

# ICIVICS, INC.

## FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

REPORTS REQUIRED BY THE UNIFORM GUIDANCE FOR THE YEAR  
ENDED JUNE 30, 2022



*Certified Public Accountants*

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*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors  
**iCivics, Inc.**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of **iCivics, Inc.** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **iCivics, Inc.** as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 **iCivics, Inc.** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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 **iCivics, 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 and *Government 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.

To the Board of Directors  
**iCivics, Inc.**

In performing an audit in accordance with generally accepted auditing standards and *Government 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 **iCivics, 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 **iCivics, 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.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of **iCivics, Inc.’s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **iCivics, Inc.’s** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **iCivics, Inc.’s** internal control over financial reporting and compliance.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
November 10, 2022

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**iCivics, Inc.****Statements of Financial Position  
June 30,****2022****2021****Assets****Current assets**

Cash	\$ 5,946,242	\$ 6,899,538
Prepaid expenses	48,562	92,569
Accounts receivable	67,302	51,083
Grants and contributions receivable-net, current portion	2,696,169	668,551
Investments, current portion	11,142,956	242,511
	<u>19,901,231</u>	<u>7,954,252</u>

**Noncurrent assets**

Grants and contributions receivable-net, long-term portion	2,082,249	208,707
Investments restricted for permanent endowment	474,785	474,785
Cash restricted for permanent endowment	16,075	16,075
Security deposit	4,067	4,067
	<u>2,577,176</u>	<u>703,634</u>

**Intangible assets**

Website, net of accumulated amortization	140,411	99,741
Domain name	26,000	26,000
	<u>166,411</u>	<u>125,741</u>

**Property and equipment, net**

Total assets	<u>24,073</u>	<u>14,065</u>
	<u>\$ 22,668,891</u>	<u>\$ 8,797,692</u>

**Liabilities and net assets****Current liabilities**

Accounts payable and accrued expenses	\$ 392,941	\$ 112,227
Accrued payroll and related liabilities	306,077	314,299
Deferred revenue	1,005	10,000
Total liabilities	<u>700,023</u>	<u>436,526</u>

**Net assets**

Without donor restrictions		
Undesignated	-	879,816
Board-designated for Sandra Day O'Connor Growth Fund	14,842,717	5,128,734
With donor restrictions		
Purpose restrictions	6,635,291	1,861,756
Perpetual in nature	490,860	490,860
Total net assets	<u>21,968,868</u>	<u>8,361,166</u>
Total liabilities and net assets	<u>\$ 22,668,891</u>	<u>\$ 8,797,692</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

**iCivics, Inc.**

**Statement of Activities  
for the year ended June 30, 2022**

	<u>Without donor restrictions</u>			<u>Total</u>
	<u>Undesignated</u>	<u>Board- designated Sandra Day O'Connor Growth Fund</u>	<u>With donor restrictions</u>	
<b>Support and revenue</b>				
Grants and contributions	\$ 3,062,287	\$ 10,404,852	\$ 7,261,295	\$ 20,728,434
In-kind contributions	782,667	-	-	782,667
Royalties and other contract income	239,353	-	-	239,353
Publication sales and shipping revenue	78,355	-	-	78,355
Investment loss, net \$3,000 fees	(21,164)	-	(78,233)	(99,397)
Loss on disposal of property and equipment	(422)	-	-	(422)
Appropriation for expenditures	690,869	(690,869)	-	-
Net assets released from restrictions	2,409,527	-	(2,409,527)	-
Total support and revenue	<u>7,241,472</u>	<u>9,713,983</u>	<u>4,773,535</u>	<u>21,728,990</u>
<b>Expenses</b>				
Civic education programming	7,080,027	-	-	7,080,027
Management and general	581,080	-	-	581,080
Fundraising	460,181	-	-	460,181
Total expenses	<u>8,121,288</u>	<u>-</u>	<u>-</u>	<u>8,121,288</u>
<b>Change in net assets</b>	(879,816)	9,713,983	4,773,535	13,607,702
<b>Net assets, beginning of year</b>	<u>879,816</u>	<u>5,128,734</u>	<u>2,352,616</u>	<u>8,361,166</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ 14,842,717</u>	<u>\$ 7,126,151</u>	<u>\$ 21,968,868</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

