



Financial Statements

For the Year Ended December 31, 2019

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

Independent Auditor's Report

**To the Board of Directors
Code.org
Seattle, Washington**

We have audited the accompanying financial statements of Code.org, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Code.org as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Code.org's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber PS

Certified Public Accountants
April 14, 2020

CODE.ORG

Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,212,532	\$ 3,692,178
Short-term investments	16,697,333	15,133,737
Current portion of pledges receivable, net	10,857,564	9,863,900
Other receivables	164,279	62,161
Inventory	77,303	316,036
Prepaid and other current assets	339,609	629,551
Total Current Assets	33,348,620	29,697,563
Long-term portion of pledges receivable, net	8,411,215	4,843,252
Other long-term assets	59,587	57,744
Total Assets	\$ 41,819,422	\$ 34,598,559
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 293,225	\$ 291,007
Accrued liabilities	629,796	566,495
Total Current Liabilities	923,021	857,502
Deferred rent	11,382	12,678
Total Liabilities	934,403	870,180
Net Assets:		
Net assets without donor restrictions	21,616,240	19,021,229
Net assets with donor restrictions	19,268,779	14,707,150
Total Net Assets	40,885,019	33,728,379
Total Liabilities and Net Assets	\$ 41,819,422	\$ 34,598,559

See accompanying notes.

CODE.ORG

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019
(With Comparative Totals For 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenue:				
Corporations	\$ 10,280,848	\$ 10,774,504	\$ 21,055,352	\$ 17,546,709
Foundations	1,476,890	1,673,412	3,150,302	1,292,157
Individuals	3,151,586	1,216,806	4,368,392	938,937
In-kind contributions	599,938	311,783	911,721	4,828,737
Investment earnings	367,301		367,301	299,264
Other revenue	67,905		67,905	24,130
Net assets released from restriction	9,414,876	(9,414,876)		
Total Support and Revenue	25,359,344	4,561,629	29,920,973	24,929,934
Expenses:				
Program services	20,897,728		20,897,728	22,954,052
Management and general	1,517,105		1,517,105	1,297,756
Fundraising	349,500		349,500	330,676
Total Expenses	22,764,333		22,764,333	24,582,484
Change in Net Assets	2,595,011	4,561,629	7,156,640	347,450
Net assets, beginning of year	19,021,229	14,707,150	33,728,379	33,380,929
Net Assets, End of Year	\$ 21,616,240	\$ 19,268,779	\$ 40,885,019	\$ 33,728,379

See accompanying notes.

CODE.ORG

**Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals For 2018)**

	Program Services				Supporting Services			2019 Total	2018 Total
	Advocacy	Marketing	Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Personnel costs	\$ 1,137,756	\$ 1,165,132	\$ 7,939,044	\$ 10,241,932	\$ 1,081,297	\$ 299,817	\$ 1,381,114	\$ 11,623,046	\$ 10,111,996
Program implementation	126,872	86,081	5,609,068	5,822,021	58,127	6,798	64,925	5,886,946	8,194,653
Website and hosting	44,512	305,628	1,566,312	1,916,452	23,122	19,305	42,427	1,958,879	1,585,029
Travel	221,004	70,709	1,290,993	1,582,706	89,032	11,261	100,293	1,682,999	3,202,323
Professional services	552,171	105,725	282,205	940,101	106,173	10,000	116,173	1,056,274	1,056,231
Office expenses	16,089	26,873	192,152	235,114	146,380		146,380	381,494	359,543
Marketing and advocacy		107,667	51,735	159,402	12,974	2,319	15,293	174,695	72,709
Total Expenses	\$ 2,098,404	\$ 1,867,815	\$ 16,931,509	\$ 20,897,728	\$ 1,517,105	\$ 349,500	\$ 1,866,605	\$ 22,764,333	\$ 24,582,484

See accompanying notes.

