



**CODE FOR AMERICA LABS, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**AND REPORTS AND SCHEDULES  
REQUIRED BY THE UNIFORM GUIDANCE  
YEAR ENDED DECEMBER 31, 2019**

# CODE FOR AMERICA LABS, INC.

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December 31, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Code for America Labs, Inc.  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Code for America Labs, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Code for America Labs, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2019, Code for America Labs, Inc. adopted new accounting guidance Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (ASC Topic 606). Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 August 4, 2020 on our consideration of Code for America Labs, 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 Code for America Labs, 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 Code for America Labs, Inc.'s internal control over financial reporting and compliance.

*Abbott, Stringham & Lynch*

August 4, 2020

**CODE FOR AMERICA LABS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**Assets**

	December 31,	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 7,157,168	\$ 6,426,739
Investments	5,237,558	5,745,819
Donations, grants, and program fees receivable	3,871,150	5,139,037
Prepaid expenses	126,104	132,579
Property and equipment, net of accumulated depreciation and amortization	779,085	944,259
Other assets	103,711	103,711
Security deposits	242,000	288,717
	<u>\$ 17,516,776</u>	<u>\$ 18,780,861</u>

**Liabilities and Net Assets**

Liabilities:		
Accounts payable	\$ 337,329	\$ 329,269
Accrued liabilities	-	66,834
Contract liabilities	23,285	-
Deferred rent obligation	129,375	20,550
Total liabilities	489,989	416,653
Net assets:		
Without donor restrictions	9,697,365	9,263,723
With donor restrictions	7,329,422	9,100,485
Total net assets	<u>17,026,787</u>	<u>18,364,208</u>
	<u>\$ 17,516,776</u>	<u>\$ 18,780,861</u>

# CODE FOR AMERICA LABS, INC.

## STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Donations:						
Individuals and foundations	\$ 569,116	\$ 25,000	\$ 594,116	\$ 862,771	\$ 385,002	\$ 1,247,773
Businesses	386,048	250,000	636,048	1,470,776	20,000	1,490,776
Marketable securities	301,120	-	301,120	207,126	-	207,126
Foundation grants	2,698,980	5,740,793	8,439,773	2,643,600	6,260,000	8,903,600
Grants from federal government agencies	3,655,917	-	3,655,917	2,981,455	-	2,981,455
Program services	486,696	-	486,696	47,656	-	47,656
In-kind contributions	315,238	-	315,238	348,229	-	348,229
Event sponsorship and admission fees	812,098	-	812,098	136,886	-	136,886
Speaker fees	2,150	-	2,150	45,000	-	45,000
Net investment income	134,514	-	134,514	122,963	-	122,963
Other income	7,602	-	7,602	5,371	-	5,371
Reclassification of donor restriction	800,781	(800,781)	-	-	-	-
Net assets released from restrictions	6,986,075	(6,986,075)	-	5,731,807	(5,731,807)	-
Total public support and revenue	<u>17,156,335</u>	<u>(1,771,063)</u>	<u>15,385,272</u>	<u>14,603,640</u>	<u>933,195</u>	<u>15,536,835</u>
Expenses:						
Program services:						
Safety Net	7,150,280	-	7,150,280	-	-	-
Health	-	-	-	3,476,940	-	3,476,940
Integrated Benefits	-	-	-	2,514,897	-	2,514,897
Criminal Justice / Safety and Justice	2,511,043	-	2,511,043	2,563,375	-	2,563,375
Code for America Network	1,870,989	-	1,870,989	1,600,624	-	1,600,624
Summit	624,576	-	624,576	175,877	-	175,877
Principles and Practices	676,693	-	676,693	58,710	-	58,710
Workforce Development / Economic Development	1,189,556	-	1,189,556	556,054	-	556,054
Total program services	<u>14,023,137</u>	<u>-</u>	<u>14,023,137</u>	<u>10,946,477</u>	<u>-</u>	<u>10,946,477</u>
Supporting services:						
Management and general	1,712,755	-	1,712,755	1,914,331	-	1,914,331
Fundraising	986,801	-	986,801	972,156	-	972,156
Total supporting services	<u>2,699,556</u>	<u>-</u>	<u>2,699,556</u>	<u>2,886,487</u>	<u>-</u>	<u>2,886,487</u>
Total expenses	<u>16,722,693</u>	<u>-</u>	<u>16,722,693</u>	<u>13,832,964</u>	<u>-</u>	<u>13,832,964</u>
Change in net assets	433,642	(1,771,063)	(1,337,421)	770,676	933,195	1,703,871
Net assets, beginning of year	<u>9,263,723</u>	<u>9,100,485</u>	<u>18,364,208</u>	<u>8,493,047</u>	<u>8,167,290</u>	<u>16,660,337</u>
Net assets, end of year	<u>\$ 9,697,365</u>	<u>\$ 7,329,422</u>	<u>\$ 17,026,787</u>	<u>\$ 9,263,723</u>	<u>\$ 9,100,485</u>	<u>\$ 18,364,208</u>

