CODE FOR AMERICA LABS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

AND REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE
YEAR ENDED DECEMBER 31, 2017

CODE FOR AMERICA LABS, INC.

Contents

December 31, 2017 and 2016

Abbott, Stringham & Lynch
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Code for America Labs, Inc.
San Francisco, California

Report on 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, 2017 and 2016, 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 U.S. generally accepted accounting principles; 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary and 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 information 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 14, 2018, 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 Standard*s in considering Code for America Labs, Inc.'s internal control over financial reporting and compliance.

Abbott, Stringham & Lynch

August 14, 2018

CODE FOR AMERICA LABS, INC.

STATEMENTS OF FINANCIAL POSITION

Assets

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 14,436,201	$ 8,502,875
Donations, grants, and program fees receivable	2,141,797	207,628
Other receivables	2,712	-
Prepaid expenses	44,279	30,307
Property and equipment, net of accumulated depreciation and amortization	127,899	132,423
Other assets	103,711	103,711
Security deposits	57,825	57,825
	$ 16,914,424	$ 9,034,769

Liabilities and Net Assets

	2017	2016
Liabilities:		
Accounts payable	$ 205,274	$ 66,137
Accrued liabilities	21,831	18,541
Deferred rent obligation	26,982	35,654
Deferred revenue	-	8,750
Total liabilities	254,087	129,082
Net assets:		
Unrestricted	8,493,047	7,909,034
Temporarily restricted	8,167,290	996,653
Total net assets	16,660,337	8,905,687
	$ 16,914,424	$ 9,034,769

CODE FOR AMERICA LABS, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Donations:						
Individuals and foundations	$ 1,105,083	$ 90,316	$ 1,195,399	$ 6,711,672	$ 233,608	$ 6,945,280
Businesses	892,136	1,101,298	1,993,434	308,215	576,946	885,161
Marketable securities	110,336	-	110,336	314,499	-	314,499
Foundation grants	2,738,039	9,509,471	12,247,510	2,632,374	534,692	3,167,066
Grants from government agencies	1,589,564	-	1,589,564	-	-	-
Program services	1,287,136	-	1,287,136	493,110	250,000	743,110
In-kind contributions	330,307	-	330,307	545,398	-	545,398
Event sponsorship and admission fees	20,822	13,084	33,906	770,471	-	770,471
Speaker fees	17,650	-	17,650	43,600	-	43,600
Other income	16,871	-	16,871	5,451	-	5,451
Net assets released from restrictions	3,543,532	(3,543,532)	-	1,806,519	(1,806,519)	-
Total public support and revenue	11,651,476	7,170,637	18,822,113	13,631,309	(211,273)	13,420,036
Expenses:						
Program services:						
Health	2,516,832	-	2,516,832	2,031,908	-	2,031,908
Safety and Justice	2,483,759	-	2,483,759	1,950,338	-	1,950,338
Code for America Network	1,445,091	-	1,445,091	1,448,010	-	1,448,010
Economic Development	1,145,066	-	1,145,066	1,278,406	-	1,278,406
Summit	120,156	-	120,156	1,155,080	-	1,155,080
Integrated Benefits	1,023,423	-	1,023,423	-	-	-
Total program services	8,734,327	-	8,734,327	7,863,742	-	7,863,742
Supporting services:						
Management and general	1,469,337	-	1,469,337	1,355,491	-	1,355,491
Fundraising	863,799	-	863,799	855,867	-	855,867
Total supporting services	2,333,136	-	2,333,136	2,211,358	-	2,211,358
Total expenses	11,067,463	-	11,067,463	10,075,100	-	10,075,100
Change in net assets	584,013	7,170,637	7,754,650	3,556,209	(211,273)	3,344,936
Net assets, beginning of year	7,909,034	996,653	8,905,687	4,352,825	1,207,926	5,560,751
Net assets, end of period	$ 8,493,047	$ 8,167,290	$ 16,660,337	$ 7,909,034	$ 996,653	$ 8,905,687

