

FIRST NORTH CAROLINA

2019 Audited Financial Statements

AUDITED FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

FIRST North Carolina

2019 Board of Directors

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CONTENTS

| | |
|---|--------|
| INDEPENDENT AUDITORS' REPORT..... | Page 2 |
| FINANCIAL STATEMENTS: | |
| Statements of Financial Position | 4 |
| Statements of Activities | 5 |
| Statements of Functional Expenses | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 |

INDEPENDENT AUDITORS' REPORT

October 22, 2019

The Board of Directors
FIRST North Carolina
Greensboro, North Carolina

We have audited the accompanying financial statements of FIRST North Carolina (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditors' 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 auditors consider 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
FIRST North Carolina

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FIRST North Carolina as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited FIRST North Carolina 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

William Cole & Moyer, LLP

Certified Public Accountants
Greensboro, North Carolina
October 22, 2019

FIRST NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 219,575 | \$ 193,081 |
| Sales tax receivable | <u>3,154</u> | <u>2,228</u> |
| Total current assets | 222,729 | 195,309 |
| Property and equipment - net | <u>29,362</u> | <u>37,492</u> |
| Total assets | <u>\$ 252,091</u> | <u>\$ 232,801</u> |
| Liabilities | | |
| Current liabilities: | | |
| Deferred revenue | <u>\$ 8,421</u> | <u>\$ 2,944</u> |
| Total current liabilities | <u>8,421</u> | <u>2,944</u> |
| Net Assets | | |
| Without donor restrictions | 153,224 | 136,388 |
| With donor restrictions | <u>90,446</u> | <u>93,469</u> |
| Total net assets | <u>243,670</u> | <u>229,857</u> |
| Total liabilities and net assets | <u>\$ 252,091</u> | <u>\$ 232,801</u> |

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

FIRST NORTH CAROLINA
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2019 and 2018

| | Without Donor Restrictions | With Donor Restrictions | 2019 | 2018 |
|---|-------------------------------|----------------------------|-------------------|--------------------|
| Revenue | | | | |
| Individual contributions | \$ 28,941 | \$ - | \$ 28,941 | \$ 13,982 |
| Corporate contributions | 264,148 | 25,000 | 289,148 | 215,110 |
| Team grants | 1,300 | 119,916 | 121,216 | 175,813 |
| Foundation grants | 60,000 | - | 60,000 | 12,500 |
| Non profit organizations | 74,687 | - | 74,687 | 82,051 |
| Event income | 8,368 | - | 8,368 | 12,477 |
| Fundraising | 12,711 | - | 12,711 | 9,195 |
| In-kind donations | 86,387 | - | 86,387 | 82,300 |
| Miscellaneous income | 85 | - | 85 | 638 |
| Net assets released from restrictions | <u>147,939</u> | <u>(147,939)</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>684,566</u> | <u>(3,023)</u> | <u>681,543</u> | <u>604,066</u> |
| Expenses | | | | |
| Program services | 608,629 | - | 608,629 | 560,092 |
| Management and general | 30,775 | - | 30,775 | 35,381 |
| Fundraising | <u>27,787</u> | <u>-</u> | <u>27,787</u> | <u>19,139</u> |
| Total expenses | <u>667,191</u> | <u>-</u> | <u>667,191</u> | <u>614,612</u> |
| Loss on disposal of property and equipment | <u>539</u> | <u>-</u> | <u>539</u> | <u>-</u> |
| Increase (decrease) in net assets | <u>\$ 16,836</u> | <u>\$ (3,023)</u> | <u>\$ 13,813</u> | <u>\$ (10,546)</u> |
| Net assets - beginning of year | 136,388 | 93,469 | 229,857 | 160,403 |
| Prior period adjustment | <u>-</u> | <u>-</u> | <u>-</u> | <u>80,000</u> |
| Net assets - beginning of year restated | <u>136,388</u> | <u>93,469</u> | <u>229,857</u> | <u>240,403</u> |
| Net assets - end of year | <u>\$ 153,224</u> | <u>\$ 90,446</u> | <u>\$ 243,670</u> | <u>\$ 229,857</u> |

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

FIRST NORTH CAROLINA
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2019 and 2018

| | <u>Supporting Services</u> | | | <u>2019</u> | <u>2018</u> |
|----------------------------|----------------------------|-------------------------------|--------------------|-------------------|-------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | | |
| Administrative expenses | \$ 26,551 | \$ 2,948 | \$ 3,035 | \$ 32,534 | \$ 34,648 |
| Capital equipment | - | - | - | - | 570 |
| Contract services | 11,703 | - | - | 11,703 | 5,026 |
| Depreciation | 7,316 | - | - | 7,316 | 7,316 |
| Fundraising | - | - | 3,763 | 3,763 | 2,761 |
| In-kind donations | 69,110 | 17,277 | - | 86,387 | 82,300 |
| Personnel | 145,550 | 10,550 | 20,989 | 177,089 | 145,952 |
| Programs | 166,056 | - | - | 166,056 | 150,802 |
| Team re-grants and support | 175,354 | - | - | 175,354 | 179,764 |
| Volunteers | <u>6,989</u> | <u>-</u> | <u>-</u> | <u>6,989</u> | <u>5,473</u> |
| Total expenses | <u>\$ 608,629</u> | <u>\$ 30,775</u> | <u>\$ 27,787</u> | <u>\$ 667,191</u> | <u>\$ 614,612</u> |