CODE.ORG

Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals For 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 7,156,640	\$ 347,450
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation expense	1,486	752
Change in present value discount on pledges receivable	(558,159)	(1,239)
Change in allowance for doubtful accounts	27,401	25,183
Realized and unrealized gain on investments	(160,736)	(164,189)
Change in assets and liabilities:		
Pledges receivable	(4,030,869)	1,821,844
Other receivables	(102,118)	27,374
Inventory	238,733	249,181
Prepaid and other current assets	286,613	(332,782)
Accounts payable	2,218	2,049
Accrued liabilities	63,301	35,982
Deferred rent	(1,296)	643
Net Cash Provided by Operating Activities	2,923,214	2,012,248
Cash Flows From Investing Activities:		
Purchase of short-term investments	(96,007,165)	(17,602,674)
Proceeds from sale of short-term investments	94,604,305	18,350,828
Net Cash (Used in) Provided by Investing Activities	(1,402,860)	748,154
Net Change in Cash and Cash Equivalents	1,520,354	2,760,402
Cash and cash equivalents, beginning of year	3,692,178	931,776
Cash and Cash Equivalents, End of Year	\$ 5,212,532	\$ 3,692,178

See accompanying notes.

CODE.ORG

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

Note 1 - Nature of the Organization

Organization - Code.org® is a nonprofit dedicated to expanding access to computer science, and increasing participation by women and underrepresented minorities. Our vision is that every student in every school should have the opportunity to learn computer science. Code.org increases diversity in computer science by reaching students of all backgrounds where they are - at their skill-level, in their schools, and in ways that inspire them to keep learning. Our work builds upon decades of effort by countless organizations and individuals who have helped establish, fund and spread computer science education. Our goals include:

- Improving diversity in computer science;
- Increasing the number of schools that adopt and teach computer science;
- Developing high quality computer science courses that support a K-12 pathway;
- Preparing new computer science teachers across grades K-12;
- Inspiring students to try computer science through the Hour of Code; and
- Helping change government policies to support computer science as a core subject.

To support our goals, we work across the education spectrum: designing our own courses or partnering with others; developing partnerships with strong facilitators and established educational organizations to provide professional learning opportunities for new computer science teachers; helping change educational policies through coalition and community-driven efforts; expanding internationally via partnerships and marketing to break stereotypes.

Specific areas on which our work focuses include:

Education - Our top organizational focus, Code.org's comprehensive approach aims to integrate computer science into the core of U.S. education. The Code.org Professional Learning Program is designed to prepare K-12 educators to teach computer science using a defined curriculum pathway paired with high-quality professional learning resources that supports teacher and student success.

Curriculum at Code.org blends traditional and modern formats, merging lesson plans, activities and assessments, with computational tools, environments and learning platforms. Code.org provides this curriculum, in-person workshops and online learning opportunities, and year-round mentorship and support for existing in-service math and/or science teachers at the elementary, middle and high school levels. Our courses are free and easily accessible, available in more than 65 languages, and are used in over 180 countries (unaudited).

Advocacy - Code.org's advocacy efforts aim to support policies that increase access to K-12 computer science for all students; we advocate for state-level adoption of a policy framework to support and expand K-12 computer science. In particular, our main policy focus is getting every school to offer at least one computer science course and supporting this through the allocation of state funding for computer science professional development to grow the number of teachers who are prepared to teach computer science courses, and encouraging states to develop or adopt K-12 computer science standards.

At the end of 2019, all 50 states have policies to support K-12 computer science education (unaudited) and 28 states have allocated over \$150M exclusively for computer science education (unaudited).

CODE.ORG

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Public Awareness - Code.org uses marketing, celebrities, and events to increase public awareness of computer science as foundational knowledge in modern K-12 education. Our public awareness campaign seeks to motivate more students, parents and members of the general population to learn computer science and to motivate more schools to want to teach it. Rather than buy traditional advertising media, we use celebrity endorsement, earned-media and viral/social approaches to do this. We also create introductory materials designed to introduce people of all ages to the potential of learning computer science and break stereotypes; encouraging more women and underrepresented minorities to engage. Our main vehicle for achieving this is the Hour of Code campaign. In partnership with hundreds of organizations, we organize a global movement reaching tens of millions of students in over 180 countries with a one-hour tutorial. The Hour of Code is designed to demystify computer science and show that anybody can learn the basics. This grassroots campaign is supported by over 400 partners and 200,000 educators worldwide (unaudited).

International - Code.org also devotes organizational resources to the development of international partnerships through which Code.org provides curriculum they can use, translate or adapt under creative commons, best practices for implementing curriculum and professional development, and marketing support in countries who are interested in offering computer science in schools.

