



CODE FOR AMERICA LABS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**AND REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE
YEAR ENDED DECEMBER 31, 2018**

CODE FOR AMERICA LABS, INC.

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December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

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 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 5, 2019 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 5, 2019

CODE FOR AMERICA LABS, INC.
STATEMENTS OF FINANCIAL POSITION

Assets

	December 31,	
	2018	2017
Cash and cash equivalents	\$ 6,426,739	\$ 14,436,201
Investments	5,745,819	-
Donations, grants, and program fees receivable	5,139,037	2,141,797
Other receivables	-	2,712
Prepaid expenses	132,579	44,279
Property and equipment, net of accumulated depreciation and amortization	944,259	127,899
Other assets	103,711	103,711
Security deposits	288,717	57,825
	\$ 18,780,861	\$ 16,914,424

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 329,269	\$ 205,274
Accrued liabilities	66,834	21,831
Deferred rent obligation	20,550	26,982
	416,653	254,087
Total liabilities		
Net assets:		
Without donor restrictions	9,263,723	8,493,047
With donor restrictions	9,100,485	8,167,290
	18,364,208	16,660,337
	\$ 18,780,861	\$ 16,914,424

CODE FOR AMERICA LABS, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Donations:						
Individuals and foundations	\$ 862,771	\$ 385,002	\$ 1,247,773	\$ 1,105,083	\$ 90,316	\$ 1,195,399
Businesses	1,470,776	20,000	1,490,776	892,136	1,101,298	1,993,434
Marketable securities	207,126	-	207,126	110,336	-	110,336
Foundation grants	2,643,600	6,260,000	8,903,600	2,738,039	9,509,471	12,247,510
Grants from federal government agencies	2,981,455	-	2,981,455	1,589,564	-	1,589,564
Program services	47,656	-	47,656	1,287,136	-	1,287,136
In-kind contributions	348,229	-	348,229	330,307	-	330,307
Event sponsorship and admission fees	136,886	-	136,886	20,822	13,084	33,906
Speaker fees	45,000	-	45,000	17,650	-	17,650
Net investment income	122,963	-	122,963	16,183	-	16,183
Other income	5,371	-	5,371	688	-	688
Net assets released from restrictions	5,731,807	(5,731,807)	-	3,543,532	(3,543,532)	-
Total public support and revenue	<u>14,603,640</u>	<u>933,195</u>	<u>15,536,835</u>	<u>11,651,476</u>	<u>7,170,637</u>	<u>18,822,113</u>
Expenses:						
Program services:						
Health	3,476,940	-	3,476,940	2,516,831	-	2,516,831
Safety and Justice	2,563,375	-	2,563,375	2,483,758	-	2,483,758
Integrated Benefits	2,514,897	-	2,514,897	1,023,424	-	1,023,424
Code for America Network	1,600,624	-	1,600,624	1,445,091	-	1,445,091
Economic Development	556,054	-	556,054	1,145,067	-	1,145,067
Summit	175,877	-	175,877	120,156	-	120,156
Principles and Practices	58,710	-	58,710	-	-	-
Total program services	<u>10,946,477</u>	<u>-</u>	<u>10,946,477</u>	<u>8,734,327</u>	<u>-</u>	<u>8,734,327</u>
Supporting services:						
Management and general	1,914,331	-	1,914,331	1,469,334	-	1,469,334
Fundraising	972,156	-	972,156	863,802	-	863,802
Total supporting services	<u>2,886,487</u>	<u>-</u>	<u>2,886,487</u>	<u>2,333,136</u>	<u>-</u>	<u>2,333,136</u>
Total expenses	<u>13,832,964</u>	<u>-</u>	<u>13,832,964</u>	<u>11,067,463</u>	<u>-</u>	<u>11,067,463</u>
Change in net assets	770,676	933,195	1,703,871	584,013	7,170,637	7,754,650
Net assets, beginning of year	<u>8,493,047</u>	<u>8,167,290</u>	<u>16,660,337</u>	<u>7,909,034</u>	<u>996,653</u>	<u>8,905,687</u>
Net assets, end 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>

