

CodePath.org
Financial Statements
December 31, 2021
(With Comparative Totals for 2020)

ERNST WINTTER & ASSOCIATES LLP
Certified Public Accountants

CodePath.org

December 31, 2021

(With Comparative Totals for 2020)

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Independent Auditor's Report

To the Board of Directors
CodePath.org

Opinion

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, 2021, 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, 2021, and the changes in 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 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, including omissions, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Ernst Witter & Associates LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California

May 5, 2022

CodePath.org
Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2021)

	2021	2020
ASSETS		
Cash	\$ 6,555,985	\$ 3,564,022
Accounts receivable	162,000	14,250
Contributions receivable	100,000	250,000
Prepays	86,619	125,782
Property	36,900	-
Total Assets	\$ 6,941,504	\$ 3,954,054
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 174,100	\$ 153,048
Accrued compensation	85,883	69,647
Deferred revenue	178,246	89,125
Refundable advances	1,592,805	987,500
Due to related party	-	120,094
Total Liabilities	2,031,034	1,419,414
Net Assets		
Net assets without donor restrictions	4,910,470	2,484,640
Net assets with donor restrictions	-	50,000
Total Net Assets	4,910,470	2,534,640
Total Liabilities and Net Assets	\$ 6,941,504	\$ 3,954,054

See independent auditor's report and accompanying notes.

CodePath.org
Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Program Revenue				
Institutional grants	\$ 6,433,433	\$ -	\$ 6,433,433	\$ 3,667,170
Sponsored university courses	990,000	-	990,000	375,000
Contributions	249,648	-	249,648	59,632
Recruiting events	282,004	-	282,004	65,000
Custom training development	1,205,500	-	1,205,500	12,105
In-kind contributions	37,731	-	37,731	32,774
Interest and other income	1,980	-	1,980	-
Net Assets Released from Restrictions				
Restriction satisfied by scholarship payments	50,000	(50,000)	-	-
Total Support and Program Revenue	9,250,296	(50,000)	9,200,296	4,211,681
Expenses				
Program services	5,221,752	-	5,221,752	1,878,001
Management and general	1,006,373	-	1,006,373	528,687
Fundraising	596,341	-	596,341	438,796
Total Expenses	6,824,466	-	6,824,466	2,845,484
Change in Net Assets	2,425,830	(50,000)	2,375,830	1,366,197
Beginning Net Assets	2,484,640	50,000	2,534,640	1,168,443
Ending Net Assets	\$ 4,910,470	\$ -	\$ 4,910,470	\$ 2,534,640

See independent auditor's report and accompanying notes.

CodePath.org**Statement of Functional Expenses****For the Year Ended December 31, 2021****(With Comparative Totals for 2020)**

		Program Services	Management and General	Fundraising	2021 Total Expenses	2020 Total Expenses
Salaries and benefits	\$	1,703,788	\$ 303,147	\$ 360,448	\$ 2,367,383	\$ 779,720
Program contractors		1,347,293	-	-	1,347,293	686,170
Professional fees		336,697	465,588	99,010	901,295	209,366
Platform services		741,578	-	-	741,578	446,371
Marketing and education		468,024	48,018	133,658	649,700	316,219
General and administrative		326,478	107,363	-	433,841	62,822
Dues and subscriptions		205,768	33,469	3,225	242,462	131,919
Recruiting fees		92,046	90	-	92,136	143,548
Occupancy		-	34,879	-	34,879	55,199
Travel and entertainment		80	13,819	-	13,899	14,150
Total Expenses	\$	5,221,752	\$ 1,006,373	\$ 596,341	\$ 6,824,466	\$ 2,845,484

See independent auditor's report and accompanying notes.

CodePath.org
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 2,375,830	\$ 1,366,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	6,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(153,750)	135,749
Contributions receivable	150,000	(250,000)
Prepays	39,163	(89,115)
Accounts payable and accrued expenses	21,052	97,548
Accrued compensation	16,236	69,647
Deferred revenue	89,121	89,125
Refundable advances	605,305	600,000
Due to related party	(120,094)	-
Net Cash Provided by Operating Activities	<u>3,028,863</u>	<u>2,019,151</u>
Cash Flows from Investing Activities		
Purchase of property	(36,900)	-
Net Cash Used In Investing Activities	<u>(36,900)</u>	<u>-</u>
Net Increase in Cash	2,991,963	2,019,151
Cash at beginning of year	<u>3,564,022</u>	<u>1,544,871</u>
Cash at End of Year	<u><u>\$ 6,555,985</u></u>	<u><u>\$ 3,564,022</u></u>

See independent auditor's report and accompanying notes.

