

CODE FOR SCIENCE AND SOCIETY, INC.



AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020



McDONALD JACOBS

CONTENTS

| | |
|-----------------------------------|------|
| Independent Auditor's Report | 3 |
| Statements of Financial Position | 4 |
| Statements of Activities | 5 |
| Statements of Functional Expenses | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8-14 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Code for Science and Society, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Code for Science and Society, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 organization'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 organization'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 Code for Science and Society, Inc. as of June 30, 2021 and 2020, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

Portland, Oregon
December 6, 2021

CODE FOR SCIENCE AND SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 4,204,329 | \$ 2,162,575 |
| Grants and accounts receivable | 533,235 | 147,437 |
| Deposit with vendor | <u>24,531</u> | <u>24,531</u> |
| TOTAL ASSETS | <u>\$ 4,762,095</u> | <u>\$ 2,334,543</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 173,163 | \$ 63,416 |
| Grants payable | 91,000 | - |
| Accrued liabilities | - | 3,986 |
| Loan payable | <u>-</u> | <u>160,800</u> |
| Total Liabilities | <u>264,163</u> | <u>228,202</u> |
| Net Assets: | | |
| Without donor restrictions | 445,396 | 195,233 |
| With donor restrictions | <u>4,052,536</u> | <u>1,911,108</u> |
| Total Net Assets | <u>4,497,932</u> | <u>2,106,341</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,762,095</u> | <u>\$ 2,334,543</u> |

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

CODE FOR SCIENCE AND SOCIETY, INC.

STATEMENTS OF ACTIVITIES
For the years ended June 30, 2021 and 2020

| | June 30, 2021 | | | June 30, 2020 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUES AND SUPPORT | | | | | | |
| Grants and contributions revenue | \$ 2,675 | \$ 5,501,175 | \$ 5,503,850 | \$ 1,035 | \$ 2,909,984 | \$ 2,911,019 |
| Contract revenue | - | 145,648 | 145,648 | - | 186,493 | 186,493 |
| Other revenue | - | 3,529 | 3,529 | - | 2,380 | 2,380 |
| Net assets released from restrictions | <u>3,607,571</u> | <u>(3,607,571)</u> | <u>-</u> | <u>1,767,118</u> | <u>(1,767,118)</u> | <u>-</u> |
| TOTAL REVENUES AND SUPPORT | <u>3,610,246</u> | <u>2,042,781</u> | <u>5,653,027</u> | <u>1,758,153</u> | <u>1,331,739</u> | <u>3,099,892</u> |
| EXPENSES | | | | | | |
| Program services | 2,992,452 | - | 2,992,452 | 1,474,890 | - | 1,474,890 |
| Fundraising | 215,756 | - | 215,756 | 126,881 | - | 126,881 |
| Management and general | <u>215,350</u> | <u>-</u> | <u>215,350</u> | <u>79,488</u> | <u>-</u> | <u>79,488</u> |
| TOTAL EXPENSES | <u>3,423,558</u> | <u>-</u> | <u>3,423,558</u> | <u>1,681,259</u> | <u>-</u> | <u>1,681,259</u> |
| CHANGE IN NET ASSETS BEFORE FORGIVENESS OF LOAN | | | | | | |
| FORGIVENESS OF LOAN | 186,688 | 2,042,781 | 2,229,469 | 86,894 | 1,331,739 | 1,418,633 |
| FORGIVENESS OF LOAN | <u>63,475</u> | <u>98,647</u> | <u>162,122</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET ASSETS | 250,163 | 2,141,428 | 2,391,591 | 86,894 | 1,331,739 | 1,418,633 |
| NET ASSETS, BEGINNING OF YEAR | <u>195,233</u> | <u>1,911,108</u> | <u>2,106,341</u> | <u>108,339</u> | <u>579,369</u> | <u>687,708</u> |
| NET ASSETS, END OF YEAR | <u>\$ 445,396</u> | <u>\$ 4,052,536</u> | <u>\$ 4,497,932</u> | <u>\$ 195,233</u> | <u>\$ 1,911,108</u> | <u>\$ 2,106,341</u> |