CODE FOR AMERICA LABS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	Program Services							Supporting Services			
	Health	Safety and Justice	Code for America Network	Economic Development	Summit	Integrated Benefits	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	$ 1,623,448	$ 1,825,763	$ 701,827	$ 849,208	$ 77,314	$ 411,584	$ 5,489,144	$ 1,229,868	$ 680,254	$ 1,910,122	$ 7,399,266
Grants	-	-	64,334	-	-	-	64,334	-	-	-	64,334
Professional services	157,993	164,645	40,452	8,821	25,539	436,815	834,265	377,796	13,654	391,450	1,225,715
Travel and events	49,361	85,907	271,430	97,258	234	40,711	544,901	67,213	32,332	99,545	644,446
Marketing and advertising	280,571	7,461	7,815	326	5	2,342	298,520	6,728	4,567	11,295	309,815
Office and facilities	91,212	89,608	185,757	33,095	1,212	24,038	424,922	824,782	23,973	848,755	1,273,677
Other expenses	1,726	2,413	1,262	3,423	1,626	543	10,993	137,476	1,741	139,217	150,210
G&A expense allocation	312,521	307,962	172,214	152,935	14,226	107,390	1,067,248	(1,174,526)	107,278	(1,067,248)	-
Total expenses	$ 2,516,832	$ 2,483,759	$ 1,445,091	$ 1,145,066	$ 120,156	$ 1,023,423	$ 8,734,327	$ 1,469,337	$ 863,799	$ 2,333,136	$ 11,067,463

CODE FOR AMERICA LABS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Program Services						Supporting Services			
	Health	Safety and Justice	Code for America Network	Economic Development	Summit	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	$ 1,171,346	$ 1,255,939	$ 457,852	$ 873,416	$ 66,004	$ 3,824,557	$ 1,577,905	$ 445,131	$ 2,023,036	$ 5,847,593
Grants	-	-	8,250	-	-	8,250	-	-	-	8,250
Professional services	312,526	198,429	319,958	49,094	127,638	1,007,645	444,119	11,843	455,962	1,463,607
Travel and events	96,487	113,185	194,103	89,977	684,865	1,178,617	80,692	36,267	116,959	1,295,576
Marketing and advertising	1,887	1,812	6,415	426	3,150	13,690	3,814	893	4,707	18,397
Office and facilities	94,687	66,638	100,961	41,545	4,283	308,114	923,710	28,182	951,892	1,260,006
Other expenses	393	2,425	1,715	29	13,778	18,340	152,765	10,566	163,331	181,671
G&A expense allocation	354,582	311,910	358,756	223,919	255,362	1,504,529	(1,827,514)	322,985	(1,504,529)	-
Total expenses	$ 2,031,908	$ 1,950,338	$ 1,448,010	$ 1,278,406	$ 1,155,080	$ 7,863,742	$ 1,355,491	$ 855,867	$ 2,211,358	$ 10,075,100

CODE FOR AMERICA LABS, INC.

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

	Year Ended December 31, 2017	2016
Cash flows from operating activities:		
Change in net assets	$ 7,754,650	$ 3,344,936
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	49,413	72,235
Gain on sale of property and equipment	-	(2,746)
Changes in operating assets and liabilities:		
Donations, grants, and program fees receivable	(1,934,169)	822,470
Other receivables	(2,712)	2,881
Prepaid expenses	(13,972)	33,579
Security deposits	-	275
Accounts payable	139,137	(153,969)
Accrued liabilities	3,290	(151,757)
Deferred rent obligation	(8,672)	9,169
Deferred revenue	(8,750)	(66,250)
Net cash provided by operating activities	5,978,215	3,910,823
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	-	4,165
Purchases of property and equipment	(44,889)	-
Net cash (used in) provided by investing activities	(44,889)	4,165
Net increase in cash and cash equivalents	5,933,326	3,914,988
Cash and cash equivalents, beginning of year	8,502,875	4,587,887
Cash and cash equivalents, end of year	$ 14,436,201	$ 8,502,875

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1 - Nature of operations

Code for America Labs, Inc. (the "Organization") is a national nonprofit organization that believes government can work for the American people in the 21st century. The Organization envisions a world where services are simple, beautiful, and easy to use, where outcomes are measurably better, and where better services cost less. They believe that government can serve all Americans equally with dignity. To do this, the Organization uses the principles and practices of the digital age to improve how government serves the American public, and how the public improves government.

