



CODE FOR AMERICA LABS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

INDEPENDENT AUDITOR'S REPORT

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

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, 2016 and 2015, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



June 21, 2017

CODE FOR AMERICA LABS, INC.

STATEMENTS OF FINANCIAL POSITION

Assets

	December 31,	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 8,502,875	\$ 4,587,887
Donations and program fees receivable	207,628	1,030,098
Other receivables	-	2,881
Prepaid expenses	30,307	63,886
Property and equipment, net of accumulated depreciation and amortization	132,423	206,077
Other assets	103,711	103,711
Security deposits	57,825	58,100
	<u>\$ 9,034,769</u>	<u>\$ 6,052,640</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 66,137	\$ 220,106
Accrued liabilities	18,541	170,298
Deferred rent obligation	35,654	26,485
Deferred revenue	8,750	75,000
	<u>129,082</u>	<u>491,889</u>
Net assets:		
Unrestricted	7,909,034	4,352,825
Temporarily restricted	996,653	1,207,926
	<u>8,905,687</u>	<u>5,560,751</u>
	<u>\$ 9,034,769</u>	<u>\$ 6,052,640</u>

CODE FOR AMERICA LABS, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Donations:						
Individuals and foundations	\$ 6,711,672	\$ 233,608	\$ 6,945,280	\$ 1,829,534	\$ -	\$ 1,829,534
Businesses	308,215	576,946	885,161	547,779	-	547,779
Marketable securities	314,499	-	314,499	149,463	-	149,463
Foundation grants	2,632,374	534,692	3,167,066	4,135,057	992,926	5,127,983
Program services	493,110	250,000	743,110	2,043,969	-	2,043,969
In-kind contributions	545,398	-	545,398	415,489	-	415,489
Event sponsorship and admission fees	770,471	-	770,471	680,337	-	680,337
Speaker fees	43,600	-	43,600	58,717	-	58,717
Other income	5,451	-	5,451	4,247	-	4,247
Net assets released from restrictions	1,806,519	(1,806,519)	-	1,011,000	(1,011,000)	-
Total public support and revenue	<u>13,631,309</u>	<u>(211,273)</u>	<u>13,420,036</u>	<u>10,875,592</u>	<u>(18,074)</u>	<u>10,857,518</u>
Expenses:						
Program services:						
Health	2,031,908	-	2,031,908	-	-	-
Safety and Justice	1,950,338	-	1,950,338	-	-	-
Code for America Network	1,448,010	-	1,448,010	4,108,574	-	4,108,574
Economic Development	1,278,406	-	1,278,406	1,292,139	-	1,292,139
Summit	1,155,080	-	1,155,080	1,422,610	-	1,422,610
Fellowships	-	-	-	3,800,116	-	3,800,116
Other	-	-	-	121,083	-	121,083
Total program services	<u>7,863,742</u>	<u>-</u>	<u>7,863,742</u>	<u>10,744,522</u>	<u>-</u>	<u>10,744,522</u>
Supporting services:						
Management and general	1,355,491	-	1,355,491	861,666	-	861,666
Fundraising	855,867	-	855,867	680,959	-	680,959
Total supporting services	<u>2,211,358</u>	<u>-</u>	<u>2,211,358</u>	<u>1,542,625</u>	<u>-</u>	<u>1,542,625</u>
Total expenses	<u>10,075,100</u>	<u>-</u>	<u>10,075,100</u>	<u>12,287,147</u>	<u>-</u>	<u>12,287,147</u>
Change in net assets	3,556,209	(211,273)	3,344,936	(1,411,555)	(18,074)	(1,429,629)
Net assets, beginning of year	<u>4,352,825</u>	<u>1,207,926</u>	<u>5,560,751</u>	<u>5,764,380</u>	<u>1,226,000</u>	<u>6,990,380</u>
Net assets, end of period	<u>\$ 7,909,034</u>	<u>\$ 996,653</u>	<u>\$ 8,905,687</u>	<u>\$ 4,352,825</u>	<u>\$ 1,207,926</u>	<u>\$ 5,560,751</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, 2016

