



Report of Independent Auditors and  
Financial Statements

**Code For America Labs, Inc.**

June 30, 2013

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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## REPORT OF INDEPENDENT AUDITORS

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of Code For America Labs, Inc., ("Code for America" or the "Organization") which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 Organization'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 Organization'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 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 as of June 30, 2013, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

San Francisco, California  
January 17, 2014

## **FINANCIAL STATEMENTS**

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**CODE FOR AMERICA LABS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2013**

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**ASSETS**

Cash and cash equivalents	\$	2,897,046
Donation and program fees receivable		238,750
Marketable securities		1,227
Other receivable and prepaid expense		31,603
Furniture, equipment, and leasehold improvements, net		227,431
Security deposit		86,738
Total assets	\$	<u>3,482,795</u>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts payable and accrued liabilities	\$	120,204
Deferred support		1,500
Deferred rent liability		62,255
Total liabilities		<u>183,959</u>
Net assets		
Unrestricted net assets		<u>3,298,836</u>
Total liabilities and net assets	\$	<u>3,482,795</u>

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*See accompanying notes.*

**CODE FOR AMERICA LABS, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2013**

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**PUBLIC SUPPORT AND REVENUE**

Donations	
Individuals	\$ 192,685
Business	659,850
Foundation grants	2,589,450
Program service fees	1,732,650
In-kind contributions	49,083
Donations of marketable securities	85,762
Corporate sponsorship	275,000
Event sponsorship	209,128
Event admissions fees	23,785
Speaker fees	14,000
Interest and gains from securities	11,404
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Total public support and revenue	5,842,797

**EXPENSES**

Program services	
CFA Fellows	3,054,162
Peer Network	425,564
CFA Accelerator	586,536
CFA International	71,533
CFA Brigade	367,120
	<hr/>
Total program services	4,504,915

**SUPPORTING SERVICES**

Management and general	386,855
Fundraising	193,814
	<hr/>
Total supporting services	580,669
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Total expenses	5,085,584

Change in net assets 757,213

<b>UNRESTRICTED NET ASSETS</b> , beginning of year	<hr/>
	2,541,623
<b>UNRESTRICTED NET ASSETS</b> , end of year	<hr/> <hr/>
	\$ 3,298,836

**CODE FOR AMERICA LABS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2013**

	Program Services					Supporting Services			Total	
	CFA Fellows Program Services	Peer Network Program Services	CFA Brigade Program Services	CFA Accelerator Program Services	CFA International Program Services	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and related expenses	\$ 1,631,512	\$ 231,221	\$ 261,696	\$ 71,195	\$ 39,224	\$ 2,234,848	\$ 812,155	\$ 82,223	\$ 894,378	\$ 3,129,226
Corp expenses	138,269	495	67	1,052	-	139,883	18,640	45	18,685	158,568
Grants	-	-	-	334,000	-	334,000	-	-	-	334,000
Professional services	65,335	50,545	325	65,212	7,650	189,067	127,354	88,140	215,494	404,561
Travel and events	237,827	17,466	37,945	43,153	24,641	361,032	59,004	17,013	76,017	437,049
In-kind professional	-	-	-	-	-	-	49,083	-	49,083	49,083
Marketing and advertising	16,017	3,151	5,539	9,207	-	33,914	30,148	2,531	32,679	66,593
Office and facilities	21,380	6,628	3,309	3,714	18	35,049	414,280	3,862	418,142	453,191
Other expense	15,361	-	210	975	-	16,546	36,767	-	36,767	53,313
General and administrative expense allocation	928,461	116,058	58,029	58,028	-	1,160,576	(1,160,576)	-	(1,160,576)	-
Total expenses	<u>\$ 3,054,162</u>	<u>\$ 425,564</u>	<u>\$ 367,120</u>	<u>\$ 586,536</u>	<u>\$ 71,533</u>	<u>\$ 4,504,915</u>	<u>\$ 386,855</u>	<u>\$ 193,814</u>	<u>\$ 580,669</u>	<u>\$ 5,085,584</u>

*See accompanying notes.*

**CODE FOR AMERICA LABS, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2013**

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**CASH FLOW FROM OPERATING ACTIVITIES**

