

FIRST North Carolina

Financial Statements

June 30, 2023 and 2022

FIRST North Carolina

2023 Board of Directors

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Laura Schoppe	Board Co-Chair
Merwan Mehta	Secretary
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Independent Auditors' Report

The Board of Directors
FIRST North Carolina
Greensboro, North Carolina

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FIRST North Carolina and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FIRST North Carolina's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FIRST North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FIRST North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited FIRST North Carolina's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gillian Bell Mosen LLP

Certified Public Accountants
Greensboro, North Carolina
November 10, 2023

FIRST North Carolina
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 457,824	\$ 444,360
Prepaid expenses	3,834	3,600
Sales tax receivable	9,000	3,644
	<hr/>	<hr/>
Total current assets	470,658	451,604
Operating lease right of use asset - net	55,894	-
Property and equipment - net	25,516	33,033
	<hr/>	<hr/>
Total assets	<u><u>\$ 552,068</u></u>	<u><u>\$ 484,637</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 21,158	\$ 5,000
Accrued expenses	300	-
Current portion of operating lease liability	28,747	-
	<hr/>	<hr/>
Total current liabilities	50,205	5,000
Operating lease liabilities	27,147	-
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Total liabilities	77,352	5,000
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	439,646	349,430
With donor restrictions	35,070	130,207
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Total net assets	474,716	479,637
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Total liabilities and net assets	<u><u>\$ 552,068</u></u>	<u><u>\$ 484,637</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, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenue				
Individual contributions	\$ 75,362	\$ -	\$ 75,362	\$ 26,694
Corporate contributions	329,213	-	329,213	351,191
Team grants	-	29,738	29,738	61,408
Government grants	243,839	-	243,839	176,369
Foundation grants	200,000	-	200,000	107,000
Nonprofit organizations	223,800	-	223,800	120,311
Event income	25,598	-	25,598	8,810
Fundraising	8,817	-	8,817	10,267
In-kind donations	60,000	-	60,000	68,200
Miscellaneous income	19,405	-	19,405	156
Professional development	72,388	-	72,388	16,250
Net assets released from restrictions	124,875	(124,875)	-	-
Total revenue	1,383,297	(95,137)	1,288,160	946,656
Expenses				
Program services	1,237,307	-	1,237,307	909,435
Management and general	25,906	-	25,906	20,792
Fundraising	29,868	-	29,868	17,209
Total expenses	1,293,081	-	1,293,081	947,436
Increase (decrease) in net assets	\$ 90,216	\$ (95,137)	\$ (4,921)	\$ (780)
Net assets - beginning	349,430	130,207	479,637	480,417
Net assets - ending	<u>\$ 439,646</u>	<u>\$ 35,070</u>	<u>\$ 474,716</u>	<u>\$ 479,637</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, 2023 and 2022

		Supporting Services			
	Program Services	Management and General	Fundraising	2023	2022
Administrative expenses	\$ 66,106	\$ 5,640	\$ 5,438	\$ 77,184	\$ 36,977
Contract services	58,846	-	-	58,846	39,437
Depreciation	7,517	-	-	7,517	7,171
Fundraising	-	-	12,042	12,042	4,326
In-kind donations	54,600	5,400	-	60,000	68,200
Personnel	220,507	14,866	12,388	247,761	198,660
Programs	671,508	-	-	671,508	400,244
Team re-grants and support	156,619	-	-	156,619	192,207
Volunteers	1,604	-	-	1,604	214
Total expenses	<u>\$ 1,237,307</u>	<u>\$ 25,906</u>	<u>\$ 29,868</u>	<u>\$ 1,293,081</u>	<u>\$ 947,436</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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Decrease in net assets	\$ (4,921)	\$ (780)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	7,517	7,171
Amortization of operating lease right of use assets	27,868	-
Changes in operating assets and liabilities:		
Prepaid expenses	(234)	1,678
Sales tax receivable	(5,356)	(2,669)
Accounts payable	16,158	5,000
Accrued expenses	300	-
Operating lease liabilities	(27,868)	-
Net cash provided by operating activities	13,464	10,400
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(25,184)
Net cash used in investing activities	-	(25,184)
Net increase (decrease) in cash	13,464	(14,784)
Cash and cash equivalents - beginning	444,360	459,144
Cash and cash equivalents - ending	<u>\$ 457,824</u>	<u>\$ 444,360</u>

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

FIRST North Carolina
Notes To Financial Statements
June 30, 2023 and 2022

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 05, 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, 2022, 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 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. 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 \$7,517 and \$7,171 for the years ended June 30, 2023 and 2022, respectively.

Leases - All leases with a lease term greater than 12 months, regardless of lease type classification, are recorded as an obligation on the balance sheet with a corresponding right of use asset. Both finance and operating leases are reflected as liabilities on the commencement date of the lease based on the present value of the lease payments to be made over the lease term. Right of use assets are valued at the initial measurement of the lease liability, plus any initial direct costs or rent prepayments, minus lease incentives and any deferred lease payments. The classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organization has elected to use the short-term lease recognition exemption for all asset classes. This means that for leases that qualify, the Organization will not recognize right of use assets or lease liabilities. The Organization has also elected the practical expedient to use the risk-free rate when the implicit rate is unknown and undeterminable.

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, 2023 and 2022, the value of which cannot be objectively determined.

FIRST North Carolina
Notes To Financial Statements
June 30, 2023 and 2022

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

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) 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.

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.

Revenue recognition - Program revenue reflects contracts where performance obligations represent support provided by FIRST North Carolina to other non-profits and educators. The Organization recognizes revenue over time as services (inputs) are provided in the period in which the services are rendered. The Organization deems the use of this input method to be a faithful depiction of the transfer of services over the performance obligation period.