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

FIRST NORTH CAROLINA
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|------------|-------------|
| Cash Flows From Operating Activities | | |
| Increase (decrease) in net assets | \$ 13,813 | \$ (10,546) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 7,316 | 7,316 |
| Loss on disposal of property and equipment | 539 | - |
| Sales tax receivable | (926) | 4,711 |
| Deferred revenue | 5,477 | 1,195 |
| Net cash provided by operating activities | 26,219 | 2,676 |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of property and equipment | 275 | - |
| Net cash provided by investing activities | 275 | - |
| Net increase in cash | 26,494 | 2,676 |
| Cash - beginning of year | 193,081 | 190,405 |
| Cash - ending of year | \$ 219,575 | \$ 193,081 |

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

**FIRST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**
June 30, 2019 and 2018

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of organization - FIRST North Carolina ("the Organization") was established in North Carolina on November 5, 2012. The Organization's purpose is to expose students to the excitement of science, technology, engineering, and math so as to help prepare the workforce for the technically advanced workplace of the future.

Comparative financial information - The accompanying financial statement include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of accounting estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect reported amounts of 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 cash balances and highly liquid investments with an original maturity date of three months or less.

Property and equipment - Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation less accumulated depreciation and include expenditures for major betterments and renewals. The Organization's capitalization threshold is \$5,000. Maintenance, repairs and minor renewals are expensed as incurred.

Depreciation - The cost of property and equipment is depreciated over the assets' estimated useful lives using the straight-line method. Depreciation expense was \$7,316 for the years ended June 30, 2019 and 2018.

Contributed Services - Donated materials and services are reflected in the financial statements only if an objective basis is available to measure the value of such materials and services. Volunteers donated hours to the Organization's operations and program services for the years ended June 30, 2019 and 2018, the value of which cannot be objectively determined.

Net assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished) in the year in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When the restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**FIRST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**
June 30, 2019 and 2018

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Deferred revenue - Event fees in the amount of \$8,421 and \$2,944 were collected during the years ended June 30, 2019 and 2018, respectively, for events that occur subsequent to the year-end noted.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Change in accounting principle - On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 2: Property and Equipment

The following is a summary of costs and accumulated depreciation:

| | 2019 | 2018 |
|-------------------------------|-----------|-----------|
| Mobile machine shop | \$ 24,756 | \$ 26,209 |
| Competition materials | 32,868 | 32,868 |
| | 57,624 | 59,077 |
| Less accumulated depreciation | 28,262 | 21,585 |
| | \$ 29,362 | \$ 37,492 |

Note 3: Available Resources and Liquidity

The following reflects the Organization's financial assets as of year-end, reduced by amounts not available for general use due to donor-imposed restrictions.

| | 2019 | 2018 |
|---|------------|------------|
| Cash | \$ 219,575 | \$ 193,081 |
| Less net assets with donor restrictions | 90,446 | 93,469 |
| Financial assets available | \$ 129,129 | \$ 99,612 |

The Organization routinely receives support from various donors that is more than sufficient to fund operating expenses. Furthermore, management and the Board routinely monitor support through review of the annual budget.

**FIRST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**
June 30, 2019 and 2018

Note 4: Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

| | 2019 | 2018 |
|-------------------|-----------|-----------|
| Team Re-Grants | \$ 5,446 | \$ 1,469 |
| Duke Energy grant | 85,000 | 92,000 |
| | \$ 90,446 | \$ 93,469 |

Note 5: Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of Internal Revenue Code and is also exempt from North Carolina income tax. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. The Organization has determined that it does not have any material unrecognized tax benefits or obligations and believes that they are no longer subject to income tax examinations for years prior to June 30, 2016.

Note 6: Lease Commitments

A nonprofit organization provides office space on a month-to-month basis for the Organization totaling \$6,600 for the years ended June 30, 2019 and 2018. These amounts are reflected as in-kind donations in the financial statements.

Note 7: Matching IRA Contribution

The Organization allows employees to obtain an IRA plan in which they will match the contributions made by the employees. The Organization provided a matching contribution for the years ended June 30, 2019 and 2018 of \$3,744 and \$3,250, respectively.

Note 8: Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative, in-kind and personnel expenses, which are allocated on the basis of estimates of time and effort.

Note 9: Prior Period Adjustment

During the year ended June 30, 2017, team grant funds received of \$80,000, representing program support for the year ending June 30, 2018, was recorded as a deferred revenue liability. These financial statements have been restated to reflect an adjustment to account for donor restricted grants, for future period program expenses, as revenue and net assets with donor restrictions. Consequently, a prior period adjustment has been made which increases net assets by \$80,000 as of July 1, 2017 and increases revenue by \$10,000 for the year ended June 30, 2018.

FIRST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Note 10: Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2019 and October 22, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.