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

CODE FOR SCIENCE AND SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended June 30, 2021 and 2020

| | <u>June 30, 2021</u> | | | | <u>June 30, 2020</u> | | | |
|-------------------------------|-------------------------|--------------------|-------------------------------|-----------------------|-------------------------|--------------------|-------------------------------|-----------------------|
| | <u>Program Services</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Total Expenses</u> | <u>Program Services</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Total Expenses</u> |
| Salaries and related benefits | \$ 1,335,964 | \$ 146,447 | \$ 49,446 | \$ 1,531,857 | \$ 1,003,967 | \$ 106,618 | \$ 29,238 | \$ 1,139,823 |
| Professional services | 823,305 | 67,416 | 151,864 | 1,042,585 | 367,612 | 16,168 | 37,668 | 421,448 |
| Web services | 57,237 | 636 | 6,230 | 64,103 | 43,073 | 506 | 4,713 | 48,292 |
| Office expenses | 10,259 | 666 | 1,076 | 12,001 | 13,832 | 1,363 | 2,551 | 17,746 |
| Travel | - | - | 1,984 | 1,984 | 16,783 | 1,573 | 2,518 | 20,874 |
| Program events and marketing | 7,127 | - | - | 7,127 | 15,537 | - | 280 | 15,817 |
| Grants | 759,585 | - | - | 759,585 | 8,000 | - | - | 8,000 |
| Insurance | 3,538 | 588 | 2,262 | 6,388 | 4,345 | 653 | 1,118 | 6,116 |
| Other expenses (income), net | <u>(4,563)</u> | <u>3</u> | <u>2,488</u> | <u>(2,072)</u> | <u>1,741</u> | <u>-</u> | <u>1,402</u> | <u>3,143</u> |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 2,992,452</u> | <u>\$ 215,756</u> | <u>\$ 215,350</u> | <u>\$ 3,423,558</u> | <u>\$ 1,474,890</u> | <u>\$ 126,881</u> | <u>\$ 79,488</u> | <u>\$ 1,681,259</u> |

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

CODE FOR SCIENCE AND SOCIETY, INC.

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 2,391,591 | \$ 1,418,633 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Forgiveness of loan payable | (160,800) | - |
| Change in operating assets and liabilities: | | |
| Grants and accounts receivable | (385,798) | (92,671) |
| Accounts payable | 109,747 | 16,638 |
| Accrued liabilities | (3,986) | 3,986 |
| Grants payable | <u>91,000</u> | <u>(80,000)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>2,041,754</u> | <u>1,266,586</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from loan payable | <u>-</u> | <u>160,800</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>-</u> | <u>160,800</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,041,754 | 1,427,386 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>2,162,575</u> | <u>735,189</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 4,204,329</u> | <u>\$ 2,162,575</u> |

SUPPLEMENTAL CASH FLOW:

Noncash financing activities include forgiveness of Paycheck Protection Program loan of \$160,800 and related interest of \$1,322 included in income during the year ending June 30, 2021.

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

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

Code for Science and Society, Inc. (CSS or the Organization) is a nonprofit 501(c)(3) organization supporting open collaboration in public interest technology through fiscal sponsorship and other programs supporting sustainable open source. CSS fiscal sponsorship activities enable mission-aligned charitable groups to focus on their missions while CSS provides 501(c)(3) status and attends to their administrative matters. CSS offers an array of back-office services including benefits, payroll, and human resource administration; financial management; tax preparation and compliance; grant support; risk management and insurance; legal counsel; donation management; and coaching on various other common nonprofit issues.

CSS is primarily funded through grants, contributions, and fees generated from its fiscal sponsorship contracts.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). CSS reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

The portion of net assets that is neither subject to time nor donor-imposed restrictions and may be expended for any purpose in performing the primary objective of CSS.

