



FINANCIAL STATEMENTS

June 30, 2016 and 2015

With Independent Auditor's Report



**FOR INSPIRATION AND RECOGNITION
OF SCIENCE AND TECHNOLOGY (FIRST)**

Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
For Inspiration and Recognition
of Science and Technology (FIRST)

We have audited the accompanying financial statements of For Inspiration and Recognition of Science and Technology (FIRST) (*FIRST*®), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. These 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.

The Board of Directors
For Inspiration and Recognition of
Science and Technology (FIRST)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *FIRST* as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
September 16, 2016

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Statements of Financial Position

June 30, 2016 and 2015

ASSETS

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 17,029,618 | \$ 15,485,707 |
| Accounts receivable, net of allowance for doubtful accounts of \$34,125 in 2016 and \$1,625 in 2015 | 1,784,030 | 1,538,542 |
| Short-term investments | 11,000,000 | 8,250,000 |
| Current portion of pledges and nonfederal grants receivable | 5,512,977 | 6,434,042 |
| Federal grants receivable | 1,167,091 | 346,496 |
| Program supply inventory | 734,188 | 317,823 |
| Prepaid expenses and other assets | <u>695,757</u> | <u>1,296,908</u> |
| Total current assets | <u>37,923,661</u> | <u>33,669,518</u> |
| Pledges and nonfederal grants receivable, excluding current portion | <u>2,790,539</u> | <u>870,627</u> |
| Property and equipment | | |
| Land, building and improvements | 7,643,316 | 6,986,278 |
| Equipment | 2,703,780 | 2,577,777 |
| Furniture and fixtures | 665,771 | 662,737 |
| Software | 555,379 | 555,379 |
| Website and portal | 883,510 | - |
| Improvements in progress | <u>59,242</u> | <u>488,781</u> |
| | 12,510,998 | 11,270,952 |
| Less accumulated depreciation and amortization | <u>7,450,966</u> | <u>6,746,669</u> |
| Net property and equipment | <u>5,060,032</u> | <u>4,524,283</u> |
| Total assets | <u>\$ 45,774,232</u> | <u>\$ 39,064,428</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------|----------------------|
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 2,573,617 | \$ 1,771,427 |
| Deferred revenue | <u>522,279</u> | <u>605,155</u> |
| Total current liabilities and total liabilities | <u>3,095,896</u> | <u>2,376,582</u> |
| Net assets | | |
| Unrestricted | 24,634,811 | 22,777,156 |
| Temporarily restricted | <u>18,043,525</u> | <u>13,910,690</u> |
| Total net assets | <u>42,678,336</u> | <u>36,687,846</u> |
| Total liabilities and net assets | <u>\$ 45,774,232</u> | <u>\$ 39,064,428</u> |

The accompanying notes are an integral part of these financial statements.

