

ALL STAR CODE, INC.
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
DECEMBER 31, 2016 AND 2015

ALL STAR CODE, INC.

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of December 31, 2016 and 2015	2
Statements of activities for the years ended December 31, 2016 and 2015	3
Statements of cash flows for the years ended December 31, 2016 and 2015	4
Statement of functional expenses for the year ended December 31, 2016 with comparative totals for 2015	5
Notes to financial statements	6 – 9



Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
All Star Code, Inc.

We have audited the accompanying financial statements of All Star Code, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 All Star Code, Inc. as of December 31, 2016 and 2015, 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.

New York, NY
May 12, 2017

Skody Scot & Company, CPAs, P.C.

ALL STAR CODE, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash	\$ 338,525	\$ 295,327
Contributions receivable, net	312,625	582,886
Prepaid expenses	15,231	5,673
Security deposits & other assets	14,974	592
Total assets	\$ 681,355	\$ 884,478
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 46,884	\$ 42,541
Deferred revenue	-	17,000
Deferred rent	10,809	-
Total liabilities	57,693	59,541
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	313,662	319,261
Temporarily restricted	310,000	505,676
Permanently restricted	-	-
Total net assets	623,662	824,937
Total liabilities and net assets	\$ 681,355	\$ 884,478

See accompanying notes to financial statements.

ALL STAR CODE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Support and Revenues:		
Unrestricted:		
Contributions	\$ 618,651	\$ 380,805
Contributions in-kind	84,574	28,368
Program service revenue	6,000	30,825
Special events:		
Event income	758,846	603,543
Less: related direct costs	(243,190)	(247,325)
Net special event income	515,656	356,218
Release of prior year's restricted contributions	260,000	260,000
Temporarily restricted:		
Contributions	64,324	17,784
Release of prior year's restricted contributions	(260,000)	(260,000)
Total support and revenues	1,289,205	814,000
Expenses:		
Program Expenses:		
Summer intensive	731,015	389,522
Introductory workshops	158,095	129,357
Research & other activities	296,378	129,651
Total program expenses	1,185,488	648,530
Management and general	62,338	33,748
Fundraising	242,654	213,051
Total expenses	1,490,480	895,329
Increase/(Decrease) In Net Assets:		
Unrestricted	(5,599)	160,887
Temporarily restricted	(195,676)	(242,216)
Permanently restricted	-	-
Increase/(decrease) in net assets	(201,275)	(81,329)
Net assets, beginning of year	824,937	906,266
Net assets, end of year	\$ 623,662	\$ 824,937

See accompanying notes to financial statements.

**ALL STAR CODE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (201,275)	\$ (81,329)
Adjustments for non-cash items included in operating activities:		
Amortization of discount	(4,324)	(7,784)
Uncollectible contributions	6,000	-
Changes in assets and liabilities:		
Contributions receivable	268,585	182,790
Prepaid expenses	(9,558)	(5,673)
Security deposits & other assets	(14,382)	291
Accounts payable and accrued expenses	4,343	19,051
Deferred revenue	(17,000)	17,000
Deferred rent	10,809	-
Net cash provided/(used) by operating activities	43,198	124,346
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash	43,198	124,346
Cash at beginning of year	295,327	170,981
Cash at end of year	\$ 338,525	\$ 295,327

See accompanying notes to financial statements.

ALL STAR CODE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016						2015	
	Program Expenses			Supporting Services			Total Expenses	
	Summer Intensive	Introductory Workshops	Research & Other Activities	Total Program	Management and General	Fundraising		
Personnel costs:								
Salaries	\$ 214,067	\$ 67,940	\$ 144,798	\$ 426,805	\$ 24,339	\$ 95,980	\$ 547,124	\$ 357,993
Payroll taxes and benefits	42,772	12,012	29,032	83,816	3,082	16,164	103,062	83,280
Outside contractors	178,854	37,366	65,016	281,236	33,275	29,593	344,104	210,668
Total personnel costs	<u>435,693</u>	<u>117,318</u>	<u>238,846</u>	<u>791,857</u>	<u>60,696</u>	<u>141,737</u>	<u>994,290</u>	<u>651,941</u>
Direct expenses:								
Dues and subscriptions	6,618	1,924	656	9,198	1,127	655	10,980	8,219
Equipment purchases	73,257	-	-	73,257	669	-	73,926	10,464
Insurance	2,181	757	1,501	4,439	4,707	960	10,106	6,783
Office supplies and expenses	82	40	-	122	3,326	26,275	29,723	18,391
Postage & delivery	89	-	-	89	99	7,050	7,238	6,315
Printing	3,730	1,412	33	5,175	2,726	6,166	14,067	16,906
Professional fees	-	-	-	-	62,289	-	62,289	15,119
Recruitment and training	28,051	1,401	375	29,827	1,956	62	31,845	18,592
Rent and utilities	23,715	-	-	23,715	55,269	-	78,984	56,140
Student stipends	23,570	-	8,470	32,040	-	-	32,040	1,200
Supplies	13,586	732	891	15,209	2,569	18,828	36,606	16,139
Travel and meetings	60,220	15,215	6,045	81,480	3,291	17,615	102,386	69,120
Uncollectible contributions	-	-	-	-	6,000	-	6,000	-
Overhead allocated	60,223	19,296	39,561	119,080	(142,386)	23,306	-	-
Total direct expenses	<u>295,322</u>	<u>40,777</u>	<u>57,532</u>	<u>393,631</u>	<u>1,642</u>	<u>100,917</u>	<u>496,190</u>	<u>243,388</u>
Total expenses	<u>\$ 731,015</u>	<u>\$ 158,095</u>	<u>\$ 296,378</u>	<u>\$ 1,185,488</u>	<u>\$ 62,338</u>	<u>\$ 242,654</u>	<u>\$1,490,480</u>	<u>\$ 895,329</u>