Change in net assets	\$	757,213
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donated marketable securities		(85,762)
Depreciation and amortization		39,906
Realized gain on marketable securities		(8,009)
Unrealized gain on marketable securities		(120)
Net change in assets and liabilities		
Donation and program fees receivable		(156,634)
Other receivable and prepaid expense		(24,422)
Accounts payable and accrued liabilities		100,333
Deferred support		1,500
Deferred rent liability		62,255
Net cash provided by operating activities		686,260

**CASH FLOW FROM INVESTING ACTIVITIES**

Proceeds from sale of marketable securities		92,664
Purchase of furniture, equipment, and leasehold improvements		(116,070)
Net cash used in investing activities		(23,406)
Change in cash and cash equivalents		662,854

<b>CASH AND CASH EQUIVALENTS, beginning of year</b>		<u>2,234,192</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$</b>	<u><u>2,897,046</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, 2013.

**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, 2013.

**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.

**Marketable securities** – Marketable securities, consisted of stocks at June 30, 2013, are stated at fair value which is based upon quoted market prices. Realized gains and losses that result from sales or maturities of securities during the year are calculated on a cost basis and are reflected in the statement of activities.

**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 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 accounts receivable. Management has deemed all accounts receivable collectible.

**Furniture, equipment, and leasehold improvements**– Furniture, equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization. The Organization capitalizes all fixed assets above \$500. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. The straight-line method is followed for all assets for financial reporting.

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

Furniture	7 years
Equipment	3 to 5 years
Leasehold improvements	10 Years

## CODE FOR AMERICA LABS, INC. NOTES TO FINANCIAL STATEMENTS

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**Income taxes** – The Organization is considered 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 23701(d), whereby 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 no unrecognized tax benefits or uncertain tax positions as of June 30, 2013. With few exceptions, the Organization is no longer subject to United States Federal or state/local income tax examinations by tax authorities for fiscal years before 2008.

### **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.
- Donated marketable securities are recorded 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. As of June 30, 2013 all donated marketable securities were unrestricted.

**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. Significant estimates include the fair value determination of in-kind contributions and functional expense allocation. Actual results could differ from these estimates.

**Fair value measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. All marketable securities as of June 30, 2013 are considered level 1.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**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 January 17, 2014, which is the date the financial statements were available to be issued.

**NOTE 3 – MARKETABLE SECURITIES**

Marketable securities consist of investments in domestic equity and are valued based on quoted market prices. At June 30, 2013, the fair value of marketable securities is as follows:

Fair value assets	
Marketable securities	
Domestic equity	\$ 1,227
Total marketable securities	<u>\$ 1,227</u>

Investment gains consisted of the following for the year ended June 30, 2013:

Realized gain	\$ 8,009
Dividend and interest income	3,275
Unrealized gain	<u>120</u>
	<u>\$ 11,404</u>

**NOTE 4 – FURNITURE, EQUIPMENT AND LEASHOLD IMPROVEMENTS**

Furniture, equipment and leasehold improvements at June 30, 2013, consisted of:

Furniture	119,344
Equipment	144,590
Leasehold improvements	<u>24,201</u>
	288,135
Accumulated depreciation and amortization	<u>(60,704)</u>
	<u>\$ 227,431</u>

Current year depreciation and amortization expense totaled \$39,906 for the year ended June 30, 2013.

**NOTE 5 – CONCENTRATIONS**

During the year ended June 30, 2013, the Organization received approximately 37% of its total public support and revenue from two foundation grants.

**NOTE 6 – IN-KIND CONTRIBUTIONS**

During 2011, the Organization entered into an agreement with legal firm Wilson Sonsini Goodrich & Rosati to provide services over general organization 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, 2013, was \$49,083.

**CODE FOR AMERICA LABS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 7 – OPERATING LEASES**

The Organization leases office space under non-cancelable operating lease expiring December 31, 2014. The total rental expense for the year ended June 30, 2013, for this operating lease was approximately \$283,475.

During the year ended June 30, 2013, the Organization subleased a portion of its building back to the building's owners. This sublease agreement ended on December 31, 2012 and the Organization assumed the additional space that was occupied by the building owner on January 1, 2013. Sublease rental income for the year ended June 30, 2013 was \$72,027. Sublease rental income is included in the accompanying statement of activities.

Following is a schedule of future minimum lease payments under operating leases as of June 30, 2013:

<u>Years Ending June 30,</u>	
2014	\$ 342,131
2015	<u>173,475</u>
	<u>\$ 515,606</u>