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	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
Total expenses	\$ 3,476,940	\$ 2,563,375	\$ 2,514,897	\$ 1,600,624	\$ 556,054	\$ 175,877	\$ 58,710	\$ 10,946,477	\$ 1,914,331	\$ 972,156	\$ 2,886,487	\$ 13,832,964

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

CODE FOR AMERICA LABS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	Program Services						Supporting Services			Total	
	Health	Safety and Justice	Integrated Benefits	Code for America Network	Economic Development	Summit	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and related expenses	\$ 1,672,507	\$ 1,876,652	\$ 420,881	\$ 728,883	\$ 880,180	\$ 79,818	\$ 5,658,921	\$ 1,042,501	\$ 697,844	\$ 1,740,345	\$ 7,399,266
Grants	-	-	-	64,334	-	-	64,334	-	-	-	64,334
Professional services	203,125	206,568	453,124	62,591	26,375	27,369	979,152	218,535	28,028	246,563	1,225,715
Travel and events	52,036	88,568	41,338	272,617	98,695	348	553,602	57,604	33,240	90,844	644,446
Marketing and advertising	281,382	8,208	2,605	8,160	640	35	301,030	3,965	4,820	8,785	309,815
Office and facilities	287,695	283,561	93,630	293,407	128,922	10,075	1,097,290	84,752	91,635	176,387	1,273,677
Other expenses	20,086	20,201	11,846	15,099	10,255	2,511	79,998	61,977	8,235	70,212	150,210
Total expenses	\$ 2,516,831	\$ 2,483,758	\$ 1,023,424	\$ 1,445,091	\$ 1,145,067	\$ 120,156	\$ 8,734,327	\$ 1,469,334	\$ 863,802	\$ 2,333,136	\$ 11,067,463

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,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,703,871	\$ 7,754,650
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	42,499	49,413
Loss on disposal of property and equipment	47,898	-
Realized/unrealized gain on investments	(73,619)	(1,766)
Changes in operating assets and liabilities:		
Donations, grants, and program fees receivable	(2,997,240)	(1,934,169)
Other receivables	2,712	(2,712)
Prepaid expenses	(88,300)	(13,972)
Security deposits	(230,892)	-
Accounts payable	123,995	139,137
Accrued liabilities	45,003	3,290
Deferred rent obligation	(6,432)	(8,672)
Deferred revenue	-	(8,750)
Net cash (used in) provided by operating activities	(1,430,505)	5,976,449
Cash flows from investing activities:		
Purchases of investments	(19,993,988)	-
Proceeds from sale of investments	14,321,788	1,766
Purchases of property and equipment	(906,757)	(44,889)
Net cash used in investing activities	(6,578,957)	(43,123)
Net (decrease) increase in cash and cash equivalents	(8,009,462)	5,933,326
Cash and cash equivalents, beginning of year	14,436,201	8,502,875
Cash and cash equivalents, end of year	\$ 6,426,739	\$ 14,436,201

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

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

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 and Justice, Social Safety Net and 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 and 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). In addition, a free online tool was built that helps people with eligible convictions navigate the complicated journey towards clearing their records.
- The ClientComm program facilitates better communication between clients and case managers through a two-way text-messaging tool to increase the number of people who succeed on community supervision.

Social 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. 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.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 1 - Nature of operations (continued)

Economic Development

- 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 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. Improving access to this benefit could increase economic mobility at scale and the Organization will continue to further work in this area.

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 technologists, public servants, and civic tech enthusiasts committed to tackling the tough problems and driving change in communities all over the country. There are currently over 75 brigades operating across the United States.
- Through the Community Fellowship program, Brigade talent are paired with local government partners for six months collaborating to improve services and transform government from 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).

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.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

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, 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, 2018 and 2017.

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. The net proceeds from these sales, net of fees and commissions, are recognized as support in accordance with donor 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.

Program service fees relate to exchange transactions and are recognized as revenue without donor restrictions as milestones per the agreements are met by the Organization.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

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.

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 - 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.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

Fair value measurements (continued)

Financial instruments included in the Organization's statements of financial position include 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.

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. 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, 2018 and 2017. The Organization is subject to examination by major tax jurisdictions back to 2014.