See accompanying independent auditor's report and notes to financial statements.

**CODE FOR AMERICA LABS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2019

	Program Services						Supporting Services			Total	
	Safety Net	Criminal Justice	Code for America Network	Summit	Principles and Practices	Workforce / Economic Development	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and related expenses	\$ 5,268,245	\$ 2,140,103	\$ 1,256,704	\$ -	\$ -	\$ 409,671	\$ 9,074,723	\$ 1,103,959	\$ 802,895	\$ 1,906,854	\$ 10,981,577
Grants	-	-	3,890	-	-	-	3,890	-	-	-	3,890
Professional services	152,853	69,963	88,298	459,206	646,082	146,751	1,563,153	-	81,058	81,058	1,644,211
Travel and events	184,816	159,166	401,555	677,346	5,782	26,142	1,454,807	68,038	26,553	94,591	1,549,398
Marketing and advertising	982,153	45	12,683	2,673	-	6,108	1,003,662	2,831	5,140	7,971	1,011,633
Office and facilities	562,213	141,582	106,085	50,331	24,829	35,904	920,944	256,388	71,155	327,543	1,248,487
Other expenses	-	184	1,774	-	-	-	1,958	281,539	-	281,539	283,497
<b>Total expenses</b>	<b>\$ 7,150,280</b>	<b>\$ 2,511,043</b>	<b>\$ 1,870,989</b>	<b>\$ 1,189,556</b>	<b>\$ 676,693</b>	<b>\$ 624,576</b>	<b>\$ 14,023,137</b>	<b>\$ 1,712,755</b>	<b>\$ 986,801</b>	<b>\$ 2,699,556</b>	<b>\$ 16,722,693</b>

See accompanying independent auditor's report and notes to financial statements.

## CODE FOR AMERICA LABS, INC.

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services						Supporting Services					Total
	Health	Safety and Justice	Integrated Benefits	Code for America Network	Workforce / Economic Development	Summit	Principles and Practices	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related expenses	\$ 2,371,322	\$ 1,951,605	\$ 1,607,886	\$ 798,484	\$ 319,115	\$ 62,639	\$ 7,153	\$ 7,118,204	\$ 1,230,650	\$ 788,877	\$ 2,019,527	\$ 9,137,731
Grants	-	-	-	33,539	-	-	-	33,539	-	-	-	33,539
Professional services	120,430	238,816	479,017	139,543	145,456	76,747	46,101	1,246,110	335,840	24,237	360,077	1,606,187
Travel and events	59,413	104,129	160,189	383,361	31,630	12,859	185	751,766	38,338	44,789	83,127	834,893
Marketing and advertising	501,351	674	1,253	14,128	262	2,049	14	519,731	9,808	12,788	22,596	542,327
Office and facilities	409,972	258,103	256,510	226,559	57,380	20,886	5,025	1,234,435	169,765	97,870	267,635	1,502,070
Other expenses	14,452	10,048	10,042	5,010	2,211	697	232	42,692	129,930	3,595	133,525	176,217
<b>Total expenses</b>	<b>\$ 3,476,940</b>	<b>\$ 2,563,375</b>	<b>\$ 2,514,897</b>	<b>\$ 1,600,624</b>	<b>\$ 556,054</b>	<b>\$ 175,877</b>	<b>\$ 58,710</b>	<b>\$ 10,946,477</b>	<b>\$ 1,914,331</b>	<b>\$ 972,156</b>	<b>\$ 2,886,487</b>	<b>\$ 13,832,964</b>

See accompanying independent auditor's report and notes to financial statements.