**iCivics, Inc.**

**Statement of Activities  
for the year ended June 30, 2021**

	Without donor restrictions		With donor restrictions	Total
	Undesignated	Board-designated Sandra Day O'Connor Growth Fund		
<b>Support and revenue</b>				
Grants and contributions	\$ 2,939,578	\$ 3,382,741	\$ 1,552,500	\$ 7,874,819
In-kind contributions	1,036,930	-	-	1,036,930
Royalties and other contract income	499,557	-	-	499,557
Publication sales and shipping revenue	48,134	-	-	48,134
Investment income	21	-	99,172	99,193
Net assets released from restrictions	1,602,673	-	(1,602,673)	-
Total support and revenue	<u>6,126,893</u>	<u>3,382,741</u>	<u>48,999</u>	<u>9,558,633</u>
<b>Expenses</b>				
Civic education programming	4,751,211	-	-	4,751,211
Management and general	396,795	-	-	396,795
Fundraising	534,282	-	-	534,282
Total expenses	<u>5,682,288</u>	<u>-</u>	<u>-</u>	<u>5,682,288</u>
<b>Change in net assets</b>	444,605	3,382,741	48,999	3,876,345
<b>Net assets, beginning of year</b>	435,211	1,745,993	2,303,617	4,484,821
<b>Net assets, end of year</b>	<u>\$ 879,816</u>	<u>\$ 5,128,734</u>	<u>\$ 2,352,616</u>	<u>\$ 8,361,166</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

**iCivics, Inc.**

**Statement of Functional Expenses  
for the year ended June 30, 2022**

	Civic education programming	Management and general	Fundraising	Total
Accounting fees	\$ 19,525	\$ 65,845	\$ -	\$ 85,370
Bank and credit card fees	495	5,807	-	6,302
Communications	3,136	5,830	-	8,966
Conference	6,890	-	-	6,890
Consultants	1,330,163	47,090	7,222	1,384,475
Depreciation	7,237	14	248	7,499
Dues and subscriptions	9,407	272	1,804	11,483
Employee benefits	124,807	126,310	9,525	260,642
Game development	426,250	-	-	426,250
Grants to other organizations	361,000	-	-	361,000
Indirect costs	31,171	(31,171)	-	-
Insurance	-	9,214	-	9,214
Licenses and fees	-	-	8,134	8,134
Marketing and promotion	110,212	21	498	110,731
Meals and entertainment	47,449	1,907	128	49,484
Occupancy	27,993	42,052	-	70,045
Office supplies and expenses	18,563	6,019	1,576	26,158
Payroll taxes	197,211	6,245	28,873	232,329
Postage and delivery	1,464	1,146	415	3,025
Printing and reproduction	24,231	2,597	3,922	30,750
Professional services	272,859	3,482	10	276,351
Salaries	2,690,738	210,222	381,581	3,282,541
Software licenses and services	61,464	5,047	3,044	69,555
Staff training	19,880	-	-	19,880
Stipend	30,200	-	8,500	38,700
Travel and lodging	153,303	9,060	4,701	167,064
Video production	273,995	-	-	273,995
Web development and services	61,867	-	-	61,867
Website amortization	49,921	-	-	49,921
	<u>6,361,431</u>	<u>517,009</u>	<u>460,181</u>	<u>7,338,621</u>
<b>In-kind contributions</b>				
Marketing and promotion	481,374	-	-	481,374
Legal services	191,222	64,071	-	255,293
Web maintenance	46,000	-	-	46,000
	<u>718,596</u>	<u>64,071</u>	<u>-</u>	<u>782,667</u>
<b>Total functional expenses</b>	<u>\$ 7,080,027</u>	<u>\$ 581,080</u>	<u>\$ 460,181</u>	<u>\$ 8,121,288</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

