



CODE FOR AMERICA LABS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

**AND REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE
YEAR ENDED DECEMBER 31, 2020**

CODE FOR AMERICA LABS, INC.

Contents

December 31, 2020 and 2019

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3 - 4
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 23
REPORTS AND SCHEDULES REQUIRED BY THE UNIFORM GUIDANCE	
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 <i>Government Auditing Standards</i>	25 - 26
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	27 - 28
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs	31 - 32
Schedule of Prior Audit Findings	33

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2020 and 2019, 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 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Schedule of Expenditures of Federal Awards 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 27, 2021 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 Standards* in considering Code for America Labs, Inc.'s internal control over financial reporting and compliance.

Abbott, Stringham & Lynch

August 27, 2021

CODE FOR AMERICA LABS, INC.

STATEMENTS OF FINANCIAL POSITION

Assets

	December 31,	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 12,862,930	\$ 7,157,168
Investments	9,012,393	5,237,558
Donations, grants, and program fees receivable	7,206,618	3,871,150
Prepaid expenses	126,949	126,104
Property and equipment, net of accumulated depreciation and amortization	579,362	779,085
Other assets	103,711	103,711
Security deposits	242,000	242,000
	<u>\$ 30,133,963</u>	<u>\$ 17,516,776</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 836,412	\$ 337,329
Accrued liabilities	52,725	-
Contract liabilities	195,000	23,285
Deferred rent obligation	122,809	129,375
Total liabilities	1,206,946	489,989
Net assets:		
Without donor restrictions	20,519,738	9,697,365
With donor restrictions	8,407,279	7,329,422
Total net assets	<u>28,927,017</u>	<u>17,026,787</u>
	<u>\$ 30,133,963</u>	<u>\$ 17,516,776</u>

CODE FOR AMERICA LABS, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2020 and 2019

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Donations:						
Individuals and foundations	\$ 86,837	\$ 687,784	\$ 774,621	\$ 569,116	\$ 25,000	\$ 594,116
Businesses	410,699	90,802	501,501	386,048	250,000	636,048
Marketable securities	278,177	-	278,177	301,120	-	301,120
Foundation grants	12,557,736	12,767,769	25,325,505	2,698,980	5,740,793	8,439,773
Grants from federal government agencies	5,417,533	-	5,417,533	3,655,917	-	3,655,917
Program services	1,273,259	-	1,273,259	486,696	-	486,696
Consulting	840,000	-	840,000	-	-	-
In-kind contributions	718,330	-	718,330	315,238	-	315,238
Event sponsorship and admission fees	132,914	-	132,914	812,098	-	812,098
Speaker fees	-	-	-	2,150	-	2,150
Net investment income	23,986	-	23,986	134,514	-	134,514
Other income	1,063	-	1,063	7,602	-	7,602
Reclassification of donor restriction	-	-	-	800,781	(800,781)	-
Net assets released from restrictions	12,468,498	(12,468,498)	-	6,986,075	(6,986,075)	-
Total public support and revenue	<u>34,209,032</u>	<u>1,077,857</u>	<u>35,286,889</u>	<u>17,156,335</u>	<u>(1,771,063)</u>	<u>15,385,272</u>
Expenses:						
Program services:						
Safety Net	9,577,001	-	9,577,001	7,150,280	-	7,150,280
Criminal Justice	2,873,307	-	2,873,307	2,511,043	-	2,511,043
Code for America Network	1,707,324	-	1,707,324	1,870,989	-	1,870,989
Summit	317,646	-	317,646	624,576	-	624,576
Principles and Practices	954,225	-	954,225	676,693	-	676,693
Earned Income Tax Credit	4,309,465	-	4,309,465	-	-	-
Workforce Development	-	-	-	1,189,556	-	1,189,556
Total program services	<u>19,738,968</u>	<u>-</u>	<u>19,738,968</u>	<u>14,023,137</u>	<u>-</u>	<u>14,023,137</u>
Supporting services:						
Management and general	2,624,752	-	2,624,752	1,712,755	-	1,712,755
Fundraising	1,022,939	-	1,022,939	986,801	-	986,801
Total supporting services	<u>3,647,691</u>	<u>-</u>	<u>3,647,691</u>	<u>2,699,556</u>	<u>-</u>	<u>2,699,556</u>
Total expenses	<u>23,386,659</u>	<u>-</u>	<u>23,386,659</u>	<u>16,722,693</u>	<u>-</u>	<u>16,722,693</u>
Change in net assets	10,822,373	1,077,857	11,900,230	433,642	(1,771,063)	(1,337,421)
Net assets, beginning of year	<u>9,697,365</u>	<u>7,329,422</u>	<u>17,026,787</u>	<u>9,263,723</u>	<u>9,100,485</u>	<u>18,364,208</u>
Net assets, end of year	<u>\$ 20,519,738</u>	<u>\$ 8,407,279</u>	<u>\$ 28,927,017</u>	<u>\$ 9,697,365</u>	<u>\$ 7,329,422</u>	<u>\$ 17,026,787</u>