	Program Services					Supporting Services			Total	
	Health	Safety and Justice	Code for America Network	Economic Development	Summit	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and related expenses	\$ 1,171,346	\$ 1,255,939	\$ 457,852	\$ 873,416	\$ 66,004	\$ 3,824,557	\$ 1,577,905	\$ 445,131	\$ 2,023,036	\$ 5,847,593
Grants	-	-	8,250	-	-	8,250	-	-	-	8,250
Professional services	312,526	198,429	319,958	49,094	127,638	1,007,645	444,119	11,843	455,962	1,463,607
Travel and events	96,487	113,185	194,103	89,977	684,865	1,178,617	80,692	36,267	116,959	1,295,576
Marketing and advertising	1,887	1,812	6,415	426	3,150	13,690	3,814	893	4,707	18,397
Office and facilities	94,687	66,638	100,961	41,545	4,283	308,114	923,710	28,182	951,892	1,260,006
Other expenses	393	2,425	1,715	29	13,778	18,340	152,765	10,566	163,331	181,671
G&A expense allocation	354,582	311,910	358,756	223,919	255,362	1,504,529	(1,827,514)	322,985	(1,504,529)	-
Total expenses	\$ 2,031,908	\$ 1,950,338	\$ 1,448,010	\$ 1,278,406	\$ 1,155,080	\$ 7,863,742	\$ 1,355,491	\$ 855,867	\$ 2,211,358	\$ 10,075,100

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

CODE FOR AMERICA LABS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Program Services					Supporting Services				
	Code for America Network	Fellowships	Summit	Economic Development, Health, Safety and Justice	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	\$ 1,851,682	\$ 2,051,079	\$ 68,445	\$ 670,011	\$ 89,302	\$ 4,730,519	\$ 1,393,120	\$ 564,919	\$ 1,958,039	\$ 6,688,558
Grants	27,100	-	-	-	-	27,100	11,500	-	11,500	38,600
Professional services	542,123	89,059	164,428	166,172	29,755	991,537	643,611	19,693	663,304	1,654,841
Travel and events	462,176	415,344	1,013,693	54,041	2,176	1,947,430	112,651	55,797	168,448	2,115,878
Marketing and advertising	17,049	28,856	20,437	5,754	-	72,096	12,293	-	12,293	84,389
Office and facilities	183,425	140,020	23,848	15,749	(150)	362,892	1,096,327	28,083	1,124,410	1,487,302
Other expenses	12,426	63,165	5,185	690	-	81,466	123,646	12,467	136,113	217,579
G&A expense allocation	1,012,593	1,012,593	126,574	379,722	-	2,531,482	(2,531,482)	-	(2,531,482)	-
Total expenses	\$ 4,108,574	\$ 3,800,116	\$ 1,422,610	\$ 1,292,139	\$ 121,083	\$ 10,744,522	\$ 861,666	\$ 680,959	\$ 1,542,625	\$ 12,287,147

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

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 3,344,936	\$ (1,429,629)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	72,235	87,298
Gain on sale of property and equipment	(2,746)	-
Changes in operating assets and liabilities:		
Donations and program fees receivable	822,470	(403,734)
Other receivables	2,881	5,112
Prepaid expenses	33,579	14,824
Security deposits	275	(275)
Accounts payable	(153,969)	(46,744)
Accrued liabilities	(151,757)	148,848
Deferred rent obligation	9,169	26,485
Deferred revenue	(66,250)	70,000
Net cash provided by (used in) operating activities	3,910,823	(1,527,815)
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	4,165	-
Purchases of property and equipment	-	(39,161)
Net cash provided by (used in) investing activities	4,165	(39,161)
Net increase (decrease) in cash and cash equivalents	3,914,988	(1,566,976)
Cash and cash equivalents, beginning of year	4,587,887	6,154,863
Cash and cash equivalents, end of year	<u>\$ 8,502,875</u>	<u>\$ 4,587,887</u>

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 - Nature of operations

Code for America Labs, Inc. (the "Organization") is a national nonprofit organization that believes government can work for the American people in the 21st century. The Organization envisions a world where services are simple, beautiful, and easy to use, where outcomes are measurably better, and where better services cost less. They believe that government can serve all Americans equally with dignity. To do this, the Organization uses the principles and practices of the digital age to improve how government serves the American public, and how the public improves government.

Improving how government serves the American public

Beginning in 2015, the Organization started projects in three outcome areas: health, safety and justice, and economic development. In 2016, the Organization fully integrated the Fellowships into these areas to better develop and test pathways for sustaining services created by the fellows.