**iCivics, Inc.**

**Statement of Functional Expenses  
for the year ended June 30, 2021**

	Civic education programming	Management and general	Fundraising	Total
Accounting fees	\$ -	\$ 72,032	\$ -	\$ 72,032
Bad debt expense	-	8,930	-	8,930
Bank and credit card fees	756	5,230	242	6,228
Communications	2,180	5,800	10	7,990
Conference	3,660	-	-	3,660
Consultants	916,640	40,930	24,354	981,924
Depreciation	3,212	452	330	3,994
Dues and subscriptions	6,413	-	1,561	7,974
Employee benefits	111,396	6,899	22,269	140,564
Game development	344,421	-	-	344,421
Grants	106,706	-	-	106,706
Insurance	4,659	2,892	-	7,551
Licenses and fees	-	90	3,798	3,888
Marketing and promotion	88,117	-	923	89,040
Meals and entertainment	1,720	1,977	8,550	12,247
Occupancy	45,706	5,189	14,427	65,322
Office supplies and expenses	19,621	1,646	1,260	22,527
Payroll taxes	126,909	13,521	28,326	168,756
Postage and delivery	1,065	76	948	2,089
Printing and reproduction	20,471	-	2,752	23,223
Professional services	42,652	2,675	25,016	70,343
Salaries	1,720,081	139,167	397,531	2,256,779
Software licenses and services	38,136	3,583	1,908	43,627
Staff training	361	-	69	430
Stipend	73,140	-	-	73,140
Travel and lodging	2,575	-	8	2,583
Video production	39,060	-	-	39,060
Web development and services	77,608	-	-	77,608
Website amortization	2,722	-	-	2,722
	<u>3,799,987</u>	<u>311,089</u>	<u>534,282</u>	<u>4,645,358</u>
<b>In-kind contributions</b>				
Marketing and promotion	677,121	-	-	677,121
Legal services	208,954	85,706	-	294,660
Public relations	2,678	-	-	2,678
Consulting services	5,000	-	-	5,000
Web maintenance	57,471	-	-	57,471
	<u>951,224</u>	<u>85,706</u>	<u>-</u>	<u>1,036,930</u>
<b>Total functional expenses</b>	<u>\$ 4,751,211</u>	<u>\$ 396,795</u>	<u>\$ 534,282</u>	<u>\$ 5,682,288</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

**iCivics, Inc.**

**Statements of Cash Flows  
for the years ended June 30,**

**2022**

**2021**

**Cash flows from operating activities**

<b>Change in net assets</b>	\$ 13,607,702	\$ 3,876,345
Adjustments to reconcile change in net assets to net cash from operating activities		
Website amortization	49,921	2,722
Depreciation	7,499	3,994
Forgiveness of SBA Paycheck Protection loan	-	(343,234)
Receipt of donated securities	(1,830)	(105,050)
Proceeds from sales of donated securities	1,830	105,050
Unrealized (gain) loss on investments	168,214	(84,725)
Change in allowance and discount	9,571	8,857
Loss on disposal of assets	422	-
(Increase) decrease in operating assets		
Prepaid expenses	44,007	(37,282)
Accounts receivable	(16,219)	(23,387)
Grants and contributions receivable	(3,910,731)	33,329
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	280,714	26,484
Accrued payroll and related liabilities	(8,222)	45,351
Deferred revenue	(8,995)	-
Deferred rent	-	(1,964)
Net cash provided by operating activities	<u>10,223,883</u>	<u>3,506,490</u>

**Cash flows from investing activities**

Expenditures for website	(90,591)	(102,463)
Expenditures for property and equipment	(17,929)	(8,361)
Purchase of investments	<u>(11,068,659)</u>	<u>(14,447)</u>
Net cash used in investing activities	<u>(11,177,179)</u>	<u>(125,271)</u>

**Net change in cash and restricted cash**

(953,296)      3,381,219

**Cash and restricted cash, beginning of year**

6,915,613      3,534,394

**Cash and restricted cash, end of year**

\$ 5,962,317      \$ 6,915,613

**Supplemental disclosure of cash flow information**

Noncash transactions		
Donated securities	<u>\$ 1,830</u>	<u>\$ 105,050</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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### 1. Organization

iCivics, Inc. (the Organization), a nonprofit organization, was established in 2009. The Organization was founded by Justice Sandra Day O'Connor in partnership with Georgetown Law School and Arizona State University. The Organization is dedicated to reinvigorating civics learning through interactive resources about different aspects of government, public policy, and law.

iCivics reimagines civic education for American democracy. The organization champions equitable, non-partisan civic education so that the practice of democracy is learned by each new generation. iCivics works to inspire life-long civic engagement by providing high-quality and engaging civics resources to teachers and students across our nation.

For students, iCivics offers 16 engaging games that transform abstract concepts into real-life interactions. Young people learn how government works by experiencing it. For teachers, along with the games, iCivics offers lesson plans, worksheets, and other practical classroom tools to increase civics knowledge, literacy, and critical thinking.

The Organization is supported primarily through grants, contributions, and in-kind contributions.