# CODE FOR AMERICA LABS, INC.

## STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$(1,337,421)	\$ 1,703,871
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	203,102	42,499
Loss on disposal of property and equipment	-	47,898
Realized/unrealized gain on investments	(37,543)	(73,619)
Changes in operating assets and liabilities:		
Donations, grants, and program fees receivable	1,267,887	(2,997,240)
Other receivables	-	2,712
Prepaid expenses	6,475	(88,300)
Security deposits	46,717	(230,892)
Accounts payable	8,060	123,995
Accrued liabilities	(66,834)	45,003
Contract liabilities	23,285	-
Deferred rent obligation	108,825	(6,432)
Net cash provided by (used in) operating activities	222,553	(1,430,505)
Cash flows from investing activities:		
Purchases of investments	(10,462,014)	(19,993,988)
Proceeds from sale of investments	11,007,818	14,321,788
Purchases of property and equipment	(37,928)	(906,757)
Net cash provided by (used in) investing activities	507,876	(6,578,957)
Net increase (decrease) in cash and cash equivalents	730,429	(8,009,462)
Cash and cash equivalents, beginning of year	6,426,739	14,436,201
Cash and cash equivalents, end of year	<u>\$ 7,157,168</u>	<u>\$ 6,426,739</u>

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 1 - Nature of operations

Code for America Labs, Inc. (the “Organization”) is a national nonprofit organization that believes government can work for the people, by the people, in the digital age. The Organization builds digital services that are simple, effective, and easy to use to enhance government capabilities, and helps others do the same across all levels of government. The Organization also organizes volunteers nationwide who improve government in their local communities. The goal is a 21st century government that effectively and equitably serves all Americans, starting with the people who need it the most.

The Organization is focused on impacting lives at scale by:

- Developing services to show what is possible in three high-impact focus areas: Safety Net, Criminal Justice, and Workforce/Economic Development.
- Helping others do it themselves through the principles and practices of delivery-driven government.
- Building a movement across the United States through the Brigade Network.

*Show What's Possible - Building services so good they inspire change*

#### Safety Net

- The GetCalFresh service improves how government delivers food assistance to families in need. GetCalFresh supports applicants through the CalFresh, California’s Supplemental Nutrition Assistance Program (“SNAP”), enrollment process. Instead of 45 minutes or more to apply, users get through in about eight minutes, including uploading supporting documents. Once they have applied, the team follows up by text and documents the many barriers users may face (i.e. requests for additional documentation or income eligibility expectations). By using practices commonly found in consumer technology, the GetCalFresh team is able to see barriers in accessing benefits and share these insights with government partners to improve outcomes. The goal is to fully close the CalFresh participation gap, and ensure that every eligible Californian can have a dignified experience accessing much-needed food benefits. As of May 2019, GetCalFresh is in all counties of California.
- The Integrated Benefits Initiative leverages technology and design to demonstrate a more human-centered social safety net that enables access, improves efficiency, and promotes integrity. To achieve this, the Organization partnered with the Center on Budget and Policy Priorities, and Nava Public Benefit Corporation to conduct pilots in various states in 2019. After kicking off the first pilot in Michigan, residents now have access to a more streamlined application process for SNAP and Medicaid, which results in a faster approval process. The Organization has also developed principles for a more human-safety net which are intended to describe outcomes of an improved system where the user experience and user needs are placed at the center of what and how things are built.
- GetYourRefund aims to help working families claim the EITC (Earned Income Tax Credit) and other tax credits by providing services that are trustworthy, free, clarifying, thorough and accessible. EITC is the largest benefit for workers and one of the two most effective anti-poverty programs in the United States, along with SNAP. But one in five eligible households are not claiming the EITC benefit. The Organization has partnered with the IRS Volunteer Income Tax Assistance (VITA) program on a pilot for the 2020 tax season. The Organization is also scaling GetYourRefund in 2020 given the Covid-19 pandemic and enabling people to access the recovery rebates.

