

**CodePath.org**  
**(A California Nonprofit Corporation)**

**Financial Statements**

**December 31, 2019**

***ERNST WINTER & ASSOCIATES LLP***  
**Certified Public Accountants**

**CodePath.org**

**December 31, 2019**

**Table of Contents**

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Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of CodePath.org (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CodePath.org as of December 31, 2019, 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.

*Ernst Winter & Associates LLP*

Walnut Creek, California  
September 17, 2020

**CodePath.org**  
**(A California Nonprofit Corporation)**  
**Statement of Financial Position**  
**December 31, 2019**

<b>ASSETS</b>		
Cash		\$ 1,544,871
Accounts receivable		24,999
Prepays		36,667
<b>Total Assets</b>		<u>\$ 1,606,537</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable		\$ 55,500
Deferred revenue		176,300
Refundable advance		387,500
Due to related party		120,094
<b>Total Liabilities</b>		<u>739,394</u>
<b>Net Assets</b>		
Net assets without donor restrictions		867,143
Net assets with donor restrictions		-
<b>Total Net Assets</b>		<u>867,143</u>
<b>Total Liabilities and Net Assets</b>		<u>\$ 1,606,537</u>

See independent auditor's report and accompanying notes.

**CodePath.org**  
**(A California Nonprofit Corporation)**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

<b>Support and Program Revenue without Donor Restrictions</b>	
Institutional grants	\$ 1,358,774
Sponsored university courses	625,000
Contributions	236,536
Recruiting events	110,196
Custom training development	99,999
<b>Total Support and Program Revenue without Donor Restrictions</b>	<b>2,430,505</b>
<b>Expenses</b>	
Program services	\$ 880,459
Management and general	210,918
Fundraising	246,595
<b>Total Expenses</b>	<b>1,337,972</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>1,092,533</b>
<b>Beginning Net Deficit, Without Donor Restrictions</b>	<b>(225,390)</b>
<b>Ending Net Assets, Without Donor Restrictions</b>	<b>\$ 867,143</b>

See independent auditor's report and accompanying notes.

**CodePath.org**  
**(A California Nonprofit Corporation)**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Professional fees	\$ 424,575	\$ 34,782	\$ 39,153	\$ 498,510
Platform services	240,188	-	-	240,188
Salaries & benefits	167,889	70,636	70,535	309,060
Public relations	-	-	118,859	118,859
Dues & subscriptions	28,481	14,380	4,722	47,583
Travel & entertainment	5,005	35,692	3,390	44,087
Occupancy	-	23,000	-	23,000
Payroll taxes	9,643	5,840	5,841	21,324
Marketing & education	-	6,308	4,095	10,403
General & administrative	4,678	20,280	-	24,958
<b>Total Expenses</b>	<b>\$ 880,459</b>	<b>\$ 210,918</b>	<b>\$ 246,595</b>	<b>\$ 1,337,972</b>

See independent auditor's report and accompanying notes.

**CodePath.org**  
**(A California Nonprofit Corporation)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

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<b>Cash Flows from Operating Activities</b>	
Change in net assets without donor restrictions	\$ 1,092,533
Changes in operating assets and liabilities:	
Accounts receivable	(4,999)
Prepays	(36,667)
Accounts payable	(23,375)
Deferred revenue	(73,700)
Refundable advance	387,500
Due to related party	120,094
<b>Net Cash Provided by Operating Activities</b>	<u>1,461,386</u>
<b>Cash Flows from Financing Activities</b>	
Payments on related party note payable	(200,000)
<b>Net Cash Used In Financing Activities</b>	<u>(200,000)</u>
<b>Net Increase in Cash</b>	<u>1,261,386</u>
Cash at beginning of year	<u>283,485</u>
<b>Cash at End of Year</b>	<u><u>\$ 1,544,871</u></u>

See independent auditor's report and accompanying notes.

# CodePath.org

## Notes to the Financial Statements

### December 31, 2019

#### 1. Organization

CodePath.org (the “Organization”) is a nonprofit public benefit corporation formed 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**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

##### **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. As of December 31, 2019, there were no cash equivalents held by the Organization.

##### **Accounts Receivable**

Accounts receivable consists of balances due from customers. An allowance for doubtful accounts, if any, is provided based on the review of outstanding receivables, historical experience and economic conditions. Uncollectible accounts are expensed in the period such amounts are determined and all collection efforts have been exhausted. No allowance for doubtful accounts was deemed necessary as of December 31, 2019.

##### **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 is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred. As of December 31, 2019, there was no capitalized property and equipment.

##### **Fair Value of Financial Instruments**

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments approximate the carrying values of such amounts. The Organization has no financial instruments that are required to be recorded at fair value on a recurring basis.

##### **Income Taxes**

The Organization has been granted exemption from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and by the California Franchise Tax Board. The Organization is not a private foundation. In addition, there was no unrelated business income tax for 2019, and management believes that there are no uncertain tax positions. As a 501(c)(3) organization, donors qualify for the charitable deduction. Accordingly, there is no provision for federal or state income taxes. Federal and state tax authorities generally have the right to examine and audit the previous year of tax returns filed. All years are open to examination by tax authorities.

##### **Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods.

##### **Short-term Leases**

The Organization recognizes leases with terms of 12 months or fewer as operating leases.

**CodePath.org**  
**Notes to the Financial Statements**  
**December 31, 2019**

**2. Significant Accounting Policies (Continued)**

**Net Assets**

In accordance with GAAP, the Organization classifies its net assets and activities into one of two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes. There were no designated net assets at December 31, 2019.

Net Assets with Donor Restrictions – The portion of net assets whose use by the Organization is limited by donor-imposed stipulations that either will be fulfilled by actions of the Organization pursuant to those stipulations or expire by passage of time. There were no net assets with donor restrictions at December 31, 2019.

