

Financial Statements

Years Ended December 31, 2013 and 2012



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Independent Auditors' Report

To the Board of Directors of iGEM Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of iGEM Foundation, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 iGEM Foundation, Inc. as of December 31, 2013 and 2012, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Boston, Massachusetts

Wolf + Congany, P.C.

June 27, 2014

Statements of Financial Position

December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 239,398	\$ 147,407
Restricted cash	34,322	34,135
Total cash and cash equivalents	273,720	181,542
Accounts receivable	121,164	75,000
Grant receivable	100,000	-
Prepaid expenses	11,727	8,533
Total current assets	506,611	265,075
Property and equipment:		
Equipment	40,044	34,550
Leasehold improvements	17,333	17,333
1	57,377	51,883
Less accumulated depreciation and amortization	(37,007)	(14,554)
Net property and equipment	20,370	37,329
Total assets	\$ 526,981	\$ 302,404
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 287,226	\$ 13,303
Accrued expenses	12,908	9,467
Deferred rent	32,807	23,099
Deferred revenue	127,490	-
Total current liabilities	460,431	45,869
Commitment and contingencies		
Net assets:		
Unrestricted net assets	66,550	224,307
Temporarily restricted net assets	, -	32,228
Total net assets	66,550	256,535
Total liabilities and net assets	\$ 526,981	\$ 302,404

See accompanying notes to financial statements.

Statements of Activities

Years Ended December 31, 2013 and 2012

		2013			2012	
	Temporarily		Temporarily			
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Support and revenue:						
iGEM program fees	\$ 1,653,235	\$ -	\$ 1,653,235	\$ 1,165,175	\$ -	\$ 1,165,175
Sponsorships	151,262	-	151,262	385,833	-	385,833
Grants	-	100,000	100,000	-	160,000	160,000
Interest income	717	-	717	946	-	946
Contributed services	23,351	-	23,351	18,838	-	18,838
Contributions	1,835	-	1,835	-	-	-
Net assets released from restrictions due						
to satisfaction of program restrictions	132,228	(132,228)	-	127,772	(127,772)	-
Total support and revenue	1,962,628	(32,228)	1,930,400	1,698,564	32,228	1,730,792
Expenses:						
Program:						
iGEM competition	1,688,151	-	1,688,151	1,372,422	-	1,372,422
Administrative expenses	432,234	-	432,234	340,754	-	340,754
Total expenses	2,120,385		2,120,385	1,713,176		1,713,176
Increase (decrease) in net assets	(157,757)	(32,228)	(189,985)	(14,612)	32,228	17,616
Net assets - beginning of year	224,307	32,228	256,535	238,919		238,919
Net assets - end of year	\$ 66,550	\$ -	\$ 66,550	\$ 224,307	\$ 32,228	\$ 256,535

See accompanying notes to financial statements.

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (189,985)	\$ 17,616
Adjustments to reconcile (decrease) increase in net assets		
to net cash provided (used) by operating activities:		
Depreciation and amortization	22,453	14,554
Changes in operating assets and liabilities:		
Accounts receivable	(46,164)	(75,000)
Grant receivable	(100,000)	-
Prepaid expenses	(3,194)	(8,533)
Accounts payable	273,923	(28,866)
Accrued expenses	3,441	(76,869)
Deferred rent	9,708	23,099
Deferred revenue	127,490	
Net cash provided (used) by operating activities	97,672	(133,999)
Cash flows from investing activities:		
Purchase of property and equipment	(5,494)	(36,883)
Net cash used by investing activities	(5,494)	(36,883)
Net increase (decrease) in cash and cash equivalents	92,178	(170,882)
Cash and cash equivalents at beginning of year	181,542	352,424
Cash and cash equivalents at ending of year	\$ 273,720	\$ 181,542

See accompanying notes to financial statements.

