

ICIVICS, INC.

**FINANCIAL STATEMENTS
AND
REPORTS UNDER THE UNIFORM GUIDANCE
Year Ended June 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
iCivics, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of iCivics, Inc. (a nonprofit organization), which comprise the statement of financial positions as of June 30, 2023, 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, 2023, 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.

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.

Other Matters

Report on the Comparative Financial Statements

The financial statements of iCivics, Inc., as of and for the year ended June 30, 2022, were audited by other auditors, whose report dated November 10, 2022, expressed an unmodified opinion on these statements.

Other 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 14, 2023, 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.

The image shows a handwritten signature in black ink that reads "Rubino & Company". The signature is written in a cursive, flowing style.

Bethesda, MD
November 14, 2023

ICIVICS, INC
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash	\$ 944,397	\$ 5,946,242
Accounts receivable	186,663	67,302
Grants and contributions receivable-net, current portion	3,473,948	2,696,169
Investments, current portion	16,623,053	11,142,956
Prepaid expenses	62,851	48,562
Total current assets	<u>21,290,912</u>	<u>19,901,231</u>
Noncurrent assets		
Grants and contributions receivable-net, long-term portion	67,362	2,082,249
Investments restricted for permanent endowment	474,785	474,785
Cash restricted for permanent endowment	16,075	16,075
Property and equipment, net	53,195	24,073
Intangible assets, net	171,620	166,411
Security deposit	150	4,067
Total noncurrent assets	<u>783,187</u>	<u>2,767,660</u>
Total assets	<u>\$ 22,074,099</u>	<u>\$ 22,668,891</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 461,083	\$ 392,941
Accrued payroll and related liabilities	252,148	306,077
Deferred revenue	-	1,005
Total liabilities	<u>713,231</u>	<u>700,023</u>
Net assets		
Without donor restrictions		
Undesignated	-	-
Board-designated for Sandra Day O'Connor Growth Fund	15,278,864	14,842,717
With donor restrictions		
Purpose restrictions and restricted for future periods	5,591,144	6,635,291
Perpetual in nature	490,860	490,860
Total net assets	<u>21,360,868</u>	<u>21,968,868</u>
Total liabilities and net assets	<u>\$ 22,074,099</u>	<u>\$ 22,668,891</u>

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

ICIVICS, INC
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without donor restrictions			Total
	Undesignated	Board-designated Sandra Day O'Connor Growth Fund	With donor restrictions	
Support and revenue				
Grants and contributions	\$ 1,072,052	\$ 3,625,336	\$ 2,310,600	\$ 7,007,988
Government grants	1,759,467	-	-	1,759,467
In-kind contributions	814,771	-	-	814,771
Earned income	605,528	-	-	605,528
Investment income, net of \$29,036 fees	468,845	-	45,841	514,686
Appropriation for expenditures	3,189,189	(3,189,189)	-	-
Net assets released from restrictions	3,400,588	-	(3,400,588)	-
Total support and revenue	<u>11,310,440</u>	<u>436,147</u>	<u>(1,044,147)</u>	<u>10,702,440</u>
Expenses				
Civic education programming	9,709,265	-	-	9,709,265
Management and general	1,021,740	-	-	1,021,740
Fundraising	579,435	-	-	579,435
Total expenses	<u>11,310,440</u>	<u>-</u>	<u>-</u>	<u>11,310,440</u>
Change in net assets	-	436,147	(1,044,147)	(608,000)
Net assets, beginning of year	<u>-</u>	<u>14,842,717</u>	<u>7,126,151</u>	<u>21,968,868</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 15,278,864</u>	<u>\$ 6,082,004</u>	<u>\$ 21,360,868</u>

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

ICIVICS, INC
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Without donor restrictions

	Undesignated	Board-designated Sandra Day O'Connor Growth Fund	With donor restrictions	Total
Support and revenue				
Grants and contributions	\$ 2,225,104	\$ 10,404,852	\$ 7,261,295	\$ 19,891,251
Government grants	837,183	-	-	837,183
In-kind contributions	782,667	-	-	782,667
Earned income	317,708	-	-	317,708
Investment loss, net of \$3,000 fees	(21,164)	-	(78,233)	(99,397)
Appropriation for expenditures	690,869	(690,869)	-	-
Net assets released from restrictions	2,409,527	-	(2,409,527)	-
Total support and revenue	7,241,894	9,713,983	4,773,535	21,729,412
Expenses				
Civic education programming	7,080,449	-	-	7,080,449
Management and general	581,080	-	-	581,080
Fundraising	460,181	-	-	460,181
Total expenses	8,121,710	-	-	8,121,710
Change in net assets	(879,816)	9,713,983	4,773,535	13,607,702
Net assets, beginning of year	879,816	5,128,734	2,352,616	8,361,166
Net assets, end of year	\$ -	\$ 14,842,717	\$ 7,126,151	\$ 21,968,868