See accompanying independent auditor's report and notes to financial statements.

CODE FOR AMERICA LABS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services						Supporting Services				
	Safety Net	Criminal Justice	Code for America Network	Summit	Principles and Practices	Earned Income Tax Credit	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	\$5,870,468	\$2,622,719	\$1,116,782	\$ 32,430	\$107,656	\$1,676,876	\$11,426,931	\$1,155,861	\$ 938,150	\$2,094,011	\$13,520,942
Grants	74,190	-	-	-	-	-	74,190	-	-	-	74,190
Professional services	1,126,307	69,176	357,307	98,212	812,468	869,678	3,333,148	452,365	42,917	495,282	3,828,430
Travel and events	54,835	41,168	43,571	105,108	2,368	19,568	266,618	12,803	8,123	20,926	287,544
Marketing and advertising	1,690,045	3,236	10,888	8,455	9	680,342	2,392,975	1,483	-	1,483	2,394,458
Office and facilities	760,212	136,769	178,346	73,441	31,724	1,063,001	2,243,493	669,111	29,349	698,460	2,941,953
Other expenses	944	239	430	-	-	-	1,613	333,129	4,400	337,529	339,142
Total expenses	\$9,577,001	\$2,873,307	\$1,707,324	\$ 317,646	\$954,225	\$4,309,465	\$19,738,968	\$2,624,752	\$ 1,022,939	\$3,647,691	\$23,386,659

See accompanying independent auditor's report and notes to financial statements.

CODE FOR AMERICA LABS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services						Supporting Services				
	Safety Net	Criminal Justice	Code for America Network	Summit	Principles and Practices	Workforce / Economic Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	\$ 5,268,245	\$ 2,140,103	\$ 1,256,704	\$ -	\$ -	\$ 409,671	\$ 9,074,723	\$ 1,103,959	\$ 802,895	\$ 1,906,854	\$ 10,981,577
Grants	-	-	3,890	-	-	-	3,890	-	-	-	3,890
Professional services	152,853	69,963	88,298	459,206	646,082	146,751	1,563,153	-	81,058	81,058	1,644,211
Travel and events	184,816	159,166	401,555	677,346	5,782	26,142	1,454,807	68,038	26,553	94,591	1,549,398
Marketing and advertising	982,153	45	12,683	2,673	-	6,108	1,003,662	2,831	5,140	7,971	1,011,633
Office and facilities	562,213	141,582	106,085	50,331	24,829	35,904	920,944	256,388	71,155	327,543	1,248,487
Other expenses	-	184	1,774	-	-	-	1,958	281,539	-	281,539	283,497
Total expenses	\$ 7,150,280	\$ 2,511,043	\$ 1,870,989	\$ 1,189,556	\$ 676,693	\$ 624,576	\$ 14,023,137	\$ 1,712,755	\$ 986,801	\$ 2,699,556	\$ 16,722,693

See accompanying independent auditor's report and notes to financial statements.

