



Report of Independent Auditors and
Financial Statements

Code For America Labs, Inc.

June 30, 2012

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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, 2012, 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, 2012, 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 19, 2012

FINANCIAL STATEMENTS

CODE FOR AMERICA LABS, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2012

ASSETS	
Cash and cash equivalents	\$ 2,234,192
Donation and program fees receivable	82,116
Other receivable	5,057
Prepaid rent	2,126
Property and equipment, net of accumulated depreciation	151,267
Security deposit	86,738
Total assets	<u>\$ 2,561,496</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	<u>\$ 19,871</u>
Total liabilities	<u>19,871</u>
Net assets	
Unrestricted net assets	<u>2,541,625</u>
Total liabilities and net assets	<u>\$ 2,561,496</u>

See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Public support and revenue	
Donations	
Individuals	\$ 40,716
Business	412,750
Foundation grants	4,415,315
Program service fees	419,746
In-kind contributions	160,834
Interest income	2,721
	<hr/>
Total public support and revenue	5,452,082
	<hr/>
Expenses	
Program services	
CFA program services	2,031,158
Civic commons	741,819
CFA brigade	149,096
	<hr/>
Total program services	2,922,073
	<hr/>
Supporting services	
Management and general	760,583
Fundraising	101,386
	<hr/>
Total supporting services	861,969
	<hr/>
Total expenses	3,784,042
	<hr/>
Change in net assets	1,668,040
Unrestricted net assets, beginning of year	873,585
	<hr/>
Unrestricted net assets, end of year	\$ 2,541,625
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See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services				Supporting Services			
	CFA Program Services	Civic Commons Program Services	CFA Brigade Program Services	Subtotal	Management and General	Fundraising	Subtotal	Total
Salaries & related expenses	\$ 358,928	\$ 372,539	\$ 92,380	\$ 823,847	\$ 422,616	\$ 57,959	\$ 480,575	\$ 1,304,422
Corp expenses	1,130,648	44,129	102	1,174,879	1,936	319	2,255	1,177,134
Professional services	152,695	117,578	50,000	320,273	76,173	23,724	99,897	420,170
Travel and events	75,753	20,384	6,038	102,175	17,558	11,599	29,157	131,332
In-kind rent	61,334	-	-	61,334	30,209	-	30,209	91,543
In-kind legal	-	-	-	-	69,291	-	69,291	69,291
Marketing and advertising	39,538	176,293	343	216,174	5,348	6,397	11,745	227,919
Office and facilities	192,521	9,840	203	202,564	123,821	1,343	125,164	327,728
Other expense	19,741	1,056	30	20,827	13,631	45	13,676	34,503
Total expenses	<u>\$ 2,031,158</u>	<u>\$ 741,819</u>	<u>\$ 149,096</u>	<u>\$ 2,922,073</u>	<u>\$ 760,583</u>	<u>\$ 101,386</u>	<u>\$ 861,969</u>	<u>\$ 3,784,042</u>

See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

Cash flow from operating activities	
Change in net assets	\$ 1,668,040
Adjustments to reconcile change in net assets to net cash from operating activities	
Consulting fee in exchange for equipment	1,466
Depreciation and amortization	18,691
Loss on disposal of fixed assets	931
Net change in assets and liabilities	
Donation and program fees receivable	166,884
Other receivable	(5,057)
Prepaid rent	(2,126)
Accounts payable	(6,452)
Accrued expenses	(9,554)
Security deposit	(86,738)
Funds held for others	(12,745)
Net cash from operating activities	<u>1,733,340</u>
Cash flow from investing activities	
Proceeds from sale of equipment	1,367
Purchase of property and equipment	<u>(146,452)</u>
Net cash for investing activities	<u>(145,085)</u>
Change in cash and cash equivalents	1,588,255
Cash and cash equivalents, beginning of year	<u>645,937</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,234,192</u></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, known as 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, 2012.

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, 2012.

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.

Donation and program fees receivable – Donation 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 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.

Fixed Assets – Fixed assets are stated at cost less accumulated depreciation. The Organization capitalizes all fixed assets above \$500. 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
Leashold improvements	10 Years

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, 2012. The Organization is no longer subject to income tax examinations by taxing authorities for years before 2009 for its federal filings and for years before 2008 for its state filings.

CODE FOR AMERICA LABS, INC.
NOTES TO FINANCIAL STATEMENTS

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.
- 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 19, 2012, which is the date the financial statements were available to be issued.

NOTE 3 – FIXED ASSETS

Fixed assets at June 30, 2012, consisted of:

Furniture	\$	57,733
Equipment		93,045
Leasehold improvements		21,286
		<hr/> 172,064
Accumulated depreciation and amortization		(20,797)
	\$	<hr/> <hr/> 151,267

Current year depreciation and amortization expense totaled \$18,691 for the year ended June 30, 2012.

NOTE 4 – CONCENTRATIONS

During the year ended June 30, 2012, the Organization received approximately 57% of its total public support and revenue from three foundation grants.

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 terminated on January 31, 2012. The fair value of the donated space received for the year ended June 30, 2012, was \$91,543.

During 2011, the Organization entered into an agreement with legal firm Wilson Sonsini Goodrich & Rosati to provide services over general corporate and intellectual property legal advice. The agreement allows for either party to terminate the relationship at any time with or without consent of the other party. The fair value of the donated legal services for the year ended June 30, 2012, was \$69,291.

NOTE 6 – OPERATING LEASES

The Organization leases office space under non-cancelable operating lease expiring December 31, 2015. The total rental expense for the year ended June 30, 2012, for this operating lease was approximately \$181,000.

Following is a schedule of future minimum lease payments under operating leases as of June 30, 2012:

Year Ending June 30,

2013	\$	330,566
2014		342,131
2015		173,475
		<hr/>
	\$	846,172
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