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

ICIVICS, INC
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Civic education programming	Management and general	Fundraising	Total
Accounting fees	\$ 9,728	\$ 122,322	\$ -	\$ 132,050
Bank and credit card fees	3,050	814	-	3,864
Communications	3,610	4,754	8	8,372
Conference	55,341	38,218	-	93,559
Consultants	1,779,165	102,706	35,865	1,917,736
Depreciation	8,817	24	383	9,224
Dues and subscriptions	4,923	2,608	1,210	8,741
Employee benefits	324,401	24,830	38,286	387,517
Game development	821,539	-	-	821,539
Grants to other organizations	264,000	-	-	264,000
Indirect costs	84,403	(84,403)	-	-
Insurance	-	21,802	-	21,802
Licenses and fees	-	-	7,640	7,640
Marketing and promotion	192,507	107	703	193,317
Meals and entertainment	35,032	8,329	919	44,280
Miscellaneous	1,334	-	130	1,464
Occupancy	58,248	2,304	-	60,552
Office supplies and expenses	19,848	1,759	558	22,165
Payroll taxes	303,205	19,048	31,438	353,691
Postage and delivery	5,145	1,878	211	7,234
Printing and reproduction	50,810	389	6,485	57,684
Professional services	54,736	10,221	-	64,957
Recruiting	-	203,268	-	203,268
Salaries	3,949,873	403,229	440,031	4,793,133
Software licenses and services	48,455	9,423	4,122	62,000
Staff training	4,734	-	69	4,803
Stipend	165,699	-	-	165,699
Travel and lodging	237,116	40,244	8,077	285,437
Video production	246,260	-	3,300	249,560
Web development and services	172,792	-	-	172,792
Website amortization	77,590	-	-	77,590
	<u>8,982,361</u>	<u>933,874</u>	<u>579,435</u>	<u>10,495,670</u>
In-kind contributions				
Marketing and promotion	432,018	-	-	432,018
Legal services	294,886	87,866	-	382,752
	<u>726,904</u>	<u>87,866</u>	<u>-</u>	<u>814,770</u>
Total expenses	<u>\$ 9,709,265</u>	<u>\$ 1,021,740</u>	<u>\$ 579,435</u>	<u>\$ 11,310,440</u>

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

ICIVICS, INC
STATEMENT OF FUNCTIONAL EXPENSES
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
Miscellaneous	422	-	-	422
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>6,361,853</u>	<u>517,009</u>	<u>460,181</u>	<u>7,339,043</u>
In-kind contributions				
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>
Total expenses	<u>\$ 7,080,449</u>	<u>\$ 581,080</u>	<u>\$ 460,181</u>	<u>\$ 8,121,710</u>

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

ICIVICS, INC
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (608,000)	\$ 13,607,702
Adjustments to reconcile change in net assets to net cash from operating activities		
Website amortization	77,590	49,921
Depreciation	9,224	7,499
Receipt of donated securities	(1,966)	(1,830)
Proceeds from sales of donated securities	1,966	1,830
Unrealized (gain) loss on investments	(103,373)	168,214
Loss on disposal of assets	538	422
(Increase) decrease in operating assets		
Prepaid expenses	(14,289)	44,007
Accounts receivable, net	(119,361)	(16,219)
Grants and contributions receivable, net	1,237,108	(3,901,160)
Security deposit	3,917	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	68,142	280,714
Accrued payroll and related liabilities	(53,929)	(8,222)
Deferred revenue	(1,005)	(8,995)
Net cash provided by operating activities	<u>496,562</u>	<u>10,223,883</u>
Cash flows from investing activities		
Expenditures for website	(82,799)	(90,591)
Expenditures for property and equipment	(38,884)	(17,929)
Proceeds from sale of investments	829,036	-
Purchase of investments	(6,205,760)	(11,068,659)
Net cash used in investing activities	<u>(5,498,407)</u>	<u>(11,177,179)</u>
Net change in cash and restricted cash	(5,001,845)	(953,296)
Cash and restricted cash, beginning of year	<u>5,962,317</u>	<u>6,915,613</u>
Cash and restricted cash, end of year	<u>\$ 960,472</u>	<u>\$ 5,962,317</u>
Supplemental disclosure of cash flow information		
Noncash transactions		
Donated securities	<u>\$ 1,966</u>	<u>\$ 1,830</u>

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

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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, nonpartisan 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.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

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 the 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 the FDIC. At year-end and throughout the year, the Organization's cash balances may exceed the federally insured limit of \$250,000 per institution. On June 30, 2023 and 2022, cash balances exceeded the federally insured limits by \$710,472 and \$5,712,317, respectively. The Organization has not experienced any losses on its cash, and management does not believe this results in any significant credit risk.

