

FIRST North Carolina

Financial Statements

June 30, 2024 and 2023

FIRST North Carolina

2024 Board of Directors

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Bart Coan	Board Co-Chair
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Gilliam Bell Moser^{LLP}
we hear you

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 statement of financial position as of June 30, 2024, and the related statement of activities, functional expenses, and cash flows for the year 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, 2024, and the changes in its net assets and its cash flows for the year 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lillian Bell Moore LLP

Certified Public Accountants
Greensboro, North Carolina
November 9, 2024

FIRST North Carolina
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 459,049	\$ 457,824
Prepaid expenses	2,500	3,834
Sales tax receivable	<u>6,788</u>	<u>9,000</u>
Total current assets	468,337	470,658
Operating lease right of use asset - net	27,160	55,894
Property and equipment - net	<u>19,442</u>	<u>25,516</u>
Total assets	<u><u>\$ 514,939</u></u>	<u><u>\$ 552,068</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 27,933	\$ 21,158
Accrued expenses	-	300
Current portion of operating lease liability	<u>27,160</u>	<u>28,747</u>
Total current liabilities	55,093	50,205
Operating lease liabilities	<u>-</u>	<u>27,147</u>
Total liabilities	<u>55,093</u>	<u>77,352</u>
Net Assets		
Without donor restrictions	448,493	439,646
With donor restrictions	<u>11,353</u>	<u>35,070</u>
Total net assets	<u>459,846</u>	<u>474,716</u>
Total liabilities and net assets	<u><u>\$ 514,939</u></u>	<u><u>\$ 552,068</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, 2024 and 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Revenue				
Individual contributions	\$ 56,481	\$ -	\$ 56,481	\$ 75,362
Corporate contributions	434,799	-	434,799	329,213
Team grants	-	154,811	154,811	29,738
Government grants	11,111	-	11,111	243,839
Foundation grants	102,000	-	102,000	200,000
Nonprofit organizations	269,461	-	269,461	223,800
Event income	31,177	-	31,177	25,598
Fundraising	7,559	-	7,559	8,817
In-kind donations	40,000	-	40,000	60,000
Miscellaneous income	10,198	-	10,198	19,405
Professional development	4,200	-	4,200	72,388
Net assets released from restrictions	178,528	(178,528)	-	-
Total revenue	1,145,514	(23,717)	1,121,797	1,288,160
Expenses				
Program services	1,071,830	-	1,071,830	1,237,307
Management and general	19,068	-	19,068	25,906
Fundraising	45,769	-	45,769	29,868
Total expenses	1,136,667	-	1,136,667	1,293,081
Increase (decrease) in net assets	\$ 8,847	\$ (23,717)	\$ (14,870)	\$ (4,921)
Net assets - beginning	439,646	35,070	474,716	479,637
Net assets - ending	\$ 448,493	\$ 11,353	\$ 459,846	\$ 474,716

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

FIRST North Carolina
Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	Program Services	Supporting Services		2024	2023
		Management and General	Fundraising		
Administrative expenses	\$ 34,993	\$ 2,968	\$ 5,602	\$ 43,563	\$ 77,184
Contract services	59,835	-	-	59,835	58,846
Depreciation	6,074	-	-	6,074	7,517
Fundraising	-	-	29,750	29,750	12,042
In-kind donations	36,400	3,600	-	40,000	60,000
Personnel	185,413	12,500	10,417	208,330	247,761
Programs	499,919	-	-	499,919	671,508
Team re-grants and support	246,818	-	-	246,818	156,619
Volunteers	2,378	-	-	2,378	1,604
Total expenses	\$ 1,071,830	\$ 19,068	\$ 45,769	\$ 1,136,667	\$ 1,293,081

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

FIRST North Carolina
Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (14,870)	\$ (4,921)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	6,074	7,517
Amortization of operating lease right of use assets	28,734	27,868
Changes in operating assets and liabilities:		
Prepaid expenses	1,334	(234)
Sales tax receivable	2,212	(5,356)
Accounts payable	6,775	16,158
Accrued expenses	(300)	300
Operating lease liabilities	<u>(28,734)</u>	<u>(27,868)</u>
Net cash provided by operating activities	<u>1,225</u>	<u>13,464</u>
Net increase in cash	1,225	13,464
Cash and cash equivalents - beginning	<u>457,824</u>	<u>444,360</u>
Cash and cash equivalents - ending	<u><u>\$ 459,049</u></u>	<u><u>\$ 457,824</u></u>

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

FIRST North Carolina
Notes To Financial Statements
June 30, 2024 and 2023

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, 2023, 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 reported 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 \$6,074 and \$7,517 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the value of which cannot be objectively determined.

FIRST North Carolina
Notes To Financial Statements
 June 30, 2024 and 2023

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.

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.

	2024	2023
Cash and cash equivalents	\$ 459,049	\$ 457,824
Less net assets with donor restrictions	11,353	35,070
Financial assets available	\$ 447,696	\$ 422,754

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, 2024 and 2023

Note 3: Property and Equipment

The following is a summary of costs and accumulated depreciation:

	<u>2024</u>	<u>2023</u>
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>63,366</u>	<u>57,292</u>
Property and equipment - net	<u><u>\$ 19,442</u></u>	<u><u>\$ 25,516</u></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:

	<u>2024</u>	<u>2023</u>
Operating lease right of use assets	\$ 83,762	\$ 83,762
Less accumulated amortization	<u>56,602</u>	<u>27,868</u>
Operating lease right of use assets – net	<u><u>\$ 27,160</u></u>	<u><u>\$ 55,894</u></u>
Operating lease liabilities	\$ 27,160	\$ 55,894
Less current portion of operating lease liabilities	<u>27,160</u>	<u>28,747</u>
Long-term operating lease liabilities	<u><u>\$ -</u></u>	<u><u>\$ 27,147</u></u>

FIRST North Carolina
Notes To Financial Statements
June 30, 2024 and 2023

Note 4: Leases (continued)

Future maturities of lease liabilities as of June 30, 2024:

2025	\$	30,000
Less amount representing interest		<u>2,840</u>
Total lease liabilities	<u>\$</u>	<u>27,160</u>

Components of lease expense:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 30,000	\$ 30,000
Rent expense for short-term leases	<u>44,029</u>	<u>81,595</u>
Total lease expense included in programs expense	<u>\$ 74,029</u>	<u>\$ 111,595</u>

Supplemental cash flow information:

	<u>2024</u>	<u>2023</u>
Cash paid for lease liabilities:		
Operating cash flows from operating leases	\$ 30,000	\$ 30,000

Right of use assets obtained under:

Operating leases	\$ -	\$ 83,762
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Weighted average information:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (in years)	1.00	2.00
Weighted average discount rate	3.11%	3.11%

Note 5: Net Assets with Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Team Re-grants	\$ 11,353	\$ 8,933
Argosy grant for Inspiring Black Youth	<u>-</u>	<u>26,137</u>
Total net assets with donor restrictions	<u>\$ 11,353</u>	<u>\$ 35,070</u>

FIRST North Carolina
Notes To Financial Statements
June 30, 2024 and 2023

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 matching contributions for the years ended June 30, 2024 and 2023 totaling \$4,460 and \$4,610, 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

One donor accounted for approximately 46% and 30% of total support revenue for the Organization for the years ended June 30, 2024 and 2023, respectively.

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 reduction 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.

Note 11: Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2024 and November 9, 2024 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.