CODE FOR AMERICA LABS, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 11,900,230	\$ (1,337,421)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	199,723	203,102
Realized/unrealized gain on investments	13,502	(37,543)
Changes in operating assets and liabilities:		
Donations, grants, and program fees receivable	(3,335,468)	1,267,887
Prepaid expenses	(845)	6,475
Security deposits	-	46,717
Accounts payable	499,083	8,060
Accrued liabilities	52,725	(66,834)
Contract liabilities	171,715	23,285
Deferred rent obligation	(6,566)	108,825
	9,494,099	222,553
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(32,565,368)	(10,462,014)
Proceeds from sale of investments	28,777,031	11,007,818
Purchases of property and equipment	-	(37,928)
	(3,788,337)	507,876
Net cash (used in) provided by investing activities		
Net increase in cash and cash equivalents	5,705,762	730,429
Cash and cash equivalents, beginning of year	7,157,168	6,426,739
Cash and cash equivalents, end of year	\$ 12,862,930	\$ 7,157,168

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1 - Nature of operations

Code for America Labs, Inc. (the “Organization” and “Code for America”) is a national nonprofit organization that works shoulder to shoulder with community organizations and government to build digital tools and services, change policies, and improve programs. The Organization believes government can work for the people, by the people, in the digital age and that government at all levels can and should work well for all people. The Organization uses insights and ideas from real people to guide it to real solutions that break down barriers to meet community needs and improve government in meaningful ways. The Organization's goal is a resilient society that effectively and equitably serves all Americans.

The Organization focuses on impacting lives at scale by:

- Showing what’s possible – designing services so good they inspire change
- Helping others do this work themselves – to make change stick, and
- Building a movement – to change systems for generation to come

Its principles for a people-centered government guide it:

- Build equitable systems
- Put people first
- Inform with evidence
- Empower for action
- Respond to changing needs

These five principles held firm and influenced others as the Organization scaled its work to more states and program areas in 2020. 2020 was a critical year with the COVID-19 pandemic. The Organization served over 6 million people who needed food and cash assistance and supported the 25,000 volunteer-strong Brigade Network that stepped in to help 5 million people in local communities all across the country.

Strengthening the Social Safety Net

Food Assistance

GetCalFresh.org is a program that has helped millions of families access food through the U.S. Department of Agriculture’s Supplemental Nutrition Assistance Program (SNAP) program. Instead of 45 minutes or more to apply, clients get through in about eight minutes, including uploading supporting documents. Once they have applied, the team follows up by text and documents the many barriers clients may face (i.e., requests for additional documentation or income eligibility expectations). Using practices commonly found in consumer technology, the GetCalFresh team can see barriers in accessing benefits and share these insights with government partners to improve outcomes.

In 2020, the Organization’s outreach and enrollment assistance processed an unprecedented volume of applications. Before COVID-19, they averaged about 2,000 applications per day; on May 22, 2020, they received a record 13,083 in a single day. GetCalFresh has helped more people gain access to food assistance in 2020 than in the last five years combined. In 2020, the Organization also helped GetCalFresh applicants access other benefits and services, including assistance with voter registration.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1 - Nature of operations (continued)

Strengthening the Social Safety Net (continued)

Pandemic-EBT (P-EBT) was a new federal program authorized in March 2020 to assist the more than 30 million families who rely on School Meal Programs by providing cash-equivalent benefits for groceries while schools were closed. At the onset of P-EBT, states struggled with multiple and unprecedented challenges due to increased need, the rigidity of procurement contracts, lack of clear guidance, and difficulty with old data systems. The Organization worked across the country, providing technical assistance and implementation support to reach as many kids as possible in multiple states. In addition to offering implementation assistance to a handful of states, they built a digital P-EBT application for families in California and Minnesota that helped distribute over \$619 million in benefits.