Improving how government serves the American public

Beginning in 2015, the Organization started projects in three outcome areas: health, safety and justice, and economic development. In 2016, the Organization fully integrated the Fellowships into these areas to better develop and test pathways for sustaining services created by the fellows.

Every year, the Organization's focus in these areas has sharpened. The three outcome areas work together, all towards the goal of serving the most vulnerable populations in our society. This increased focus allows the Organization a powerful new frame for its work: demonstrating better government services and outcomes at scale as a way to advance the Organization's mission.

Reimaging and reinventing safety net programs:

- The Organization's GetCalFresh service is a dramatically better way to apply for the Supplemental Nutrition Assistance Program ("SNAP") using a mobile phone. Instead of 45 minutes or more to apply, users get through in about eight minutes, including uploading supporting documents. Once they've applied, the Organization follows up by text and documents the many barriers users face: letters they receive after the date by which action is required, requests for unnecessary documentation, failed communications, etc. Government partners are structurally unable to see the failure points in the system and are eager for the insights into how they can improve. This program's success is measured by its ability to close the participation gap in SNAP in California, while reducing the administrative burden on both clients and workers.

- The Organization, the Centers for Medicare & Medicaid Services ("CMS"), the Center on Budget and Policy Priorities, and Nava PBC have formed the Integrated Benefits Initiative to build new human-centered approaches to improve enrollment and eligibility for people who apply for multiple programs. The program is slated to launch pilots in five states by the end of 2018.

Safely reducing incarceration:

- The Organization's Clear My Record service simplifies a complicated expungement process to an eight-minute application and has now created the technology that allows for automatic expungement. The Organization partners with public defenders and legal aid organizations to effectively clear eligible criminal records at scale.

- The Organization's ClientComm service provides a quick and easy way for probation officers to use text messaging to reduce failures to appear in court -- helping people succeed on community supervision. This project emerged out of a Fellowship in Salt Lake County in 2016 and since its implementation, has supported over 45,000 text communications and has contributed to a 64% reduction in pretrial rearrests.

Note 1 - Nature of operations (continued)

Increasing employment among those who are the hardest to employ:

- 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 is conducting intensive research to deepen their knowledge of the workforce system. They are learning how to reduce barriers for job seekers, and how to have the greatest impact within the workforce development system. The Organization is currently testing prototypes to determine which solutions are best to take to scale.

Improving government through an evolving and dynamic civic tech network

To inspire change at the local level, the Organization helps hundreds of governments take a user-centered, iterative, and data-driven approach to meaningfully impact some of the nation's toughest societal challenges.

This is done through the Brigade program, 69+ locally led volunteer chapters across the country and through the Talent Initiative, which helps governments recruit and retain tech talent.

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 U.S. generally accepted accounting principles.

Financial statement presentation

The accompanying financial statements include statements of financial position that present the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and, if applicable, permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Unrestricted net assets - are neither permanently restricted nor temporarily restricted by donor imposed stipulations.

Temporarily restricted net assets - result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations. When a donor stipulated time restriction ends or a donor-imposed purpose 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.

Permanently restricted net assets - result from contributions 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, 2017 and 2016.

Note 2 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 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, 2017 and 2016.

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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are fulfilled in the fiscal year in which the contributions are recognized.

Donated marketable securities are liquidated upon receipt. The 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 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.

Program service fees relate to exchange transactions and are recognized as unrestricted revenue as milestones per the agreements are met by the Organization.

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.

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.

Financial instruments included in the Organization’s statements of financial position include cash and cash equivalents; donations, grants, and program fees receivable; other assets; and liabilities. The carrying amount of these instruments approximates their fair values.

Note 2 - Summary of significant accounting policies (continued)

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 unrestricted support unless the donor stipulates specifically how the donated asset must be used.

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, 2017 and 2016. The Organization is subject to examination by major tax jurisdictions back to 2013.