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 1 - Nature of operations (continued)

#### Criminal Justice

- The Clear My Record program aims to clear all eligible criminal records by leveraging technology and design to advance automatic record clearance reforms. The Organization is partnering with prosecutors in various California counties and utilizing technology to enable the government to provide proactive record clearance services, beginning with remedies available under Proposition 64 (marijuana legalization). Building upon its work in California and as part of a national bipartisan movement, the Organization is writing the blueprint on how to use technology and human-centered design to advance automatic record clearance across the nation and remove a significant barrier to jobs, housing and education for millions. In addition, a free online tool was built that helps people with eligible convictions navigate the complicated journey towards clearing their records.

#### Workforce/Economic Development

- The Organization wanted to explore how the public workforce development system can do better at helping people be prepared for, find, and keep work. In order to understand the best path and strategy for national impact, the Organization has conducted intensive research to deepen their knowledge of the workforce system and tested many prototypes to better understand how technology might address pain points. Through this exploration, the Organization learned that the Earned Income Tax Credit (EITC) is one of the best tools for helping low-wage and unemployed workers find and keep living wage jobs. The GetYourRefund program that address the EITC participation gap was incorporated into our Safety Net Portfolio.

#### *Helping Others Do It Themselves - Principles and practices that make change real*

- With Delivery-Driven Government, the Organization is pioneering a new way to make government work in the digital age. This means facilitating learnings to drive policy and operations around user needs, working iteratively and using real-time data.

#### *Build a Movement: A learning community that makes change stick*

- Through the Brigade Network, the Organization is building a national network of community organizers, developers and designers who are committed to tackling the tough problems and driving change in communities all over the country. There are currently over 85 brigades operating across the United States.
- Through the Community Fellowship program, Brigade talent in 2019 were paired with local government partners for six months collaborating to improve services and transform government from the inside out.
- Finally, the Talent Initiative is building a movement of civic-minded individuals with digital skills to help deliver government services who need them the most.

### Note 2 - Summary of significant accounting policies

#### Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 2 - Summary of significant accounting policies (continued)

#### Financial statement presentation

Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without donor restrictions - net assets that are not subject to donor-imposed restrictions. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.

With donor restrictions - net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Includes resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants, and bequests.

#### Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Significant estimates used in preparing these financial statements include: the allowance for doubtful accounts; valuation of other assets; estimated useful lives of property and equipment; the value of donated materials, property and equipment, and professional services; uncertain tax positions; and the allocation of functional expenses. Actual results could differ from those estimates.

#### Cash and cash equivalents

Cash and cash equivalents consist of balances on hand and on deposit in banks and other financial institutions, and short-term investments. The Organization considers all highly liquid investments with original maturities of three months or less on the date of purchase to be cash equivalents.

#### Donations, grants, and program fees receivable

Donations, grants, and program fees receivable are stated at the amount management expects to collect from outstanding balances after reserves for discounts and bad debts and allowances, taking into account past experience, contracts, history and the other organizations' ability to meet their obligations. Management provides for probable uncollectible amounts through a charge to expense and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of donations and program fees receivable. Management has deemed all donations, grants, and program fees receivable collectible at December 31, 2019 and 2018.

#### Revenue and cost recognition

Donations are recognized when the donor makes a documented promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, and which are due in the next year, are recorded at their net realizable value.

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 2 - Summary of significant accounting policies (continued)

#### Revenue and cost recognition (continued)

Donated marketable securities are liquidated upon receipt. The net proceeds from these sales, net of fees and commissions, are recognized as support in accordance with the donor's intent.

Foundation grants that are considered to be contributions are recognized when the grant agreements are signed. The revenue is reported as without donor restrictions unless the grantor has restricted the use to a specific purpose or time period. Foundation grants with payment terms in excess of one year are subject to discounting.

Contributed professional services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or in the case of long-term assets, over the period benefited. Additionally, the Organization receives a significant amount of contributed time from volunteers which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Periodically, the Organization acts as a fiscal sponsor for outside projects and maintains discretion and control of all funds until the completion of the project. Donations for these sponsored projects are recognized when the donor makes a documented promise to give to the Organization to support the specified project.

#### Revenue recognition - contracts with customers

On January 1, 2019, the Organization adopted Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (ASC Topic 606) and all the related amendments using the modified retrospective method, whereby the adoption did not impact any prior periods. The effect of adopting the new standard did not require any cumulative effect adjustment to net assets as of January 1, 2019.

