



FIRST

FOR INSPIRATION AND RECOGNITION OF SCIENCE AND TECHNOLOGY

FINANCIAL STATEMENTS

June 30, 2011 and 2010

With Independent Auditors' Report



**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Years Ended June 30, 2011 and 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 10

INDEPENDENT AUDITORS' REPORT

Board of Directors
United States Foundation for Inspiration and
Recognition of Science and Technology

We have audited the accompanying statements of financial position of United States Foundation for Inspiration and Recognition of Science and Technology ("*FIRST*[®]") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of *FIRST*. 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. Those 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *FIRST* at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
September 29, 2011

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Statements of Financial Position

June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 10,937,861	\$ 8,616,907
Accounts receivable, net of allowance for doubtful accounts of \$45,000 at June 30, 2010	193,627	223,942
Short-term investments	6,559,528	7,046,728
Current portion of pledges and nonfederal grants receivable	5,543,780	4,478,125
Federal grants receivable	583,997	35,000
Prepaid expenses and other assets	<u>1,263,886</u>	<u>1,004,040</u>
Total current assets	<u>25,082,679</u>	<u>21,404,742</u>
 Pledges and nonfederal grants receivable, excluding current portion	 <u>598,000</u>	 <u>2,201,000</u>
 Property and equipment		
Land, building, and improvements	5,659,948	5,647,162
Equipment	1,716,517	1,503,773
Furniture and fixtures	306,659	254,666
Software	<u>388,815</u>	<u>369,102</u>
	8,071,939	7,774,703
Less accumulated depreciation	<u>4,492,927</u>	<u>3,995,368</u>
Net property and equipment	<u>3,579,012</u>	<u>3,779,335</u>
 Total assets	 <u>\$ 29,259,691</u>	 <u>\$ 27,385,077</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 1,707,847	\$ 861,741
Deferred revenue and other credits	307,201	110,607
Refundable advances	<u>2,000,000</u>	<u>2,000,000</u>
Total liabilities	<u>4,015,048</u>	<u>2,972,348</u>
 Contingency (Note 4)		
 Net assets		
Unrestricted	14,547,673	13,201,050
Temporarily restricted for programs	<u>10,696,970</u>	<u>11,211,679</u>
Total net assets	<u>25,244,643</u>	<u>24,412,729</u>
 Total liabilities and net assets	 <u>\$ 29,259,691</u>	 <u>\$ 27,385,077</u>

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

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Statements of Activities

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets		
Revenues and other support		
Program registration fees	\$ 14,074,525	\$ 14,843,617
Contributions and grants	15,615,389	14,976,448
Rental income, net of expenses of \$464,301 in 2011 and \$401,724 in 2010	158,845	195,152
Other income	429,425	609,300
Special project, net of expenses of \$889,145 in 2011	25,017	-
Net assets released from restrictions	<u>11,007,189</u>	<u>4,347,633</u>
Total revenues and other support	<u>41,310,390</u>	<u>34,972,150</u>
Expenses		
FIRST® Robotics Competition ("FRC®")	29,310,219	23,313,034
FIRST® LEGO® League ("FLL®") and Junior FIRST® LEGO® League ("Jr.FLL®")	3,989,305	3,835,473
FIRST® Tech Challenge ("FTC®")	1,301,130	1,132,089
FIRST® Place™ ("FP")	110,022	89,192
General, administrative and supporting services	4,677,870	3,893,127
Operation of building	192,786	211,576
Depreciation	382,435	386,744
Total expenses	<u>39,963,767</u>	<u>32,861,235</u>
Operating surplus / change in unrestricted net assets	<u>1,346,623</u>	<u>2,110,915</u>
Changes in temporarily restricted net assets		
Contributions and grants	10,492,480	7,331,164
Net assets released from restrictions	<u>(11,007,189)</u>	<u>(4,347,633)</u>
Change in temporarily restricted net assets	<u>(514,709)</u>	<u>2,983,531</u>
Total change in net assets	831,914	5,094,446
Net assets, beginning of year	<u>24,412,729</u>	<u>19,318,283</u>
Net assets, end of year	<u>\$ 25,244,643</u>	<u>\$ 24,412,729</u>

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

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 831,914	\$ 5,094,446
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	497,559	502,644
Changes in operating assets and liabilities		
Accounts, pledges and grants receivable	18,663	(356,372)
Prepaid expenses and other assets	(259,846)	199,409
Accounts payable and accrued expenses	846,106	(9,256)
Deferred revenue and other credits	<u>196,594</u>	<u>31,281</u>
Net cash provided by operating activities	<u>2,130,990</u>	<u>5,462,152</u>
Cash flows from investing activities		
Proceeds from the sale or maturity (purchases) of short-term investments, net	487,200	(1,646,728)
Purchases of property and equipment	<u>(297,236)</u>	<u>(147,010)</u>
Net cash provided (used) by investing activities	<u>189,964</u>	<u>(1,793,738)</u>
Net increase in cash and cash equivalents	2,320,954	3,668,414
Cash and cash equivalents, beginning of year	<u>8,616,907</u>	<u>4,948,493</u>
Cash and cash equivalents, end of year	<u>\$ 10,937,861</u>	<u>\$ 8,616,907</u>

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

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Notes to Financial Statements

June 30, 2011 and 2010

Nature of Business (Unaudited)

Founded in 1989, United States Foundation for Inspiration and Recognition of Science and Technology ("*FIRST*®") is a not-for-profit New Hampshire corporation organized to inspire young people's interest and participation in science and technology. *FIRST* designs accessible, innovative programs that build not only science and technology skills and interests, but also self-confidence, leadership, and life skills.