Advertising

The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the years ended December 31, 2018 and 2017 totaled \$542,327 and \$309,815, respectively.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

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 pronouncement - adopted

During the year ended December 31, 2018, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and footnotes about a nonprofit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction of a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction of net assets with donor restrictions. The guidance also enhances disclosures for Board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Net assets have been reclassified for December 31, 2017 due to the adoption of ASU 2016-14 as of December 31, 2018 as follows:

Net Asset Classification	ASU 2016-14 Classification		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 8,493,047	\$ -	\$ 8,493,047
Temporarily restricted	-	8,167,290	8,167,290
Net assets, as reclassified	<u>\$ 8,493,047</u>	<u>\$ 8,167,290</u>	<u>\$ 16,660,337</u>

New accounting pronouncements - not yet adopted

In 2014, the FASB issued accounting guidance for reporting revenue that is significantly different than previous guidance. The new guidance is effective for the Organization's year beginning January 2019. The five-step revenue-recognition process in the new guidance necessitates more judgment and estimation than under previous 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. In addition, new financial statement presentation related to contract assets and liabilities will be required, as well as additional financial statement disclosures related to the revenue recognition cycle. This new revenue recognition guidance may be applied using either a full retrospective or a modified retrospective approach upon adoption. The Organization is continuing to evaluate the impact of adopting the new standard on its results of operations and financial position, as well as the method it will use for adoption.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of significant accounting policies (continued)

New accounting pronouncements - not yet adopted (continued)

In June 2018, the FASB issued new accounting guidance clarifying the scope and the accounting guidance for contributions received and contributions made. The update clarifies and improves the current guidance and should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange transactions (reciprocal) and also should provide additional guidance to help in the determination as to whether or not a contribution is conditional. This new guidance is effective for annual reporting periods beginning on January 1, 2019, though early adoption is permitted, and should be applied on a modified prospective basis, however, retrospective application is permitted. The Organization is currently evaluating the impact of adopting the new standard on its results of operations and financial position.

In 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 with January 2020 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.

Subsequent events

The Organization has evaluated subsequent events through August 5, 2019, which is the date the financial statements were available to be issued.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 3 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of December 31, 2018, 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, 2018 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 6,426,739
Investments	5,745,819
Donations, grants, and program fees receivable	<u>5,139,037</u>
Financial assets, at December 31, 2018	17,311,595
Less:	
Receivables expected to be received after 12 months	(694,168)
Accounts payable and accrued liabilities	<u>(396,103)</u>
Total financial assets and liquidity resources available within one year	<u><u>\$ 16,221,324</u></u>

During 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, 2018, all but \$694,168 of the \$5,139,037 receivable balance is expected to be realized in less than one year. The long-term portion is expected to be realized through 2020. At December 31, 2017, all but \$346,668 of the \$2,141,797 receivable balance is 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.

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.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 5 - Investments and fair value measurements (continued)

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,	
	2018	2017
Fixed income securities:		
U.S. Treasury bill	\$ 1,444,912	\$ -
U.S. Treasury notes	4,300,907	-
	<u>\$ 5,745,819</u>	<u>\$ -</u>

There have been no changes in valuation techniques and related inputs between the years ended December 31, 2018 and 2017.

Investment income totaled \$122,963 and \$16,183 for the years ended December 31, 2018 and 2017, respectively, which included interest and dividends of \$49,344 and \$14,417 and net realized and unrealized gains of \$73,619 and \$1,766 for the years ended December 31, 2018 and 2017, 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.

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 1.35% of the company's issued and outstanding shares as of December 31, 2018. 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 2.18% of the company's issued and outstanding shares as of December 31, 2018. The company performed a valuation, as of October 2017, 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, 2018 and 2017, the cost basis of the Preferred Stock totaled \$100,000 and is included in Other assets on the accompanying statements of financial position.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 7 - Property and equipment

Property and equipment consisted of the following:

	December 31,	
	2018	2017
Leasehold improvements	\$ 870,272	\$ 37,704
Furniture	88,817	212,353
Equipment	51,758	148,229
	1,010,847	398,286
Accumulated depreciation and amortization	(66,588)	(270,387)
	<u>\$ 944,259</u>	<u>\$ 127,899</u>

Depreciation and amortization expense totaled \$42,499 and \$49,413 for the years ended December 31, 2018 and 2017, respectively.

