

CODE FOR SCIENCE AND SOCIETY, INC.



AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022 and 2021



McDONALD JACOBS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Code for Science and Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Code for Science and Society, Inc. as of June 30, 2022 and 2021, and the 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.

Basis for Opinion

We conducted our audits 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 Code for Science and Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Code for Science and Society, Inc.'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 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 Code for Science and Society, Inc.'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 Code for Science and Society, Inc.'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.

McDonald Jacobson, P.C.

Portland, Oregon
December 8, 2022

CODE FOR SCIENCE AND SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 6,035,438	\$ 4,204,329
Grants and accounts receivable	1,495,623	533,235
Deposit with vendor	<u>24,531</u>	<u>24,531</u>
TOTAL ASSETS	<u>\$ 7,555,592</u>	<u>\$ 4,762,095</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 168,911	\$ 173,163
Grants payable	<u>84,101</u>	<u>91,000</u>
Total Liabilities	<u>253,012</u>	<u>264,163</u>
Net Assets:		
Without donor restrictions	493,319	445,396
With donor restrictions	<u>6,809,261</u>	<u>4,042,536</u>
Total Net Assets	<u>7,302,580</u>	<u>4,497,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,555,592</u>	<u>\$ 4,762,095</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, 2022 and 2021

	June 30, 2022			June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Grants and contributions revenue	\$ 7,695	\$ 6,880,128	\$ 6,887,823	\$ 2,675	\$ 5,501,175	\$ 5,503,850
Contract revenue	-	684,410	684,410	-	145,648	145,648
Other revenue	-	-	-	-	3,529	3,529
Net assets released from restrictions	<u>4,807,813</u>	<u>(4,807,813)</u>	<u>-</u>	<u>3,607,571</u>	<u>(3,607,571)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>4,815,508</u>	<u>2,756,725</u>	<u>7,572,233</u>	<u>3,610,246</u>	<u>2,042,781</u>	<u>5,653,027</u>
EXPENSES						
Program services	4,103,838	-	4,103,838	2,992,452	-	2,992,452
Fundraising	292,230	-	292,230	215,756	-	215,756
Management and general	<u>371,517</u>	<u>-</u>	<u>371,517</u>	<u>215,350</u>	<u>-</u>	<u>215,350</u>
TOTAL EXPENSES	<u>4,767,585</u>	<u>-</u>	<u>4,767,585</u>	<u>3,423,558</u>	<u>-</u>	<u>3,423,558</u>
CHANGE IN NET ASSETS BEFORE FORGIVENESS OF LOAN						
FORGIVENESS OF LOAN	47,923	2,756,725	2,804,648	186,688	2,042,781	2,229,469
FORGIVENESS OF LOAN	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,475</u>	<u>98,647</u>	<u>162,122</u>
CHANGE IN NET ASSETS	47,923	2,756,725	2,804,648	250,163	2,141,428	2,391,591
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 493,319</u>	<u>\$ 6,809,261</u>	<u>\$ 7,302,580</u>	<u>\$ 445,396</u>	<u>\$ 4,052,536</u>	<u>\$ 4,497,932</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, 2022 and 2021

	June 30, 2022				June 30, 2021			
	Program Services	Fundraising	Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses
Salaries and related expenses	\$ 2,227,996	\$ 175,303	\$ 243,838	\$ 2,647,137	\$ 1,335,964	\$ 146,447	\$ 49,446	\$ 1,531,857
Professional services	1,451,282	110,984	99,077	1,661,343	823,305	67,416	151,864	1,042,585
Web services	71,672	676	12,278	84,626	57,237	636	6,230	64,103
Office expenses	20,389	845	4,929	26,163	10,259	666	1,076	12,001
Travel	35,797	3,321	1,078	40,196	-	-	1,984	1,984
Program events and marketing	12,895	-	768	13,663	7,127	-	-	7,127
Grants	269,143	-	-	269,143	759,585	-	-	759,585
Insurance	11,392	1,099	6,989	19,480	3,538	588	2,262	6,388
Other expenses (income), net	<u>3,272</u>	<u>2</u>	<u>2,560</u>	<u>5,834</u>	<u>(4,563)</u>	<u>3</u>	<u>2,488</u>	<u>(2,072)</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,103,838</u>	<u>\$ 292,230</u>	<u>\$ 371,517</u>	<u>\$ 4,767,585</u>	<u>\$ 2,992,452</u>	<u>\$ 215,756</u>	<u>\$ 215,350</u>	<u>\$ 3,423,558</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,804,648	\$ 2,391,591
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	(962,388)	(385,798)
Accounts payable	(4,252)	109,747
Accrued expenses and other liabilities	-	(3,986)
Grants payable	<u>(6,899)</u>	<u>91,000</u>
NET CASH FLOWS PROVIDED BY		
OPERATING ACTIVITIES	1,831,109	2,041,754
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,204,329</u>	<u>2,162,575</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,035,438</u>	<u>\$ 4,204,329</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

