# CODEPATH.ORG

## FINANCIAL STATEMENTS WITH
## INDEPENDENT AUDITOR'S REPORT

## YEAR ENDED
## DECEMBER 31, 2023

# CODEPATH.ORG

## TABLE OF CONTENTS
## DECEMBER 31, 2023

Relax. We got this.℠

# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors**
**CodePath.org**
**San Francisco, California**

**Opinion**

We have audited the accompanying financial statements of CodePath.org (the Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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



2880 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833
Phone 916.646.6464 • Fax 916.929.6836 • GilbertCPA.com

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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Gilbert CPAs

**GILBERT CPAs**
**Sacramento, California**

**November 7, 2024**

# CODEPATH.ORG

## STATEMENT OF FINANCIAL POSITION
## DECEMBER 31, 2023

| | |
|---|---|
| **ASSETS** | |
| **CURRENT ASSETS:** | |
| Cash and cash equivalents | $ 33,031,737 |
| Accounts receivable | 42,763 |
| Contributions receivable, current portion | 3,326,988 |
| Prepaid expenses | 296,773 |
| Total current assets | 36,698,261 |
| **CONTRIBUTIONS RECEIVABLE, NET** | 133,615 |
| **PROPERTY AND EQUIPMENT, NET** | 183,835 |
| **TOTAL ASSETS** | $ 37,015,711 |
| **LIABILITIES AND NET ASSETS** | |
| **CURRENT LIABILITIES:** | |
| Accounts payable | $ 244,498 |
| Accrued expenses | 207,279 |
| Deferred revenue | 184,000 |
| Refundable advances | 5,000,000 |
| Total current liabilities | 5,635,777 |
| **NET ASSETS:** | |
| Without donor restrictions | 22,938,802 |
| With donor restrictions | 8,441,132 |
| Total net assets | 31,379,934 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 37,015,711 |

# CODEPATH.ORG

## STATEMENT OF ACTIVITIES
## YEAR ENDED DECEMBER 31, 2023

| | |
|---|---|
| **NET ASSETS WITHOUT DONOR RESTRICTIONS** | |
| **REVENUES, SUPPORT, AND GAINS:** | |
| Contributions | $ 21,589,320 |
| Custom training development | 2,645,212 |
| In-kind contributions | 1,743,867 |
| Investment and other income | 446,278 |
| Net assets released from restrictions | 3,156,988 |
| Total revenues, support, and gains | 29,581,665 |
| **EXPENSES:** | |
| Program services | 13,538,645 |
| Management and general | 2,778,150 |
| Fundraising | 1,764,291 |
| Total expenses | 18,081,086 |
| **INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | 11,500,579 |
| **NET ASSETS WITH DONOR RESTRICTIONS** | |
| Contributions | 6,415,305 |
| Net assets released from restrictions | (3,156,988) |
| **INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS** | 3,258,317 |
| **INCREASE IN NET ASSETS** | 14,758,896 |
| **NET ASSETS, Beginning of Year, as restated (Note 3)** | 16,621,038 |
| **NET ASSETS, End of Year** | $ 31,379,934 |

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

# CODEPATH.ORG

## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED DECEMBER 31, 2023

| | Program services | Management and general | Fundraising | Total |
|---|---|---|---|---|
| Expenses: | | | | |
| Salaries and related benefits | $ 5,201,965 | $ 2,000,071 | $ 906,244 | $ 8,108,280 |
| Platform services | 2,498,872 | | | 2,498,872 |
| Program contractors | 1,861,502 | | | 1,861,502 |
| Professional fees | 1,146,432 | 249,012 | 504,978 | 1,900,422 |
| Marketing and education | 779,665 | 202,231 | 150,708 | 1,132,604 |
| Dues and subscriptions | 890,747 | 76,032 | 45,830 | 1,012,609 |
| Contributions | 578,529 | | | 578,529 |
| Travel and entertainment | 263,146 | 29,169 | 113,285 | 405,600 |
| Recruiting fees | 50,081 | 132,532 | | 182,613 |
| Supplies and materials | 95,266 | 22,431 | 11,462 | 129,159 |
| Training and seminars | 69,868 | 27,014 | 12,878 | 109,760 |
| Amortization | 40,164 | 15,529 | 7,403 | 63,096 |
| Other expenses | 62,408 | 24,129 | 11,503 | 98,040 |
| Total expenses | $ 13,538,645 | $ 2,778,150 | $ 1,764,291 | $ 18,081,086 |

