 | - | 79,706 |
| Legal services | - | 1,668 | - | 1,668 |
| Other professional fees | 43,463 | 4,883 | 488 | 48,834 |
| Advertising and promotion | 34,560 | 3,883 | 388 | 38,831 |
| Office expense | 19,283 | 2,167 | 216 | 21,666 |
| Postage, printing and copying | 3,596 | 404 | 40 | 4,040 |
| Insurance | 34,279 | 3,852 | 385 | 38,516 |
| Travel and transportation | 343,032 | 38,543 | 3,854 | 385,429 |
| In-kind | 2,693,961 | 302,692 | 30,269 | 3,026,922 |
| Depreciation | 14,846 | 1,668 | 166 | 16,680 |
| Non-capitalized equipment/website hosting | <u>29,905</u> | <u>3,360</u> | <u>338</u> | <u>33,603</u> |
| Total Expenses | <u>\$ 5,529,022</u> | <u>\$ 818,894</u> | <u>\$ 72,210</u> | <u>\$ 6,420,126</u> |

See notes to consolidated financial statements

InnovateEDU Inc and Subsidiary

Consolidated Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|----------------|
| | 2025 | 2024 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (543,798) | \$ (1,131,678) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 12,867 | 16,680 |
| Changes in operating assets and liabilities | | |
| Grants and contracts receivable | 131,184 | 71,729 |
| Grants and contracts receivable - discontinued operations | 12,680 | (12,680) |
| Program service fee and other receivables | 15,247 | 226,359 |
| Prepaid expenses | (5,801) | 598 |
| Accounts payable and accrued expenses | 263,038 | (55,836) |
| Accrued payroll and payroll taxes | (48,139) | (36,528) |
| Refundable advances | (31,452) | (74,336) |
| Net Cash from Operating Activities | (194,174) | (995,692) |
| CASH FLOWS FROM INVESTING ACTIVITY | | |
| Purchase of property and equipment | (2,649) | (3,893) |
| Net Change in Cash | (196,823) | (999,585) |
| CASH | | |
| Beginning of year | 4,261,610 | 5,261,195 |
| End of year | \$ 4,064,787 | \$ 4,261,610 |

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

InnovateEDU Inc (“Innovate”) was incorporated under the laws of the State of New York on September 12, 2013. Innovate’s mission is to eliminate the achievement gap by accelerating innovation in common core-aligned, next generation learning models and tools that serve, inform, and enhance teaching and learning.

ConvergeEDU PBLLC (“Converge”) was incorporated as a wholly-owned subsidiary of Innovate under the laws of the State of Delaware on May 24, 2023. Converge is a public benefit limited liability company whose public benefit purpose is to close the opportunity gap by advancing innovation in education technology and providing products and services that enhance the educational experiences and outcome for all students. Converge was dissolved and discontinued operations effective July 31, 2024.

Effective July 31, 2024, the Organization dissolved ConvergeEDU PBLLC and ceased all related operations and all net assets were transferred to InnovateEDU. Accordingly, the results of Converge’s operations have been presented as discontinued operations in the accompanying consolidated statements of activities and financial position as of and for the years ended June 30, 2025 and 2024, in accordance with ASC 205-20, Presentation of Financial Statements — Discontinued Operations.

On October 17, 2022, Innovate signed an Agreement and Plan of Merger (the “Agreement”) with EdTech Evidence Exchange, Inc. (“EdTech”) to merge into a single not-for-profit legal entity under Innovate, which serves as the sole surviving corporation. The merger became effective for financial reporting purposes on January 1, 2024. Innovate is in the process of obtaining approval by the New York State Office of the Attorney General and filing the Certificates of Merger with the respective states. Under the terms of the Agreement, Innovate acted as fiscal sponsor on behalf of EdTech starting October 17, 2022 through the date of the merger, which was January 1, 2024. The merger had no material effect on the consolidated financial statements.

Innovate and Converge are collectively referred to as the “Organization”.

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of Innovate and Converge (through July 31, 2024). All significant intercompany balances and transactions have been eliminated in consolidation.

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions – consist of resources available for the general support of the Organization’s operations. Net assets without donor restrictions may be used at the discretion of the Organization’s management and/or the Board of Directors.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the Organization or to be used at a future date. The Organization records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Grants, Contracts, Program Service Fee and Other Receivable

Grants and contributions to the Organization are recorded as revenue upon the receipt of a pledge as without donor restrictions unless the donors restrict their use. Program service fee and other revenues to be received in one year or less are reported at net realizable value. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible promises to give is provided, using management’s judgment of potential defaults, which considers factors such as prior collection history, type of contribution, and the nature of fundraising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000. Property and equipment is recorded at cost at the date of acquisition or at their fair values at the date of donation. Costs of repairs and maintenance are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to the long lived asset, in which case it is expensed as incurred.

