



FINANCIAL STATEMENTS

June 30, 2019 and 2018

With Independent Auditor's Report



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

Years Ended June 30, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 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.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matter

As discussed in Note 1 to the financial statements, in 2019 *FIRST* adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
September 23, 2019

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

Statements of Financial Position

June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 27,748,958	\$ 24,324,389
Accounts receivable, net of allowance for doubtful accounts of \$121,208 in 2019 and \$98,414 in 2018	3,029,676	2,542,898
Short-term investments	12,000,000	9,740,000
Current portion of pledges and nonfederal grants receivable	6,173,779	4,888,398
Federal grants receivable	941,731	586,060
Program supply inventory	758,973	587,758
Prepaid expenses and other assets	<u>2,157,694</u>	<u>991,591</u>
Total current assets	<u>52,810,811</u>	<u>43,661,094</u>
Pledges and nonfederal grants receivable, excluding current portion	<u>2,437,010</u>	<u>4,618,309</u>
Property and equipment		
Land, building and improvements	9,598,265	8,826,940
Equipment	3,494,336	3,327,420
Furniture and fixtures	879,654	879,654
Software	663,801	571,169
Website and portal	883,510	883,510
Improvements in progress	<u>3,000</u>	<u>59,508</u>
	15,522,566	14,548,201
Less accumulated depreciation and amortization	<u>10,346,302</u>	<u>9,368,677</u>
Net property and equipment	<u>5,176,264</u>	<u>5,179,524</u>
Total assets	<u>\$ 60,424,085</u>	<u>\$ 53,458,927</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	\$ 6,181,758	\$ 4,394,621
Deferred revenue	<u>1,472,190</u>	<u>1,369,906</u>
Total current liabilities and total liabilities	<u>7,653,948</u>	<u>5,764,527</u>
Net assets		
Without donor restrictions	29,391,900	27,833,922
With donor restrictions - temporary in nature	<u>23,378,237</u>	<u>19,860,478</u>
Total net assets	<u>52,770,137</u>	<u>47,694,400</u>
Total liabilities and net assets	<u>\$ 60,424,085</u>	<u>\$ 53,458,927</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions		
Revenues and other support		
Program registration fees	\$ 32,718,347	\$ 31,029,505
Contributions and grants	18,469,938	15,680,501
Other income	2,154,040	1,779,661
Special event income, net of expenses of \$396,560 in 2019 and \$404,980 in 2018	496,506	559,006
Net assets released from restrictions	<u>30,951,062</u>	<u>27,968,209</u>
Total revenues and other support	<u>84,789,893</u>	<u>77,016,882</u>
Expenses		
Program	71,557,755	63,997,525
Facility support of other organizations	295,730	320,596
Management and general	8,990,597	7,987,326
Fundraising and development	<u>2,387,833</u>	<u>2,312,412</u>
Total expenses	<u>83,231,915</u>	<u>74,617,859</u>
Operating surplus and change in net assets without donor restrictions	<u>1,557,978</u>	<u>2,399,023</u>
Changes in net assets with donor restrictions - temporary in nature		
Contributions and grants	34,468,821	29,425,041
Net assets released from restrictions	<u>(30,951,062)</u>	<u>(27,968,209)</u>
Change in net assets with donor restrictions - temporary in nature	<u>3,517,759</u>	<u>1,456,832</u>
Total change in net assets	<u>5,075,737</u>	<u>3,855,855</u>
Net assets, beginning of year	<u>47,694,400</u>	<u>43,838,545</u>
Net assets, end of year	<u>\$ 52,770,137</u>	<u>\$ 47,694,400</u>

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

For Inspiration and Recognition of Science and Technology (FIRST)