### 2. Significant accounting policies

#### Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions imposed by donors or grantors. Accordingly, net assets and changes therein are classified and reported in two categories as described below.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash

Cash is maintained at an institution covered by FDIC. At year-end and throughout the year, the Organization's cash balances may exceed the federally insured limit of \$250,000 per institution. At June 30, 2022 and 2021, cash balances exceeded the federally insured limits by \$5,712,317 and \$6,665,592, respectively. The Organization has not experienced any losses on its cash, and management does not believe this results in any significant credit risk.

See independent auditor's report.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,946,242	\$ 6,899,538
Cash restricted for permanent endowment	<u>16,075</u>	<u>16,075</u>
	<u>\$ 5,962,317</u>	<u>\$ 6,915,613</u>

### Investments

Investments consist of mutual funds invested in debt and equity securities that are carried at their fair values, which are based on publicly available market data obtained from services independent of iCivics. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that the Organization's investments do not represent significant concentrations of market risk as the investment portfolios are adequately diversified among issuers.

### Receivables

Accounts receivable consist primarily of noninterest-bearing amounts due for royalties, contract income, and publication sales. The allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. There was no allowance for uncollectible accounts receivable as of June 30, 2022 or 2021.

Receivables from contracts with customers are reported as accounts receivable in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

Unconditional grants and contributions are recorded when notification is received. Grants and contributions receivable as of June 30, 2022 are collectible over a one- to five-year period and have been discounted at an annual discount rate of 2.8 percent to 2.92 percent (depending on the year due) to record the present value of future receipts. Grants and contributions receivable as of June 30, 2021 are collectible over a one- to five-year period and have been discounted at an annual discount rate of 0.07 percent to 0.46 percent (depending on the year due) to record the present value of future receipts. The discount rate is based on the daily treasury yield curve rates. The allowance for doubtful grants and contributions receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants and contributions receivable are written off when deemed uncollectable.

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 substantially met. Consequently, at June 30, 2022, contributions approximating \$710,000, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met. As of June 30, 2021 contributions approximating \$2,800,000, had not been recognized in the accompanying statement of activities because the condition(s) on which they depend had not yet been met.

See independent auditor's report.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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### **Website**

In accordance with U.S. GAAP, costs incurred to plan the website are expensed as incurred while costs incurred to develop the infrastructure and graphics of the website are capitalized. All costs to operate the site are expensed as incurred. The capitalized costs are amortized over 36 months.

### **Domain name**

During the year ended June 30, 2010, the Organization purchased rights to iCivics.com, iCivics.net and iCivics.org for \$26,000. As the estimated useful life of the domain name is indefinite, the asset will not be amortized but will be tested for impairment at least annually. For the years ended June 30, 2022 and 2021, the Organization has determined that there has been no impairment.

### **Property and equipment**

Property and equipment in excess of \$1,000 with a useful life in excess of one year are capitalized at cost, if purchased, or at fair market value at the date of donation, if donated, and depreciated over the estimated useful life of the asset.

### **Other financial assets and liabilities**

Financial assets with carrying values approximating fair value include cash, prepaid expenses, grants and contributions receivable, and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, accrued payroll and related liabilities, and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value because of their short maturities and any associated interest rates approximate current market rates.

### **Contributions**

Contributions with donor-imposed restrictions are recognized as net assets with donor restrictions that are restricted for time, purpose, or in perpetuity. When time and purpose restrictions are met, the contributions are transferred to net assets without donor restrictions. Contributions with no donor-imposed restrictions and donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

### **Royalties**

Royalties are generated from the distribution and licensing of the Organization's content and are recognized when there is evidence of a sale or licensing arrangement, the program is complete and available for delivery, and the license period has begun.

### **In-kind contributions**

Donated services are reflected in the financial statements if they meet the requirements as defined by U.S. GAAP. Donated services and other in-kind contributions are recorded at fair market value. In-kind contributions are detailed at Note 7 of these financial statements.

### **Game development**

Costs to develop educational games and content are expensed as incurred and classified as a program service expense. The costs included in game development on the statements of functional expenses include only payments made to outside contractors, and do not include internal staff time spent to develop games.

### **Functional allocation of expenses**

The costs of providing the program and supporting services have been summarized on a functional basis in the accompanying financial statements. Most expenses are assigned to a functional area as direct expenses. Salaries, employee benefits, payroll taxes, occupancy, and depreciation have been allocated across functional areas based on an estimate of time spent by personnel.

See independent auditor's report.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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### Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state provisions and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the years ended June 30, 2022 and 2021.