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 amounts shown in the statement of cash flows as of June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 944,397	\$ 5,946,242
Cash restricted for permanent endowment	<u>16,075</u>	<u>16,075</u>
	<u>\$ 960,472</u>	<u>\$ 5,962,317</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.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

Receivables

Accounts receivable consist primarily of noninterest-bearing amounts due for royalties, contract income, and publication sales. The allowance for uncollectible accounts receivable is 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, 2023 or 2022.

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, 2023 are collectible over a one- to five-year period and have been discounted at an annual discount rate of 5.4 percent to record the present value of future receipts. 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. 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, 2023, contributions approximating \$260,000, 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, 2022 contributions approximating \$710,000 had not been recognized in the accompanying statement of activities because the condition(s) on which they depended had not yet been met.

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.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

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, 2023 and 2022, 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 in Note 7 of these financial statements.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

2. Significant Accounting Policies (continued)

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 developing 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.

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, 2023 and 2022.

The Organization is subject to potential examination by the Internal Revenue Service and Massachusetts tax 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, 2020 through June 30, 2023.

Reclassifications

Certain reclassifications have been made to the June 30, 2022 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

New accounting pronouncements - Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases, which requires a lessee to recognize a right-of-use ("ROU") assets and lease liability on the balance sheet for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The Organization adopted the new standard effective July 1, 2022. As the Organization is not party to any long-term lease contracts, the adoption did not have an impact on the statement of financial position or statement of activities for the Organization.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

3. Investments

Investment income for the years ended June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>		<u>2022</u>
Interest and dividend income	\$ 440,349	\$	71,817
Unrealized gains	103,373		(168,214)
Investment fees	<u>(29,036)</u>		<u>(3,000)</u>
	<u>\$ 514,686</u>	\$	<u>(99,397)</u>

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include, among others, quoted prices for similar assets or liabilities in active market or nonactive market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

3. Investments (continued)

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2023:

<u>June 30, 2023</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment grade fixed income index funds	\$ 11,626,027	\$ 11,626,027	\$ -	\$ -
Fixed income high yield bond fund	910,938	910,938	-	-
U.S. equity index funds	184,494	184,494	-	-
International equity index funds	<u>115,750</u>	<u>115,750</u>	-	-
Investments carried at fair value	12,837,208	<u>\$ 12,837,208</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and money market funds - at cost	<u>4,260,630</u>			
Total	<u>\$ 17,097,838</u>			

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

<u>June 30, 2022</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>91,534</u>	<u>91,534</u>	-	-
Investments carried at fair value	11,587,475	<u>\$ 11,587,475</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and money market funds - at cost	<u>30,266</u>			
Total	<u>\$ 11,617,741</u>			

4. Grants and contributions receivable

A summary of pledges receivable as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Grants and contributions due in:		
Less than one year	\$ 3,503,948	\$ 2,696,169
One to five years	<u>71,000</u>	<u>2,195,130</u>
	3,574,948	4,891,299
Allowance for doubtful accounts	(30,000)	(53,000)
Present value discount	<u>(3,638)</u>	<u>(59,881)</u>
	3,541,310	4,778,418
Less: current portion	<u>(3,473,948)</u>	<u>(2,696,169)</u>
Long-term portion	<u>\$ 67,362</u>	<u>\$ 2,082,249</u>

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

5. Property and equipment

Property and equipment consist of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	Useful life (years)
Property and equipment, at cost:			
Computer and office equipment	\$ 70,671	\$ 39,505	5
Furniture and fixtures	1,414	1,414	5
Property and equipment	11,537	11,537	5
Leasehold improvements	-	3,126	5
Less: accumulated depreciation	<u>(30,427)</u>	<u>(31,509)</u>	
	<u>\$ 53,195</u>	<u>\$ 24,073</u>	

6. Intangible Assets

Intangible assets consist of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Intangible assets		
Website	\$ 348,840	\$ 266,041
Domain name	26,000	26,000
Less: accumulated amortization of website	<u>(203,220)</u>	<u>(125,630)</u>
	<u>\$ 171,620</u>	<u>\$ 166,411</u>

7. In-Kind contributions

Recorded Amounts

Contributions of donated services are recorded at their fair market value that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation. The amounts are reflected as both revenue and expense in the statement of activities. In-kind contributions consisted of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Marketing and promotion	\$ 432,018	\$ 481,374
Legal services	382,753	255,293
Web maintenance	-	46,000
	<u>\$ 814,771</u>	<u>\$ 782,667</u>

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

7. In-Kind contributions (continued)

The donated legal services supported the program and general functions of the Organization, as detailed in the accompanying statements of functional expenses. Additionally, the Organization received donations of 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.

