

CODE FOR SCIENCE AND SOCIETY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019



McDONALD JACOBS

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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, 2020 and 2019, 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, 2020 and 2019, 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
March 19, 2021

CODE FOR SCIENCE AND SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,162,575	\$ 735,189
Grants and accounts receivable	147,437	54,766
Deposit with vendor	<u>24,531</u>	<u>24,531</u>
TOTAL ASSETS	<u>\$ 2,334,543</u>	<u>\$ 814,486</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 63,416	\$ 46,778
Accrued liabilities	3,986	-
Grants payable	-	80,000
Loan payable	<u>160,800</u>	<u>-</u>
Total Liabilities	<u>228,202</u>	<u>126,778</u>
Net Assets:		
Without donor restrictions	195,233	108,339
With donor restrictions	<u>1,911,108</u>	<u>579,369</u>
Total Net Assets	<u>2,106,341</u>	<u>687,708</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,334,543</u>	<u>\$ 814,486</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, 2020 and 2019

	June 30, 2020			June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Grants and contributions revenue	\$ 1,035	\$ 2,909,984	\$ 2,911,019	\$ 261	\$ 1,805,486	\$ 1,805,747
Earned income	-	188,873	188,873	-	61,125	61,125
Net assets released from restrictions	<u>1,767,118</u>	<u>(1,767,118)</u>	<u>-</u>	<u>1,348,734</u>	<u>(1,348,734)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>1,768,153</u>	<u>1,331,739</u>	<u>3,099,892</u>	<u>1,348,995</u>	<u>517,877</u>	<u>1,866,872</u>
EXPENSES						
Program services	1,474,890	-	1,474,890	1,193,506	-	1,193,506
Fundraising	126,881	-	126,881	43,052	-	43,052
Management and general	<u>79,488</u>	<u>-</u>	<u>79,488</u>	<u>58,522</u>	<u>-</u>	<u>58,522</u>
TOTAL EXPENSES	<u>1,681,259</u>	<u>-</u>	<u>1,681,259</u>	<u>1,295,080</u>	<u>-</u>	<u>1,295,080</u>
CHANGE IN NET ASSETS	86,894	1,331,739	1,418,633	53,915	517,877	571,792
NET ASSETS, BEGINNING OF YEAR	<u>108,339</u>	<u>579,369</u>	<u>687,708</u>	<u>54,424</u>	<u>61,492</u>	<u>115,916</u>
NET ASSETS, END 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>

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, 2020 and 2019

	June 30, 2020				June 30, 2019			
	Program Services	Fundraising	Management and General	Total Expenses	Program Services	Fundraising	Management and General	Total Expenses
Salaries and related benefits	\$ 1,003,967	\$ 106,618	\$ 29,238	\$ 1,139,823	\$ 335,737	\$ 35,415	\$ 15,921	\$ 387,073
Professional services	367,612	16,168	37,668	421,448	260,573	5,368	35,375	301,316
Office expenses and web services	56,905	1,869	7,264	66,038	19,424	400	4,538	24,362
Travel	16,783	1,573	2,518	20,874	36,030	1,468	-	37,498
Program events and marketing	15,537	-	280	15,817	7,146	-	79	7,225
Grants	8,000	-	-	8,000	530,000	-	-	530,000
Insurance	4,345	653	1,118	6,116	4,596	401	956	5,953
Other expenses	<u>1,741</u>	<u>-</u>	<u>1,402</u>	<u>3,143</u>	<u>-</u>	<u>-</u>	<u>1,653</u>	<u>1,653</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,474,890</u>	<u>\$ 126,881</u>	<u>\$ 79,488</u>	<u>\$ 1,681,259</u>	<u>\$ 1,193,506</u>	<u>\$ 43,052</u>	<u>\$ 58,522</u>	<u>\$ 1,295,080</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,418,633	\$ 571,792
Change in operating assets and liabilities:		
Grants and accounts receivable	(92,671)	(54,766)
Deposit with vendor	-	(24,531)
Accounts payable	16,638	45,490
Accrued liabilities	3,986	-
Grants payable	<u>(80,000)</u>	<u>80,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,266,586</u>	<u>617,985</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan payable	<u>160,800</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>160,800</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,427,386	617,985
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>735,189</u>	<u>117,204</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,162,575</u>	<u>\$ 735,189</u>

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, 2020 and 2019.