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Notes to the Financial Statements
December 31, 2021
(With Comparative Totals for 2020)

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, 2021 and 2020, 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, 2021 and 2020.

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.

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, 2021 and 2020.

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 \$0 and \$50,000 of net assets with donor restrictions at December 31, 2021 and 2020, respectively. At December 31, 2020, net assets with donor restrictions was 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.

Revenue from exchange transactions includes program revenue from sponsored university courses, recruiting events, and custom training development (See Note 5). 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 as unconditional that have been committed to the Organization, but have not been received, are reflected as contributions receivable. As of December 31, 2021 and 2020, contributions receivable was \$100,000 and \$250,000, 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, 2021 and 2020, the Organization received refundable advances of \$1,592,805 and \$987,500, 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, 2020, from which the summarized information was derived.

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Notes to the Financial Statements
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2. Significant Accounting Policies (Continued)

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 2021 and 2020, 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, 2021 and 2020 were \$649,700 and \$316,219, 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. ASU No. 2016-02 is effective for the Organization beginning in the first quart of fiscal year 2022 and is required to be adopted using a modified retrospective approach. The organization is evaluating the impact of the adoption of this standard on the financial statements and does not expect a material impact. The Organization currently only has a short-term lease.

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3. Recently Issued Accounting Guidance, Not Yet Adopted (Continued)

ASU 2020-07 Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, that increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The update should be applied on a retrospective basis and is effective for fiscal year beginning January 1, 2022.

4. Property

At December 31, 2021, property consisted of a website at cost of \$36,900. No depreciation was recorded in 2021 since the website redesign was completed in May 2022. At December 31, 2020, there was no property and equipment.

5. 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.

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5. Revenue from Contracts with Customers (Continued)

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. 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, 2021 and 2020, deferred revenue was \$178,246 and \$89,125, respectively.

Alternatively, a receivable is recognized when a performance obligation is met prior to receiving payment from a customer. At December 31, 2021 and 2020, the Organization had receivables related to revenue from contracts with customers of \$162,000 and \$14,250, 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, 2021 and 2020.

6. 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. In October 2021, the organization entered into a new 2-year licensing agreement with the LLC which can be renewed in 1 year increments. Total expense for these services was \$629,232 and \$360,282, respectively, for the years ended December 31, 2021 and 2020, and is included in platform services in the accompanying statement of functional expenses. At December 31, 2021 and 2020, \$0 and \$120,094 was due to the LLC for these services.

7. 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, 2021, 84% of institutional grants was from three donors, and 100% of contributions receivable was from one donor. At December 31, 2020, 71% of institutional grants was from three donors and 100% of contributions receivable was from one donor.

For the years ended December 31, 2021 and 2020, 84% and 83% of program service revenue was earned from three customers and one customer, respectively. At December 31, 2021 and 2020, 77% and 83% of accounts receivable was due from one customer.

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8. Contributed Services

During the year ended December 31, 2021, contributed services were for consultant services. This amounted to \$37,731 and is included as in-kind contributions on the accompanying statement of activities.

During the year ended December 31, 2020, contributed services were for 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.

During the years ended December 31, 2021 and 2020, 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 \$1,255,830 and \$1,430,519 for the years ended December 31, 2021 and 2020, respectively.

9. 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 contribute to the plan for the years ended December 31, 2021 and 2020.

10. Liquidity and Availability

The Organization has \$6,817,985 and \$3,828,272 of financial assets available within one year of December 31, 2021 and 2020, respectively. 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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 6,555,985	\$ 3,564,022
Accounts receivable	162,000	14,250
Contributions receivable	<u>100,000</u>	<u>250,000</u>
Total available for general expenditures	<u>\$ 6,817,985</u>	<u>\$ 3,828,272</u>

11. Risks and Uncertainties

The global pandemic caused by COVID-19 developed rapidly in 2020 and continued in 2021 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.

12. Subsequent Events

The Organization has evaluated subsequent events through May 5, 2022, the date which the financial statements were available to be issued.