#### ***Program services, event sponsorships and event admission fees and speaker fees***

Program service fee revenue relates to exchange transactions with state and local government agencies and is recognized when invoices are issued for reimbursements for costs incurred during the period services are performed. The Organization has contracts with the states of California and Michigan in both 2019 and 2018, and are for multi-year terms.

Event sponsorships, admission fees and speaking fees are recognized as revenue at a point in time when the events or programs occur.

Program services, events and speaking engagements are held at various locations in the United States of America. All of these revenue streams are short-term in nature and do not have any significant financing components as payment is received before, at, or shortly after the related event. Accounts receivable at December 31, 2019 and 2018 for revenues earned during the year are insignificant to these financial statements.

#### ***Contract liabilities***

Contract liabilities represent event sponsorships paid in 2019 for future events.

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 2 - Summary of significant accounting policies (continued)

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are reflected as increases or decreases in net assets without donor restriction unless their use has been restricted by donors. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

#### Fair value measurements

The Organization measures and discloses fair value measurements as required by the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Includes other observable inputs, not included in Level 1, that are directly or indirectly observable in the marketplace.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Financial instruments included in the Organization's statements of financial position are: cash and cash equivalents; investments; donations, grants, and program fees receivable; other assets; and liabilities. The carrying amount of these instruments approximates their fair values.

#### Property, equipment, depreciation and amortization

Property, equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Donated property and equipment are recorded at their estimated fair value at the date of donation. The Organization capitalizes all fixed assets above \$3,000. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three to seven years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. Gifts of property and equipment are reported as support without donor restrictions unless the donor stipulates specifically how the donated asset must be used. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 2 - Summary of significant accounting policies (continued)

#### Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair value. To date, the Organization has not recorded any impairment of its long-lived assets as a result of this analysis.

#### Tax-exempt status

The Organization is considered to be a public charity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is exempt from state tax under State of California Revenue and Taxation Code Section 23701d. Only unrelated business income is subject to federal and state income tax. Since all the Organization's income is related to its exempt purpose, no provision for income taxes has been made in the accompanying financial statements.

The Organization has adopted the accounting standard related to uncertainties in income taxes. The Organization evaluates uncertain tax positions through its review of the source of revenue to identify unrelated business income and certain other matters, including those which may affect its tax exempt status. Management believes their estimates related to income tax uncertainties are appropriate based on the current facts and circumstances.

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for years ended December 31, 2016 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended December 31, 2015 and after could be subject to examination by state (California) taxing authorities, generally for four years after they are filed.

#### Advertising

The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the years ended December 31, 2019 and 2018 totaled \$1,011,633 and \$542,327, respectively.

#### Allocation of functional expenses

Expenses which apply to more than one functional category have been allocated to program services, management and general, and fundraising expenses based on percentage of program expenses. Certain management and general expenses are allocated to specific programs based on a percentage of total program expenses. Marketing and a portion of facilities related costs are allocated to specific programs and fundraising based on a percentage of the total of program and fundraising expenses. The remaining costs are charged directly to the appropriate functional category.

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 2 - Summary of significant accounting policies (continued)

#### New accounting pronouncements - not yet adopted

In 2016 and through subsequent amendments, the FASB issued new accounting guidance for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning with January 2022 with early adoption permitted, and must be applied using a modified retrospective approach. The Organization is currently evaluating the impact of adopting this standard on its financial statements and does not expect to adopt the new guidance earlier than required.

In 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year beginning January 1, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Other accounting pronouncements that have been enacted but not yet implemented are not expected to have a material impact on the Organization's financial statements.

#### Subsequent events

The Organization has evaluated subsequent events through August 4, 2020, which is the date these financial statements were available to be issued.



# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 3 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general expenditure within one year from this date. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 7,157,168
Investments	5,237,558
Donations, grants, and program fees receivable	<u>3,871,150</u>
Financial assets, at December 31, 2019	16,265,876
Less:	
Accounts payable and other liabilities	<u>(360,614)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 15,905,262</u>

During 2019 and 2018, the Organization elected to invest non-working capital funds in an investment account to earn additional investment income (Note 5). All invested funds have no donor restrictions on the use of investment returns, which will be used at the discretion of the Organization.