Advertising

The Organization’s policy is to expense advertising costs as they are incurred. Advertising expense for the years ended December 31, 2017 and 2016 totaled $309,815 and $18,397, respectively.

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 pronouncements

In May 2014, the FASB issued new accounting guidance for reporting revenue. The five-step process in the new guidance may necessitate more judgment and estimation within the revenue recognition process than required under existing 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. This new guidance is effective for annual reporting periods beginning on January 1, 2019, though early adoption is permitted for annual reporting periods beginning on January 1, 2017, and may be applied using either a full retrospective or a modified approach upon adoption. The Organization is currently evaluating the impact of adopting the new standard on its results of activities and financial position.

Note 2 - Summary of significant accounting policies (continued)

New accounting pronouncements (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 activities and financial position.

In February 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 on January 1, 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.

In August 2016, the FASB issued new accounting guidance for presentation of financial statements of not-for-profit entities. The update, which is the first phase of a two-phase project, makes significant changes in seven areas:

- *Net assets classes* - the three classes of net assets, (unrestricted, temporarily restricted and permanently restricted), will be replaced with two classes of net assets (net assets with donor restrictions and net assets without donor restrictions).
- *Liquidity and availability of resources* - organizations will be required to disclose both qualitative and quantitative information about how it manages its liquid resources.
- *Classification and disclosure of underwater endowment funds* - reporting of accumulated losses of a donor-restricted endowment fund that is considered to be underwater, will be included together with that fund in net assets with donor restrictions. The fund balance of a donor-restricted endowment fund will be reported entirely within net assets with donor restrictions, and the fund balance for a board-designated endowment fund will be reported entirely within net assets without donor restrictions.
- *Expense reporting* - all not-for-profit organizations will be required to present an analysis of expenses by functional and natural classifications as well as to provide a description of the methods used to allocate costs among program and support functions.
- *Statement of cash flows* - continue to permit an organization to choose whether to provide a statement of cash flows using the direct or indirect method. However, if the direct method is used, the indirect reconciliation will no longer be required.
- *Investment returns* - requires that investment expenses related to total return investing be netted against investment returns on the statement of activities and eliminates the requirement to disclose investment expenses that have never been netted.
- *Release of restrictions on capital assets* - requires not-for-profit organizations to report expirations of restrictions on gifts of long-lived assets and cash or other assets to be used to acquire or construct long-lived assets.

Note 2 - Summary of significant accounting policies (continued)

New accounting pronouncements (continued)

The update is effective for annual financial statements issued for fiscal years beginning on January 1, 2018, with early adoption permitted. The update is to be applied on a retrospective basis. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

Subsequent events

The Organization has evaluated subsequent events through August 14, 2018, which is the date the financial statements were available to be issued.

Note 3 - Donations, grants, and program fees receivable

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. The long-term portion is expected to be realized through 2020. Management has determined the net present value discount of the long-term portion to be insignificant. At December 31, 2016, all donations and program fees receivable were scheduled to be realized in less than one year.

Note 4 - 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, 2017. 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 represents approximately 2.18% of the company's issued and outstanding shares as of December 31, 2017. The company performed a valuation 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, 2017 and 2016, the cost basis of the Preferred Stock totaled $100,000 and is included in *Other assets* on the accompany statements of financial position.

Note 5 - Property and equipment

Property and equipment consisted of the following:

	December 31, 2017	December 31, 2016
Furniture	$ 212,353	$ 190,677
Equipment	148,229	171,012
Leasehold improvements	37,704	37,704
	398,286	399,393
Accumulated depreciation and amortization	(270,387)	(266,970)
	$ 127,899	$ 132,423

Depreciation and amortization expense totaled $49,413 and $72,235 for the years ended December 31, 2017 and 2016, respectively.

Note 6 - 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, 2017, the Organization received approximately 37% of its total public support and revenue from two foundation grants. For the year ended December 31, 2016, the Organization received approximately 45% of its total public support and revenue from one foundation grant. Additionally, the Organization received 100% of its total events and sponsorship fees from three different organizations for the year ended December 31, 2017 and 49% from four different organizations for the year ended December 31, 2016.