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Statements of Activities

Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Changes in unrestricted net assets | | |
| Revenues (losses) and other support | | |
| Program registration fees | \$ 26,625,176 | \$ 22,718,237 |
| Contributions and grants | 15,760,543 | 18,214,680 |
| Other income, net of expenses of \$98,515 in 2016 and \$98,099 in 2015 | 934,573 | 1,045,692 |
| Special event income, net of expenses of \$434,286 in 2016 | 483,854 | - |
| Special project loss, net of expenses of \$1,196,117 in 2015 | - | (136,485) |
| Net assets released from restrictions | <u>22,253,335</u> | <u>17,449,790</u> |
| Total revenues (losses) and other support | <u>66,057,481</u> | <u>59,291,914</u> |
| Expenses | | |
| FIRST® Robotics Competition ("FRC®") | 38,645,515 | 39,493,796 |
| FIRST® LEGO® League ("FLL®") and FIRST® LEGO® League Jr. ("FLL Jr.") | 7,095,617 | 6,024,042 |
| FIRST® Tech Challenge ("FTC®") | 8,588,736 | 3,832,813 |
| FIRST® Place™ ("FP") | 6,985 | 14,881 |
| Net cost and depreciation of building space occupied by unrelated not-for-profit organizations | 257,648 | 256,625 |
| General, administrative and supporting services | 8,584,578 | 7,688,961 |
| Operation of FIRST facilities | 416,527 | 437,912 |
| Depreciation and amortization | <u>604,220</u> | <u>532,434</u> |
| Total expenses | <u>64,199,826</u> | <u>58,281,464</u> |
| Operating surplus/change in unrestricted net assets | <u>1,857,655</u> | <u>1,010,450</u> |
| Changes in temporarily restricted net assets | | |
| Contributions and grants | 26,386,170 | 16,613,819 |
| Net assets released from restrictions | <u>(22,253,335)</u> | <u>(17,449,790)</u> |
| Change in temporarily restricted net assets | <u>4,132,835</u> | <u>(835,971)</u> |
| Total change in net assets | 5,990,490 | 174,479 |
| Net assets, beginning of year | <u>36,687,846</u> | <u>36,513,367</u> |
| Net assets, end of year | <u>\$ 42,678,336</u> | <u>\$ 36,687,846</u> |

The accompanying notes are an integral part of these financial statements.

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 5,990,490 | \$ 174,479 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation and amortization | 704,296 | 616,585 |
| Changes in operating assets and liabilities | | |
| Accounts, pledges and grants receivable | (2,064,930) | (1,577,034) |
| Program supply inventory | (416,365) | (317,823) |
| Prepaid expenses and other assets | 601,151 | (806,633) |
| Accounts payable and accrued expenses | 802,190 | 140,631 |
| Deferred revenue | <u>(82,876)</u> | <u>(40,903)</u> |
| Net cash provided (used) by operating activities | <u>5,533,956</u> | <u>(1,810,698)</u> |
| Cash flows from investing activities | | |
| Purchases of short-term investments, net of reinvested maturities | (2,750,000) | - |
| Proceeds from maturities of short-term investments | - | 250,000 |
| Purchases of property and equipment | <u>(1,240,045)</u> | <u>(1,179,380)</u> |
| Net cash used by investing activities | <u>(3,990,045)</u> | <u>(929,380)</u> |
| Net increase (decrease) in cash and cash equivalents | 1,543,911 | (2,740,078) |
| Cash and cash equivalents, beginning of year | <u>15,485,707</u> | <u>18,225,785</u> |
| Cash and cash equivalents, end of year | <u>\$ 17,029,618</u> | <u>\$ 15,485,707</u> |

The accompanying notes are an integral part of these financial statements.

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Notes to Financial Statements

June 30, 2016 and 2015

Nature of Business

Founded in 1989, For Inspiration and Recognition of Science and Technology (FIRST) ("*FIRST*[®]") is a not-for-profit New Hampshire corporation organized to inspire youth to become science and technology leaders and innovators, by engaging them in exciting, mentor-guided, project-based programs that teach science, technology, engineering, and math (STEM) skills, inspire innovation, and foster well-rounded life capabilities.

Functional Activities (Unaudited)

Four core programs provide inspiration to an ascending age range of today's youth. The *FIRST* progression of programs starts with *FIRST* LEGO League Jr. ("FLL Jr.") which reaches over 48,000 students ages 6 to 9 through a network of web-based Expos and local events. *FIRST* LEGO League ("FLL") reaches over 232,000 students, ages 9 to 16, in 78 countries with a design and build format utilizing LEGO[®] MINDSTORMS[®] technologies. *FIRST* Tech Challenge ("FTC") is a highly accessible design and build competition for ages 12 to 18 reaching over 47,000 youths. The original and most intensive program, the *FIRST* Robotics Competition ("FRC"), features teams of approximately 25 students from individual high schools, working with professional mentors to design and build a robot in six weeks from a common kit of parts. During 2016, *FIRST* successfully held 127 FRC Regional and District events involving 78,500 students and more than 48,000 mentors, and volunteers. In April 2016, the *FIRST* Championship drew a total attendance of 43,000, bringing together 890 FRC, FTC, FLL and FLL Jr. teams (and their robots) to celebrate and compete simultaneously on multiple fields in The Dome at America's Center, the America's Convention Center, and at Union Station in St. Louis, Missouri. All *FIRST* programs, as well as schools and science museums, are supported by technology education and teacher programs developed within *FIRST* Place.