The Organization is subject to potential examination by the Internal Revenue Service and Massachusetts taxing authorities. The Organization does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination by the IRS are the fiscal years ended June 30, 2019 through June 30, 2022.

### Reclassifications

Certain reclassifications have been made to the June 30, 2021 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

### Recently adopted accounting pronouncements

The FASB has issued ASU 2020-07, which clarifies the presentation and disclosure of contributed nonfinancial assets, which include tangible property, intangible items, and specialized services. Upon implementation, nonprofits will be required to show in-kind contributions of nonfinancial assets as a separate line, apart from cash contributions, on the statement of activities, along with qualitative information about how the organization either monetized or utilized the assets and a description of the valuation techniques used to arrive at the fair value of the assets at initial recognition. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. iCivics, Inc. has adopted the standard on its effective date, which for the organization was July 1, 2021.

### Upcoming accounting pronouncements

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. iCivics, Inc. plans to adopt the standard on its effective date, which for the organization is July 1, 2022. iCivics, Inc. has not evaluated the impact of this statement.

## 3. Investments

Investment income for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 71,818	\$ 14,468
Unrealized gains	(168,215)	84,725
Investment fees	(3,000)	-
	<u>\$ (99,397)</u>	<u>\$ 99,193</u>

The Organization classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

See independent auditor's report.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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Assets measured at fair value on a recurring basis are summarized below as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds	\$ 30,266	\$ -	\$ -	\$ 30,266
Investment grade fixed income index funds	11,295,546	-	-	11,295,546
Fixed income high yield bond fund	42,326	-	-	42,326
U.S. equity index funds	158,069	-	-	158,069
International equity index funds	91,534	-	-	91,534
	<u>\$ 11,617,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,617,741</u>

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds	\$ 23,623	\$ -	\$ -	\$ 23,623
Investment grade fixed income index funds	311,695	-	-	311,695
Fixed income high yield bond fund	47,101	-	-	47,101
U.S. equity index funds	215,183	-	-	215,183
International equity index funds	119,694	-	-	119,694
	<u>\$ 717,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 717,296</u>

#### 4. Grants and contributions receivable

A summary of pledges receivable as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Grants and contributions due in:		
Less than one year	\$ 2,696,170	\$ 668,551
One to five years	2,195,130	295,422
	<u>4,891,300</u>	<u>963,973</u>
Allowance for doubtful accounts	(53,000)	(86,000)
Present value discount	(59,881)	(715)
	<u>4,778,419</u>	<u>877,258</u>
Less: current portion	(2,696,170)	(668,551)
Long-term portion	<u>\$ 2,082,249</u>	<u>\$ 208,707</u>

See independent auditor's report.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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### 5. Property and equipment

Property and equipment consist of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Useful life (years)</u>
Property and equipment, at cost:			
Computer and office equipment	\$ 39,505	\$ 39,596	5
Furniture and fixtures	1,414	1,414	5
Property and equipment	11,537	11,537	5
Leasehold improvements	3,126	3,126	5
Less: accumulated depreciation	<u>(31,509)</u>	<u>(41,608)</u>	
	<u>\$ 24,073</u>	<u>\$ 14,065</u>	

### 6. Website

Website consists of the following for the years ended June 30, 2022 and 2021:

	<u>2021</u>	<u>2020</u>	<u>Useful life (months)</u>
Website, at cost	\$ 266,040	\$ 592,828	36
Less: accumulated amortization	<u>(125,630)</u>	<u>(493,087)</u>	
	<u>\$ 140,410</u>	<u>\$ 99,741</u>	

### 7. In-kind contributions

In-kind contributions consisted of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Marketing and promotion	\$ 481,374	\$ 677,121
Legal services	255,293	297,338
Consulting services	-	5,000
Web maintenance	46,000	57,471
	<u>\$ 782,667</u>	<u>\$ 1,036,930</u>

The donated legal services supported program and general functions of the Organization, as detailed in the accompanying statements of functional expenses. Additionally, the Organization received donations of web maintenance supporting the program function, and public relations and consulting services supporting the program functions of the Organization. The donated services are reflected in the financial statements as they require specialized skills, were provided by individuals possessing those skills, and would have been purchased if not donated.

See independent auditor's report.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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iCivics, Inc. is a participant in the Google Grants program which allows up to a specified amount per month of free AdWords advertising on Google.com. The amount varies month to month based on the amount of AdWords advertising used, up to a maximum of \$50,000 per month. The value of the AdWords are reported as in-kind advertising. The advertisements support the program function of the Organization.

iCivics, Inc. is also a recipient of a grant from Amazon that provides web credits to cover the Organization's web hosting services.