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 ended 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, 2022 and 2021. 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, 2022 and 2021.

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 expenses, 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 Accounting Standards Update 2020-07, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* for the year ended June 30, 2022 on a retrospective basis. The standard provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. There was no impact on the Organization's financial position and change in net assets upon adoption.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

k. Subsequent Events

CSS evaluated subsequent events with respect to the financial statements for the year ended June 30, 2022 through December 8, 2022, 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 consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 229,267	\$ 28,175
Grants receivable	<u>1,266,356</u>	<u>505,060</u>
Total grants and accounts receivable	<u>\$ 1,495,623</u>	<u>\$ 533,235</u>

Grants receivable 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 eleven conditional grants, which future payments are contingent upon meeting specific milestones and incurring expenses related to the projects:

Balance as of June 30, 2021	\$ 3,155,197
Conditional grants awarded during the fiscal 2022	5,123,647
Revenue recognized for conditions met during fiscal 2022	<u>(2,819,129)</u>
Balance as of June 30, 2022	<u>\$ 5,459,715</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.

CODE FOR SCIENCE AND SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

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 was amended effective January 1, 2022 to incorporate a Safe Harbor employer matching contribution that provides a 100% match of employee contributions up to 4% of salary with immediate vesting for all plan participants. Total expense related to the matching contribution was \$31,993 for the year ended June 30, 2022. CSS did not elect to make any employer matching contributions during the year ended June 30, 2021.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Fiscally sponsored projects	\$ 6,589,636	\$ 3,777,736
Purpose restricted	<u>219,625</u>	<u>274,800</u>
Total net assets with donor restrictions	<u>\$ 6,809,261</u>	<u>\$ 4,052,536</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 services are provided or 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 other is recognized at a point in time as trainings are provided.

	<u>2022</u>	<u>2021</u>
Development	\$ 502,466	\$ 128,330
Training and other	181,944	7,500
Research	<u>-</u>	<u>9,818</u>
Total revenue from contracts with customers	<u>\$ 684,410</u>	<u>\$ 145,648</u>

Contract assets (accounts receivable) as of June 30, 2022, 2021, and 2020 totaled \$229,267, \$28,175 and \$51,651, respectively. CSS did not have contract liabilities for the years ended June 30, 2022, 2021 and 2020.

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. Following is the analysis for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,035,438	\$ 4,204,329
Grants and accounts receivable	<u>1,495,623</u>	<u>533,235</u>
Total financial assets	7,531,061	4,737,564
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>(6,809,261)</u>	<u>(4,052,536)</u>
Financial assets available for general expenditure	<u>\$ 721,800</u>	<u>\$ 685,028</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 \$5,697,000 and \$3,704,000 at June 30, 2022 and 2021, respectively.

Revenue from contributions is concentrated in that three donors comprise approximately 49% and 45% of total revenue for the years ended June 30, 2022 and 2021, respectively.

The grants and accounts receivable balance outstanding on June 30, 2022 and 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 two donors comprise approximately 73% of total receivables for the year ended June 30, 2022. Receivables from three donors comprised approximately 86% of total receivables for the year ended June 30, 2021.

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 (FSP), and this seat is currently occupied by an employee. Compensation was set on terms equivalent to prevailing market rates for this position and included payroll expenses of \$159,650 and \$182,400, for the years ended June 30, 2022, and 2021, respectively.