Report of Independent Auditors and
Financial Statements

Code for America Labs, Inc.

Period from July 1, 2013 through December 31, 2013

MOSS-ADAMS LLP

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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 December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the period from July 1, 2013 through December 31, 2013, 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 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, 2013, and the results of its changes in net assets and its cash flows for the period from July 1, 2013 through December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
September 30, 2014

FINANCIAL STATEMENTS

ASSETS

Cash and cash equivalents	$	4,240,600
Donation and program fees receivable		97,307
Other receivable and prepaid expense		39,294
Furniture, equipment, and leasehold improvements, net		246,533
Security deposit		86,738
Total assets	$	4,710,472

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	$	121,558
Deferred revenue		399,750
Deferred rent liability		44,716
Total liabilities		566,024
Net assets		
Unrestricted net assets		4,144,448
Total liabilities and net assets	$	4,710,472

See accompanying notes.

PUBLIC SUPPORT AND REVENUE	
Donations	
Individuals	$ 172,084
Business	11,775
Foundation grants	3,100,946
Program service fees	276,943
Donated services	160,706
Donations of marketable securities	261,752
Corporate sponsorship	180,000
Event sponsorship	158,000
Event admissions fees	18,893
Speaker fees	3,000
Interest and gains from securities	3,151
Total public support and revenue	4,347,250
EXPENSES	
Program services	
CFA Fellows	1,867,625
Peer Network	279,445
CFA Accelerator	400,196
CFA International	72,702
CFA Brigade	298,917
CFA Summit	279,314
Total program services	3,198,199
SUPPORTING SERVICES	
Management and general	122,020
Fundraising	181,419
Total supporting services	303,439
Total expenses	3,501,638
Change in net assets	845,612
UNRESTRICTED NET ASSETS, beginning of period	3,298,836
UNRESTRICTED NET ASSETS, end of period	$ 4,144,448

See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Period from July 1, 2013 Through December 31, 2013

	Program Services							Supporting Services			
	CFA Fellows	Peer Network	CFA Summit	CFA Brigade	CFA Accelerator	CFA International	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries & related expenses	$ 818,157	$ 118,084	$ -	$ 176,007	$ 53,574	$ 45,203	$ 1,211,025	$ 607,133	$ 117,741	$ 724,874	$ 1,935,899
Fellow expenses	74,249	198	243	887	119	1,242	76,938	17,724	145	17,869	94,807
Grants	-	-	-	-	155,000	-	155,000	-	-	-	155,000
Professional services	39,598	39,858	17,680	22,500	2,524	2,243	124,403	125,441	44,189	169,630	294,033
Travel and events	52,977	5,882	239,844	42,438	14,135	23,309	378,585	110,061	15,669	125,730	504,315
Donated services and professional	-	-	-	-	118,000	-	118,000	42,706	-	42,706	160,706
Marketing and advertising	9,169	239	6,997	76	660	-	17,141	73,832	861	74,693	91,834
Office and facilities	8,740	6,991	13,899	2,812	2,087	334	34,863	169,535	2,814	172,349	207,212
Other expense	(811)	-	651	100	-	371	311	57,521	-	57,521	57,832
G&A expense allocation	865,546	108,193	-	54,097	54,097	-	1,081,933	(1,081,933)	-	(1,081,933)	-
Total expenses	$ 1,867,625	$ 279,445	$ 279,314	$ 298,917	$ 400,196	$ 72,702	$ 3,198,199	$ 122,020	$ 181,419	$ 303,439	$ 3,501,638

See accompanying notes.

CODE FOR AMERICA LABS, INC.
STATEMENT OF CASH FLOWS
For the Period from July 1, 2013 Through December 31, 2013

CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$	845,612
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donated marketable securities		(261,752)
Depreciation and amortization		38,947
Realized gain on marketable securities		(431)
Net change in assets and liabilities		
Donation and program fees receivable		141,443
Other receivable and prepaid expense		(7,691)
Accounts payable and accrued liabilities		1,354
Deferred revenue		398,250
Deferred rent liability		(17,539)
Net cash provided by operating activities		1,138,193
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities		263,410
Purchase of furniture, equipment, and leasehold improvements		(58,049)
Net cash provided by investing activities		205,361
Change in cash and cash equivalents		1,343,554
CASH AND CASH EQUIVALENTS, beginning of period		2,897,046
CASH AND CASH EQUIVALENTS, end of period	$	4,240,600

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 Labs, Inc. helps governments become more transparent, connected, and efficient by connecting web developers with people who deliver city services. Through that process, Code for America Labs, Inc. is growing a group of fellows and technologists that have enlisted in helping local government to become more transparent, known as the "Corp."

Effective July 1, 2013 the Organization changed from a fiscal year-end of June 30 to December 31. A six month transition period from July 1, 2013, through December 31, 2013, preceded the start of the new fiscal year cycle.

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"). 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 December 31, 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 December 31, 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.

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 donations and program fees receivable collectible at December 31, 2013.

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

Deferred rent liability – Deferred rent liability represents the excess of rent expense over cash outlay is recorded as deferred rent. This will offset future rent expense when the cash outlay for rent increases in accordance with the lease.

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 23701d, 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 December 31, 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 2009.

Revenue 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. 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. Donated marketable securities are liquidated upon receipt.

- Foundation grants are recognized with the grant agreements are signed. The revenue is reported as unrestricted support unless the grantor has restricted the use to a specific purpose or time period. Foundation grants with payment terms in excess of one year are subject to discounting. There were no such grants at December 31, 2013.

- 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 services are recognized as revenue and a corresponding expense at their estimated value at date of receipt, in accordance with accounting principles generally accepted in the United States of America, 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.

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.

New accounting pronouncements – In October 2012, the FASB issued Accounting Standards Update ("ASU") No. 2012-05, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05"). The standard requires not-for-profit organizations to classify cash receipts from the sale of donated financial assets consistently with cash donations received, in the statement of cash flows, if those cash receipts were from the sale of donated financial assets that upon receipt were directed, without any organization imposed limitations, for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the organization. The adoption of ASU 2012-05 is effective for the Organization beginning July 1, 2013. The adoption of ASU 2012-05 did not have a material impact on the Organization's financial statements.

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 September 30, 2014, which is the date the financial statements were available to be issued.

NOTE 3 – FURNITURE, EQUIPMENT, AND LEASHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements at December 31, 2013, consisted of:

Furniture	$	123,239
Equipment		190,840
Leasehold improvements		32,104
		346,183
Accumulated depreciation and amortization		(99,650)
	$	246,533

Current period depreciation and amortization expense totaled $38,947 for the period from July 1, 2013 through December 31, 2013.

NOTE 4 – CONCENTRATIONS

During the period from July 1, 2013 through December 31, 2013, the Organization received approximately 78% of its total public support and revenue from three foundation grants.

NOTE 5 – IN-KIND CONTRIBUTIONS

The Organization entered into an agreement with two legal firms 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 period from July 1, 2013 through December 31, 2013, was approximately $124,000.

NOTE 6 – OPERATING LEASES

The Organization leases office space under non-cancelable operating lease expiring December 31, 2014. The total rental expense for the six months ended December 31, 2013, for this operating lease was approximately $170,455.

During the period from July 1, 2013 through December 31, 2013, the Organization subleased a portion of its building back to the building's owners. Sublease income was $60,835 for the period from July 1, 2013 through December 31, 2013.

Following is a schedule of future minimum lease payments under operating leases as of December 31, 2013:

Years Ending December 31,		
2014	$	342,131
2015		173,475
	$	515,606