

CodePath.org

Financial Statements

**December 31, 2020
(With Comparative Totals for 2019)**

ERNST WINTTER & ASSOCIATES LLP
Certified Public Accountants

CodePath.org

December 31, 2020

(With Comparative Totals for 2019)

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Independent Auditor's Report

To the Board of Directors
CodePath.org

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, 2020, 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, 2020, 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.

Correction of Error

As discussed in Note 11 to the financial statements, net assets without donor restrictions were understated in the previously issued financial statements. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited CodePath.org's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2020. In our opinion, except as noted in the Correction of Error, the summarized comparative information presented herein as of and for the year ended 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst Winter & Associates LLP

Walnut Creek, California

April 15, 2021

CodePath.org
Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	(Restated) 2019
ASSETS		
Cash	\$ 3,564,022	\$ 1,544,871
Accounts receivable	14,250	149,999
Grants receivable	250,000	-
Prepays	<u>125,782</u>	<u>36,667</u>
Total Assets	\$ <u>3,954,054</u>	\$ <u>1,731,537</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 153,048	\$ 55,500
Accrued compensation	69,647	-
Deferred revenue	89,125	-
Refundable advances	987,500	387,500
Due to related party	<u>120,094</u>	<u>120,094</u>
Total Liabilities	<u>1,419,414</u>	<u>563,094</u>
Net Assets		
Net assets without donor restrictions	2,484,640	1,168,443
Net assets with donor restrictions	50,000	-
Total Net Assets	<u>2,534,640</u>	<u>1,168,443</u>
Total Liabilities and Net Assets	\$ <u>3,954,054</u>	\$ <u>1,731,537</u>

See independent auditor's report and accompanying notes.

CodePath.org
Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			(Restated) 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Program Revenue				
Institutional grants	\$ 3,667,170	\$ -	\$ 3,667,170	\$ 1,535,074
Sponsored university courses	375,000	-	375,000	750,000
Contributions	9,632	50,000	59,632	236,536
Recruiting events	65,000	-	65,000	110,196
Custom training development	12,105	-	12,105	99,999
In-kind contributions	32,774	-	32,774	-
Total Support and Program Revenue	4,161,681	50,000	4,211,681	2,731,805
Expenses				
Program services	1,878,001	-	1,878,001	880,459
Management and general	528,687	-	528,687	210,918
Fundraising	438,796	-	438,796	246,595
Total Expenses	2,845,484	-	2,845,484	1,337,972
Change in Net Assets	1,316,197	50,000	1,366,197	1,393,833
Beginning Net Assets (Deficit)	1,168,443	-	1,168,443	(225,390)
Ending Net Assets	\$ 2,484,640	\$ 50,000	\$ 2,534,640	\$ 1,168,443

See independent auditor's report and accompanying notes.

CodePath.org
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total Expenses</u>	<u>2019 Total Expenses</u>
Salaries and benefits	\$ 373,632	\$ 147,576	\$ 258,512	\$ 779,720	\$ 330,384
Program contractors	686,170	-	-	686,170	373,392
Platform services	446,371	-	-	446,371	240,188
Marketing and education	167,911	42,300	106,008	316,219	181,805
Professional fees	1,105	135,761	72,500	209,366	57,438
Recruiting fees	62,240	81,308	-	143,548	15,137
Dues and subscriptions	116,352	14,039	1,528	131,919	47,583
Occupancy	-	55,199	-	55,199	23,000
Travel and entertainment	1,377	12,525	248	14,150	44,087
General and administrative	22,843	39,979	-	62,822	24,958
Total Expenses	<u>\$ 1,878,001</u>	<u>\$ 528,687</u>	<u>\$ 438,796</u>	<u>\$ 2,845,484</u>	<u>\$ 1,337,972</u>

See independent auditor's report and accompanying notes.

CodePath.org
Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	(Restated) 2019
Cash Flows from Operating Activities		
Change in net assets	\$ 1,366,197	\$ 1,393,833
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	135,749	(129,999)
Grants receivable	(250,000)	-
Prepays	(89,115)	(36,667)
Accounts payable and accrued liabilities	97,548	(23,375)
Accrued compensation	69,647	-
Deferred revenue	89,125	(250,000)
Refundable advances	600,000	387,500
Due to related party	-	120,094
Net Cash Provided by Operating Activities	<u>2,019,151</u>	<u>1,461,386</u>
Cash Flows from Financing Activities		
Payment of related party note payable	-	(200,000)
Net Cash Used In Financing Activities	<u>-</u>	<u>(200,000)</u>
Net Increase in Cash	2,019,151	1,261,386
Cash at beginning of year	<u>1,544,871</u>	<u>283,485</u>
Cash at End of Year	<u><u>\$ 3,564,022</u></u>	<u><u>\$ 1,544,871</u></u>

See independent auditor's report and accompanying notes.