### Note 4 - Donations, grants, and program fees receivable

At December 31, 2019, all of the \$3,871,150 receivable balance is expected to be realized in less than one year. At December 31, 2018, all but \$694,168 of the \$5,139,037 receivable balance was expected to be realized in less than one year. Management has determined the net present value discount of the long-term portion to be insignificant.

The Organization has received conditional contributions that will not be recognized until the Organization meets certain performance milestones set forth in the associated grant agreements. At December 31, 2019, these conditional contributions are as follows:

Clear My Record	\$ 3,456,988
General support	2,000,000
Integrated Benefits Initiative	<u>500,000</u>
	<u>\$ 5,956,988</u>

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 5 - Investments and fair value measurements

Financial instruments, consisting of cash and cash equivalents, are carried at cost, which approximates their fair value due to the short-term maturity of these instruments.

Following are the major categories of investments measured at fair value on a recurring basis and are all classified as Level 1 by the fair value hierarchy:

	December 31,	
	2019	2018
Fixed income securities:		
U.S. Treasury bills	\$ 5,237,558	\$ 1,444,912
U.S. Treasury notes	-	4,300,907
	<u>\$ 5,237,558</u>	<u>\$ 5,745,819</u>

There have been no changes in valuation techniques and related inputs between the years ended December 31, 2019 and 2018.

Investment income totaled \$134,514 and \$122,963 for the years ended December 31, 2019 and 2018, respectively, which included interest and dividends, net of investment fees, of \$96,971 and \$49,344 and net realized and unrealized gains of \$37,543 and \$73,619 for the years ended December 31, 2019 and 2018, respectively.

### Risks and uncertainties

The Organization holds investments in various fixed income investments outlined above. These securities are exposed to various risks such as interest rate and market risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in the risk factors will occur in the near term that could materially affect the value of the investments reported in the accompanying financial statements.

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 6 - Other assets

In 2014, the Organization assigned its trademark rights to a closely held company and executed an Office Services Agreement with the company in exchange for 185,567 shares of common stock as of the date of execution. The Organization's shares represent approximately .94% of the company's issued and outstanding shares as of December 31, 2019. The Organization's shares are considered to be illiquid with no secondary market to facilitate a sale and are carried at cost. The shares at the date of acquisition were valued at \$0.02 per share, and the total investment of \$3,711 is included in Other assets on the accompanying statements of financial position.

During 2016, the Organization also held a Simple Agreement for Future Equity (the "SAFE Agreement") with a cost basis of \$100,000, which as a result of an action taken by the company, was converted into 300,120 shares (at an effective share price of \$0.3332 per share) of Series A-5 Preferred Stock (Preferred Stock). Upon conversion, the SAFE Agreement was extinguished. The Preferred Stock is not redeemable at the option of the holder, and can convert to shares of common stock at a ratio of 1:1. After conversion, the preferred stock owned by the Organization represented approximately 1.53% of the company's issued and outstanding shares as of December 31, 2019. The company performed a valuation, as of January 2020, in compliance with Internal Revenue Code 409A, which valued the common stock at \$0.91 per share. The Organization's shares are considered to be illiquid with no secondary market to facilitate a sale. Therefore, management has chosen to continue to carry the Preferred Stock at cost, or \$100,000. At December 31, 2019 and 2018, the cost basis of the Preferred Stock totaled \$100,000 and is included in Other assets on the accompany statements of financial position.

### Note 7 - Property and equipment

Property and equipment consisted of the following:

	December 31,	
	2019	2018
Leasehold improvements	\$ 897,400	\$ 870,272
Furniture	88,817	88,817
Equipment	62,558	51,758
	1,048,775	1,010,847
Accumulated depreciation and amortization	(269,690)	(66,588)
	<u>\$ 779,085</u>	<u>\$ 944,259</u>

Depreciation and amortization expense totaled \$203,102 and \$42,499 for the years ended December 31, 2019 and 2018, respectively.

### Note 8 - Concentrations, risks and uncertainties

The Organization maintains its cash and cash equivalents with high credit quality financial institutions which, at times, may be in excess of Federal Deposit Insurance Corporation insurance limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk with its cash accounts.