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment (continued)

Depreciation is provided using the straight-line method over the estimated useful lives as follows:

| | |
|------------------------|---------|
| Computer equipment | 3 years |
| Furniture and fixtures | 7 years |

Property and equipment is reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to the fair value less costs to sell. There were no asset impairments for the years ended June 30, 2025 and 2024.

Refundable Advances

The Organization records certain grants and contracts as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Grants and other contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and other contributions of cash are reported as support with donor restrictions if they are received with donor stipulations. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met. Program service revenue is recognized at established rates when services are performed in accordance to the agreements. The Organization also provides discounts to eligible customers based on set criteria. State and city grants are recorded when expenditures are incurred and billable to the government agency.

Donated Goods, Services, and Use of Facilities

Donated goods and use of facilities are recorded at their fair value when received. The Organization recognizes contributions of services if they create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, would typically need to be purchased if not provided by the Organization, and are measurable.

For the years ended June 30, 2025 and 2024, facilities, food, and other services each totaling \$2,922,047 were provided to the Organization at no charge by a non-profit organization. Other donated services pertain to personnel, janitorial, telephone, internet, and digital resource services provided to the Organization at no charge. Fair value of donated use of facilities is estimated using the market value of similar facilities available for rent by the Organization, and fair value of donated goods and services is estimated using the market value of similar goods and services available for purchase by the Organization. These donated goods, services, and use of facilities were used for program services, management and general, and fundraising and were recorded under in-kind in the accompanying consolidated statements of functional expenses. There were no donor-imposed restrictions associated with the donated use of facilities and services.

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Donated Goods, Services, and Use of Facilities (continued)

Two entities have provided legal services to the Organization at no charge. The value of these services met the criteria for recognition in the consolidated financial statements and was recorded at fair value. For the years ended June 30, 2025 and 2024, the value of such donated services amounted to \$0 and \$104,875. Fair value of donated services is estimated using the market value of similar services available for purchase by the Organization. These donated services were used for management and general and were recorded under in-kind in the accompanying consolidated statements of functional expenses. There were no donor-imposed restrictions associated with the donated services.

The Organization received the following donated goods, services, and use of facilities for the years ended June 30:

| | <u>2025</u> | <u>2024</u> |
|-------------------------|---------------------|---------------------|
| Facilities | \$ 2,577,075 | \$ 2,476,511 |
| Other services | 319,972 | 420,536 |
| Food | <u>25,000</u> | <u>25,000</u> |
| | 2,922,047 | 2,922,047 |
| Pro-bono legal services | <u>-</u> | <u>104,875</u> |
| | <u>\$ 2,922,047</u> | <u>\$ 3,026,922</u> |

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses, such as salaries, payroll taxes and benefits, consultants, and in-kind, have been allocated among program and supporting services classifications on the basis of periodic time and expense studies as determined by management of the Organization to be appropriate.

Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs totaled \$16,382 and \$38,831 for the years ended June 30, 2025 and 2024.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for the years prior to June 30, 2022.

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Reclassification

Certain 2024 accounts have been reclassified to conform to the 2025 consolidated financial statement presentation. The reclassifications had no effect on previously reported change in net assets or net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is January 15, 2026.

3. Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2025 and 2024 are due within one year and consist of the following:

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| New York City Department of Youth and Community Development | \$ 70,613 | \$ 135,915 |
| Private grants | <u>112,308</u> | <u>178,190</u> |
| | <u>\$ 182,921</u> | <u>\$ 314,105</u> |

Grants and contracts receivable – discontinued operations consists of \$12,680 due from a private grantor at June 30, 2024, which was collected during fiscal 2025. At June 30, 2025 and 2024 no allowance for doubtful accounts has been deemed necessary.

4. Conditional Promises to Give

The Organization received conditional grants totaling \$1,925,000, which contained donor conditions regarding future milestones. Since these grants represent conditional promises to give, they are not recognized as grant revenue until donor conditions are met. As of June 30, 2025, \$725,992 of these conditions have been met, and the remaining balance of the conditional grants was \$1,199,008.