Google AdWords and Amazon web credits are valued at the cost that would have been paid for the marketing and promotion, as provided by Google and Amazon. Legal services are valued up to \$650 per hour for the year ended June 30, 2022, and \$600 per hour for the year ended June 30, 2021, and are based on the hourly rate that would be paid by iCivics to purchase the legal services if not donated.

Additionally, the Organization has over 400 volunteers, including educator volunteers who assist across the country who help ensure that iCivics' resources meet classroom needs and are reflective of state curriculum requirements. These donated services are not reflected in the financial statements since the services do not require specialized skills as defined by U.S. GAAP.

### 8. Revenue from contracts

Sources of revenue from contracts include royalties and licenses, fees for services such as professional development workshops, and publication sales and shipping revenue. The revenue is recognized at the time that the goods or services are provided to the customers, or when the royalty or license fee is earned by the Organization. Contracts were evaluated using the practical expedient of a portfolio approach because each contract is with an individual person or company with similar characteristics that is carried out on a consistent basis.

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations for the years ended June 30:

	2022	2021
Performance obligations satisfied at a point in time		
Publication sales and shipping revenue	\$ 78,355	\$ 48,134
Royalties and licenses	217,708	91,255
Fees for services	21,645	408,302
Total revenue from contracts	<u>\$ 317,708</u>	<u>\$ 547,691</u>

Shipping costs are included with other costs of goods sold and reported within web development and services expenses on the statements of functional expenses.

Contract liabilities are presented as deferred revenue on the statements of financial position. At June 30, 2022 and 2021, deferred revenue consisted of a royalty advance for work to be performed during the following fiscal year. Deferred revenue at the beginning of the fiscal year ended June 30, 2021 was \$10,000 and the ending balance at June 30, 2022 was \$1,005.

See independent auditor's report.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

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### 9. Liquidity and availability

The Organization's financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,946,242	\$ 6,899,538
Accounts receivable	122,581	51,083
Grants and contributions receivable	2,998,723	668,551
Investments	11,142,956	242,511
	<u>20,210,502</u>	<u>7,861,683</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(5,513,550)	(1,383,497)
Total financial assets available for general expenditure within one year	<u>\$ 18,827,005</u>	<u>\$ 6,478,186</u>

Income from donor-restricted endowments is restricted for specific purposes, and donor-restricted endowment funds are not available for general expenditure. In addition, the Sandra Day O'Connor Growth Fund of \$15,533,586 is included in the cash and investments balances above and is board-designated, as further detailed in note 12.

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds. The Organization also has an unused line of credit available to help manage cash flow if necessary, as further detailed in Note 16.

### 10. Net assets with donor restrictions

Net assets with donor restrictions are restricted for specific purposes or future periods and were composed of the following for the year ended June 30, 2022:

	<u>6/30/2021</u>	<u>Contributions and investment loss</u>	<u>Releases</u>	<u>6/30/2022</u>
Program activities:				
Strategic projects	\$ 1,140,986	\$ 6,347,962	\$ (2,136,676)	\$ 5,352,272
Earnings from Sandra Day O'Connor Endowment Fund	242,511	(78,233)	(3,000)	161,278
Restricted for future periods	478,259	913,333	(269,851)	1,121,741
	<u>\$ 1,861,756</u>	<u>\$ 7,183,062</u>	<u>\$ (2,409,527)</u>	<u>\$ 6,635,291</u>

See independent auditor's report.

## iCivics, Inc.

### Notes to Financial Statements June 30, 2022 and 2021

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Net assets with donor restrictions were composed of the following for the year ended June 30, 2021:

	6/30/2020	Contributions and investment income	Releases	6/30/2021
Program activities:				
Strategic projects	\$ 842,418	\$ 1,437,500	\$ (1,138,932)	\$ 1,140,986
Earnings from Sandra Day O'Connor Endowment Fund	143,339	99,172	-	242,511
Restricted for future periods	827,000	115,000	(463,741)	478,259
	<u>\$ 1,812,757</u>	<u>\$ 1,651,672</u>	<u>\$ (1,602,673)</u>	<u>\$ 1,861,756</u>

#### 11. Sandra Day O'Connor Endowment Fund

In 2015, iCivics, Inc. established the Sandra Day O'Connor Growth Fund and the Sandra Day O'Connor Endowment Fund as components of the Sandra Day O'Connor Legacy Fund. The Sandra Day O'Connor Endowment Fund was established to further the charitable and educational purposes of iCivics by providing general support for its operating and program-related needs. Donors contribute to the Sandra Day O'Connor Endowment Fund with the intent to maintain the funds in a segregated permanent endowment fund. Additional information related to the endowment fund is contained in Note 13. The balance as of June 30, 2022 and 2021 was \$490,860.