FIRST fundraises to assist an increasing number of teams with support for their program registration fees, tools and supplies, and event-related costs plus funds for the local tournament providers. Restricted contributions and grants expended on such costs totaled \$9,939,408 in 2016 and \$7,202,593 in 2015.

1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of *FIRST* have been prepared on the accrual basis of accounting.

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.

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Notes to Financial Statements

June 30, 2016 and 2015

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase.

FIRST maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. However, balances are swept nightly into investments collateralized by U.S. Treasury obligations. *FIRST* has not experienced any losses in such accounts and management believes *FIRST* is not exposed to any significant risk with respect to these accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Short-Term Investments

Short-term investments consist of certificates of deposit with original maturities of 4 to 12 months. Cost approximates market value. Interest income earned on the certificates of deposit is included in other income on the statements of activities.

Program Supply Inventory

Program supply inventory consists of FTC kit components and is stated at lower of cost or market.

Property and Equipment

Property and equipment is stated at cost or, if acquired by gift, at appraised value at the date of gift. Gains on the sale of property and equipment are reported, if unrestricted, as an increase in unrestricted net assets, or, if restricted, as an increase in temporarily or permanently restricted net assets, as appropriate. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Website and portal costs related to site design and configuration are capitalized and amortized over a five-year expected life using the straight-line method.

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Notes to Financial Statements

June 30, 2016 and 2015

Income Taxes

FIRST is a not-for-profit organization as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on income related to the fulfillment of the *FIRST* mission. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Revenue Recognition

Registration fees are recognized within the time period covered by the event or program. Unconditional contributions are recognized when pledged.

Federal Grant Revenues

FIRST receives federal grant awards for various programs. Revenue is recognized as the award expenditures are incurred. Total federal grant revenues recognized during the years ended June 30, 2016 and 2015 were \$3,722,509 and \$3,541,843, respectively.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. If gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets released from restrictions. Contributions whose restrictions lapse, expire or are otherwise met in the same reporting period in which the contribution was received are recorded as unrestricted support in that year. *FIRST* has received no permanently restricted contributions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire land, buildings and equipment are reported as restricted support. Absent explicit donor stipulations as to how long-lived assets must be maintained, satisfactions of donor restrictions are reported when the land, buildings or equipment are acquired and placed in service. *FIRST* has received no gifts of long-lived assets.

Promises to Give

Unconditional promises to give are recorded as pledges receivable and revenue in the fiscal year the pledges are made at their value. Unconditional promises are those for which verifiable evidence exists that a legally binding promise to give has been made.

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Notes to Financial Statements

June 30, 2016 and 2015

In-Kind Contributions

Contributions of services are recognized when received if the services require specialized skills, are provided by individuals or entities possessing those skills, and would typically need to be purchased if not donated. Contributions of program and other supplies are recorded upon receipt when there is an objective and reasonable basis upon which to value the in-kind contributions. These contributions are an integral part of *FIRST* activities. *FIRST* receives program supplies, shipping services, and event related services from a wide variety of organizations.

Management estimates volunteers gave more than 15,000,000 hours in 2016 and 13,000,000 hours in 2015, providing a variety of services to further the *FIRST* mission. Volunteers serve as mentors, teachers, engineers and event staff. The value of these services has not been recorded in the financial statements.