# CODEPATH.ORG

## STATEMENT OF CASH FLOWS
## YEAR ENDED DECEMBER 31, 2023

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Increase in net assets | $ 14,758,896 |
| Adjustments to reconcile net cash provided by operating activities: | |
| Net realized/unrealized gain on investments | (1,721) |
| Amortization | 63,096 |
| Receipt of donated investments | (1,019,637) |
| Changes in: | |
| Accounts receivable | 234,013 |
| Contributions receivable | 1,004,374 |
| Prepaid expenses | (191,034) |
| Accounts payable | 50,037 |
| Accrued expenses | 100,879 |
| Deferred revenue | (4,375) |
| Refundable advances | 4,425,263 |
| Net cash provided by operating activities | 19,419,791 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | |
| Purchase of property and equipment | (129,973) |
| Purchase of investments | (4,509,372) |
| Proceeds from sale of investments | 7,530,003 |
| Net cash provided by investing activities | 2,890,658 |
| **INCREASE IN CASH AND CASH AND EQUIVALENTS** | 22,310,449 |
| **CASH AND CASH EQUIVALENTS, Beginning of Year** | 10,721,288 |
| **CASH AND CASH EQUIVALENTS, End of Year** | $ 33,031,737 |

## 1. ORGANIZATION

CodePath.org (the Organization), a nonprofit public benefit corporation, was formed in 2017 for the purpose of eliminating educational inequity in technical careers, and to provide the tools and connections that software engineers need to unlock their greatest career potential. Through college training programs, the Organization helps underrepresented minorities in technology. Located in San Francisco, California, the Organization is supported primarily through donors, grantors, and customers.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting and financial statement presentation –** The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as well as professional standards applicable to not-for-profit entities on an accrual accounting basis; revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Cash and cash equivalents** – The Organization considers all highly liquid investments with original maturities of three months or less, other than those held for sale in the ordinary course of business, to be cash equivalents.

The Organization maintains cash in bank deposit accounts that, at times, may exceed Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization also maintains cash in money market accounts that, at times, may exceed Securities Investor Protection Corporation (SIPC) insured limits. As of December 31, 2023, the Organization's cash deposits held in excess of FDIC and SIPC insured limits was $32,051,200. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

**Accounts receivable** consist of balances due from customers. Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to allowance for credit losses based on its assessment of individual accounts, past history, and future expectations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses and a credit to accounts receivable. No allowance for credit losses was deemed necessary as of December 31, 2023.

**Contributions receivable** – Unconditional promises to give that are expected to be collected in one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which are measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. In subsequent years, amortization of the discounts is included in contribution revenue. The discount rates used in determining the net present value of contributions receivable ranged from 4.73% to 4.78% as of December 31, 2023.

An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity. Balances that are still outstanding after management has used reasonable collection efforts are written off. There was no allowance for uncollectible contributions receivable at December 31, 2023.

**Property and equipment** – The Organization follows the practice of capitalizing all expenditures in excess of $2,500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation or amortization is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred. Property and equipment consist of website and software with a cost basis of $280,291, and accumulated amortization of $96,456 as of December 31, 2023.

**Revenue recognition** – Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions that are purpose or time restricted become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as income within net assets without donor restrictions.

Conditional contributions, that is, those with measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met or the donor had explicitly released the condition. Any amounts received before conditions have been met are included in refundable advances in the accompanying statement of financial position. As of December 31, 2023, the Organization received refundable advances of $5,000,000, which will be recognized as revenue as the conditions are met.

Contributed specialized goods or services are recorded as in-kind contributions at their estimated values at the date of receipt. Such donations are reported as without restriction unless the donor has designated the donation for a specific purpose. Refer to Note 7 for additional disclosures for in-kind contributions.

Contributed services that do not meet the criteria for recognition under professional standards are not reflected in the financial statements; however, many individuals volunteer their time to perform a variety of tasks that assist the Organization with specific programs. The financial statements do not reflect the value of these volunteer services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

The Organization's revenue from contracts with customers consists of custom training development. The Organization develops curriculum designs and completes delivery of instructions for customers. These custom courses include topics such as technical interview preparation, interview case studies, and problem solving for customers' students. The Organization believes the performance obligation for providing these services is satisfied over time because the customers are receiving and consuming the benefits as they are provided. Fees are a fixed amount and are due and payable upon execution of the agreement.