Statements of Functional Expenses

Years Ended June 30, 2019 and 2018

	Programs					
	Program	Facility Support of Other Organizations	Total Programs	Management and General	Fundraising and Development	Total Expenses
2019						
Grants and other assistance/support	\$ 33,535,985	\$ -	\$ 33,535,985	\$ -	\$ -	\$ 33,535,985
Compensation, benefits and payroll taxes	12,323,806	-	12,323,806	4,419,871	1,767,859	18,511,536
Fees for services	1,750,840	-	1,750,840	717,862	115,996	2,584,698
Promotion and advertising	829,182	-	829,182	642,401	25,600	1,497,183
Office, insurances and information technology	908,059	-	908,059	526,205	28,626	1,462,890
Occupancy	638,987	295,730	934,717	622,624	111,029	1,668,370
Travel	893,911	-	893,911	214,909	156,879	1,265,699
STEM supplies and costs of competitions	17,962,938	-	17,962,938	-	-	17,962,938
Training and recognition	2,049,393	-	2,049,393	1,289,336	87,963	3,426,692
Other	664,654	-	664,654	557,389	93,881	1,315,924
Total expenses	<u>\$ 71,557,755</u>	<u>\$ 295,730</u>	<u>\$ 71,853,485</u>	<u>\$ 8,990,597</u>	<u>\$ 2,387,833</u>	<u>\$ 83,231,915</u>
2018						
Grants and other assistance/support	\$ 30,350,642	\$ -	\$ 30,350,642	\$ -	\$ -	\$ 30,350,642
Compensation, benefits and payroll taxes	11,424,790	-	11,424,790	3,951,193	1,711,538	17,087,521
Fees for services	987,107	-	987,107	750,322	160,123	1,897,552
Promotion and advertising	295,072	-	295,072	965,067	2,092	1,262,231
Office, insurances and information technology	669,295	-	669,295	575,685	53,898	1,298,878
Occupancy	435,788	320,596	756,384	1,038,237	110,981	1,905,602
Travel	974,848	-	974,848	149,696	168,036	1,292,580
STEM supplies and costs of competitions	15,405,685	-	15,405,685	-	-	15,405,685
Training and recognition	2,946,729	-	2,946,729	118,025	42,965	3,107,719
Other	507,569	-	507,569	439,101	62,779	1,009,449
Total expenses	<u>\$ 63,997,525</u>	<u>\$ 320,596</u>	<u>\$ 64,318,121</u>	<u>\$ 7,987,326</u>	<u>\$ 2,312,412</u>	<u>\$ 74,617,859</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 5,075,737	\$ 3,855,855
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	996,286	1,085,471
Loss on disposal of equipment	15,803	-
Changes in operating assets and liabilities		
Accounts, pledges and grants receivable	53,469	1,699,806
Program supply inventory	(171,215)	(236,732)
Prepaid expenses and other assets	(1,166,103)	(105,556)
Accounts payable and accrued expenses	1,787,137	969,516
Deferred revenue	102,284	403,430
Net cash provided by operating activities	<u>6,693,398</u>	<u>7,671,790</u>
Cash flows from investing activities		
Purchases of short-term investments, net of reinvested maturities	(2,260,000)	-
Proceeds from maturities of short-term investments	-	1,010,000
Purchases of property and equipment	<u>(1,008,829)</u>	<u>(970,202)</u>
Net cash (used) provided by investing activities	<u>(3,268,829)</u>	<u>39,798</u>
Net increase in cash and cash equivalents	3,424,569	7,711,588
Cash and cash equivalents, beginning of year	<u>24,324,389</u>	<u>16,612,801</u>
Cash and cash equivalents, end of year	<u>\$ 27,748,958</u>	<u>\$ 24,324,389</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, 2019 and 2018

Nature of Business

Founded in 1989, For Inspiration and Recognition of Science and Technology (FIRST) ("*FIRST*[®]") is a New Hampshire Nonprofit Corporation organized to inspire youth to become science and technology leaders and innovators, by engaging them in exciting, mentor-guided, project-based activities and events that teach science, technology, engineering, and math skills (STEM), inspire innovation, and foster well-rounded life capabilities.

Program Activities and Events (Unaudited)

FIRST activities and events provide inspiration to an ascending age range of today's youth. For example, the *FIRST* progression of programs starts with *FIRST* LEGO[®] League Jr. ("*FLL*[®] Jr.") which reaches over 130,300 students ages 6 to 9 through a network of web-based Expos and local events. *FIRST* LEGO[®] League ("*FLL*") reaches over 281,000 students, ages 9 to 16, in 103 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 68,000 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 2019, *FIRST* successfully held 173 *FRC* Regional and District events involving 95,000 students and more than 50,000 mentors and volunteers. In April 2019, the two *FIRST* Championships, held on consecutive weeks, drew a combined total attendance of 77,286, and brought together 1,467 *FRC*, *FTC*, *FLL* and *FLL* Jr. teams (and their robots) to celebrate and compete. The host cities were Houston, Texas and Detroit, Michigan.

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 \$12,217,290 in 2019 and \$11,459,459 in 2018.

1. Summary of Significant Accounting Policies

Accounting Standards Adoption

During 2019, *FIRST* adopted Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958) and retrospectively applied to the 2018 financial statements and related notes, which were relabeled or reclassified to conform with the ASU. The adoption of FASB ASU No. 2016-14 did not impact *FIRST*'s 2018 financial position or net assets.

Under FASB ASU No. 2016-14:

- The previous three category classification of net assets is replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Unrestricted net assets are now called "net assets without donor restrictions".

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

Notes to Financial Statements

June 30, 2019 and 2018

- New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements.
- Both natural and functional classifications of expenses are reported in the same place; as such, statements of functional expenses are now included in the financial statements.

New or revised disclosures in the financial statement are Note 1 - Financial Statement Basis of Presentation, Note 2 - Liquidity and Availability of Financial Assets and the addition of statements of functional expenses for the years ended June 30, 2019 and 2018.