Every year, the Organization's focus in these areas has sharpened. The three outcome areas work together, all towards the goal of serving the most vulnerable populations in our society. This increased focus allows the Organization a powerful new frame for its work: demonstrating better government services and outcomes at scale as a way to advance the Organization's mission.

Closing the SNAP participation gap:

- The Organization's GetCalFresh service is a dramatically better way to apply for SNAP using a mobile phone. Instead of 45 minutes or more to apply, users get through in about eight minutes, including uploading supporting documents. Once they've applied, the Organization follows up by text and documents the many barriers users face: letters they receive after the date by which action is required, requests for unnecessary documentation, failed communications, etc. Government partners are structurally unable to see the failure points in the system and are eager for the insights into how they can improve.

Safely reducing incarceration:

- The Organization's Clear My Record service simplifies a complicated expungement process to an eight minute application. The Organization partners with public defenders and legal aid organizations to move people through this process in a matter of weeks instead of months.
- The Organization's ClientComm service provides a quick and easy way for probation officers to use text messaging to reduce failures to appear in court -- helping people succeed on community supervision. This project emerged out of a fellowship in Salt Lake County in 2016 and since its implementation, has supported over 45,000 text communications and has contributed to a 64% reduction in pretrial rearrests.

Increasing employment among those who are the hardest to employ:

- The Organization believes that 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 is conducting intensive research to deepen their knowledge of the workforce system. They are learning how to reduce barriers for job seekers, and how to have the greatest impact within the workforce development system. The Organization is currently testing prototypes to determine which solutions are best to take to scale.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 - Nature of operations (continued)

Improving government through an evolving and dynamic civic tech network

To inspire change at the local level, the Organization helps hundreds of governments take a user-centered, iterative, and data-driven approach to meaningfully impact some of the nation's toughest societal challenges.

This is done through the Brigade program, 80+ locally led volunteer chapters across the country; the Fellowship program, which places technologists in local governments; and through the Talent Initiative, which helps governments recruit and retain tech talent.

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 U.S. generally accepted accounting principles.

Financial statement presentation

The accompanying financial statements include statements of financial position that present the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and, if applicable, permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Unrestricted net assets - are neither permanently restricted nor temporarily restricted by donor imposed stipulations.

Temporarily restricted net assets - result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations. When a donor stipulated time restriction ends or a donor-imposed restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - result from contributions subject to donor-imposed restrictions that specify assets donated be invested to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the Organization may determine the income's availability to the Organization's operations. The Organization had no permanently restricted net assets as of December 31, 2016 and 2015.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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; 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 and program fees receivable

Donations and program fees receivable are stated at the amount management expects to collect from outstanding balances after reserves for discounts, bad debts, and allowances, taking into account past experience, contracts, history and 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 and program fees receivable collectible at December 31, 2016 and 2015.

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 due in the next year are recorded at their net realizable value. Donated marketable securities are liquidated upon receipt. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are fulfilled in the fiscal year in which the contributions are recognized.

Foundation grants that are considered to be contributions are recognized when the grant agreements are signed. The revenue is reported as unrestricted support 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.

Program service fees relate to exchange transactions and are recognized as unrestricted revenue as milestones per the agreements have been met by the Organization.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Summary of significant accounting policies (continued)

Revenue and cost recognition (continued)

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.

Corporate sponsorships, event sponsorships, speaking fees, and event admissions fees are recognized as revenue when the events or programs occur.

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.

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 - Include 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 include cash and cash equivalents, donations and program fees receivable, other assets, and liabilities. The carrying amount of these instruments approximates their fair values.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Summary of significant accounting policies (continued)

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 unrestricted support unless the donor stipulates specifically how the donated asset must be used.

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. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination; therefore, no liability for unrecognized income tax benefits has been recorded as of December 31, 2016 and 2015. The Organization is subject to examination by major tax jurisdictions back to 2013.

Advertising

The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the years ended December 31, 2016 and 2015 totaled \$18,397 and \$84,389, 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 time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

New accounting pronouncements

In May 2014, the FASB issued new accounting guidance for reporting revenue. The five-step process in the new guidance may necessitate more judgment and estimation within the revenue recognition process than required under existing pronouncements, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This new guidance is effective for annual reporting periods beginning after January 1, 2019, though early adoption is permitted for annual reporting periods beginning after January 1, 2017, and may be applied using either a full retrospective or a modified approach upon adoption. The Organization is currently evaluating the impact of adopting the new standard on its results of activities and financial position.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

In February 2016, 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 after January 1, 2020, with early adoption permitted, and must be applied using a modified retrospective approach. The Company is currently evaluating the impact of adopting this standard on its financial statements.