A contract asset is recorded when the Organization satisfies a performance obligation of a contract but is not yet entitled to payment. When the Organization becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

The balances of receivables and contract liabilities from contracts with students are as follows as of December 31:

| | 2023 | 2022 |
|---|---|---|
| Accounts receivable | $ 42,763 | $ 276,776 |
| Deferred revenue | $ 184,000 | $ 188,375 |

**Functional expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits which are allocated based on time and effort; professional fees, dues and subscriptions, marketing and education, travel and entertainment, supplies and materials, training and seminars, amortization and other expenses are allocated based on salaries and related benefits.

**Marketing and education** – The Organization uses marketing and education to promote its programs among donors and the audiences it serves. Marketing and education are expensed as incurred. The costs incurred by the Organization for the year ended December 31, 2023 were $1,132,604.

**Use of estimates –** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income taxes –** The Organization operates as a nonprofit public benefit organization and has received exempt status under Section 501(c)(3) of the Internal Revenue Code and the California Revenue and Taxation Code section 23701(d) and has no unrelated business income tax. The Organization is not classified as a private foundation by the Internal Revenue Service.

**Subsequent events –** Subsequent events have been reviewed through November 7, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023, that require recognition or disclosure in such financial statements.

## 3. PRIOR PERIOD RESTATEMENT OF NET ASSETS

Net assets with donor restrictions as of January 1, 2023 have been decreased to reflect reporting in accordance with Generally Accepted Accounting Principles for not-for-profit organizations. Net assets with donor restrictions were decreased due to an error in revenue recognition. The impact of the decrease in net assets with donor restrictions is presented below.

| | Net assets without donor restrictions | Net assets with donor restrictions | Total net assets |
|---|---|---|---|
| Net assets at December 31, 2022, as previously stated | $ 11,438,223 | $ 6,049,238 | $ 17,487,461 |
| Decrease due to error in recognition of revenue | | (866,423) | (866,423) |
| Net assets at December 31, 2022, as restated | $ 11,438,223 | $ 5,182,815 | $ 16,621,038 |

## 4. LIQUIDITY AND AVAILABILITY

The Organization's financial assets available for general expenditure within one year of December 31, 2023, comprise the following:

| | |
|---|---|
| Cash and cash equivalents | $ 33,031,737 |
| Accounts receivable | 42,763 |
| Contributions receivable, net | 3,460,603 |
| Total financial assets | 36,535,103 |
| Less those unavailable for general expenditures within one year, due to: | |
| Contractual or donor-imposed restrictions: | |
| Deferred revenue | (184,000) |
| Refundable advances | (5,000,000) |
| Restricted by donor with purpose restrictions | (6,374,679) |
| Total available for general expenditures | $ 24,976,424 |

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

## 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2023:

| | |
|---|---|
| Amounts due in: | |
| Within one year | $ 3,326,988 |
| In one to five years | 140,000 |
| Total unconditional contributions receivable | 3,466,988 |
| Less discount to net present value | (6,385) |
| Contributions receivable, net | $ 3,460,603 |

## 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

| | |
|---|---|
| Education and career advancement | $ 6,374,679 |
| Time restricted | 2,066,453 |
| Total | $ 8,441,132 |

## 7. IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions for the year ended December 31, 2023:

| | |
|---|---|
| Online course subscriptions | $ 1,168,500 |
| Platform licensing | 575,367 |
| Total | $ 1,743,867 |

The fair value of donated online course subscriptions and platform licensing fee were determined using current market rates. The Organization's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All gifts-in-kind received by the Organization for the year ended December 31, 2023 were considered without donor restrictions.

## 8. RELATED PARTY TRANSACTIONS

The Organization has a licensing agreement with an affiliate, CodePath LLC (the "LLC"). The Organization and the LLC share common ownership and past board members. The LLC provides access to curriculums, which includes iOS, Android, web security, and any other course that may be developed by the LLC. The LLC also provides students and organizers access to its platform to administer the courses. Total expense for these services was $1,438,417 for the year ended December 31, 2023, and is included in platform services in the accompanying statement of functional expenses. The fee is discounted and is recorded as an in-kind contribution. During the year ended December 31, 2023, the in-kind contribution was $575,367.

## 9. EMPLOYEE BENEFIT PLAN

The Organization has a qualified 401(k) plan which covers employees meeting certain eligibility requirements. Participants may contribute a portion of their compensation to the plan, up to the maximum amount permitted under Section 401(k) of the Internal Revenue Code. The Organization is able to make discretionary contributions to the plan. The Organization did not contribute to the plan for the year ended December 31, 2023.

## 10. RISK CONCENTRATIONS

For the year ended December 31, 2023, 69% of contributions were from two donors, and 75% of custom training development revenue was earned from three customers.

As of December 31, 2023, 72% of contributions receivable were from one donor.