Notes to Financial Statements

Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

iGEM Foundation, Inc. (the "Foundation") was organized on July 8, 2011 and operates as a public-benefit non-profit corporation under provisions of Chapter 180 of the General Laws of Massachusetts. The Foundation fosters scientific research and education through organizing and operating the iGEM Competition, the premier student synthetic biology competition. It also fosters scientific research and education by establishing and operating the Registry of Standard Biological Parts, a community collection of biological components. The Foundation promotes the advancement of science and education by developing an open community of students and practitioners in schools, laboratories, research institutes, and industry. The iGEM community has a long history of involving students and the public in the development of the new field of synthetic biology.

The iGEM Jamborees are the culminating events of the iGEM Competition where teams present their summer projects and compete for awards and prizes. During 2013, teams attended their Regional Jamboree in one of four regions and certain teams were chosen by the judges to advance to the final World Championship Jamboree.

Liquidity Risk

The accompanying financial statements have been prepared on a basis that assumes that the Foundation will continue as a going concern and that contemplates the continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As of December 31, 2013, the Foundation had unrestricted cash of approximately \$239,000, working capital after excluding restricted cash of approximately \$12,000, and a net loss of approximately \$190,000 for the year ended December 31, 2013. The Foundation will require additional revenue to fund its programs in accordance with its current planned operations. The Foundation has funded its operations in the past primarily through grants, sponsorships and registration fees. Management intends to continue to pursue grant revenue, raise registration fees, and scale back the multiple regional competitions into one world competition to fund its operations. No assurances can be given that the additional revenue anticipated will be realized by the Foundation.

Basis of Accounting

The financial statements of the Foundation are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Notes to Financial Statements (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Permanently restricted net assets require that gifts be maintained permanently but allows the Foundation to spend the income derived from the donated asset. Temporarily restricted net assets have donor or grantor imposed restrictions that permit the Foundation to use the assets as specified and are satisfied by either that usage or the passage of time. Net assets released from restrictions by the occurrence of events specified by the donor or grantor are classified as program services expenses and expended from unrestricted net assets for financial reporting purposes. Unrestricted net assets are those that are neither permanently nor temporarily restricted by donor-imposed restrictions. As of December 31, 2013 and 2012, the Foundation had no permanently restricted net assets.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amount of assets and liabilities reported at the date of the financial statements and the amount of revenues and expenses recorded during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Foundation to concentration of credit risk, include cash and cash equivalents which may exceed insurance limitations and are placed in high quality financial service organizations.

Cash and Cash Equivalents and Restricted Cash

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The restricted cash balance of \$34,322 and \$34,135 at December 31, 2013 and 2012 represents the portion of a money market account pledged as collateral for a letter of credit issued in connection with the Foundation's lease agreement (see Note 3).

Notes to Financial Statements (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

The Foundation carries its accounts receivable at cost less an allowance for doubtful accounts if appropriate. On a periodic basis, the Foundation evaluates its accounts receivable and may establish an allowance for doubtful accounts, based on its history of past write-offs and collections and current credit conditions. Recoveries of accounts receivable previously written off are recorded when received. There were no reserves against accounts receivable at December 31, 2013 and 2012.

Property and Equipment

Furniture and computers are recorded at cost or donated fair value and depreciated using the straight-line method over the assets' estimated useful lives, two years, commencing when the items are placed in service. Leasehold improvements are amortized using the straight-line method over the life of the lease, six years.

The cost of maintenance, repairs and additions which are under the Foundation's capitalization policy, are expensed when incurred.

Revenue Recognition

The Foundation recognizes program fees for team registration and jamboree revenue when the competition or events are held. Donations, sponsorships, program fees and grants are recognized as revenue when received or billed and are reflected as deferred revenue if the program or related sponsorship has not taken place.

The Foundation recognizes grant revenue in the periods of performance indicated in the grant as funds are expended. Grant funds expended in advance of grant receipts are recognized as a grant receivable.

