



Report of Independent Auditor and
Financial Statements

Code For America Labs, Inc.

June 30, 2011

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITOR

To the Board of Directors
Code For America Labs, Inc.

We have audited the accompanying statement of financial position of Code For America Labs, Inc. ("Code For America" or "the Organization") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Code For America as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


San Francisco, California
October 6, 2011

FINANCIAL STATEMENTS

CODE FOR AMERICA LABS, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2011

ASSETS

Cash and cash equivalents	\$	645,937
Accounts receivable		249,000
Furniture and equipment, net of accumulated depreciation		<u>27,269</u>
Total assets	\$	<u><u>922,206</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	26,323
Accrued liabilities		9,554
Funds held for others		<u>12,745</u>
Total liabilities		<u>48,622</u>
Net assets		
Unrestricted net assets		<u>873,584</u>
Total liabilities and net assets	\$	<u><u>922,206</u></u>

See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Revenues and support	
Contributions	\$ 578,941
Contracts	880,000
Program service fees	796,998
In-kind contributions	91,543
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Total revenues and support	2,347,482
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Expenses	
Program services	
General program services	982,290
Civic commons program services	224,755
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Total program services	1,207,045
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Supporting services	
Management and general	422,787
Fundraising	46,910
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Total supporting services	469,697
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Total expenses	1,676,742
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Change in net assets	670,740
Unrestricted net assets, beginning of year	202,844
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Unrestricted net assets, end of year	\$ 873,584
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See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services			Supporting Services			Total
	General Program Services	Civic Commons Program Services	Subtotal	Management and General	Fundraising	Subtotal	
Personnel	\$ 265,610	\$ 102,379	\$ 367,989	\$ 294,292	\$ -	\$ 294,292	\$ 662,281
Corp expenses	441,679	90,530	532,209	-	-	-	532,209
Professional services	54,726	25,477	80,203	37,740	35,402	73,142	153,345
Travel and events	104,941	4,196	109,137	14,402	5,874	20,276	129,413
In-kind rent	61,243	-	61,243	30,209	-	30,209	91,452
Office and facilities	30,143	2,143	32,286	38,304	1,145	39,449	71,735
Marketing and advertising	19,145	-	19,145	2,652	4,276	6,928	26,073
Other expense	4,803	30	4,833	5,188	213	5,401	10,234
Total expenses	\$ 982,290	\$ 224,755	\$ 1,207,045	\$ 422,787	\$ 46,910	\$ 469,697	\$ 1,676,742

See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

Cash flow from operating activities	
Change in net assets	\$ 670,740
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	3,908
Net change in assets and liabilities	
Accounts receivable	(249,000)
Accounts payable	25,407
Accrued liabilities	(45,971)
Funds held for others	12,745
Net cash from operating activities	<u>417,829</u>
Cash flow from investing activities	
Purchase of furniture and equipment	<u>(29,734)</u>
Net cash for investing activities	<u>(29,734)</u>
Change in cash and cash equivalents	388,095
Cash and cash equivalents, beginning of year	<u>257,842</u>
Cash and cash equivalents, end of year	<u>\$ 645,937</u>

See accompanying notes.

NOTE 1 – ORGANIZATION

Code For America Labs, Inc. (“Code For America” or “the Organization”) is a not-for-profit corporation that was formed in California in 2009. Code For America helps governments become more transparent, connected, and efficient by connecting web developers with people who deliver city services. Through that process, Code For America is growing a group of fellows and technologists that have enlisted in helping local government to become more transparent, the “Corp.”

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”) and applicable to not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time. 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. The Organization had no temporarily restricted net assets as of June 30, 2011.

Permanently restricted – Net assets that are 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 June 30, 2011.

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. Cash on deposit in banks may be in excess of Federal Deposit Insurance Corporation insurance limits. The Organization seeks to control the risk of loss by maintaining deposits with only high quality financial institutions. The Organization considers all highly liquid investments with original maturities of three months or less on the date of purchase to be cash equivalents. The carrying value of cash equivalents approximates fair value.

Accounts receivable – Accounts 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 earnings 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 accounts receivable. Management has deemed all accounts receivable collectible.

Furniture and equipment – Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The straight-line method is followed for all assets for financial reporting.

The estimated lives used in determining straight-line depreciation are:

Furniture	7 Years
Equipment	3 to 5 Years

Funds held for others – Funds held for others are donations that the Organization collects for other not-for-profit organizations which will ultimately be paid to the respective organization. As of June 30, 2011, \$12,745 of funds held for others was included as part of cash and cash equivalents on the statement of financial position.

CODE FOR AMERICA LABS, INC.
NOTES TO FINANCIAL STATEMENTS

Income taxes – The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state tax under State of California Revenue and Taxation Code Section 23701(d), whereby only unrelated business income is subject to federal and state income tax. Management believes that all of the Organization’s income is related to its exempt purpose. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization has no unrecognized tax benefits or uncertain tax positions as of June 30, 2011.

Revenue recognition:

- Contributions 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. Cash from conditional gifts received prior to the conditions being met is classified as deferred revenue. Unconditional promises to give due in the next year are recorded at their net realizable value.
- Contract revenues relate to exchange transactions and are recognized as unrestricted revenue as services are performed and/or expenses are incurred.
- Program service fees relate to exchange transactions and are recognized as unrestricted revenue as milestones per the agreement have been met by the Organization.

In-kind contributions – In-kind contributions are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Allocation to functional expenses – Expenses which apply to more than one functional category have been allocated to program, management and general, and fundraising 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.

Use of estimates – In preparing financial statements in conformity with GAAP, management is required 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value – Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, approximate their carrying values.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through October 6, 2011, which is the date the financial statements are available to be issued.

NOTE 3 – FURNITURE AND EQUIPMENT

Furniture and equipment at June 30, 2011 consists of:

	<u>2010</u>
Furniture	\$ 10,462
Equipment	<u>20,920</u>
	31,382
Accumulated depreciation and amortization	<u>(4,113)</u>
	<u>\$ 27,269</u>

NOTE 4 – CONCENTRATIONS

Contract revenue – During the year ended June 30, 2011, the Organization received approximately 35% of its revenue from four contracts.

Account receivable – As of June 30, 2011, the Organization has a receivable from a third party organization of \$199,000 or 80% of total accounts receivable as of June 30, 2011.

NOTE 5 – IN-KIND CONTRIBUTIONS

During 2010, the Organization entered into a facility agreement with a donor allowing the Organization to occupy a certain premise in San Francisco, California. The agreement will terminate on December 31, 2011. The fair value of the donated space received for the year ended June 30, 2011 was \$91,452.