Integrated Benefits

Integrated Benefits is the execution of a vision to have one simple, accessible application process for safety net benefits. In 2019, the Organization piloted a few state processes and released a nationwide analysis of safety net benefits in each state.

In close partnership with Minnesota administrators, the Organization works together to reduce application time for food, cash, and healthcare benefits. Using a human-centered, integrated application process reduces the time from 110 minutes to less than 20 minutes. The new application (MNbenefits.org) is live in pilot counties as of the end of 2020 and will be scaling services statewide in 2021.

In addition, in 2020, the Organization partnered with Louisiana on an initiative to help 100,000 Louisiana residents enrolled in WIC, SNAP, TANF, and Medicaid maintain their benefits with timely and specific text message reminders when the paperwork was due. Shortly after that, Louisiana used lessons from the pilot to deliver services during COVID-19, including text messaging more than 400,000 SNAP recipients for continuity of benefits and hiring SNAP clients to provide direct feedback on policy and messaging.

Disaster Relief Assistance for Immigrants (DRAI) was a short-term, California-based emergency cash assistance program for immigrant families in 2020. Per the invitation of the State of California, the Organization built an agile enrollment and disbursement system that helped community-based organizations distribute disaster relief cash of up to \$1,000 per household to undocumented adults who experienced economic hardship as a result of COVID-19. In total, DRAI distributed \$75 million to 150,000 undocumented individuals. The success of DRAI led to similar efforts to provide immigrants with cash relief in Washington State and Detroit, Michigan as well.

Promoting Economic Justice through Tax Benefits

GetYourRefund.org is the first-ever free mobile app that helps families with low-income complete government forms to access all tax benefits, including the 2020 \$1,200 stimulus program. One of the most effective anti-poverty programs is the Earned Income Tax Credit (EITC). Unfortunately, one in five eligible EITC families do not claim it, leaving more than \$10 billion in unclaimed tax benefits every year. In the spring of 2020, after Congress authorized the disbursement of economic stimulus payments, the Organization's GetYourRefund platform became a critical entry point for millions of people to access their stimulus checks. Additionally, the Organization quickly learned that people needed one-on-one guidance, especially new filers. In response, the Organization built a volunteer infrastructure by partnering with Volunteer Income Tax Assistance (VITA) sites around the country and tapped into their national volunteer network to provide one-on-one help by chat and phone. By the end of the tax year, the Organization had over 2.2 million site visitors, 500,000 visitors helped, 945 tax prep volunteers, 55 active tax prep partners, and \$62 million in flexible cash distributed to families.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1 - Nature of operations (continued)

Shrinking the Criminal Legal System

Clear My Record is the Organization's initiative to leverage technology and design to advance automatic record clearance and help government clear all eligible criminal records in the United States. With the help of the Organization's Clear My Record technology, district attorneys across California have identified approximately 144,000 marijuana convictions to be reduced or dismissed from people's records, representing two-thirds of all eligible marijuana convictions in the state. The Organization deepened its coalition efforts as part of the Clean Slate Initiative to more effectively scale its work nationally. Despite court closures and legislative delays due to the pandemic, the team successfully passed new state laws, implemented automatic clearance processes, and researched new ways of empowering those directly impacted by the justice system. In September 2020, Michigan's governor signed into law a package of clean slate policies that will pave the way for hundreds of thousands of people to have their criminal records cleared automatically in the state. The Organization expects to influence the design of Clean Slate policies in 10+ states through the end of 2021.

Mobilizing a National Network

The Organization's Network consists of 25,000+ Brigade volunteers, 85 chapters nationwide, and 12 Community Fellows in four cities. The pandemic has underscored the importance of local, resident-led organizing. The 25,000 volunteer-strong Brigade Network partnered with community organizations and local leaders to create over 100 active rapid response projects across the US, ranging from high-tech hospital modeling projects to low-tech mutual aid efforts. We also had over 1,000 people joined us for the National Day of Civic Hacking in September 2020.