Note 8 - 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, 2018, the Organization received approximately 26% of its total public support and revenue from two foundation grants. For the year ended December 31, 2017, the Organization received approximately 37% of its total public support and revenue from two foundation grants. Additionally, the Organization received 99% of its total event sponsorship fees from three different organizations for the year ended December 31, 2018 and 100% from three different organizations for the year ended December 31, 2017.

Note 9 - In-kind contributions

In-kind contributions consisted of the following services:

	December 31,	
	2018	2017
Internet and web services	\$ 280,044	\$ 255,646
Legal	68,185	74,311
Equipment and other services	-	350
	<u>\$ 348,229</u>	<u>\$ 330,307</u>

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017:

	December 31,	
	2018	2017
Time restrictions expired:		
Contributions - individuals and businesses	\$ 975,000	\$ 165,118
Purpose restrictions fulfilled:		
Integrated Benefits	1,518,043	578,669
Health	597,826	673,303
Safety and Justice	911,515	1,289,720
Economic Development	530,118	80,177
Code for America Network	1,157,059	756,545
Other	42,246	-
	\$ 5,731,807	\$ 3,543,532

Net assets consisted of the following:

	December 31,	
	2018	2017
Net assets without donor restrictions:	\$ 9,263,723	\$ 8,493,047
Net assets with donor restrictions:		
Time restrictions:		
Contributions - individuals and foundations	725,000	450,000
Purpose restrictions - program services:		
Integrated Benefits	3,403,579	4,921,622
Health	715,121	397,948
Safety and Justice	1,201,916	857,787
Economic Development	1,364,706	894,823
Code for America Network	1,687,409	645,110
Other	2,754	-
Total net assets with donor restrictions	9,100,485	8,167,290
Total net assets	\$ 18,364,208	\$ 16,660,337

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2018 and 2017

Note 11 - Operating leases

The Organization leased office space under a non-cancelable operating lease which expired on December 31, 2018. The total rental expense for each of the years ended December 31, 2018 and 2017 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 total rental expense for the year ended December 31, 2018 under this facility lease was approximately \$20,500.

The Organization subleased a portion of its available space back to the building's owners on an as needed basis. Sublease income was \$70,533 and \$160,409 for the years ended December 31, 2018 and 2017, respectively. Sublease income is netted with lease expense on the accompanying statements of activities.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 384,377
2020	499,766
2021	514,759
2022	530,202
2023	546,108
Thereafter	<u>93,515</u>
	<u><u>\$ 2,568,727</u></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 \$193,000 and \$130,000 to the Plan for the years ended December 31, 2018 and 2017, respectively.

Note 13 - Related-party transactions

During the years ended December 31, 2018 and 2017, certain members of the Organization's Board of Directors made contributions to the Organization to help fund its mission. This contribution revenue totaled approximately \$153,000 and \$204,000 for the years ended December 31, 2018 and 2017, respectively.

Note 14 - Reclassification

Certain reclassifications have been made to the December 31, 2017 financial statements to conform to the December 31, 2018 financial statement presentation, having no effect on previously reported net assets or change in net assets.

**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, 2018, 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 5, 2019.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in cursive script that reads "Abbott, Stringham & Lynch".

August 5, 2019

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, 2018. 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, 2018.

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 5, 2019

CODE FOR AMERICA LABS, INC.

Schedule of Expenditures of Federal Awards

December 31, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Numbe</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures (\$)</u>
United States Department of Agriculture, Food and Nutrition Services			
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>\$ 2,275,989</u>
Total SNAP Cluster			<u>2,275,989</u>
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>705,466</u>
Total United States Department of Agriculture, Food and Nutrition Services			<u>2,981,455</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,981,455</u></u>

CODE FOR AMERICA LABS, INC.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

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, 2018. 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, 2018.

CODE FOR AMERICA LABS, INC.

Schedule of Findings and Questioned Costs

December 31, 2018

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)
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants (PTIG)

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, 2018

Section II - Financial Statement Findings

No financial statement findings.

Section III - Federal Award Findings and Questioned Costs

No federal awards findings.

CODE FOR AMERICA LABS, INC.

Schedule of Prior Audit Findings

December 31, 2018

Status of Prior Year Audit Findings

The Organization did not have any audit findings for the year ended December 31, 2017.