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

5. Property and Equipment

Property and equipment consists of the following at June 30:

| | <u>2025</u> | <u>2024</u> |
|--------------------------|------------------|------------------|
| Computer equipment | \$ 82,641 | \$ 79,992 |
| Furniture and fixtures | <u>33,627</u> | <u>33,627</u> |
| | 116,268 | 113,619 |
| Accumulated depreciation | <u>(103,910)</u> | <u>(91,043)</u> |
| | <u>\$ 12,358</u> | <u>\$ 22,576</u> |

6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statements of financial position date, are comprised of the following at June 30:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Financial Assets at Year End: | | |
| Cash | \$ 4,064,787 | \$ 4,261,610 |
| Grants and contracts receivable | 182,921 | 314,105 |
| Grants and contracts receivable - discontinued operations | - | 12,680 |
| Program service fee and other receivables | <u>1,412</u> | <u>16,659</u> |
| | 4,249,120 | 4,605,054 |
| Less Amounts Unavailable for General Expenditure: | | |
| Net assets with donor restrictions | <u>659,143</u> | <u>1,714,585</u> |
| Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year: | <u>\$ 3,589,977</u> | <u>\$ 2,890,469</u> |

As part of the Organization's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments.

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

7. Net Assets

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

| | 2025 | 2024 |
|--|------------|--------------|
| Project Unicorn | \$ 48,282 | \$ 114,011 |
| Ed-Fi Rhode Island Technical Assistance | 37,808 | 37,808 |
| Landing Zone Project | 4,717 | 4,717 |
| Development and support of new secondary schools under the Opportunity by Design initiative | 70,227 | 24,495 |
| Strategic planning | 1,545 | 5,107 |
| Edtech Evidence Exchange | 3,863 | 39,879 |
| National Partnership for Student Success | 3,063 | 3,063 |
| Research and Development Growth in Education | 44,643 | 180,254 |
| Edtech Ecosystem | - | 91,863 |
| EALA Phase 3 | 344,824 | - |
| Support students with disabilities during distance learning due to COVID-19 | 100,171 | 1,213,388 |
| | \$ 659,143 | \$ 1,714,585 |

Net assets with donor restrictions were released as follows for the years ended June 30:

| | 2025 | 2024 |
|--|--------------|--------------|
| Project Unicorn | \$ 178,228 | \$ 473,306 |
| ED SAFE AI | - | 75,000 |
| Development and support of new secondary schools under the Opportunity by Design initiative | 134,522 | 3,076 |
| Strategic Planning | 3,562 | - |
| Research and Development Growth in Education | 30,357 | 144,746 |
| Edtech Evidence Exchange | 36,016 | 311,930 |
| Edtech Evidence Exchange - discontinued operations | - | 231,106 |
| National Partnership for Student Success | - | 19,891 |
| Converge | - | 125,000 |
| Alliance Building | - | 100,000 |
| Edtech Ecosystem | 91,864 | 58,136 |
| EALA Phase 3 | 18,667 | - |
| Support students with disabilities during distance learning due to COVID-19 | 1,719,869 | 1,311,661 |
| | \$ 2,213,085 | \$ 2,853,852 |

InnovateEDU Inc and Subsidiary

Notes to Consolidated Financial Statements June 30, 2025 and 2024

8. Retirement Plan

The Organization has a SEP-IRA retirement plan that covers all eligible employees. Under the plan, the Organization provides vesting contributions of 1% to 5% of the employees' base salary based on years of service. Total employer contribution for the years ended June 30, 2025 and 2024 amounted to \$38,400 and \$41,051.

9. Contingencies

Certain grants and contracts may be subject to audits by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

10. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2025 and 2024, approximately \$3,815,000 and \$4,012,000 of cash was maintained with an institution in excess of FDIC limits.

11. Concentration of Revenue and Support

For the years ended June 30, 2025 and 2024, the Organization received approximately 53% and 49% of total revenue and support from one organization. At June 30, 2025 and 2024, the Organization derived 38% and 42% of total grants and contracts receivable from the New York City Department of Youth and Community Development.