Net Assets With Donor Restrictions

The portion of net assets whose use by CSS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CSS.

b. Cash and Cash Equivalents

CSS has defined cash and cash equivalents as cash and all highly liquid investments with maturities of three months or less at date of acquisition, except those that are held for short-term investment purposes.

c. Grants and Accounts Receivable

Grants and accounts receivable consist primarily of commitments made by foundations and corporations. Long-term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the market rate applicable in the year in which those promises were made. Amortization of the discount is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. CSS reported no long-term receivables for the years ended June 30, 2021 and 2020. CSS uses the allowance method to account for uncollectible receivables and contributions. The reserve against contributions receivable is based on historical experience and an evaluation of the outstanding receivables at year-end. There was no reserve against contributions receivable as of June 30, 2021 and 2020.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

d. Revenue Recognition

Grants and contributions are recognized when the donor or grantor makes an unconditional promise to give to CSS. Amounts that are restricted are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. CSS reports grants and contributions, investments, and other income with donor restrictions if they are received with donor stipulations that limit the use to a fiscally sponsored project. All funds for a newly sponsored project transferred into CSS are with donor restrictions for the sponsored project. In-kind donations are recorded at the estimated fair value at the date of donation.

Contract revenue consists primarily of fee for service revenues that are recognized as earned. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or provisions or when contract milestones have been achieved. Amounts received prior to incurring qualifying expenditures are reported as advance from contracts in the Statement of Financial Position.

e. Grants and Grants Payable

Grants are made to organizations with objectives consistent with the mission of CSS and the fiscal sponsor projects and are reviewed and approved by management. Grant expenses are recorded when CSS makes an unconditional promise to give and a signed agreement is received. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. Grant cancellations or unspent funds are recorded in the year cancelled or the funds returned. Grants payable at year end are payable within twelve months.

f. Fiscal Sponsorship Projects

All the financial activity of CSS's fiscally sponsored projects ("FSPs") is aggregated for financial statement purposes. Their funds, however, are kept strictly segregated in individual fund accounts. The majority of its FSPs (those in a comprehensive fiscal sponsorship relationship) are legally a part of CSS and all their employees are employees of CSS. CSS may also sponsor projects in a "pre-approved grant" fiscal sponsorship relationship and those projects are separate legal entities.

It is the nature of the business of fiscal sponsorship business to have a variable portfolio. CSS's project roster can fluctuate regularly with time-limited projects completing, maturing nonprofits spinning off into their own 501(c)(3) organizations, and new start-ups signing up throughout each year.

In the event that an existing FSP is incorporated into CSS's portfolio, any assets transferred in are recorded on the Statement of Activities. In situations where a sponsored project attains status as an independent entity or otherwise ends the fiscal sponsorship relationship with CSS, the respective project's funds are granted out to a newly created entity, new fiscal sponsor, or as required by arrangements with donors.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

g. Functional Allocation of Expenses

Costs of providing fiscal sponsorship by CSS have been presented in the Statement of Functional Expenses. All expenses paid on behalf of CSS's fiscally sponsored projects are recorded as program services or supporting services. Program related activities that are conducted by CSS on its own accord are recorded as program services. Expenses that are undertaken by CSS's administrative group are recorded as fundraising or management and general expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related benefits, professional services, office expenses, web services, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

h. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. Income Taxes

CSS is a nonprofit corporation exempt from income tax under Internal Revenue Code Section 501(c)(3) and in the State of Oregon. No provisions for income taxes are made in the financial statements, as CSS has no activities subject to unrelated business income tax. CSS is not a private foundation.

CSS follows the guidance on accounting for uncertainty in income taxes according to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 *Accounting for Uncertainty in Income Taxes*. Management evaluated CSS's tax positions and concluded that CSS had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements.

j. Recent Accounting Pronouncements

Pronouncement Adopted:

The Organization has implemented Account Standards Update 2014-09, *Revenue from Contracts with Customers*. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. Adoption of the new guidance had no material impact on the Organization's existing accounting practices or financial statements.

k. Reclassifications

Certain amounts in the prior year financial statements were reclassified to conform with the current year presentation.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

l. Subsequent Events

CSS evaluated subsequent events with respect to the financial statements for the year ended June 30, 2021 through December 6, 2021, the date these financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

3. Grants and Accounts Receivable

Grants and accounts receivable of \$533,235 and \$147,437 at June 30, 2021 and 2020, respectively, are due within twelve months.

CSS recognizes conditional promises to give - that is, those with a measurable performance or other barrier and a right of return when the conditions on which they depend have been met.