In addition, the Community Fellowships launched in October 2020, with 12 new fellows representing Adams County, Colorado; Fort Collins, Colorado; Santa Barbara County, California; and Oakland, California. For the very first time in our Organization's history, all fellows have direct project-related lived experience. Their work ranges from creating a single digital application for all income-qualified programs to reducing recidivism by improving quality of life programs to increasing outreach and simplifying access for homeless services and programs.

Summit

Code for America also hosted events and convenings throughout 2020. Its flagship Code for America Summit, which brings together public servants, advocates, technologists, and organizers to break through some of the governments' biggest challenges was set for Washington D.C. in 2020, but was canceled due to COVID-19. Summit was rescheduled as a virtual experience for May 2021.

Principles and Practices

The Organization's work in principles and practices revolves around developing and refining the five principles that guide our vision of an effective people-centered government and enabling partners to embed those principles through direct consultation or through working with other organizations.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

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).

Financial statement presentation

Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without donor restrictions - net assets that are not subject to donor-imposed restrictions. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.

With donor restrictions - net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Includes resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants, and bequests.

Use of estimates

The preparation of financial statements in conformity with GAAP 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 and bad debts and allowances, taking into account past experience, contracts, history and the 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, 2020 and 2019.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 2 - Summary of significant accounting policies (continued)

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, and which are due in the next year, are recorded at their net realizable value.

Donated marketable securities are liquidated upon receipt. The net proceeds from these sales, net of fees and commissions, are recognized as support in accordance with the donor's intent.

Foundation grants that are considered to be contributions are recognized when the grant agreements are signed. The revenue is reported as without donor restrictions 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.

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.

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.

Revenue recognition - contracts with customers

On January 1, 2019, the Organization adopted Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (ASC Topic 606) and all the related amendments using the modified retrospective method, whereby the adoption did not impact any prior periods. The effect of adopting the new standard did not require any cumulative effect adjustment to net assets as of January 1, 2019.

Program services, event sponsorships and event admission fees, and speaker fees

Program service fee revenue relates to exchange transactions with state and local government agencies and is recognized when invoices are issued for reimbursements for costs incurred during the period services are performed. The Organization has contracts with the state of California in 2020 and with both California and Michigan in 2019, and are for multi-year terms.

Event sponsorships, admission fees and speaking fees are recognized as revenue at a point in time when the events or programs occur.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 2 - Summary of significant accounting policies (continued)

Program services, event sponsorships and event admission fees, and speaker fees (continued)

Program services, events and speaking engagements are held at various locations in the United States of America. All of these revenue streams are short-term in nature and do not have any significant financing components as payment is received before, at, or shortly after the related event. Accounts receivable at December 31, 2020 and 2019 for revenues earned during the year are insignificant to these financial statements.

Contract liabilities

Contract liabilities represent event sponsorships paid in advance for future events.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are reflected as increases or decreases in net assets without donor restriction unless their use has been restricted by donors. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

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 - Includes 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 are: cash and cash equivalents; investments; donations, grants, and program fees receivable; other assets; and liabilities. The carrying amount of these instruments approximates their fair values.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

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 support without donor restrictions unless the donor stipulates specifically how the donated asset must be used. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair value. To date, the Organization has not recorded any impairment of its long-lived assets as a result of this analysis.

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. The Organization evaluates uncertain tax positions through its review of the source of revenue to identify unrelated business income and certain other matters, including those which may affect its tax exempt status. Management believes their estimates related to income tax uncertainties are appropriate based on the current facts and circumstances.

The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for years ended December 31, 2017 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended December 31, 2016 and after could be subject to examination by state (California) taxing authorities, generally for four years after they are filed.

Advertising

The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the years ended December 31, 2020 and 2019 totaled \$2,277,330 and \$1,011,633, respectively.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 2 - Summary of significant accounting policies (continued)

Allocation of functional expenses

Expenses that apply to more than one functional category have been allocated to program services, management and general, and fundraising expenses based on their percentage of program expenses. Certain management and general expenses are allocated to specific programs based on a percentage of total program expenses. Marketing and a portion of facilities related costs are allocated to specific programs and fundraising based on a percentage of the total of program and fundraising expenses. The remaining costs are charged directly to the appropriate functional category.