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Notes to the Financial Statements

December 31, 2020

(With Comparative Totals for 2019)

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

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, 2020 and 2019, there were no cash equivalents or restricted cash 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, 2020 and 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, 2020 and 2019, there was no capitalized property and equipment.

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 such designated net assets without donor restrictions at December 31, 2020 and 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 was \$50,000 and \$0 of net assets with donor restrictions at December 31, 2020 and 2019, respectively. At December 31, 2020, net assets with donor restrictions are restricted for scholarships to students.

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2. Significant Accounting Policies (Continued)

Support and Program Revenue Recognition

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”).

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 at the beginning of 2019. Revenue from exchange transactions includes program revenue from sponsored university courses, recruiting events, and custom training development (See Note 4). Contributions include institutional grants and contributions on the accompanying statement of activities.

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.

Contributions recognized for unconditional grants that have been committed to the Organization, but have not been received, are reflected as grants receivable. As of December 31, 2020 and 2019, grants receivable was \$250,000 and \$0, respectively.

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 advances in the accompanying statement of financial position. As of December 31, 2020 and 2019, the Organization received refundable advances of \$987,500 and \$387,500, respectively.

Functional Expenses

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

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

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Notes to the Financial Statements
December 31, 2020
(With Comparative Totals for 2019)

2. Significant Accounting Policies (Continued)

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Any reclassifications have no impact on previously reported net assets.

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.

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.

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 2020 and 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.

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 years ended December 31, 2020 and 2019 were \$316,219 and \$181,805, respectively.

Contributed Goods and Services

The Organization records contributed professional services and materials at their estimated fair value on the date of receipt. Contributed services are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Volunteered professional services are not reflected in the accompanying financial statements. Contributions of tangible and intangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, or additions to prepaids or property and equipment.

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 the statement of financial position. This standard is effective in January 2022. The Organization currently has only short-term leases. The Organization will evaluate the adoption upon entering into new lease agreements.

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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.

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. At December 31, 2020 and 2019, deferred revenue was \$89,125 and \$0, respectively.

Alternatively, a receivable is recognized when a performance obligation is met prior to receiving payment from a customer. At December 31, 2020 and 2019, the Organization had receivables related to revenue from contracts with customers of \$14,250 and \$149,999, respectively.

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Notes to the Financial Statements
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(With Comparative Totals for 2019)

4. Revenue from Contracts with Customers (Continued)

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, 2020 and 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 \$360,282 and \$240,188, respectively, for the years ended December 31, 2020 and 2019, and is included in platform services in the accompanying statement of functional expenses. At December 31, 2020 and 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. There were no loans from the LLC during 2020.

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, 2020, 71% of institutional grants was from three donors and 100% of grants receivable was from one donor. At December 31, 2019, 63% of total contributions was received from three donors, and 97% of institutional grants was from four donors.

For the years ended December 31, 2020 and 2019, 83% and 78% of program service revenue was earned from one customer, respectively. At December 31, 2019, 83% of accounts receivable was due from the same customer.

7. Contributed Goods and Services

During the year ended December 31, 2020, contributed goods and services included copywriter services donated along with advertising space. This amounted to \$32,774 and is included as in-kind contributions on the accompanying statement of activities.

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 \$1,430,519 and \$938,200 for the years ended December 31, 2020 and 2019, respectively.

8. Employee Benefit Plan

On May 20, 2020, the Organization established a qualified 401(k) plan which covers employees meeting certain eligibility requirements. Participants may contribute a portion of their compensations 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 make a contribution to the plan for the year ended December 31, 2020.

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9. Liquidity and Availability

The Organization has \$3,828,272 of financial assets available within one year of December 31, 2020. 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, 2020, comprise the following:

Cash	\$	3,564,022
Accounts receivable		14,250
Grants receivable		<u>250,000</u>
Total available for general expenditures	\$	<u>3,828,272</u>

10. Risks and Uncertainties

The global pandemic caused by COVID-19 developed rapidly in 2020 and resulted in a high level of uncertainty and volatility that impacted businesses in all sectors. At this stage, the impact to the Organization's business and financial results has not been significant based on the type of business conducted. Based on management's experience to date, management expects this to remain the case. The Organization has taken certain health and safety operational measures and continues to follow government policies and advice. While there has not been a material impact thus far, the timeframe and outcome of the pandemic are uncertain.

11. Prior Period Adjustments

During 2020, the Organization discovered two errors in the previously issued financial statements that resulted in an understatement of net assets.

- 1.) A correction was made for an unconditional grant that was incorrectly accounted for as an exchange transaction. As a result, the amounts for deferred revenue decreased and institutional grants increased by \$176,300 and are restated in the 2019 comparative totals.
- 2.) A correction was made for a service contract that was not accounted for in 2019. As a result, the 2019 amounts for accounts receivable and sponsored university courses were increased by \$125,000.

These corrections increased the 2020 beginning net assets without donor restrictions by \$301,300.

12. Subsequent Events

The Organization has evaluated subsequent events through April 15, 2021, the date which the financial statements were available to be issued.