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.

Google AdWords are valued at the cost that would have been paid for the marketing, as provided by Google. Legal services are valued up to \$675 per hour for the year ended June 30, 2023, and \$650 per hour for the year ended June 30, 2022, and are based on the hourly rate that would be paid by iCivics to purchase the legal services if not donated.

Unrecorded Amounts

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. Earned income

Earned income includes royalties and licenses, fees for services such as professional development workshops, partnership revenue, and publication sales and shipping revenue. Partnership revenue is revenue received for the development of resources, such as games, that benefit iCivics and a partner organization. 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.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

8. Earned income (continued)

The following table disaggregates the Organization's earned income for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time		
Publication sales and shipping revenue	\$ 18,667	\$ 78,355
Royalties and licenses	396,281	217,708
Partnership revenue	164,580	-
Fees for services	26,000	21,645
Total earned income	<u>\$ 605,528</u>	<u>\$ 317,708</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, deferred revenue consisted of a royalty advance for work to be performed during the following fiscal year. Deferred revenue at June 30, 2022 was \$1,005 and there was no deferred revenue balance at June 30, 2023.

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash	\$ 944,397	\$ 5,946,242
Accounts receivable	186,663	67,302
Grants and contributions receivable-net, current portion	3,473,948	2,696,169
Investments	<u>16,623,053</u>	<u>11,142,956</u>
Total financial assets	21,228,061	19,852,669
Less: amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(5,141,572)</u>	<u>(5,513,550)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 16,086,489</u>	<u>\$ 14,339,119</u>

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

9. Liquidity and availability (continued)

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 \$15,278,864 is included in the cash and investment 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, 2023 and 2022:

	<u>6/30/2022</u>	Contributions and investment income	Releases	<u>6/30/2023</u>
Program activities:				
Strategic projects	\$ 5,352,272	\$ 2,095,600	\$ (2,510,419)	\$ 4,937,453
Earnings from Sandra Day O'Connor				
Endowment Fund	161,278	45,841	(3,000)	204,119
Restricted for future periods	<u>1,121,741</u>	<u>215,000</u>	<u>(887,169)</u>	<u>449,572</u>
	<u>\$ 6,635,291</u>	<u>\$ 2,356,441</u>	<u>\$ (3,400,588)</u>	<u>\$ 5,591,144</u>

	<u>6/30/2021</u>	Contributions and investment loss	Releases	<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	<u>478,259</u>	<u>913,333</u>	<u>(269,851)</u>	<u>1,121,741</u>
	<u>\$ 1,861,756</u>	<u>\$ 7,183,062</u>	<u>\$ (2,409,527)</u>	<u>\$ 6,635,291</u>

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

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 of maintaining the fund in a segregated permanent endowment fund. Additional information related to the endowment fund is contained in Note 13. The balance as of June 30, 2023 and 2022 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, as described in the 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, 2023, contributions of \$3,625,336 were received and \$3,189,189 of funds were appropriated for expenditure. 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, 2023 and 2022 was \$15,278,864 and \$14,842,717, respectively.

For the year ended June 30, 2023, approximately 43% 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.

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.

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

13. Endowment funds (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as 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:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- 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). The Organization 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
Years Ended June 30, 2023 and 2022

13. Endowment funds (continued)

Net asset composition by type of fund

The net assets consisted of the following as of June 30, 2023:

	With donor restrictions for purpose	With donor restrictions in perpetuity	Total
Donor-restricted endowment funds			
Sandra Day O'Connor Endowment Fund	\$ 204,119	\$ 490,860	\$ 694,979

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

	With donor restrictions for purpose	With donor restrictions in perpetuity	Total
Donor-restricted endowment funds			
Sandra Day O'Connor Endowment Fund	\$ 161,278	\$ 490,860	\$ 652,138

Change in endowment funds

The net activity consisted of the following:

	With donor restrictions for purpose	With donor restrictions in perpetuity	Total
Endowment funds as of June 30, 2021	\$ 242,511	\$ 490,860	\$ 733,371
Investment return			
Investment income	89,981	-	89,981
Net depreciation	(168,214)	-	(168,214)
Total investment loss	(78,233)	-	(78,233)
Amounts appropriated for expenditure	(3,000)	-	(3,000)
Endowment funds as of June 30, 2022	\$ 161,278	\$ 490,860	\$ 652,138
Investment return			
Investment income	24,867	-	24,867
Net appreciation	20,974	-	20,974
Total investment return	45,841	-	45,841
Amounts appropriated for expenditure	(3,000)	-	(3,000)
Endowment funds as of June 30, 2023	\$ 204,119	\$ 490,860	\$ 694,979

ICIVICS, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

13. Endowment funds (continued)

Funds with deficiencies

From time to time, the fair value of the 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, 2023 and 2022.

14. Commitments and contingencies

In December 2015, the Organization entered into a lease for office space in Massachusetts through January 31, 2021. 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 through February 2023 for a monthly rent of \$5,049. Starting in March 2023, the Organization entered into a month-to-month office membership agreement in the same office building for \$1,853 per month. The rental expense for the years ended June 30, 2023 and 2022 was \$52,175 and \$64,257, respectively.

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, 2023 and 2022, the Organization made contributions of \$40,000 and \$50,000 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, 2024 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, 2023 and 2022.

17. Subsequent events

The Organization assessed events occurring subsequent to June 30, 2023 through November 14, 2023, 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.

ICIVICS, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

<u>Federal Agency/Pass-Through Agency/Contract Name</u>	<u>Assistance Listing Number</u>	<u>Grant Identification Number</u>	<u>Federal Expenditures</u>	<u>Amount provided to Subrecipients</u>
<u>U.S. Department of Defense</u>				
National Defense Education Program	12.006	HQ00342110006	\$ 1,249,301	\$ -
Total federal expenditures - U.S. Department of Defense			<u>1,249,301</u>	<u>-</u>
<u>U.S. Department of Education</u>				
Implementing EAD: A Deep and Systemic Inquiry-Based American History and Civics Education	84.422B	S422B220003	84,515	-
Total federal expenditures - U.S. Department of Education			<u>84,515</u>	<u>-</u>
<u>Library of Congress</u>				
Library of Congress Grants	42.010	GA16C0087	10,494	-
Library of Congress Grants	42.010	GA21C0098	96,725	-
Total federal expenditures - Library of Congress			<u>107,219</u>	<u>-</u>
<u>National Endowment for the Humanities</u>				
Promotion of the Humanities Public Programs	45.164	MN-284700-22	140,586	-
Pilot Projects in Elementary	45.164	GA-291279-23	177,846	-
Total federal expenditures - National Endowment for the Humanities			<u>318,432</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,759,467</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

ICIVICS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

A. 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, 2023. 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.

B. 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.

C. Federal Audits

The allowability of certain costs under government grants is subject to audit by the contracting agency. Certain indirect costs charged to grants are subject to revisions based on government audits of those costs. Management believes that grant costs are consistent with applicable government cost principles, and costs subsequently disallowed, if any, upon audit by the government would not be material.

D. Indirect Cost Rate

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



RUBINO

STRENGTH IN NUMBERS

INDEPENDENT AUDITORS' 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
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. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization'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*.

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.

The image shows a handwritten signature in black ink. The signature reads "Rubino & Company" in a cursive, flowing script. The ampersand is clearly visible between the words.

Bethesda, MD
November 14, 2023

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Suite 300
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301-564-3636



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STRENGTH IN NUMBERS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
iCivics, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited iCivics, Inc. (the Organization)'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 the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal program is 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 types of 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, 2023.

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. 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 defined 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.

The image shows a handwritten signature in black ink that reads "Rubino & Company". The signature is written in a cursive, flowing style.

Bethesda, MD
November 14, 2023

ICIVICS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION A – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| c. Material weakness(es) identified? | No |
| d. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No |
| 5. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.216(a)? | No |
| 7. Identification of major program: | |

<u>Name of Federal Program</u>	<u>Assistance Listing No.</u>	<u>Expenditures</u>
National Defense Education Program	12.006	\$ 1,249,301

- | | |
|--|------------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$ 750,000 |
| 9. Auditee qualified as low-risk? | No |

ICIVICS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION B – FINANCIAL STATEMENTS FINDINGS

None noted.

SECTION C – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

ICIVICS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2023

This schedule is not applicable as there were no audit findings related to federal awards in the prior year.