Note 2 - Significant Accounting Policies

Basis of Presentation - The financial statements of Code.org are presented on the accrual basis of accounting. Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Code.org and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of Code.org or passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Restricted contributions are reported in the financial statements as net assets without donor restrictions revenue when they are received and used for the restricted purpose in the same year.

Cash and Cash Equivalents - Cash and cash equivalents consist of savings and demand deposit accounts at December 31, 2019 and 2018. For purposes of reporting cash flows, Code.org considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents except for those associated with the investment accounts. Code.org maintains cash and cash equivalents on deposit at various institutions that at times may exceed the insured limits by the Federal Deposit Insurance Corporation. This exposes Code.org to potential risk of loss in the event the institution becomes insolvent.

Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

Note 2 - Continued

Short-Term Investments - Investments in debt and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is stated at the closing price on the last business day of the year. Money market accounts held in the investment portfolio are reported at cost plus accrued interest. Short-term investments consist of United States Treasury Bills, mutual funds, and certificates of deposit.

Pledges Receivable - Pledges receivable, unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in revenue and support. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable.

Inventory - Inventory is stated at the lower of cost or market (estimated net realizable value) under the first-in, first-out method of accounting, and consists of course materials, workshop kits, and promotional merchandise. No inventory was impaired or written off during the years ended December 31, 2019 and 2018.

Contributions - Code.org recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Donated securities are recorded at their fair values on the date of receipt.

Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Conditional contributions are conditioned upon certain performance requirements and the incurrence of qualifying expenses. Consequently, at December 31, 2019 and 2018, conditional contributions approximating \$5,840,000 and \$11,440,000, respectively, of which no amounts had been received in advance, or have been recognized in the accompanying financial statements.

Other Revenue - Other revenue consists primarily of rental income, investment earnings, and product sales which are recognized when they are earned.

In-Kind Contributions - Code.org recognizes as revenue, in the statement of activities and changes in net assets, the value of donated goods and certain services at their fair values on the date received or pledged. The fair value of the donated services is recognized in the financial statements when the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing these skills, and would have been purchased if not donated.

In-kind contributions of goods and services consisted of the following for the years ended December 31:

	2019	2018
Web services and licenses	\$ 611,721	\$ 4,388,495
Executive leadership and professional services	300,000	414,999
Event venues, catering and other		25,243
Total In-Kind Contributions	\$ 911,721	\$ 4,828,737

CODE.ORG

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

Note 2 - Continued

Gift-in-kind contributions are generally expensed in the year received except for donated web services, which is expensed when used. In-kind web services expense totaled \$1,726,542 and \$1,379,779 for the years ended December 31, 2019 and 2018, respectively.

Concentrations - Financial instruments that potentially subject Code.org to concentrations of credit and market risk consist primarily of cash and cash equivalents and short-term investments. Cash and cash equivalents and short-term investments are held in accounts that exceeded federally insured limits during the years ended December 31, 2019 and 2018, respectively.

During the year ended December 31, 2019, 49% of Code.org's revenue was from three donors and 69% of its pledges receivable were from three donors. For year ended December 31, 2018, 39% of Code.org's revenue was from three donors and 40% of its pledges receivable were from two donors.

Federal Income Tax Status - The Internal Revenue Service has determined Code.org to be a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made in these financial statements.

Methods Used for Allocation of Expenses Among Program and Support Functions - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Code.org. Those expenses include personnel costs, website and hosting, and office expenses. Personnel is allocated based on time spent across programs during the month, website and hosting are allocated based on estimated usage by program, and office expenses are allocated based on full-time equivalent representation in the office.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from such estimates.

Prior Year Summarized Information - For comparative purposes, the financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Code.org's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

CODE.ORG

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

Note 3 - Pledges Receivable

Pledges receivable were as follows at December 31:

	2019	2018
Pledges receivable expected in less than one year	\$ 10,857,564	\$ 9,863,900
Pledges receivable expected in one to five years	9,382,291	5,283,570
	20,239,855	15,147,470
Allowance for doubtful accounts	(26,583)	(53,984)
Present value discount	(944,493)	(386,334)
Pledges Receivable, Net	\$ 19,268,779	\$ 14,707,152

Pledges receivable with due dates extending beyond one year were discounted using a discount rate of 4.5% to 5% at December 31, 2019 and 2018.

