

ALL STAR CODE, INC.
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016

ALL STAR CODE, INC.

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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, 2017 and 2016, 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, 2017 and 2016, 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 30, 2018

Skody Scot & Company, CPAs, P.C.

**ALL STAR CODE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

| | 2017 | 2016 |
|----------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 390,100 | \$ 338,525 |
| Investments - pending sale | 5,551 | - |
| Contributions receivable, net | 444,550 | 312,625 |
| Prepaid expenses | 3,091 | 15,231 |
| Security deposits & other assets | 13,042 | 14,974 |
| | \$ 856,334 | \$ 681,355 |

LIABILITIES AND NET ASSETS

| | | |
|-------------------------------------------|-------------------|-------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 115,704 | \$ 46,884 |
| Deferred rent | - | 10,809 |
| Total liabilities | 115,704 | 57,693 |
| Commitments and contingencies (see notes) | | |
| Net Assets: | | |
| Unrestricted | 221,558 | 313,662 |
| Temporarily restricted | 519,072 | 310,000 |
| Permanently restricted | - | - |
| Total net assets | 740,630 | 623,662 |
| Total liabilities and net assets | \$ 856,334 | \$ 681,355 |

See accompanying notes to the financial statements.

ALL STAR CODE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--------------------------------------------------|--------------|-------------|
| Support and Revenues: | | |
| Unrestricted: | | |
| Contributions | \$ 1,128,358 | \$ 618,651 |
| Contributions in-kind | 199,139 | 84,574 |
| Program service revenue | - | 6,000 |
| Special events: | | |
| Event income | 844,482 | 758,846 |
| Less: related direct costs | (351,507) | (243,190) |
| Net special event income | 492,975 | 515,656 |
| Investment and other income | 2,482 | - |
| Release of prior year's restricted contributions | 310,000 | 260,000 |
| Temporarily restricted: | | |
| Contributions | 519,072 | 64,324 |
| Release of prior year's restricted contributions | (310,000) | (260,000) |
| Total support and revenues | 2,342,026 | 1,289,205 |
| Expenses: | | |
| Program expenses: | | |
| Summer intensive | 1,187,108 | 731,015 |
| Introductory workshops | 269,674 | 158,095 |
| Research & other activities | 284,987 | 296,378 |
| Total program expenses | 1,741,769 | 1,185,488 |
| Management and general | 121,710 | 62,338 |
| Fundraising | 361,579 | 242,654 |
| Total expenses | 2,225,058 | 1,490,480 |
| Increase/(Decrease) In Net Assets: | | |
| Unrestricted | (92,104) | (5,599) |
| Temporarily restricted | 209,072 | (195,676) |
| Permanently restricted | - | - |
| Increase/(decrease) in net assets | 116,968 | (201,275) |
| Net assets, beginning of year | 623,662 | 824,937 |
| Net assets, end of year | \$ 740,630 | \$ 623,662 |

See accompanying notes to the financial statements.

ALL STAR CODE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------------------------------------|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Increase/(decrease) in net assets | \$ 116,968 | \$ (201,275) |
| Adjustments for non-cash items included in operating activities: | | |
| Discount on pledges | 6,388 | - |
| Amortization of discount | - | (4,324) |
| Uncollectible contributions | 20,017 | 6,000 |
| Donated investments | (36,446) | - |
| (Gain)/loss on investments | (2,157) | - |
| Changes in assets and liabilities: | | |
| Contributions receivable | (158,330) | 268,585 |
| Prepaid expenses | 12,140 | (9,558) |
| Security deposits & other assets | 1,932 | (14,382) |
| Accounts payable and accrued expenses | 68,820 | 4,343 |
| Deferred revenue | - | (17,000) |
| Deferred rent | (10,809) | 10,809 |
| Net cash provided/(used) by operating activities | <u>18,523</u> | <u>43,198</u> |
| Cash flows from investing activities: | | |
| Sale of investments | 33,052 | - |
| Net cash provided/(used) by investing activities | <u>33,052</u> | <u>-</u> |
| Cash flows from financing activities | <u>-</u> | <u>-</u> |
| Net increase/(decrease) in cash | 51,575 | 43,198 |
| Cash at beginning of year | 338,525 | 295,327 |
| Cash at end of year | <u>\$ 390,100</u> | <u>\$ 338,525</u> |

See accompanying notes to the financial statements.