The Organization determines the transaction price based on its established contract for providing services.

Recently adopted accounting standard - In February 2016, the FASB amended ASC 842, Leases (issued under ASU 2016-02). This amendment requires the recognition of lease assets and lease liabilities on the balance sheet for most lessees under arrangements classified as operating leases. The Organization applied the modified retrospective transition method and elected the transition option to use the effective date of July 01, 2022, as the date of the initial application. Comparative periods were not adjusted and are presented in accordance with lease guidance in effect for that period. The Organization elected the package of practical expedients, which includes not reassessing whether existing contracts contain leases under the new definition of a lease, reassessing the classification of existing leases, and reassessing whether previously capitalized initial direct costs qualify for capitalization under the new standard. The Organization elected separate practical expedients to not separate lease and non-lease components, to not record leases with initial terms of 12 months or less on the balance sheet, and to use the risk-free discount rate to determine the initial lease liability. The adoption of ASU 2016-02 resulted in recognition of a right-of-use (ROU) asset and lease liability totaling \$83,762 as of July 01, 2022.

FIRST North Carolina
Notes To Financial Statements
June 30, 2023 and 2022

Note 2: 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.

	2023	2022
Cash and cash equivalents	\$ 457,824	\$ 444,360
Less net assets with donor restrictions	<u>35,070</u>	<u>130,207</u>
Financial assets available	<u>\$ 422,754</u>	<u>\$ 314,153</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.

Note 3: Property and Equipment

The following is a summary of costs and accumulated depreciation:

	2023	2022
Mobile machine shop	\$ 24,756	\$ 24,756
Competition materials	<u>58,052</u>	<u>58,052</u>
Total property and equipment	82,808	82,808
Less accumulated depreciation	<u>57,292</u>	<u>49,775</u>
Property and equipment - net	<u>\$ 25,516</u>	<u>\$ 33,033</u>

Note 4: Leases

The Organization has contractual obligations as lessee with respect to its offices. The lease agreement has a three-year term expiring in May 2025 and qualifies as an operating lease under provisions of ASC 842. Monthly rent under the agreement is \$2,500 per month and is subject to annual escalation of 2.5%. The agreement provides the Organization with an option to extend the term for two additional terms of one year each.

The Organization also incurs rent expense for space and equipment to support competition events. All such agreements are short-term in nature. No right of use asset or lease liability has been recognized for these agreements.

Supplemental balance sheet information for this operating lease:

Operating lease right of use assets	\$ 83,762
Less accumulated amortization	<u>27,868</u>
Operating lease right of use assets – net	<u>\$ 55,894</u>

FIRST North Carolina
Notes To Financial Statements
June 30, 2023 and 2022

Note 4: Leases (continued)

Operating lease liabilities	\$ 55,894
Less current portion of operating lease liabilities	<u>28,747</u>
Long-term operating lease liabilities	<u>\$ 27,147</u>
Future maturities of lease liabilities:	
2024	\$ 30,000
2025	<u>30,000</u>
Total future commitments	60,000
Less amount representing interest	<u>4,106</u>
Total lease liabilities	<u>\$ 55,894</u>
Operating lease expense	\$ 30,000
Rent expense for short-term leases	<u>81,595</u>
Total lease expense included in programs expense	<u>\$ 111,595</u>
Supplemental cash flow information:	
Cash paid for lease liabilities:	
Operating cash flows from operating leases	\$ 30,000
Right of use assets obtained under:	
Operating leases	\$ 83,762
Weighted average information:	
Weighted average remaining lease term (in years)	2.00
Weighted average discount rate	3.11%
Under provisions of ASC 840, the Organization recognized \$21,895 of rent expense for the year ended June 30, 2022.	
Future minimum lease payments as of June 30, 2022 were as follows:	
2023	\$ 30,000
2024	30,000
2025	25,000

FIRST North Carolina
Notes To Financial Statements
June 30, 2023 and 2022

Note 5: Net Assets with Donor Restrictions

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

	2023	2022
Team Re-grants	\$ 8,933	\$ 13,656
Duke Energy	-	55,000
Argosy grant for Inspiring Black Youth	26,137	61,551
Total net assets with donor restrictions	<u>\$ 35,070</u>	<u>\$ 130,207</u>

Note 6: Tax Exempt Organization

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. Therefore, no income taxes are reflected in the accompanying financial statements. Management is unaware of any uncertain tax position in the financial statements that would jeopardize the Organization's tax-exempt status or otherwise requires disclosure.

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, 2023 and 2022 of \$4,610 and \$3,970, 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: Concentrations

The Organization did not have support revenue concentrations for the year ended June 30, 2023. One donor accounted for approximately 20% of total support revenue for the Organization for the year ended June 30, 2022.

Note 10: Employee Retention Credit

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law. CARES was intended to provide economic relief and emergency assistance for individuals, families and businesses adversely affected by COVID-19. One of several benefits provided under CARES was the Employee Retention Credit ("ERC"). The ERC is a refundable payroll tax credit for taxpayers who experienced either a full or partial suspension of business operations due to government orders or had a significant drop in gross receipts during 2020 and 2021. The Organization determined it was eligible for the credit and filed amended payroll tax forms in order to claim the credit. Under provisions of ASC 958-605, the Organization has reported the ERC as a government grant whose donor-imposed restrictions were met. Income of \$27,075 was recognized during the year ended June 30, 2023 from the ERC, consisting of \$25,811 for the government grant and \$1,264 of interest income. The IRS retains audit rights for five years from the date the amended payroll tax forms were filed.

FIRST North Carolina
Notes To Financial Statements
June 30, 2023 and 2022

Note 11: Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2023 and November 10, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.