New accounting pronouncements - not yet adopted

In 2016 and through subsequent amendments, 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 with January 2022 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 and does not expect to adopt the new guidance earlier than required.

In 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year beginning January 1, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

In 2020, the FASB issued accounting guidance focused on the presentation and disclosure requirements for contributed nonfinancial assets. The new guidance is effective for the Organization's year beginning January 2021. The new standard requires the entity to present contributed nonfinancial assets, such as property and equipment, food, supplies and intangible assets, as a separate line item on the statement of activities. In addition, the standard also requires enhanced disclosures including qualitative information about whether or not the contributed nonfinancial assets were utilized in a program or monetized; policies for monetizing those assets; descriptions of donor restrictions; and enhanced disclosure regarding the fair value techniques. Early adoption is permitted and the standard is to be applied retrospectively. The Organization is currently evaluating the impact of adopting this standard on its financial statements and does not expect to adopt the new guidance earlier than required.

Other accounting pronouncements that have been enacted but not yet implemented are not expected to have a material impact on the Organization's financial statements.

Subsequent events

The Organization has evaluated subsequent events through August 27, 2021, which is the date these financial statements were available to be issued.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 3 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year from this date. Financial assets are considered to be unavailable when illiquid or not readily convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 12,862,930	\$ 7,157,168
Investments	9,012,393	5,237,558
Donations, grants, and program fees receivable	7,206,618	3,871,150
Financial assets, at December 31, 2020 and 2019	29,081,941	16,265,876
Less:		
Accounts payable and other liabilities	889,137	360,614
Total financial assets and liquidity resources available within one year	<u>\$ 28,192,804</u>	<u>\$ 15,905,262</u>

During 2020 and 2019, the Organization elected to invest non-working capital funds in an investment account to earn additional investment income (Note 5). All invested funds have no donor restrictions on the use of investment returns, which will be used at the discretion of the Organization.

Note 4 - Donations, grants, and program fees receivable

At December 31, 2020, all but \$750,000 of the \$7,206,618 receivable balance is expected to be realized in less than one year. The \$750,000 is expected to be received in 2022. At December 31, 2019, all of the \$3,871,150 receivable balance is expected to be realized in less than one year. Management has determined the net present value discount of the long-term portion to be insignificant.

The Organization has received conditional contributions that will not be recognized until the Organization meets certain performance milestones set forth in the associated grant agreements. At December 31, 2020, there was no unrecognized conditional contribution revenue. At December 31, 2019, the following conditional contributions were recognized as revenues in the year ended December 31, 2020 as all conditions were met:

Clear My Record	\$ 3,456,988
General support	2,000,000
Integrated Benefits Initiative	500,000
	<u>\$ 5,956,988</u>

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 5 - Investments and fair value measurements

Financial instruments, consisting of cash and cash equivalents, are carried at cost, which approximates their fair value due to the short-term maturity of these instruments.

Following are the major categories of investments measured at fair value on a recurring basis and are all classified as Level 1 by the fair value hierarchy:

	December 31,	
	2020	2019
Available for sale debt securities:		
U.S. Treasury bills	\$ 6,998,174	\$ 5,237,558
U.S. Treasury notes	2,014,219	-
	<u>\$ 9,012,393</u>	<u>\$ 5,237,558</u>

There have been no changes in valuation techniques and related inputs between the years ended December 31, 2020 and 2019.

Investment income totaled \$23,986 and \$134,514 for the years ended December 31, 2020 and 2019, respectively, which included interest and dividends, net of investment fees, of \$37,488 and \$96,971 and net realized and unrealized (loss) gain of (\$13,502) and \$37,543 for the years ended December 31, 2020 and 2019, respectively.