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 8 - Concentrations, risks and uncertainties (continued)

For the year ended December 31, 2019, the Organization received approximately 37% of its total public support and revenue from two funding sources. For the year ended December 31, 2018, the Organization received approximately 26% of its total public support and revenue from two foundation grants. Additionally, the Organization received 88% of its total event sponsorship fees from five different organizations for the year ended December 31, 2019 and 99% from three different organizations for the year ended December 31, 2018.

As of March 2020, domestic and international economies face uncertainty related to the impact of the COVID-19 disease. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's funders, employees and partners all of which are uncertain and cannot be predicted. It is at least reasonably possible that this matter will negatively impact the Organization. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

### Note 9 - In-kind contributions

In-kind contributions consisted of the following services:

	December 31,	
	2019	2018
Internet and web services	\$ 190,362	\$ 280,044
Legal	124,876	68,185
	<u>\$ 315,238</u>	<u>\$ 348,229</u>

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 10 - Net assets released from restrictions and net assets

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, generally related to the support of program services or by the expiration of time, are as follows for the years ended December 31, 2019 and 2018:

	December 31,	
	2019	2018
Time restrictions expired:		
Contributions - individuals and businesses	\$ 537,500	\$ 975,000
Purpose restrictions fulfilled:		
Safety Net	2,640,364	-
Integrated Benefits	-	1,518,043
Health	-	597,826
Criminal Justice / Safety and Justice	1,888,552	911,515
Workforce / Economic Development	563,925	530,118
Code for America Network	1,352,980	1,157,059
Other	2,754	42,246
	\$ 6,986,075	\$ 5,731,807

Net assets consisted of the following:

	December 31,	
	2019	2018
Net assets without donor restrictions:	\$ 9,697,365	\$ 9,263,723
Net assets with donor restrictions:		
Time restrictions:		
Contributions - individuals and foundations	187,500	725,000
Purpose restrictions - program services:		
Safety Net	4,779,128	-
Integrated Benefits	-	3,403,579
Health	-	715,121
Criminal Justice / Safety and Justice	1,303,364	1,201,916
Workforce / Economic Development	-	1,364,706
Code for America Network	1,059,430	1,687,409
Other	-	2,754
Total net assets with donor restrictions	7,329,422	9,100,485
Total net assets	\$ 17,026,787	\$ 18,364,208

# CODE FOR AMERICA LABS, INC.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 11 - Operating leases

The Organization leased office space under a non-cancelable operating lease which expired on December 31, 2018. The total rent expense for the year ended December 31, 2018 under this facility lease was approximately \$603,000.

Effective December 2018, the Organization leases office space under a non-cancelable operating lease expiring February 2024. The lease agreement allow for annual escalating rent payments over the term of the lease beginning December 1, 2019 and, as such, facility rent expense is recognized by the Organization on a straight-line basis over the lease term. Facility rent expense in excess of the cash payments is recognized as a deferred rent liability on the accompanying statements of financial position. The total rent expense for the years ended December 31, 2019 and 2018 under this facility lease was approximately \$493,200 and \$20,500, respectively.

The Organization subleased a portion of its available space back to the building's owners on an as needed basis in 2018 and to a third party in 2019. Sublease income was \$30,000 and \$70,533 for the years ended December 31, 2019 and 2018, respectively. Sublease income is netted with office and facilities expense on the accompanying statements of activities.

Future minimum facility lease payments required under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 499,766
2021	514,759
2022	530,202
2023	546,108
2024	<u>93,515</u>
	<u>\$ 2,184,350</u>

### Note 12 - Retirement plan

The Organization maintains a 401(k) retirement plan for eligible employees. The Plan provides for voluntary contributions by eligible participants in accordance with Section 401(k) of the Internal Revenue Code, as well as discretionary matching contributions by the Organization. The Organization contributed approximately \$201,000 and \$193,000 to the Plan for the years ended December 31, 2019 and 2018, respectively.

### Note 13 - Related-party transactions

During the years ended December 31, 2019 and 2018, certain members, or companies associated with members, of the Organization's Board of Directors made contributions to help fund the Organization's mission. This contribution revenue totaled approximately \$100,000 and \$153,000 for the years ended December 31, 2019 and 2018, respectively.

