

**WASHINGTON FIRST ROBOTICS
dba FIRST WASHINGTON**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

**WASHINGTON FIRST ROBOTICS
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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

To the Board of Directors
Washington FIRST Robotics
dba FIRST Washington
Kent, Washington

We have audited the accompanying financial statements of Washington FIRST Robotics (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets 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 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 audits. We conducted our audits 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 auditor's 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 auditor considers 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington FIRST Robotics as of June 30, 2018 and 2017, 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.

Shannon & Associates, LLP

Kent, Washington
January 17, 2019

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,914,745	\$ 1,419,982
Promises to give	53,405	148,898
TOTAL CURRENT ASSETS	1,968,150	1,568,880
PROPERTY AND EQUIPMENT		
Audiovisual equipment	45,189	45,189
Competition fields	38,433	38,433
Computers	62,542	62,542
Event equipment	10,796	10,796
Fieldhouse equipment	21,857	21,857
Trailer	39,949	39,949
	218,766	218,766
Less: accumulated depreciation	208,713	182,356
NET PROPERTY AND EQUIPMENT	10,053	36,410
DEPOSITS	17,493	10,197
TOTAL ASSETS	<u>\$ 1,995,696</u>	<u>\$ 1,615,487</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 141,594	\$ 82,452
Payroll liabilities	41,702	17,424
TOTAL CURRENT LIABILITIES	183,296	99,876
NET ASSETS		
Temporarily restricted	1,559,850	971,551
Unrestricted	252,550	544,060
TOTAL NET ASSETS	<u>1,812,400</u>	<u>1,515,611</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,995,696</u>	<u>\$ 1,615,487</u>

See accompanying notes and independent accountants' audit report.

**WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
SUPPORT AND REVENUE			
Revenue:			
Contribution revenue	\$ 31,933	\$ 1,485,999	\$ 1,517,932
Program service revenue	488,580	-	488,580
In-kind donations	72,688	-	72,688
Special events and other revenue	107,030	-	107,030
Total revenue	700,231	1,485,999	2,186,230
Net assets released from temporarily restricted	897,700	(897,700)	-
TOTAL SUPPORT AND REVENUE	1,597,931	588,299	2,186,230
 EXPENSES			
Program expenses	1,609,808	-	1,609,808
Fundraising expenses	166,545	-	166,545
Administrative expenses	113,088	-	113,088
TOTAL EXPENSES	1,889,441	-	1,889,441
 INCREASE (DECREASE) IN NET ASSETS	(291,510)	588,299	296,789
 Net assets at beginning of year	544,060	971,551	1,515,611
 Net assets at end of year	\$ 252,550	\$ 1,559,850	\$ 1,812,400

See accompanying notes and independent accountants' audit report.

**WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2017</u>		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
SUPPORT AND REVENUE			
Revenue:			
Contribution revenue	\$ 27,045	\$ 1,211,723	\$ 1,238,768
Program service revenue	416,885	-	416,885
In-kind donations	219,410	-	219,410
Special events and other revenue	116,757	-	116,757
Total revenue	780,097	1,211,723	1,991,820
Net assets released from temporarily restricted	880,749	(880,749)	-
TOTAL SUPPORT AND REVENUE	1,660,846	330,974	1,991,820
 EXPENSES			
Program expenses	1,476,673	-	1,476,673
Fundraising expenses	169,147	-	169,147
Administrative expenses	100,805	-	100,805
TOTAL EXPENSES	1,746,625	-	1,746,625
 INCREASE (DECREASE) IN NET ASSETS	(85,779)	330,974	245,195
 Net assets at beginning of year	629,839	640,577	1,270,416
 Net assets at end of year	\$ 544,060	\$ 971,551	\$ 1,515,611

See accompanying notes and independent accountants' audit report.

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Increase in net assets	\$ 296,789	\$ 245,195
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation	26,357	45,820
Cash provided (used by) changes in operating assets and liabilities:		
Promises to give	95,493	57,289
Deposits	(7,296)	-
Accounts payable	59,142	75,835
Payroll liabilities	<u>24,278</u>	<u>12,001</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>494,763</u>	<u>436,140</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	494,763	436,140
Cash and cash equivalents, beginning of year	<u>1,419,982</u>	<u>983,842</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,914,745</u></u>	<u><u>\$ 1,419,982</u></u>
Supplemental disclosure of cash flow information:		
In-kind donations of equipment and software donated to teams	\$ -	\$ 151,500
In-kind donation of services	\$ 3,970	\$ 910
In-kind donations of event facilities	\$ 69,000	\$ 67,000

See accompanying notes and independent accountants' audit report.

**WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1.--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Washington FIRST Robotics dba FIRST Washington (the “Organization”) is a nonprofit corporation founded in 2011 to inspire young people in Washington State to be science and technology leaders by engaging them in exciting, mentor-based programs that build science, engineering, and technology skills that inspire innovation and foster well-rounded life capabilities including self-confidence, communication, and leadership.

In supporting its operating agreement with the U.S. Foundation for Inspiration and Recognition of Science & Technology (“FIRST”), Washington FIRST Robotics formed the Pacific Northwest FIRST District in which all FIRST Robotics Competitions (“FRC”) and programs operate under for youth, 14-18 years of age. The PNW District is composed of FRC teams across Oregon and Washington. Washington FIRST Robotics is the legal entity that is financially responsible and facilitates the programs and competitions of the PNW District.

The Organization accomplishes its mission by implementing science and technology related after-school programs, robotics contests, professional development and community volunteer opportunities across the state of Washington and Oregon, collecting team fees and grants to fund the programs. In addition, the Organization is instrumental in assisting school districts and robotics teams who participate in the FIRST LEGO League, FIRST Tech Challenge and FIRST Robotics competition programs in applying for and securing grants with both governmental and private entities.

During the years ended June 30, 2018 and 2017, the Organization assisted in securing grants totaling approximately \$805,000 and \$700,000. These grants were awarded directly to specific public schools for support of their respective teams and as such, are not recorded in the financial statements.

Primary funding for its activities is derived from registration fees, contributions and grants.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1.--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of financial statement presentation, the Organization classifies all cash accounts and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition and Contributions

Revenue received for program service fees and special events is recognized in the period to which it relates. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of donor imposed stipulations.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give are written off as bad debt when they are determined to be uncollectible.

Property and Equipment

Property and equipment are recorded at cost as of the date of purchase or fair value as of the date of contribution and depreciated on a straight-line basis over estimated useful lives ranging from 3 to 5 years.

Expenditures of \$2,500 or more representing major improvements, replacements, or extensions of useful lives are capitalized. Maintenance, repairs and minor improvements are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Depreciation expense recognized in the years ended June 30, 2018 and 2017, was \$26,357 and \$45,820.

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1.--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Unrestricted net assets: Net assets not subject to donor-imposed stipulations.

In-kind Donations

Property and equipment donated with explicit instructions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Donated facilities for exhibitions and offices are valued at fair market value. Donated 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. Around 5,400 and 5,600 volunteers provided a variety of services to the Organization in the years ended June 30, 2018 and 2017. The value of these services has not been recorded in the financial statements; further description of the services provided is included in Note 4.

Income Taxes

The Organization is a not-for-profit organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and, as such, is subject to income taxes only to the extent of taxable unrelated business income. During the years ended June 30, 2018 and 2017, the Organization did not generate any taxable income and, therefore, no provision for federal income tax is necessary. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation.

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Accounting for Income Taxes guidance requires nonpublic entities to determine and evaluate uncertain tax positions. The standard requires entities to measure, recognize, and disclose certain tax positions. The term tax position includes, but is not limited to, a decision not to file a return, the characterization of income or a decision to exclude reporting taxable income on a tax return, and the entity's tax-exempt status. Management believes the Organization does not have any uncertain tax positions. The Organization may be subject to examination by the Internal Revenue Service for fiscal tax years 2015 through 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These assumptions may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2--PROMISES TO GIVE

Promises to give receivable of \$53,405 as of June 30, 2018, are all expected to be received within one year. The entire balance of \$148,898 in promises to give receivable as of June 30, 2017 was received during the year ended June 30, 2018.

All unconditional promises to give are considered collectible; thus, no allowance for uncollectible pledges has been recorded. Conditional promises to give are not recognized until such time as the conditions are substantially met. Conditional promises to give total \$35,000 for the years ended June 30, 2018 and 2017, which are subject to various match requirements.

NOTE 3--TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018, and 2017, temporarily restricted net assets represent funds for team grants and team booster accounts in the amounts of \$1,559,850 and \$971,551.

NOTE 4--IN-KIND DONATIONS

The Organization's success is built upon the volunteer engagement of technology and other professionals, many of which have high level technical skills that are used to guide and train students. During the years ended June 30, 2018 and 2017, the Organization used the services of approximately 5,400 and 5,600 volunteers to implement their program activities. These volunteers served as mentors, teachers, engineers and event staff. Management estimates that volunteers provided over 558,000 and 580,000 hours of service, respectively.