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, 2020 and 2019.

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.

Earned income 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 grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advance from government grant in the Statement of Financial Position. The Organization has not received any advances on these grants as of June 30, 2020 and 2019.

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.

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. CSSs 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 or new fiscal sponsor.

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 fundraising expenses. 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 and web services, insurance, and other expenses, which are allocated on the basis of estimate 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 is 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:

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The guidance is effective for the fiscal years beginning after December 15, 2018. CSS adopted the ASU effective July 1, 2019 and applied the new guidance to grants received beginning at that date.

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Pronouncements Effective in the Future:

In May 2014, the FASB issued ASU 2014-09: *Revenue from Contracts with Customers (Topic 606)*. The guidance in this ASU amends the existing accounting standards for revenue recognition and outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. CSS will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time using either of two methods (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the guidance; or (b) retrospective with the cumulative effect of initially applying the guidance recognized at the date of initial application and providing certain additional disclosures as defined in the guidance. In August 2015, the FASB deferred the effective date for non-public entities to annual periods beginning after December 15, 2018. In June 2020, the FASB issued an ASU that delays the effective date of the revenue recognition ASU by one year to all nonpublic entities that have not yet issued their financial statements. CSS is in process of addressing the transition method and the impact of the new accounting guidance on its financial statements.

k. Subsequent Events

CSS evaluated subsequent events with respect to the financial statements for the year ended June 30, 2020 through March 19, 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 \$147,437 and \$54,766 at June 30, 2020 and 2019, 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 two conditional grants, which future payments are contingent upon meeting specific milestones and incurring expenses related to the projects:

Balance as of June 30, 2019	\$ 1,200,000
Conditional grants received during the fiscal 2020	900,000
Revenue recognized for conditions met during fiscal 2020	<u>(900,000)</u>
Balance as of June 30, 2020	<u>\$ 1,200,000</u>

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4. Loan Payable

CSS received loan proceeds in the amount of \$160,800 with a maturity date of May 7, 2022 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 loans and accrued interest may be forgivable as long as CSS uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Monthly principal and interest payments of \$8,137 are due starting November 2020 through May 2022. CSS intends to use the proceeds for purposes consistent with the PPP. CSS believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan and it will complete the application process for forgiveness during fiscal year ending June 30, 2021.

Current portion	\$ 71,232
Long-term portion	<u>89,568</u>
Balance as of June 30, 2020	<u>\$ 160,800</u>

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, 2020 and 2019.

6. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Fiscally sponsored projects	\$ 1,639,134	\$ 466,799
Purpose restricted	<u>271,974</u>	<u>112,570</u>
Total net assets with donor restrictions	<u>\$ 1,911,108</u>	<u>\$ 579,369</u>

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NOTES TO FINANCIAL STATEMENTS

7. Availability of Financial Assets and Liquidity

CSS's 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,162,575	\$ 735,189
Grants and accounts receivable	<u>147,437</u>	<u>54,766</u>
Total financial assets	2,310,012	789,955
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>(1,911,108)</u>	<u>(579,369)</u>
Financial assets available for general expenditure	<u>\$ 398,904</u>	<u>\$ 265,352</u>

8. 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 \$1,638,000 and \$254,000 at June 30, 2020 and 2019, respectively

Revenue from contribution is concentration in that four donors comprise approximately 68% of total revenue for the year ended June 30, 2020. Revenue from two donors comprised approximately 38% of total revenue for the year ended June 30, 2019.

The grants and accounts receivable balance outstanding on June 30, 2020 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.

9. 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.

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10. 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. It appears that CSS will be able to continue operating in this manner through the fiscal year ending June 30, 2021.