**REPORTS AND SCHEDULES  
REQUIRED BY THE UNIFORM GUIDANCE**



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  
Code for America Labs, Inc.  
San Francisco, California

We have audited, 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, the financial statements of Code for America Labs, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, 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 August 4, 2020.

#### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.



### **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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

### **Organization's Response to Findings**

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Abbott, Stringham & Lynch*

August 4, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors  
Code for America Labs, Inc.  
San Francisco, California

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

We have audited Code for America Labs, Inc.'s (the "Organization") compliance with the types of compliance requirements described 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 December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization 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 December 31, 2019.

## Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Abbott, Stringham & Lynch*

August 4, 2020

**CODE FOR AMERICA LABS, INC.**

**Schedule of Expenditures of Federal Awards**

December 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)
<b>United States Department of Agriculture, Food and Nutrition Services</b>			
SNAP Cluster:			
Passed through the State of California Department of Social Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP - GetCalFresh)	10.561	16-SUB-00875	<u>\$ 3,651,551</u>
Total SNAP Cluster			3,651,551
SNAP Process and Technology Improvement Grants			
Code for America: User-centered redesign of the digital SNAP experience in Michigan	10.580	SNAP-PTI-17- CFAL-01	<u>4,366</u>
Total United States Department of Agriculture, Food and Nutrition Services			<u>3,655,917</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,655,917</u></u>

# CODE FOR AMERICA LABS, INC.

## Notes to Schedule of Expenditures of Federal Awards

December 31, 2019

### **Note 1 - Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### **Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 3 - Indirect cost rate**

The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### **Note 4 - Payments to subrecipients**

The Organization did not make any payments to subrecipients for the year ended December 31, 2019.

**CODE FOR AMERICA LABS, INC.**

**Schedule of Findings and Questioned Costs**

December 31, 2019

**Section I - Summary of Auditor's Results**

Financial statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal awards

Internal control over major federal programs:  
Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  yes  no

Identification of major federal programs:

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
10.561	Supplemental Nutrition Assistance Program (SNAP - GetCalFresh)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

# CODE FOR AMERICA LABS, INC.

## Schedule of Findings and Questioned Costs (continued)

December 31, 2019

### Section II - Financial Statement Findings

#### 2019-001 - Payroll Allocation

*Criteria:* The Organization is required to use the actual salaries paid as the basis for calculating the direct cost of compensation of employees who work on the Supplemental Nutrition Assistance Program (SNAP) award and the related fringe benefit costs.

*Condition:* We discovered that beginning with new grant fiscal year in October 2019 and the addition of a new employee, the Organization changed their calculation and began using budgeted salary amounts as the basis for calculating the direct cost of compensation of employees who work on the SNAP award and the related fringe benefit costs.

*Cause:* The Organization changed its payroll allocation calculation methodology to use the budgeted salary instead of the actual salary paid during the applicable period.

*Effect:* The California Department of Social Services (CDSS) contract was overcharged for certain individuals and undercharged for other individuals for expenditures related to compensation. The net impact was not considered significant.

*Recommendation:* We recommend using the actual salary paid to calculate the allocation of salaries and benefits to the CDSS program. We also recommend improving internal controls over the payroll allocation calculation by having the monthly allocation reviewed by someone independent from the preparer.

*Views of Responsible Officials:* Management agrees with the audit finding and has reviewed and revised its payroll allocation calculation.

**CODE FOR AMERICA LABS, INC.**

**Schedule of Findings and Questioned Costs (continued)**

December 31, 2019

**Section III - Federal Award Findings and Questioned Costs**

No federal award findings noted.



**CODE FOR AMERICA LABS, INC.**

**Schedule of Prior Year Audit Findings**

December 31, 2019

**Status of Prior Year Audit Findings**

The Organization did not have any audit findings for the year ended December 31, 2018.



## **Corrective Action Plan in Response to Single Audit Schedule of Findings**

**Year Ended December 31, 2019**

### **Finding 2019-001 - Payroll Allocation**

The management of the Organization has communicated with State of California Department of Social Services and developed a plan for resolution. In addition, management has reviewed and revised its payroll allocation calculation and instituted a monthly review process by the Chief Financial and People Officer.

Anticipated Completion Date: 7/13/2020

Contact Person Responsible for Corrective Action: Howard Smalls,  
Director of Finance/Controller