During 2016 and 2015, *FIRST* recorded the value of contributed program supplies, competition venues and services in the financial statements as follows:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------------|----------------------------|
| Unrestricted contributions included in program expenses | | |
| FRC, including shipping services in the amount of \$705,000 in 2016 and \$552,000 in 2015 | \$ 6,284,765 | \$ 8,722,720 |
| FLL | 261,849 | 183,309 |
| FTC | <u>13,313</u> | <u>3,728</u> |
| Total included in program expenses | 6,559,927 | 8,909,757 |
| Unrestricted contributions included in general, administrative and supporting services | 270,051 | 58,398 |
| Temporarily restricted contributions recorded as programs supplies received and limited to use in a future period (included in prepaid expenses and other assets) | <u>208,974</u> | <u>244,099</u> |
| Total | <u>\$ 7,038,952</u> | <u>\$ 9,212,254</u> |

Subsequent Events

FIRST management has considered transactions or events occurring through September 16, 2016, which was the date that the financial statements were available to be issued.

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Notes to Financial Statements

June 30, 2016 and 2015

2. Pledges and Grants Receivable

Pledges and nonfederal grants receivable are due as follows at June 30:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|---------------------|---------------------|
| Due within one year | \$ 5,512,977 | \$ 6,434,042 |
| Due between one and three years | <u>2,790,539</u> | <u>870,627</u> |
| | <u>\$ 8,303,516</u> | <u>\$ 7,304,669</u> |

Federal grants receivable are due within one year.

3. Related Party Transactions

FIRST receives facility services, legal services, and technical support at no charge from affiliated entities owned by both the Founder and the Co-Chair and Treasurer of the Board of Directors.

A portion of the *FIRST* building is occupied at no cost by a children's science museum, SEE Science Center ("SEE"), a not-for-profit entity started by the Founder. The *FIRST* Co-Chair and Treasurer of the Board of Directors is also the Vice Chair of the SEE Board of Directors. While SEE's occupancy agreement has no annual base rental payment, it could be required to pay its proportionate share of the building's annual operating costs based on its occupied square footage.

4. Discretionary Contribution Plan

FIRST maintains a discretionary contribution benefit plan (the Plan) for its employees. Under the Plan, enrolled employees may contribute a portion of their salary to tax deferred investment accounts. *FIRST* may contribute an amount based on the employee's contribution level. *FIRST* may make additional annual contributions, shared equally among all qualifying employees, at the discretion of the Board of Directors. During fiscal 2016 and 2015, *FIRST* contributed a total of \$408,143 and \$387,400, respectively, to the Plan.

5. Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis below. Certain costs, including depreciation and facility expenses, have been allocated among the programs and supporting services benefited.

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|----------------------|----------------------|
| Programs | \$ 55,283,087 | \$ 50,287,778 |
| Management and general | 6,908,738 | 6,120,786 |
| Fundraising and development | <u>2,008,001</u> | <u>1,872,900</u> |
| | <u>\$ 64,199,826</u> | <u>\$ 58,281,464</u> |

**FOR INSPIRATION AND RECOGNITION OF
SCIENCE AND TECHNOLOGY (FIRST)**

Notes to Financial Statements

June 30, 2016 and 2015

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and periods:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Programs | | |
| FRC | \$ 3,927,847 | \$ 4,314,074 |
| FLL and FLL Jr. | 780,199 | 507,905 |
| FTC | 520,723 | 405,468 |
| Programs, during future periods as directed by donors or determined by management | 10,573,788 | 6,576,632 |
| Management and general | 320,000 | 104,800 |
| The Bart Kamen Memorial <i>FIRST</i> Scholarship Fund | <u>1,920,968</u> | <u>2,001,810</u> |
| | <u>\$ 18,043,525</u> | <u>\$ 13,910,690</u> |

7. Contingencies

FIRST is occasionally a party to various legal actions and/or threatened claims arising in the ordinary course of business. Management believes the disposition of these matters will be covered by *FIRST*'s liability insurance coverages and will not have a material adverse effect on the financial position of *FIRST*.