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 4--IN-KIND DONATIONS (Continued)

The Organization received donated professional and other services primarily related to technology. The fair value of the services has been determined to be \$3,970 and \$910 for the years ended June 30, 2018 and 2017, respectively, and is recorded in administrative expenses in the statements of activities and changes in net assets.

The Organization was also granted the use of exhibition space for competitions. The fair value of the use of these facilities has been determined to be approximately \$69,000 and \$67,000 for the years ended June 30, 2018 and 2017, respectively, and is recorded in the program expenses in the statements of activities and changes in net assets.

Equipment was also donated during the year ended June 30, 2017, and has been recorded at its estimated fair value of \$151,500. The donated equipment received in the fiscal year 2017 was contributed to teams and is recorded as a program expense in the statements of activities and changes in net assets.

NOTE 5--RELATED PARTY TRANSACTIONS

The Organization is affiliated with the United States Foundation for Inspiration and Recognition of Science and Technology (FIRST), a national nonprofit organization. The Organization bills and collects event registration fees and program participation fees from Washington and Oregon teams who participate in FIRST programs. Fees collected and remitted to FIRST are reported net within program service revenue. Total fees collected and remitted to FIRST during the years ended June 30, 2018 and 2017, were \$689,625 and \$713,400.

As of June 30, 2016, the Organization entered into an agreement with the Oregon Robotics Tournament and Outreach Program (ORTOP) to work together in advertising and recruiting teams from Oregon for the FRC program. The Organization has an exclusive right via an agreement with FIRST to organize and operate the Oregon FRC events, while ORTOP had the exclusive rights to organize and operate the Oregon FLL Jr, FLL, and FTC programs in Oregon.

Under the agreement, ORTOP will perform services such as advertising and will collect and remit donations and program fees to Washington First Robotics relating to the Oregon FRC program. The Organization will then reimburse ORTOP for expenses incurred in providing those services. ORTOP began providing services under the agreement during the fiscal year ended June 30, 2017. For the years ended June 30, 2018 and 2017, ORTOP expended approximately \$153,000 and \$123,000 in providing these services for which the organization will be reimbursed. The Organization owes ORTOP approximately \$37,300 and \$57,500 as of June 30, 2018 and 2017, respectively, which is included in accounts payable.

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 5--RELATED PARTY TRANSACTIONS (Continued)

Additionally, members of the Board and management made donations totaling approximately \$32,000 and \$27,000 during the years ended June 30, 2018 and 2017. Of the \$27,000 donated during the 2017 fiscal year, \$10,000 was receivable and recorded with promises to give in the statement of financial position as of June 30, 2017.

NOTE 6--CONCENTRATIONS

The Organization maintains cash balances in certain financial institutions that may, at times, exceed limits insured by the FDIC. The Organization does not believe it is exposed to significant credit risk on cash and cash equivalents as deposits are maintained in high quality financial institutions and the Organization has not experienced any losses in such accounts.

One donor contributed approximately 20% of revenue for the year ended June 30, 2018. There were no donors that contributed more than 10% of revenue for the year ended June 30, 2017.

NOTE 7--OPERATING LEASE

The Organization leases office space under a non-cancelable operating lease agreement which will expire in November 2021.

Future minimum lease payments under the non-cancelable operating lease are as follows:

<u>Year ending June 30,</u>	
2019	\$ 90,504
2020	93,216
2021	96,016
2022	40,642
Thereafter	-
	<u>\$ 320,378</u>

Total lease expense for the years ended June 30, 2018 and 2017, was \$124,731 and \$112,210.

NOTE 8--RETIREMENT PLAN

Effective January 1, 2017, the Organization established a SIMPLE IRA retirement plan. All employees are eligible to participate in the plan. Under the plan, the Organization elects to make a 1% or 3% match of an employee's salary reduction contributions or makes a non-elective contribution equal to 2% of up to \$250,000 of an employee's wages. Employees are eligible for the non-elective contribution if they earn more than \$4,900 during the calendar year.

WASHINGTON FIRST ROBOTICS dba FIRST WASHINGTON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8--RETIREMENT PLAN (Continued)

For the 2018 and 2017 calendar years, the Organization elected to provide a 3% match under the plan. During the fiscal years ended June 30, 2018 and 2017 employer contributions paid by the Organization totaled \$8,525 and \$1,733, respectively.

NOTE 9--SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 17, 2019, the date which the financial statements were available to be issued.