Risks and uncertainties

The Organization holds investments in various fixed income investments outlined above. These securities are exposed to various risks such as interest rate and market risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in the risk factors will occur in the near term that could materially affect the value of the investments reported in the accompanying financial statements.

Note 6 - 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 0.94% of the company's issued and outstanding shares as of December 31, 2020. 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.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 6 - Other assets (continued)

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 issuing 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 represented approximately 1.53% of the company's issued and outstanding shares as of December 31, 2020. On a fully converted basis, the Organization owns 485,687 shares of the company, which represents a 2.47% ownership. The Organization performed a valuation, as of January 2020, in compliance with Internal Revenue Code 409A, which valued the common stock at \$0.91 per share. The Organization's shares are considered to be illiquid with no secondary market to facilitate a sale. The fair value of a cost-method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. Management has determined that it is not practicable to estimate the fair value of the Other asset investments as of December 31, 2020. Therefore, management chose to continue to carry the Preferred Stock at cost, or \$100,000. At December 31, 2020 and 2019, the cost basis of the Preferred Stock totaled \$100,000 and is included in Other assets on the accompany statements of financial position.

Subsequent to year-end in March 2021, the company the Organization is invested in was acquired by another private entity for approximately \$103 million. In exchange for the 485,687 fully converted common shares, the Organization received approximately \$1.2 million in cash (485,687 shares * \$2.55 per share) and 36,360 common shares (485,687 * \$2.60 / \$34.76 per share) from the acquiring entity, and recorded an investment gain of approximately \$2.4 million.

Note 7 - Property and equipment

Property and equipment consisted of the following:

	December 31,	
	2020	2019
Leasehold improvements	\$ 897,400	\$ 897,400
Furniture	88,817	88,817
Equipment	62,558	62,558
	1,048,775	1,048,775
Accumulated depreciation and amortization	(469,413)	(269,690)
	<u>\$ 579,362</u>	<u>\$ 779,085</u>

Depreciation and amortization expense totaled \$199,723 and \$203,102 for the years ended December 31, 2020 and 2019, respectively.

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 8 - Concentrations, risks and uncertainties

The Organization maintains its cash and cash equivalents with high credit quality financial institutions that, 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, 2020, the Organization received approximately 73% of its total public support and revenue from four funding sources. For the year ended December 31, 2019, the Organization received approximately 37% of its total public support and revenue from two funding sources. Additionally, the Organization received 68% of its total event sponsorship fees from three different organizations for the year ended December 31, 2020, and 88% from five different organizations for the year ended December 31, 2019.

Domestic and international economies face uncertainty related to the impact of the COVID-19 disease. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's funders, employees and partners all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

Note 9 - In-kind contributions

In-kind contributions consisted of the following services:

	December 31,	
	2020	2019
Internet and web services	\$ 608,809	\$ 190,362
Legal	109,521	124,876
	<u>\$ 718,330</u>	<u>\$ 315,238</u>

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 10 - Net assets released from restrictions and net assets

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, generally related to the support of program services or by the expiration of time, are as follows for the years ended December 31, 2020 and 2019:

	December 31,	
	2020	2019
Time restrictions expired:		
Contributions - individuals and businesses	\$ 187,500	\$ 537,500
Purpose restrictions fulfilled:		
Safety Net	4,681,569	2,640,364
Criminal Justice	3,190,692	1,888,552
Workforce Development	-	563,925
Code for America Network	1,624,003	1,352,980
Earned Income Tax Credit	2,784,734	-
Other	-	2,754
	\$ 12,468,498	\$ 6,986,075

Net assets consisted of the following:

	December 31,	
	2020	2019
Net assets without donor restrictions:	\$ 20,519,738	\$ 9,697,365
Net assets with donor restrictions:		
Time restrictions:		
Contributions - individuals and foundations	1,750,000	187,500
Purpose restrictions - program services:		
Safety Net	1,305,733	3,597,923
Criminal Justice	5,117,336	1,303,364
Earned Income Tax Credit	15,000	1,181,205
Code for America Network	219,210	1,059,430
Total net assets with donor restrictions	8,407,279	7,329,422
Total net assets	\$ 28,927,017	\$ 17,026,787