ALL STAR CODE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | 2017 | | | | | | | 2016 |
|------------------------------|------------------|------------------------|-----------------------------|---------------|------------------------|-------------|----------------|----------------|
| | Program Expenses | | | | Supporting | | | Total Expenses |
| | Summer Intensive | Introductory Workshops | Research & Other Activities | Total Program | Management and General | Fundraising | Total Expenses | |
| Personnel Costs: | | | | | | | | |
| Salaries | \$ 372,462 | \$ 96,209 | \$ 138,024 | \$ 606,695 | \$ 38,969 | \$ 115,657 | \$ 761,321 | \$ 547,124 |
| Payroll taxes and benefits | 104,427 | 26,441 | 34,614 | 165,482 | 12,346 | 26,715 | 204,543 | 108,480 |
| Outside contractors | 183,802 | 53,650 | 41,065 | 278,517 | 60,753 | 95,000 | 434,270 | 344,104 |
| Total personnel costs | 660,691 | 176,300 | 213,703 | 1,050,694 | 112,068 | 237,372 | 1,400,134 | 999,708 |
| Direct expenses: | | | | | | | | |
| Bank fees and office expense | - | - | - | - | 4,938 | 32,989 | 37,927 | 29,723 |
| Dues and subscriptions | 2,365 | 1,877 | 406 | 4,648 | 5,175 | 2,233 | 12,056 | 10,980 |
| Equipment purchases | 103,021 | 5,145 | - | 108,166 | 10,858 | - | 119,024 | 73,926 |
| Insurance | 153 | 113 | - | 266 | 7,072 | 28 | 7,366 | 4,688 |
| Postage & delivery | 988 | 15 | 24 | 1,027 | 529 | 2,907 | 4,463 | 7,238 |
| Printing | 4,520 | 5,007 | - | 9,527 | 2,887 | 7,422 | 19,836 | 14,067 |
| Professional fees | - | - | - | - | 99,439 | - | 99,439 | 62,289 |
| Recruitment and training | 11,961 | 12,500 | 55 | 24,516 | 16,572 | 12,500 | 53,588 | 31,845 |
| Rent and utilities | 74,471 | 7,000 | - | 81,471 | 132,336 | - | 213,807 | 78,984 |
| Student stipends | 22,000 | - | 2,880 | 24,880 | - | - | 24,880 | 32,040 |
| Supplies | 6,387 | 7,584 | 77 | 14,048 | 5,478 | 9,109 | 28,635 | 36,606 |
| Travel and meetings | 141,303 | 13,179 | 4,884 | 159,366 | 13,877 | 10,643 | 183,886 | 102,386 |
| Uncollectible contributions | 17 | - | - | 17 | 20,000 | - | 20,017 | 6,000 |
| Overhead allocated | 159,231 | 40,954 | 62,958 | 263,143 | (309,519) | 46,376 | - | - |
| Total direct expenses | 526,417 | 93,374 | 71,284 | 691,075 | 9,642 | 124,207 | 824,924 | 490,772 |
| Total expenses | \$ 1,187,108 | \$ 269,674 | \$ 284,987 | \$ 1,741,769 | \$ 121,710 | \$ 361,579 | \$ 2,225,058 | \$ 1,490,480 |

See accompanying notes to the 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 sector; Introductory Workshops - workshops are aimed at recruiting more than 250 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)

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. The allowance for bad debt is maintained at a level that, in management's judgment, is adequate to absorb uncollectible receivables. The allowance for bad debt was \$20,000 and \$0 at December 31, 2017 and 2016.

ALL STAR CODE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Contributions Receivable

Total contributions receivable at December 31, 2017, discounted to fair value using a discount rate of 2.20%, 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 | \$ 320,938 | \$ - | \$ 320,938 |
| Due in one to five years | 150,000 | (6,388) | 143,612 |
| Less: Allowance for uncollectible receivables | (20,000) | - | (20,000) |
| | <u>\$ 450,938</u> | <u>\$(6,388)</u> | <u>\$ 444,550</u> |

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 | <u>\$ 312,625</u> | <u>\$ -</u> | <u>\$ 312,625</u> |
| | <u>\$ 312,625</u> | <u>\$ -</u> | <u>\$ 312,625</u> |

Note 3 - Restrictions on Net Assets

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

| | <u>2017</u> | <u>2016</u> |
|-----------------------|-------------------|-------------------|
| 2017 operations | \$ - | \$ 250,000 |
| 2017 Summer Intensive | - | 60,000 |
| 2018 operations | 150,000 | - |
| 2018 Summer Intensive | 225,460 | - |
| 2019 operations | <u>143,612</u> | <u>-</u> |
| | <u>\$ 519,072</u> | <u>\$ 310,000</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, 2017 and 2016 amounted to \$199,139 and \$84,574, respectively. Contributions in-kind mainly consisted of donated legal services and workshop space.

ALL STAR CODE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 - Investments and Investment Income

The Organization receives donations of equity securities (Level 1 investments), which it immediately sells. Level 1 investments are valued using inputs based upon quoted prices in active markets for identical investments. On occasion, the Organization receives equity investments (Level 3 investments), which it immediately sells. Level 3 investments are valued using methodology that is unobservable and significant to the fair value measurement. The Organization initially records investments it receives as donations at the fair value as of the dates the investments are donated to the Organization and thereafter carries such investments at current fair values.

Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

Investments consisted of the following at December 31, 2017:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain/(Loss)</u> |
|--------------------|-------------|-------------------|-----------------------------------|
| Equity investments | \$ 5,428 | \$ 5,551 | \$ 123 |

The equity investments were liquidated shortly after year-end for \$5,423.

The Organization did not hold any investments at December 31, 2016.

The components of investment income for the years ended December 31, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|---------------------------|-----------------|-------------|
| Interest and dividends | \$ 262 | \$ - |
| Realized gains/(losses) | 2,066 | - |
| Unrealized gains/(losses) | <u>91</u> | <u>-</u> |
| Net investment income | <u>\$ 2,419</u> | <u>\$ -</u> |

Note 6 - Concentrations

The Organization maintains its bank accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts may have exceeded the insured limits during the years ended December 31, 2017 and 2016.

Note 7 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through May 30, 2018, which is the date the financial statements were available to be issued.