During the year ended December 31, 2018, Code.org received a pledge of Bitcoin to be paid out in Bitcoin over five years. The pledge was recorded on the date received using quoted market prices within active markets and will be subsequently revalued on the statement of financial position dates using the same method until fully collected. The Bitcoin net pledge receivable balance totaled \$312,574 and \$445,542 for the years ended December 31, 2019 and 2018, respectively.

Note 4 - Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy which prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2019 and 2018:

Money Markets - Valued at cost plus accrued interest, which approximates fair value.

United States Treasury Bills - Treasury bills are valued based on quoted market prices or other observable inputs.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares at year end.

CODE.ORG
Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)
Note 4 - Continued

Fair Values Measured on a Recurring Basis - Fair values of assets measured on a recurring basis were as follows:

Fair Value Measurements as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Money markets	\$ 495,600	\$ -	\$ -	\$ 495,600
United States Treasury bills	7,750,000			7,750,000
Mutual funds - fixed income	8,451,733			8,451,733
Total Assets at Fair Value	\$ 16,697,333	\$ -	\$ -	\$ 16,697,333

Fair Value Measurements as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Money markets	\$ 451,675	\$ -	\$ -	\$ 451,675
United States Treasury bills	7,327,640			7,327,640
Mutual funds - fixed income	7,354,422			7,354,422
Total Assets at Fair Value	\$ 15,133,737	\$ -	\$ -	\$ 15,133,737

Investment earnings consisted of the following for the year ended December 31:

	2019	2018
Interest	\$ 206,565	\$ 138,132
Realized and unrealized gain	160,736	161,132
Investment Earnings, Net	\$ 367,301	\$ 299,264

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions were time restricted at December 31, 2019 and 2018. Net assets with donor restrictions totaling \$9,414,976 were released from restriction during the year ended December 31, 2019 due to the passage of time.

Note 6 - Commitments

Facilities Commitments - Code.org has entered into contracts for facilities usage for Code.org's various events through 2019. As of December 31, 2019, the total estimated maximum cancellation liability for all contracts is approximately \$290,000.

Noncancelable Leases - In August 2016, Code.org entered into a noncancelable lease for office space that expires in July 2022 and includes escalating monthly rental payments ranging from \$16,000 to \$22,000. Total rent expense under all office space leases totaled \$268,077 and \$231,776 for the years ended December 31, 2019 and 2018, respectively.

Code.org recognizes rental expense on a straight-line basis over the life of the leases and has recorded a deferred rent liability of \$11,382 and \$12,678 at December 31, 2019 and 2018, respectively.

CODE.ORG

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

Note 6 - Continued

Future rental commitments under this lease is as follows:

For the Year Ending December 31,

2020	\$ 246,756
2021	247,890
2022	255,537
2023	<u>151,666</u>

Total Future Minimum Lease Payments	<u>\$ 901,849</u>
--------------------------------------------	--------------------------

Note 7 - Liquidity and Availability of Financial Assets

Liquidity - As part of Code.org's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Code.org invests excess funds that exceed the cash flow needs of the organization for the next 3-6 months in low-risk financial products that generate interest that exceeds what is available in traditional checking and savings accounts.

Availability of Financial Assets - The following reflects Code.org's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,212,532	\$ 3,692,178
Investments	16,697,333	15,133,737
Current portion of pledge receivables, net	10,857,564	9,863,900
Other receivables	<u>164,279</u>	<u>62,161</u>
Total financial assets, excluding noncurrent receivables	32,931,708	28,751,976
Less in-kind pledges receivable	<u>(1,635,640)</u>	<u>(1,549,080)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 31,296,068</u>	<u>\$ 27,202,896</u>

Note 8 - Subsequent Events

Code.org has evaluated its December 31, 2019 financial statements for subsequent events through April 14, 2020, which is the date the financial statements were available to be issued. In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. Subsequent to year end, the World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak has caused business disruption through mandated and voluntary closings of schools and multiple businesses. School closures does impact Code.org's work with districts and schools in 2020, although the full extent of the impact is unknown at this time. Code.org continue is carefully monitoring how COVID-19 will impact the economy and education landscape.