CODE FOR AMERICA LABS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 11 - Operating leases

Effective December 2018, the Organization leases office space under a non-cancelable operating lease expiring February 2024. The lease agreement allows for annual escalating rent payments over the term of the lease beginning December 1, 2019 and, as such, facility rent expense is recognized by the Organization on a straight-line basis over the lease term. Facility rent expense in excess of the cash payments is recognized as a deferred rent liability on the accompanying statements of financial position. The total rent expense under this facility lease was \$493,000 for each of the years ended December 31, 2020 and 2019.

The Organization subleased a portion of its available space to a third party in 2019. Sublease income was \$30,000 for the year ended December 31, 2019. Sublease income is netted with office and facilities expense on the accompanying statements of activities. No sublease income was received during the year ended December 31, 2020.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 514,759
2022	530,202
2023	546,108
2024	<u>93,515</u>
	<u><u>\$ 1,684,584</u></u>

Note 12 - 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 \$304,000 and \$201,000 to the Plan for the years ended December 31, 2020 and 2019, respectively.

Note 13 - Related-party transactions

During the years ended December 31, 2020 and 2019, certain members, or companies associated with members, of the Organization's Board of Directors made contributions to help fund the Organization's mission. This contribution revenue totaled approximately \$25,000 and \$100,000 for the years ended December 31, 2020 and 2019, respectively.

**REPORTS AND SCHEDULES
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, the financial statements of Code for America Labs, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2020, 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 27, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 financial statements. 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 27, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH 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, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 auditing standards generally accepted in the United States of America; 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* (CFR) 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, 2020.

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 27, 2021

CODE FOR AMERICA LABS, INC.

Schedule of Expenditures of Federal Awards

December 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)
United States Department of Agriculture, Food and Nutrition Services			
SNAP Cluster:			
Passed through the State of California			
Department of Social Services			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance			
Program (SNAP - GetCalFresh)			
	10.561	16-SUB-00875	\$ 3,658,137
		20-7003	<u>1,759,396</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,417,533</u></u>

CODE FOR AMERICA LABS, INC.

Notes to Schedule of Expenditures of Federal Awards

December 31, 2020

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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 rates

The Organization has elected to utilize the de minimis indirect cost rate of 10% through September 2020. Beginning in October 2020, the Organization elected to discontinue the use of the de minimis indirect cost rate of 10% and began utilizing an indirect cost rate of 20.32% applied to total direct costs less equipment, rent, and subcontractors, which has been negotiated with and accepted by the grantor.

Note 4 - Payments to subrecipients

The Organization did not make any payments to subrecipients for the year ended December 31, 2020.

CODE FOR AMERICA LABS, INC.

Schedule of Findings and Questioned Costs

December 31, 2020

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 no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal awards

Internal control over major federal programs:
Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

Identification of major federal programs:

Assistance Listing number(s) Name of federal program or cluster

10.561 Supplemental Nutrition Assistance Program (SNAP - GetCalFresh)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CODE FOR AMERICA LABS, INC.

Schedule of Findings and Questioned Costs

December 31, 2020

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No federal award findings noted.

Summary Schedule of Prior Audit Findings

The following was reported as a finding in the audit of Code for America Labs, Inc. for the year ended December 31, 2019.

Finding: 2019-001 - Payroll Allocation

Criteria: The Organization is required to use the actual salaries paid as the basis for calculating the direct cost of compensation of employees who work on the Supplemental Nutrition Assistance Program (SNAP) award and the related fringe benefit costs.

Condition: We discovered that beginning with new grant fiscal year in October 2019 and the addition of a new employee, the Organization changed their calculation and began using budgeted salary amounts as the basis for calculating the direct cost of compensation of employees who work on the SNAP award and the related fringe benefit costs.

Status of Finding: *Corrective action was taken by management to fully correct this finding.*