Note 7 - In-kind contributions

In-kind contributions consisted of the following services:

	December 31, 2017	December 31, 2016
Internet and web services	$ 255,646	$ 362,939
Legal	74,311	178,379
Equipment and other services	350	4,080
	$ 330,307	$ 545,398

Note 8 - Temporarily restricted net assets

At December 31, 2017 and 2016, the Organization's temporarily restricted net assets consisted of the following:

	December 31, 2017	December 31, 2016
Program service outcome areas - major programs	$ 6,983,144	$ 371,250
Code for America Fellowships	562,962	329,545
Time restricted	450,000	167,118
Purpose restricted - other	171,184	128,740
	$ 8,167,290	$ 996,653

Note 9 - Operating leases

The Organization leases office space under a non-cancelable operating lease expiring December 31, 2018. The total rental expense for each of the years ended December 31, 2017 and 2016 under this facility lease was approximately $603,000.

The Organization subleased a portion of its building back to the building's owners on an as needed basis. Sublease income was $160,409 and $59,191 for the years ended December 31, 2017 and 2016, respectively. Sublease income is netted with lease expense on the accompany statements of activities.

In June 2018, the Organization entered into a new operating lease agreement for an office space in San Francisco, California, which commences on December 15, 2018 and is due to expire on February 29, 2024. The lease agreement calls for minimum monthly lease payments of $40,333 beginning March 16, 2019, with escalating rent payments beginning December 1, 2019, and increasing annually thereafter.

Future minimum facility lease payments required under the leases are as follows:

Years Ending December 31,	Amount
2018	$ 630,697
2019	384,377
2020	499,766
2021	514,759
2022	530,202
Thereafter	639,623
	$ 3,199,424

Note 10 - 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 $130,000 and $107,000 to the Plan for the years ended December 31, 2017 and 2016, respectively.

Note 11 - Related-party transactions

During the years ended December 31, 2017 and 2016, certain members of the Organization's Board of Directors made contributions to the Organization to help fund its mission. This contribution revenue totaled approximately $204,000 and $308,000 for the years ended December 31, 2017 and 2016, respectively.

REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE

Abbott, Stringham & Lynch
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

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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 U.S. generally accepted auditing standards 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, 2017, 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 14, 2018.

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.

Abbott, Stringham & Lynch

August 14, 2018

Abbott, Stringham & Lynch
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2017. 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 the requirements of laws, regulations, contracts, and grants 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 U.S. generally accepted auditing standards; 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 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, 2017.

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 14, 2018

CODE FOR AMERICA LABS, INC.

Schedule of Expenditures of Federal Awards

December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures ($)
United States Department of Agriculture, Food and Nutrition Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP - GetCalFresh)			
Passed through the State of California Department of Social Services	10.561	16-SUB-00875	$1,411,349
Passed through the State Supplemental Nutrition Assistance Program Process and Technology Improvement Grants	10.580	SNAP-PTI-17-CFAL-01	61,500
Total United States Department of Agriculture, Food and Nutrition Services			1,472,849
United States Department of Labor			
Workforce Innovation and Opportunity Act (WIOA) Technical Assistance			
Passed through the State of California Employment Development Department	17.258	K7105299	116,715
Total United States Department of Labor			116,715
Total Expenditures of Federal Awards			$1,589,564

CODE FOR AMERICA LABS, INC.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2017

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, 2017. The information in this Schedule is presented in accordance with the 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). 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, 2017.

CODE FOR AMERICA LABS, INC.

Schedule of Findings and Questioned Costs

December 31, 2017

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	X no	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes	X none reported	
Noncompliance material to financial statements noted?	____ yes	X no	

Federal awards

Internal control over major programs:			
Material weakness(es) identified?	____ yes	X no	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes	X none reported	
Type of auditor's report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____ yes	X no	

Identification of major programs:

CFDA number(s)	Name of federal program or cluster
10.561	SNAP-CalFresh

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	____ yes	X no

CODE FOR AMERICA LABS, INC.

Schedule of Findings and Questioned Costs

December 31, 2017

Section II - Financial Statement Findings

No financial statement findings.

Section III - Federal Award Findings and Questioned Costs

No federal awards findings.