Deferred Revenue

At December 31, 2013, the Foundation had recorded \$75,000 in deferred sponsorship revenue and \$52,490 in deferred program fees that will be recognizable within twelve months.

Contributions

Contributions are recognized as revenue in the period received or when the Foundation has received an unconditional promise to give from a donor.

Notes to Financial Statements (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Contributed Goods and Services

To the extent material, the estimated fair value of contributed goods and services is reflected as contributions. The Foundation received \$23,351 and \$18,838 of contributed legal services in 2013 and 2012, respectively.

Functional Allocation of Expenses

The costs of providing the program and other activities of the Foundation have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and administrative expenses.

Income Taxes

The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for federal or state income taxes.

The Foundation follows accounting guidance regarding the recognition, measurement, presentation, and disclosure of uncertain tax positions in the financial statements. Tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns, including the position that the Foundation qualifies as a tax exempt entity, are required to be evaluated to determine whether the tax positions are "more-likely-than-not" to be upheld under regulatory review. Tax positions not deemed to meet a more-likely-than-not threshold would be accrued and disclosed in the financial statements. There were no uncertain tax positions as of December 31, 2013 and 2012. The Foundation records interest and penalties, if any, as part of income tax expense. No interest or penalties were recorded in 2013.

The Foundation's initial 2011-2013 tax returns are subject to review and examination by federal and state taxing authorities.

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

Notes to Financial Statements (Continued)

2. GRANTS

In 2012, the Foundation received two grants totaling \$160,000.

- A \$100,000 grant restricted to the support of the North American Jamboree held in Pittsburgh. The funds were expended for the jamboree in 2012 and therefore released from temporarily restricted net assets.
- A \$60,000 grant restricted for the purpose of improving the quality of societal aspects of the Foundation's projects by developing a curated collection of excellent examples and by supporting judges with expertise in societal issues. As of December 31, 2013 and 2012, \$32,228 and \$27,772 of this grant had been spent and released from temporarily restricted net assets.

In August 2013, the Foundation had received an informal notification from a funding source indicating its intent to support the Foundation at a \$100,000 level for 2013. The Foundation did not receive the formal subaward agreement indicating it was a sub-recipient of a grant until May 2014; however, the period of performance under the terms of the grant commenced as of July 1, 2013.

The purpose of the grant was to support the iGEM Collegiate competition in 2013. The Foundation expended funds for this purpose in 2013 and has recorded a grant receivable as of December 31, 2013 and grant income in the year ended December 31, 2013. The Foundation has subsequently billed for this grant in May 2014. The funds were expended for this grant in 2013 and therefore released from temporarily restricted net assets in 2013.

3. COMMITMENT AND CONTINGENCIES

Operating Lease

In December 2011, the Foundation entered into a non-cancelable operating lease for office space and laboratory facilities. The lease commenced on March 9, 2012 and will expire on March 9, 2018. The lease requires monthly rental payments of \$14,637 in the first year and increasing to \$18,334 in the last year of the lease, plus a pro rata share of operating expenses and real estate taxes. Total minimum rental payments required under the lease will be expensed on a straight line basis over the life of the lease in the amount of \$17,068 per month. The difference between the amount expensed and the actual rental payments will be recorded as a deferred rent on the Foundation's statements of financial position.

Notes to Financial Statements (Concluded)

COMMITMENT AND CONTINGENCIES (concluded)

Operating Lease (concluded)

Future minimum lease payments on this operating lease are as follows:

Years Ending December 31,

2014	\$ 205,008
2015	209,689
2016	214,370
2017	219,051
2018	44,948
	\$ 893,066

Total rent, operating and real estate tax expenses amounted to \$273,857 and \$217,442 in 2013 and 2012, respectively.

Irrevocable Standby Letter of Credit

Under the terms of this lease, the Foundation provided the landlord an irrevocable standby letter of credit in the amount of \$34,135 as a security deposit.

4. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through June 27, 2014, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements, except for the grant award discussed in Note 2 to the financial statements.