Subsequent events

The Organization has evaluated subsequent events through June 21, 2017, which is the date the financial statements were available to be issued.

Note 3 - 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 1.23% of the company's issued and outstanding shares as of December 31, 2016. 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.

At December 31, 2015, the Organization held a Simple Agreement for Future Equity (the "SAFE Agreement") in which the Organization had rights to preferred shares in the same closely held company (the "company") in the amount of \$100,000. The SAFE Agreement had no secondary market and was carried at cost of \$100,000 and was included in *Other assets* on the accompanying statements of financial position.

During 2016, as a result of an action taken by the company, the SAFE Agreement 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 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 represents approximately 1.98% of the company's issued and outstanding shares as of December 31, 2016. The company performed a valuation in compliance with Internal Revenue Code 409A, which valued the common stock at \$0.78 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, 2016 the cost basis of the Preferred Stock totaled \$100,000 and is included in *Other assets* on the accompany statements of financial position.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 4 - Property and equipment

Property and equipment consisted of the following at December 31, 2016 and 2015:

	December 31,	
	2016	2015
Furniture	\$ 190,677	\$ 190,677
Equipment	171,012	177,058
Leasehold improvements	37,704	37,704
	399,393	405,439
Accumulated depreciation and amortization	(266,970)	(199,362)
	<u>\$ 132,423</u>	<u>\$ 206,077</u>

Depreciation and amortization expense totaled \$72,235 and \$87,298 for the years ended December 31, 2016 and 2015.

Note 5 - Concentrations

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.

For the year ended December 31, 2016, the Organization received approximately 45% of its total public support and revenue from one foundation grant. For the year ended December 31, 2015, the Organization received approximately 33% of its total public support and revenue from two foundation grants. Additionally, the Organization received approximately 49% of its total events and sponsorship fees from four different organizations for the year ended December 31, 2016, and 61% from two different organizations for the year ended December 31, 2015.

Note 6 - In-kind contributions

In-kind contributions consisted of the following services at December 31, 2016 and 2015:

	December 31,	
	2016	2015
Internet and web services	\$ 362,939	\$ 340,124
Legal	178,379	75,365
Equipment and other services	4,080	-
	<u>\$ 545,398</u>	<u>\$ 415,489</u>

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 7 - Temporarily restricted net assets

At December 31, 2016 and 2015, the Organization's temporarily restricted net assets consisted of the following:

	December 31,	
	2016	2015
Focus areas	\$ 371,250	\$ -
Code for America Fellowships	329,545	827,926
Time restricted	167,118	150,000
Purpose restricted - other	128,740	-
Fiscal sponsorship	-	230,000
	<u>\$ 996,653</u>	<u>\$ 1,207,926</u>

Note 8 - Operating leases

The Organization leases office space under a non-cancelable operating lease expiring December 31, 2018. The total rental expense for the years ended December 31, 2016 and 2015 under this facility lease was approximately \$603,000 and \$642,000, respectively.

The Organization subleased a portion of its building back to the building's owners on an as needed basis. Sublease income was \$59,191 and \$82,941 for the years ended December 31, 2016 and 2015, respectively. Sublease income is netted with lease expense on the accompany statements of activities.

Following is a schedule of future minimum facility lease payments as of December 31, 2016:

Years Ending December 31,	Amount
2017	\$ 612,387
2018	630,697
	<u>\$ 1,243,084</u>

Note 9 - 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 \$107,000 and \$89,000 to the Plan for the years ended December 31, 2016 and 2015, respectively.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2016 and 2015

Note 10 - Related party transactions

During the years ended December 31, 2016 and 2015, certain members of the Organization's Board of Directors made contributions to the Organization to help fund its mission. This contribution revenue totaled approximately \$308,000 and \$150,000 for the years ended December 31, 2016 and 2015, respectively.

Note 11 - Reclassifications

Certain reclassifications have been made to the December 31, 2015 financial statements to conform to the December 31, 2016 presentation. Such reclassifications have no effect on net assets or changes in net assets.