See accompanying notes to financial statements.

ALL STAR CODE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

All Star Code, Inc. (Organization), a not-for-profit organization, was incorporated in the State of Delaware on March 18, 2013. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions from foundations, corporations, individuals and from fundraising events.

The Organization's mission is to prepare qualified young men of color for full-time employment in the technology industry by providing mentorship, industry exposure, and intensive training in computer science. To accomplish its mission, the Organization provides the following programs: Summer Intensive - an elite 6-week program designed to educate, inspire, and equip high school boys of color with the knowledge, skills, and resources needed to pursue paths leading to academics and/or careers in the technology and engineering sectors; Introductory Workshops - workshops are aimed at recruiting more than 100 All Star applicants who are excited about careers in coding, technology, computer science, programming, engineering and gaming and providing them with experiential, applied, and project-based learning techniques to give them a sense of the excitement and possibilities that await them in a career in technology; and Research & Other Activities - encouraging new recruitment and continuing engagement by organizing student-centered activities, summer instruction, and other components that include presentations, demonstrations, and talks led by inspiring entrepreneurs, CEOs, developers, designers, and college students majoring in computer science.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

ALL STAR CODE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity of three months or less. At December 31, 2016 and 2015, the Organization did not have any resources that were considered cash equivalents.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Equipment purchases below a threshold are expensed as incurred. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are allocated on the basis of amount of time spent on each activity cost center by each employee. Other expenses are allocated based on percentage of total salary allocated to each activity cost center. The Organization classifies expenses, which are not directly related to a specific program and which do not provide any benefit to programs, as Management and General expenses.

Receivables

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received and as such there is no allowance for uncollectable debt recorded.

**ALL STAR CODE, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 2 - Contributions Receivable

Total contributions receivable at December 31, 2016 is as follows:

<u>Scheduled Collection</u>	<u>Future Value of Promise</u>	<u>Discount</u>	<u>Present Value of Promise</u>
Due in less than one year	\$ 312,625	\$ -	\$ 312,625
	<u>\$ 312,625</u>	<u>\$ -</u>	<u>\$ 312,625</u>

Total contributions receivable at December 31, 2015, discounted to fair value using a discount rate of 1.76%, is as follows:

<u>Scheduled Collection</u>	<u>Future Value of Promise</u>	<u>Discount</u>	<u>Present Value of Promise</u>
Due in less than one year	\$ 337,210	\$ -	\$ 337,210
Due in one to five years	250,000	(4,324)	245,676
	<u>\$ 587,210</u>	<u>\$ (4,324)</u>	<u>\$ 582,886</u>

Note 3 - Restrictions on Net Assets

Total temporarily restricted net assets are available in future years for the following purposes:

	<u>2016</u>	<u>2015</u>
2016 operations	\$ -	\$ 260,000
2017 operations	250,000	245,676
2017 Summer Intensive	60,000	-
	<u>\$ 310,000</u>	<u>\$ 505,676</u>

Note 4 - Donated Services

Significant services and use of facilities were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported on the accompanying statements of activities for the years ended December 31, 2016 and 2015 amounted to \$84,574 and \$28,368, respectively. Contributions in-kind mainly consisted of donated legal services and workshop space.

ALL STAR CODE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Concentrations

The Organization maintains its bank accounts with financial institutions. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the years ended December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Institution balances	\$ 314,293	\$ 251,719
Less: Amounts covered	<u>(250,000)</u>	<u>(241,583)</u>
Uninsured amounts	<u>\$ 64,293</u>	<u>\$ 10,136</u>

During the years ended December 31, 2016 and 2015, the Organization received approximately 40% and 44%, respectively, of its total revenue from a single fundraising event. The future level of the Organization's remaining operations and program services depends upon successful fundraising events and/or diversification of its income sources.

Note 6 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through May 12, 2017, which is the date the financial statements were available to be issued.