

FIRST NORTH CAROLINA

2020 Audited Financial Statements

For the Years Ended June 30, 2020 and 2019

FIRST North Carolina

2020 Board of Directors

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Chris Widmann	Immediate Past Chair
Melissa Wittner	Chair-Elect
Deborah Porto	Treasurer
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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 15, 2020

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statement in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Dillion Bell Moore LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants
Greensboro, North Carolina
October 15, 2020

FIRST NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 342,878	\$ 219,575
Prepaid expenses	5,278	-
Sales tax receivable	<u>5,208</u>	<u>3,154</u>
Total current assets	353,364	222,729
Property and equipment - net	<u>22,191</u>	<u>29,362</u>
Total assets	<u><u>\$ 375,555</u></u>	<u><u>\$ 252,091</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 8,000	\$ -
SBA Paycheck Protection Program loan	39,500	-
Deferred revenue	<u>-</u>	<u>8,421</u>
Total current liabilities	<u>47,500</u>	<u>8,421</u>
Net Assets		
Without donor restrictions	237,437	153,224
With donor restrictions	<u>90,618</u>	<u>90,446</u>
Total net assets	<u>328,055</u>	<u>243,670</u>
Total liabilities and net assets	<u><u>\$ 375,555</u></u>	<u><u>\$ 252,091</u></u>

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

FIRST NORTH CAROLINA
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenue				
Individual contributions	\$ 28,890	\$ -	\$ 28,890	\$ 28,941
Corporate contributions	267,197	30,000	297,197	289,148
Team grants	1,162	100,935	102,097	121,216
Foundation grants	-	-	-	60,000
Nonprofit organizations	90,387	68,960	159,347	74,687
Event income	20,770	-	20,770	8,368
Fundraising	13,234	-	13,234	12,711
In-kind donations	55,325	-	55,325	86,387
Miscellaneous income	1,922	-	1,922	85
Net assets released from restrictions	199,723	(199,723)	-	-
Total revenue	678,610	172	678,782	681,543
Expenses				
Program services	554,820	-	554,820	608,629
Management and general	22,048	-	22,048	30,775
Fundraising	17,529	-	17,529	27,787
Total expenses	594,397	-	594,397	667,191
Loss on disposal of property and equipment	-	-	-	539
Increase in net assets	\$ 84,213	\$ 172	\$ 84,385	\$ 13,813
Net assets - beginning of year	153,224	90,446	243,670	229,857
Net assets - end of year	\$ 237,437	\$ 90,618	\$ 328,055	\$ 243,670

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

FIRST NORTH CAROLINA
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2020 and 2019

	<u>Supporting Services</u>				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020</u>	<u>2019</u>
Administrative expenses	\$ 30,061	\$ 2,308	\$ 3,446	\$ 35,815	\$ 32,534
Contract services	8,796	-	-	8,796	11,703
Depreciation	7,171	-	-	7,171	7,316
Fundraising	-	-	3,944	3,944	3,763
In-kind donations	46,517	7,573	-	54,090	86,387
Personnel	180,478	12,167	10,139	202,784	177,089
Programs	160,249	-	-	160,249	166,056
Team re-grants and support	112,774	-	-	112,774	175,354
Volunteers	<u>8,774</u>	<u>-</u>	<u>-</u>	<u>8,774</u>	<u>6,989</u>
Total expenses	<u>\$ 554,820</u>	<u>\$ 22,048</u>	<u>\$ 17,529</u>	<u>\$ 594,397</u>	<u>\$ 667,191</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 84,385	\$ 13,813
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	7,171	7,316
Loss on disposal of property and equipment	-	539
Prepaid expenses	(5,278)	-
Sales tax receivable	(2,054)	(926)
Accounts payable	8,000	-
Deferred revenue	<u>(8,421)</u>	<u>5,477</u>
Net cash provided by operating activities	<u>83,803</u>	<u>26,219</u>
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	<u>-</u>	<u>275</u>
Net cash provided by investing activities	<u>-</u>	<u>275</u>
Cash Flows From Financing Activities		
Proceeds from SBA Paycheck Protection Program loan	<u>39,500</u>	<u>-</u>
Net cash provided by financing activities	<u>39,500</u>	<u>-</u>
Net increase in cash	123,303	26,494
Cash - beginning of year	<u>219,575</u>	<u>193,081</u>
Cash - ending of year	<u>\$ 342,878</u>	<u>\$ 219,575</u>

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

FIRST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2019, 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. Periodically during the year, the Organization may have credit risk exposure resulting from balances in excess of federally insured limits of \$250,000.

Property and equipment - Property and equipment are recorded at cost less accumulated depreciation 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 \$7,171 and \$7,316 for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019, 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.

FIRST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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

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) when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. 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.

Deferred revenue - Event fees in the amount of \$0 and \$8,421 were collected during the years ended June 30, 2020 and 2019, 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.

Note 2: Property and Equipment

The following is a summary of costs and accumulated depreciation:

	<u>2020</u>	<u>2019</u>
Mobile machine shop	\$ 24,756	\$ 24,756
Competition materials	<u>32,868</u>	<u>32,868</u>
	57,624	57,624
Less accumulated depreciation	<u>35,433</u>	<u>28,262</u>
	<u>\$ 22,191</u>	<u>\$ 29,362</u>

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.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 342,878	\$ 219,575
Less net assets with donor restrictions	<u>90,618</u>	<u>90,446</u>
Financial assets available	<u>\$ 252,260</u>	<u>\$ 129,129</u>

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, 2020 and 2019

Note 4: Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Team Re-Grants	\$ 4,635	\$ 5,446
Argosy grant	5,983	-
Duke Energy grant	<u>80,000</u>	<u>85,000</u>
	<u>\$ 90,618</u>	<u>\$ 90,446</u>

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, 2017.

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, 2020 and 2019. 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, 2020 and 2019 of \$3,491 and \$3,744, 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: SBA Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was passed into law. One of the provisions of this law is the Paycheck Protection Program ("PPP"), which provides loans from the Small Business Administration ("SBA") for Organization payroll and other, qualifying business expenses. If certain requirements are met, these loans can be forgiven.

In April 2020, the Organization received an SBA PPP loan totaling \$39,500 with an interest rate of 1% and a scheduled maturity of April 2022. Management expects the full amount of the loan to be forgiven. Management has elected to record the loan as debt despite the use of proceeds for qualifying expenses and expected forgiveness for the aforementioned amount. The PPP loan will not be recorded as income until the Organization is released from repayment and the loan is legally forgiven.

FIRST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

Note 10: Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2020 and October 15, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. Negative financial impact could occur though such potential impact is unknown at this time.