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InnovateEDU Inc and Subsidiary

Supplementary Information

June 30, 2025

InnovateEDU Inc and Subsidiary

Consolidating Schedule of Activities
Year Ended June 30, 2025

| | Consolidated | Eliminations | Innovate | | | Converge - Discontinued Operations (Dissolved 7/31/2024) |
|--|---------------------|--------------|---------------------|-------------------------------|----------------------------|--|
| | | | Total | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions |
| REVENUE AND SUPPORT | | | | | | |
| Grants and contributions | \$ 2,128,540 | \$ - | \$ 2,128,540 | \$ 970,897 | \$ 1,157,643 | \$ - |
| State grant | 31,452 | - | 31,452 | 31,452 | - | - |
| City grant | 378,342 | - | 378,342 | 378,342 | - | - |
| Donated goods, services, and use of facilities | 2,922,047 | - | 2,922,047 | 2,922,047 | - | - |
| Other income | 5,090 | - | 5,090 | 5,090 | - | - |
| Net assets released from restrictions | - | - | - | 2,213,085 | (2,213,085) | - |
| Total Revenue and Support | <u>5,465,471</u> | <u>-</u> | <u>5,465,471</u> | <u>6,520,913</u> | <u>(1,055,442)</u> | <u>-</u> |
| EXPENSES | | | | | | |
| Program services | 5,153,807 | - | 5,153,807 | 5,153,807 | - | - |
| Management and general | 763,997 | - | 763,997 | 763,997 | - | - |
| Fundraising | 70,876 | - | 70,876 | 70,876 | - | - |
| Total Expenses | <u>5,988,680</u> | <u>-</u> | <u>5,988,680</u> | <u>5,988,680</u> | <u>-</u> | <u>-</u> |
| Change in Net Assets From Continuing Operations | <u>(523,209)</u> | <u>-</u> | <u>(523,209)</u> | <u>532,233</u> | <u>(1,055,442)</u> | <u>-</u> |
| DISCONTINUED OPERATIONS | | | | | | |
| Expenses from discontinued operations | <u>(20,589)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(20,589)</u> |
| Change in Net Assets | <u>(543,798)</u> | <u>-</u> | <u>(523,209)</u> | <u>532,233</u> | <u>(1,055,442)</u> | <u>(20,589)</u> |
| NET ASSETS (DEFICIT) | | | | | | |
| Beginning of year | 4,345,518 | - | 4,623,710 | 2,909,125 | 1,714,585 | (278,192) |
| Net liabilities transferred from Converge | <u>-</u> | <u>-</u> | <u>(298,781)</u> | <u>(298,781)</u> | <u>-</u> | <u>298,781</u> |
| End of year | <u>\$ 3,801,720</u> | <u>\$ -</u> | <u>\$ 3,801,720</u> | <u>\$ 3,142,577</u> | <u>\$ 659,143</u> | <u>\$ -</u> |

See independent auditors' report

InnovateEDU Inc and Subsidiary

Schedule of Functional Expenses - Innovate
Year Ended June 30, 2025

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|----------------------|-------------------------|
| Salaries | \$ 1,158,898 | \$ 185,889 | \$ 25,990 | \$ 1,370,777 |
| Payroll taxes and benefits | 288,249 | 32,388 | 3,238 | 323,875 |
| Consultants | 704,209 | 79,125 | 7,912 | 791,246 |
| Dues and subscriptions | - | 66,716 | - | 66,716 |
| Accounting/audit services | - | 62,415 | - | 62,415 |
| Legal services | - | 110 | - | 110 |
| Other professional fees | 40,655 | 4,568 | 457 | 45,680 |
| Advertising and promotion | 14,580 | 1,638 | 164 | 16,382 |
| Office expense | 27,058 | 3,040 | 304 | 30,402 |
| Postage, printing and copying | 3,773 | 424 | 42 | 4,239 |
| Insurance | 11,474 | 1,289 | 129 | 12,892 |
| Travel and transportation | 239,930 | 26,958 | 2,696 | 269,584 |
| In-kind | 2,600,622 | 292,205 | 29,220 | 2,922,047 |
| Depreciation | 11,452 | 1,286 | 129 | 12,867 |
| Non-capitalized equipment/website hosting | <u>52,907</u> | <u>5,946</u> | <u>595</u> | <u>59,448</u> |
| Total Expenses | <u>\$ 5,153,807</u> | <u>\$ 763,997</u> | <u>\$ 70,876</u> | <u>\$ 5,988,680</u> |

See independent auditors' report

InnovateEDU Inc and Subsidiary

Schedule of Functional Expenses - Converge - Discontinued Operations (Dissolved July 31, 2024)
Year Ended June 30, 2025

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|--------------------|----------------------|
| Salaries | \$ 13,877 | \$ 2,122 | \$ 327 | \$ 16,326 |
| Payroll taxes and benefits | 484 | 54 | 6 | 544 |
| Non-capitalized equipment/website hosting | <u>3,310</u> | <u>372</u> | <u>37</u> | <u>3,719</u> |
| Total Expenses | <u>\$ 17,671</u> | <u>\$ 2,548</u> | <u>\$ 370</u> | <u>\$ 20,589</u> |