#### 12. Sandra Day O'Connor Growth Fund

The Sandra Day O'Connor Growth Fund established as part of the Sandra Day O'Connor Legacy Fund is intended to support capital or infrastructure projects, described in iCivics strategic plan, that will benefit the long term sustainability of iCivics. Expenditures from the Fund are subject to the approval of the Board of Directors. The Sandra Day O'Connor Growth Fund is a board designated and controlled fund and is not intended to be an endowment fund. During the year ended June 30, 2022, contributions of \$10,404,852 were received, and \$690,869 of funds were appropriated for expenditure. The balance as of June 30, 2022 and 2021 was \$14,842,717 and \$5,128,734, respectively.

For the year ended June 30, 2022, approximately 39% of total contributions was received from one donor, and that contribution went towards the Sandra Day O'Connor Growth Fund.

#### 13. Endowment funds

The iCivics, Inc. endowment funds consist of one fund that is restricted in perpetuity (the Fund), as detailed in Note 11. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The long-term portion of investments and cash represent funds held in the endowment restricted in perpetuity. The current portion of investments represent endowment earnings held as part of net assets with donor restrictions that are restricted for specific purposes.

See independent auditor's report.

Interpretation of relevant law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. iCivics, Inc. classifies as net assets with perpetual restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment required to be made by explicit directions in the applicable donor gift instrument at the time the gift is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted for specific purposes until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, iCivics, Inc. considers the following factors in making a determination to appropriate or accumulate additions to donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return objectives and risk parameters

iCivics, Inc. has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its Funds while seeking to maintain the purchasing power of the assets. Endowment assets include those assets of donor-restricted funds that iCivics, Inc. must hold in perpetuity as well as increases in the market value of securities held by the fund and some of the income provided by these investments. Under the policy, the endowment assets are invested in a manner that is intended to maximize return, while protecting the principal.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, iCivics, Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). iCivics, Inc. targets a diversified asset allocation unless it prudently determines that, because of special circumstances, the Fund or a particular fund or funds within the Fund are better served without diversification.

Spending policy and how the investment objectives relate to spending policy

iCivics, Inc's spending policy is consistent with its investment objective of achieving long-term real growth in its endowment assets. In order to achieve such long-term real growth, expenditures should be less than the total inflation-adjusted return on investments. The Board will communicate to the Investment Advisor its annual spending rate from its endowment funds.

# iCivics, Inc.

## Notes to Financial Statements June 30, 2022 and 2021

### Net asset composition by type of fund

The net assets consisted of the following as of June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions for purpose</u>	<u>With donor restrictions in perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds				
Sandra Day O'Connor Endowment Fund	\$ -	\$ 161,278	\$ 490,860	\$ 652,138

The net assets consisted of the following as of June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions for purpose</u>	<u>With donor restrictions in perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds				
Sandra Day O'Connor Endowment Fund	\$ -	\$ 242,511	\$ 490,860	\$ 733,371

### Changes in endowment funds

The net activity consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions for purpose</u>	<u>With donor restrictions in perpetuity</u>	<u>Total</u>
<b>Endowment funds as of June 30, 2020</b>	<b>\$ -</b>	<b>\$ 143,339</b>	<b>\$ 490,860</b>	<b>\$ 634,199</b>
Investment return				
Investment income	\$ -	\$ 14,447	\$ -	\$ 14,447
Net appreciation	-	84,725	-	84,725
Total investment return	-	99,172	-	99,172
<b>Endowment funds as of June 30, 2021</b>	<b>\$ -</b>	<b>\$ 242,511</b>	<b>\$ 490,860</b>	<b>\$ 733,371</b>
Investment return				
Investment income	\$ -	\$ 86,981	\$ -	\$ 86,981
Net appreciation	-	(168,214)	-	(168,214)
Total investment return	-	(81,233)	-	(81,233)
Contributions to perpetual endowment	-	-	-	-
Amounts appropriated for expenditure	-	-	-	-
<b>Endowment funds as of June 30, 2022</b>	<b>\$ -</b>	<b>\$ 161,278</b>	<b>\$ 490,860</b>	<b>\$ 652,138</b>

### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires iCivics, Inc. to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

See independent auditor's report.