**Functional Expenses**

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Expenses, such as payroll and benefits, have been allocated among program services and supporting services based upon the employee's time spent by function.

**Contributions and Institutional Grants**

The Organization recognizes revenue from contributions, grants and contracts in accordance with Accounting Standards Update ("ASU") 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). Accordingly, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606") (See Note 4).

If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Both ASU 2018-08 and ASC 606 were effective for the year ended December 31, 2019 and both permitted modified retrospective application. Both standards did not have a material impact on the statement of financial position, statement of activities, cash flows, business processes, controls or systems of the Organization.

Contributions are recognized when the unconditional promise to give is received. All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or designated by the donor for specific purposes are reported as net assets with donor restrictions. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as income within net assets without donor restrictions.

Revenue recognized on unconditional grants and contributions that has been committed to the Organization, but has not been received, is reflected as grants and contributions receivable. There were no grants and contribution receivables as of December 31, 2019.

Conditional grants are recognized when the conditions on which they depend are substantially met. Any amounts received before conditions have been met are included in refundable advance in the accompanying statement of financial position. As of December 31, 2019, the Organization received a refundable advance of \$387,500.

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## Notes to the Financial Statements

### December 31, 2019

#### 3. Recently Issued Accounting Guidance, Not Yet Adopted

##### ASU 2016-02 Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, which amends a number of aspects of lease accounting, including requiring lessees to recognize almost all leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. On November 15, 2019, the FASB delayed the effective date by one year for nonpublic businesses. ASU 2016-02 is now effective for the Organization beginning in the first quarter of fiscal year 2021 and is required to be adopted using a modified retrospective approach. Early adoption is permitted. The Organization is evaluating the impact of the adoption of this standard on its financial statements.

#### 4. Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when, or as, the Organization satisfies performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time when it is determined the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration the Organization expects to be entitled to in exchange for those promised goods or services (i.e., the “transaction price”).

In determining the transaction price, the Organization considers multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, the Organization considers the range of possible outcomes, the predictive value of past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of the Organization’s influence, such as market volatility or the judgment and actions of third parties.

The following provides detailed information on the recognition of program revenue from contracts with customers:

##### **Sponsored University Courses**

Customers sponsor university courses and career preparation services for computer science students. The customers are able to recruit from the best students in the courses. 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 to the students. Fee arrangements are based on a fixed amount.

##### **Recruiting Events**

The Organization provides networking and career fair events for customers and students. Customers can sponsor the events to have more personalized interactions with the students. The fee is a fixed amount and is recognized on the date of the event.

##### **Custom Training Development**

The Organization develops curriculum designs and completes delivery of instructions for universities. These custom courses cover 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. Fee arrangements are based on a fixed amount.

**CodePath.org**  
**Notes to the Financial Statements**  
**December 31, 2019**

**4. Revenue from Contracts with Customers (Continued)**

**Disaggregation of Revenue**

In the following table, program revenue from contracts with customers is disaggregated by type of fee:

Sponsored University Courses	\$ 625,000
Recruiting Events	110,196
Custom Training Development	99,999
<hr/> Total Revenue	<hr/> \$ 835,195

**Contract Balances**

Income is recognized upon completion of the related performance obligation and when an unconditional right to payment exists. The timing of revenue recognition may differ from the timing of customer payments. Fees received prior to the completion of the performance obligation are recorded as deferred revenue on the statement of financial position until such time when the performance obligation is met. There was deferred revenue of \$250,000 and \$176,300 as of January 1, 2019 and December 31, 2019, respectively.

Alternatively, a receivable is recognized when a performance obligation is met prior to receiving payment from a customer. The Organization had receivables related to revenue from contracts with customers of \$20,000 and \$24,999 at January 1, 2019 and December 31, 2019, respectively.

**Contract Costs**

Costs to obtain a contract or fulfill a contract are evaluated under the criteria for capitalization on a contract by contract basis. There were no capitalized contract costs at December 31, 2019.

**5. Related Party Transactions**

On June 28, 2017, the Organization entered into a licensing agreement with its affiliate CodePath LLC (the "LLC"), whom is affiliated by common ownership and 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 \$240,188 for the year ended December 31, 2019, and is included in platform services in the accompanying statement of functional expenses. At December 31, 2019, \$120,094 was due to the LLC for these services.

At January 1, 2019, the Organization had a non-interest-bearing loan from the LLC for \$200,000. The loan was paid off during the year ended December 31, 2019.

**6. Risk Concentrations**

The Organization maintains its cash in bank deposit accounts, which, at times, may have exceeded federally insured limits during the year.

At December 31, 2019, 63% of total contributions was received from three donors, and 97% of institutional grants was from three donors.

For the year ended December 31, 2019, 75% of revenue was earned from two customers. At December 31, 2019, 100% of accounts receivable was due from one customer.

**7. Contributed Services**

Numerous volunteers have donated significant amounts of time to the Organization's program services. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$938,200.

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## Notes to the Financial Statements

December 31, 2019

### 8. Liquidity and Availability

The Organization has \$1,569,870 of financial assets available within one year of December 31, 2019. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

Cash	\$	1,544,871
Accounts receivable		<u>24,999</u>
Total available for general expenditures	\$	<u><u>1,569,870</u></u>

### 9. Subsequent Events

The Organization has evaluated subsequent events through September 17, 2020, the date which the financial statements were available to be issued.

Subsequent to year end, COVID-19 became a global pandemic and resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility in the financial markets, and have had an enormous impact on business and consumers in all sectors. The outcome and timeframe is highly unpredictable and as such, the financial impact to operations cannot be estimated at this time.