Four core programs provide inspiration to an ascending age range of today's youth. Junior *FIRST* LEGO League ("Jr.FLL") reaches students ages 6 to 9 through a network of web-based Expos. *FIRST* LEGO League ("FLL") reaches over 167,000 students, ages 9 to 16, in 56 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 14 to 18 reaching over 16,000 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 2011, *FIRST* successfully held 49 FRC Regional events involving more than 80,000 students, mentors, and volunteers. In April, the *FIRST* Championship brought together 590 FRC, FTC, FLL and Jr.FLL teams (and their robots) to celebrate and compete simultaneously on six fields in the Edward Jones Dome in St. Louis. 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 a growing number of teams with support for program registration fees, tools and supplies, and event-related costs. Restricted contributions and grants expended on team costs totaled \$5,014,741 in 2011 and \$3,333,319 in 2010.

In addition, *FIRST* derives rental income from leased space in a building received from and subject to a mortgage held by the City of Manchester, New Hampshire for the establishment of museum space for programs and displays for the inspiration and recognition of science and technology.

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.

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Notes to Financial Statements

June 30, 2011 and 2010

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 four to twelve months. Cost approximates market value. Interest income earned on the certificates of deposit is included in other income on the statement of activities.

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.

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.

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Notes to Financial Statements

June 30, 2011 and 2010

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, 2011 and 2010 were \$2,795,381 and \$2,562,359, respectively.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

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 and the contributions are an integral part of *FIRST* activities. *FIRST* receives program supplies and shipping services from a wide variety of organizations.

Tens of thousands of volunteers provide 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.

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Notes to Financial Statements

June 30, 2011 and 2010

During 2011 and 2010, *FIRST* recorded the value of contributed services, competition venues and program supplies in the financial statements as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted contributions recorded as program expenses		
<i>FIRST</i> Robotics Competition ("FRC")	\$ 5,469,293	\$ 3,879,086
<i>FIRST</i> LEGO League ("FLL")	<u>138,630</u>	<u>480,079</u>
Total recorded as program expenses	5,607,923	4,359,165
Temporarily restricted contributions recorded as follows:		
Pledge of program supplies limited to use in a future period (included in pledges and nonfederal grants receivable)	59,500	401,625
Programs supplies received and limited to use in a future period (included in prepaid expenses and other assets)	<u>253,630</u>	<u>232,640</u>
Total	<u>\$ 5,921,053</u>	<u>\$ 4,993,430</u>

Promises to Give

Unconditional promises to give are recorded as pledges receivable and revenue in the fiscal year the pledge is made. Unconditional promises are those for which verifiable evidence exists that a legally binding promise to give has been made. Unconditional promises to give are discounted to the present value of the future cash flows and are recorded at their fair value by estimating uncollectible promises to give. The accretion of the present value discount is recorded as contribution revenue.

Subsequent Events

FIRST management has considered transactions or events occurring through September 29, 2011, which was the date that the financial statements were available to be issued.

Reclassification

Certain amounts in the 2010 financial statements have been reclassified to conform to the current year presentation.

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Notes to Financial Statements

June 30, 2011 and 2010

2. Pledges and Grants Receivable

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

	<u>2011</u>	<u>2010</u>
Due within one year	\$ 5,543,780	\$ 4,478,125
Due between one and three years	<u>598,000</u>	<u>2,201,000</u>
	<u>\$ 6,141,780</u>	<u>\$ 6,679,125</u>

Federal grants receivable are due within one year.

3. Related Party Transactions

FIRST receives facility services and technical support at no charge from an affiliated entity owned by both the Founder and the Vice Chairman and Treasurer of the Board of Directors. In addition, a portion of the *FIRST* building is occupied at no cost by a children's science museum, The SEE Science Center ("SEE"), an entity established by the Founder. The *FIRST* Vice Chairman and Treasurer 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.

4. Refundable Advances

In September 1994, *FIRST* received land, a building and equipment from the City of Manchester, New Hampshire (the "City") for the establishment of museum space for programs and displays for the inspiration and recognition of science and technology. In exchange for the property, *FIRST* issued a mortgage note payable in the amount of \$2,000,000 to the City with a maturity date of September 1, 2013. The terms of the note are such that, if the appropriate portions of the premises are operated at all times as a museum, the note shall be void without recourse. Additionally, if *FIRST* fails to maintain the museum as therein defined, it shall have no liability to pay the indebtedness evidenced by the note; the City's remedies in such case are limited to the mortgaged land and building.

**UNITED STATES FOUNDATION FOR INSPIRATION AND
RECOGNITION OF SCIENCE AND TECHNOLOGY**

Notes to Financial Statements

June 30, 2011 and 2010

5. Rentals

Certain portions of the premises ("non-museum areas") are currently leased to unrelated parties for commercial purposes under operating leases. *FIRST* received approximately \$623,000 and \$597,000 of rental income in 2011 and 2010, respectively. Future minimum lease payments to be received by *FIRST* for the year ending June 30, 2012 total \$533,176.

In addition, certain portions of the premises are leased to unrelated not-for-profit and educational institutions. Rental income consists solely of common maintenance assessments based upon occupied square footage.

6. 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 2011 and 2010, *FIRST* contributed a total of \$176,487 and \$190,345, respectively to the Plan.

7. 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>2011</u>	<u>2010</u>
Programs	\$ 35,175,437	\$ 28,772,602
Management and general	4,090,136	3,187,842
Fundraising and development	<u>698,194</u>	<u>900,791</u>
	<u>\$ 39,963,767</u>	<u>\$ 32,861,235</u>