**14. Commitments and contingencies**

In December 2015, the Organization began a lease for office space in Massachusetts through January 31, 2021. The current monthly base rent is \$5,049. The rental expense for the years ended June 30, 2022 and 2021 was \$64,257 and \$59,528, respectively. After the lease ended in January 2021, the landlord agreed to a month-to-month arrangement where each party has to give 30 days' notice to vacate the space.

**15. Retirement plan**

The Organization maintains a 403(b) plan, and eligible employees can participate in the Plan immediately upon hire. The Organization has the discretion to make matching and non-elective contributions on an annual basis. During the years ended June 30, 2022 and 2021, the Organization made contributions of \$50,000 and \$25,000 to the Plan, respectively. There is a three-year vesting period for the employer contribution with 30 percent vested in the first year, 60 percent in the second, and 100 percent by the end of the third year.

**16. Line of credit**

The Organization has a line of credit available through April 30, 2023 in the amount of \$750,000. The line bears an interest rate equal to the bank's prime rate plus 0.05 percentage points. No amounts were drawn as of June 30, 2022 and 2021.

**17. Subsequent events**

The Organization assessed events occurring subsequent to June 30, 2022 through November 10, 2022, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that require adjustment to, or disclosure in, the financial statements.

**Reports required by Government Auditing Standards and  
the Uniform Guidance**

**iCivics, Inc.**

**Schedule of Expenditures of Federal Awards  
for the year ended June 30, 2022**

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	<u>Federal grant number</u>	<u>CFDA number</u>	<u>Expenditures</u>
<b>U.S. Department of Defense</b>			
<i>National Defense Education Program</i>	HQ00342110006	12.006	\$ 405,210
<b>Library of Congress</b>			
<i>Library of Congress Grants</i>	GA21C0098	42.010	52,504
<i>Library of Congress Grants</i>	GA16C0087	42.010	<u>29,851</u>
			82,355
<b>National Endowment for the Humanities</b>			
<i>Promotion of the Humanities Teaching and Learning</i>			
Resources and Curriculum Development	AH-269621-19	45.162	316,598
<i>Promotion of the Humanities Public Programs</i>	MN-284700-22	45.164	<u>33,021</u>
			349,619
<b>Total federal awards</b>			<u>\$ 837,184</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# iCivics, Inc.

## Notes to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2022

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of iCivics, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of iCivics, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of iCivics, Inc..

### 2. Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### 3. Indirect cost rate

iCivics, Inc. has elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.



*Certified Public Accountants*

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
**iCivics, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **iCivics, Inc.** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statement of activities, and cash flow for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **iCivics, Inc.**'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **iCivics, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of the **iCivics, Inc.**'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **iCivics, Inc.**'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Directors  
**iCivics, Inc.**  
Page 2

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
November 10, 2022



*Certified Public Accountants*

**Independent Auditor's Report on Compliance for  
Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**

To the Board of Directors of  
**iCivics, Inc.**

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited **iCivics, Inc's** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **iCivics, Inc's** major federal programs for the year ended June 30, 2022. **iCivics, Inc's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, **iCivics, Inc** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **iCivics, Inc** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of **iCivics, Inc's** compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **iCivics, Inc's** federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **iCivics, Inc's** compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **iCivics, Inc's** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 **iCivics, Inc's** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **iCivics, Inc's** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **iCivics, Inc's** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defines above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
November 10, 2022

**Schedule of Findings and Questioned Costs  
for the year ended June 30, 2022**

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**Section 1. Summary of Auditor's Results**

**Financial Statements**

- 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
  
- 2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No
  - b. Significant deficiency identified? No
  
- 3. Noncompliance material to financial statements noted? No

**Federal Awards**

- 1. Internal control over major programs:
  - a. Material weakness(es) identified? No
  - b. Significant deficiency identified? No
  
- 2. Type of auditor's report issued on compliance for major programs: Unmodified
  
- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
  
- 4. Identification of major program:

Name of Federal Program	CFDA Number
National Defense Education Program	12.006
  
- 5. Dollar threshold used to distinguish between type A and type B programs \$750,000
  
- 6. Auditee qualified as a low-risk? No

**Section 2. Findings – Financial Statement Audit**

**None**