Financial Statement Basis of Presentation

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

FIRST reports information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of *FIRST*. These net assets may be used at the discretion of *FIRST*'s management and the Board of Trustees.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of *FIRST* or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Recently Issued Accounting Pronouncement

In July 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was issued to clarify and improve the accounting guidance for contributions received and contributions made and is effective for annual periods beginning after December 15, 2018. *FIRST* is evaluating the impact FASB ASU No. 2018-08 will have on its financial statements and disclosures.

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

Notes to Financial Statements

June 30, 2019 and 2018

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.

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 and cash equivalents 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 four to twelve 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 net realizable value.

Property and Equipment

Property and equipment is stated at cost on the date acquired. 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 three-year expected life using the straight-line method.

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

Notes to Financial Statements

June 30, 2019 and 2018

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, Contributions and Promises to Give

Registration fees are recognized when earned, which is within the time period covered by the event or program. 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 in net assets with donor restrictions. *FIRST* has received no contributions with donor restrictions that are perpetual in nature.

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.

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

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time and space utilized for the related services.

Federal Grant Revenues

FIRST receives federal grant awards for various programs. Revenue without donor restrictions is recognized as the award expenditures are incurred for awards received and expended in the same year. Revenue with donor restrictions - temporary in nature is recognized upon receipt of notice of the award for those extending beyond year end. Total federal grant revenues recognized during the years ended June 30, 2019 and 2018 were \$4,421,340 and \$4,432,595, respectively. A portion of the federal grants receivable is contingent upon continued funding within the federal budget.

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

Notes to Financial Statements

June 30, 2019 and 2018

In-Kind Contributions

Contributions of services are recognized at fair value 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 at fair value 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 20,100,000 hours in 2019 and 17,650,000 hours in 2018, 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 2019 and 2018, *FIRST* recorded the value of contributed program supplies, competition venues, and services in the financial statements as follows:

	<u>2019</u>	<u>2018</u>
Unrestricted contributions included in program expenses		
FRC, including shipping services in the amount of \$911,000 in 2019 and \$702,000 in 2018	\$ 8,430,766	\$ 6,582,280
FLL	256,910	278,283
FTC	<u>8,800</u>	<u>18,058</u>
Total included in program expenses	8,696,476	6,878,621
Unrestricted contributions included in general, administrative and supporting services	240,520	52,419
Restricted contributions - temporary in nature - recorded as program supplies received and limited to use in a future period (included in prepaid expenses and other assets)	<u>235,704</u>	<u>239,310</u>
Total	<u>\$ 9,172,700</u>	<u>\$ 7,170,350</u>

Subsequent Events

FIRST management has considered transactions or events occurring through September 23, 2019, 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, 2019 and 2018

2. Liquidity and Availability of Financial Assets

FIRST regularly monitors liquidity required to meet its operating needs and other contractual commitments. *FIRST*'s sources of liquidity include cash and short-term investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, *FIRST* considers all expenditures related to its ongoing activities, and general and administrative services undertaken to support those ongoing activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, *FIRST* operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources.

At June 30, the following financial assets could readily be available within one year of the statement of financial position date to meet general expenditures:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 27,748,958	\$ 24,324,389
Accounts receivable	3,029,676	2,542,898
Short-term investments	12,000,000	9,740,000
Current portion of pledges and nonfederal grants receivable	6,173,779	4,888,398
Federal grants receivable	<u>941,731</u>	<u>586,060</u>
Total financial assets	49,894,144	42,081,745
Assets with restrictions		
Donor-restricted net assets not available within one year - temporary in nature	<u>(4,975,867)</u>	<u>(4,650,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 44,918,277</u>	<u>\$ 37,431,745</u>

3. Pledges and Grants Receivable

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

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 6,173,779	\$ 4,888,398
Due between one and three years	<u>2,437,010</u>	<u>4,618,309</u>
	<u>\$ 8,610,789</u>	<u>\$ 9,506,707</u>

Federal grants receivable are due within one year.

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

Notes to Financial Statements

June 30, 2019 and 2018

4. 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 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, Inc. ("SEE"), a not-for-profit museum started by the Founder. A *FIRST* Co-Chair of the Board of Directors is also a member 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.

5. Discretionary Defined Contribution Plan

FIRST maintains a discretionary defined 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 2019 and 2018, *FIRST* contributed a total of \$565,155 and \$502,657, respectively, to the Plan.

6. Net Assets with Donor Restrictions - Temporary in Nature

Net assets with donor restrictions - temporary in nature are available for the following purposes and periods:

	<u>2019</u>	<u>2018</u>
Program activities and events		
FRC	\$ 4,548,187	\$ 3,017,816
FLL and FLL Jr.	1,467,224	1,301,888
FTC	345,274	472,717
Program, during future periods as directed by donors or determined by management	15,132,785	13,262,939
Management and general	346,400	155,800
The Bart Kamen Memorial <i>FIRST</i> Scholarship Fund	<u>1,538,367</u>	<u>1,649,318</u>
	<u>\$ 23,378,237</u>	<u>\$ -</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*.