The following is a roll-forward of five conditional grants, which future payments are contingent upon meeting specific milestones and incurring expenses related to the projects:

| | |
|--|---------------------|
| Balance as of June 30, 2020 | \$ 1,200,000 |
| Conditional grants received during the fiscal 2021 | 3,862,393 |
| Revenue recognized for conditions met during fiscal 2021 | <u>(1,907,196)</u> |
| Balance as of June 30, 2021 | <u>\$ 3,155,197</u> |

4. Loan Payable

CSS received loan proceeds in the amount of \$160,800 in May 2020 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The entire loan and accrued interest of \$1,322 was forgiven in March 2021 in accordance with provisions of the PPP. Accordingly, forgiveness of \$162,122 is reported in the Statements of Activities.

5. Employee Benefit Plan

CSS has a 401(k) plan available to all employees aged 21 and older as defined under the plan. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. The plan provides for discretionary employer contributions and immediate vesting. CSS did not elect to make any employer contributions during the years ended June 30, 2021 and 2020.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

6. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Fiscally sponsored projects | \$ 3,777,736 | \$ 1,639,134 |
| Purpose restricted | <u>274,800</u> | <u>271,974</u> |
| Total net assets with donor restrictions | <u>\$ 4,052,536</u> | <u>\$ 1,911,108</u> |

7. Revenue from Contracts with Customers

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits and deferred revenue (contract liabilities) on the statement of financial position.

- Revenue from development contracts is recognized at a point in time as products and deliverables are met.
- Revenue from research is recognized at a point in time as costs are incurred providing research.
- Revenue from trainings and over is recognized at a point in time and trainings are provided.

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Development | \$ 128,330 | \$ 20,142 |
| Research | 9,818 | 133,019 |
| Training and other | <u>7,500</u> | <u>33,332</u> |
| Total revenue from contracts with customers | <u>\$ 145,648</u> | <u>\$ 186,493</u> |

Contract assets as of June 30, 2021, 2020, and 2019 totaled \$28,175, \$51,651 and \$22,789, respectively. CSS did not have contract liabilities for the years ended 2021, 2020, and 2019.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

8. Availability of Financial Assets and Liquidity

CSS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, CSS considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$ 4,204,329 | \$ 2,162,575 |
| Grants and accounts receivable | <u>533,235</u> | <u>147,437</u> |
| Total financial assets | 4,737,564 | 2,310,012 |
| Less amounts unavailable for general expenditure: | | |
| Net assets with donor restrictions | <u>(4,052,536)</u> | <u>(1,911,108)</u> |
| Financial assets available for general expenditure | <u>\$ 685,028</u> | <u>\$ 398,904</u> |

9. Concentration of Credit Risks

CSS places its cash investments with high-credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. CSS has not incurred losses related to these investments. Uninsured balances totaled approximately \$3,704,000 and \$1,638,000 at June 30, 2021 and 2020, respectively.

Revenue from contributions is concentrated in that three donors comprise approximately 45% of total revenue for the year ended June 30, 2021. Revenue from four donors comprised approximately 68% of total revenue for the year ended June 30, 2020.

The grants and accounts receivable balance outstanding on June 30, 2021 consists primarily of grants and contributions from foundations and corporations. Any risk associated with receivables is limited due to the number and variety of entities involved. Receivables are concentrated in that three donors comprise approximately 86% of total receivables for the year ended June 30, 2021. Receivables from one donor comprised approximately 27% of total receivables for the year ended June 30, 2020.

10. Commitments and Contingencies

Grant awards may require the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to the grantors. CSS's management is of the opinion that it has complied with the terms of all grants. Certain grants and contracts that CSS administers and receives reimbursement for are subject to audit and final acceptance by the grantor or contracting party. Current and prior year costs of such grants are subject to adjustment upon audit.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

11. Related Party Transactions

The Board of Directors of the Organization has established a board seat for individuals affiliated with fiscally sponsored projects, and this seat is currently occupied by an employee of FSP Invest in Open Infrastructure. Compensation was set on terms equivalent to prevailing market rates for this position and included payroll expenses of \$182,400 and \$44,300, for the years ended June 30, 2021, and 2020, respectively.

12. Global Pandemic and Market Volatility

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including Oregon, which impacts general business operations in most industries and sectors. In addition, financial markets volatility has significantly increased with general decrease in the value of major market equity indices. CSS experienced minimal disruption to its business operations and has adapted a remote work environment for its administrative functions.