



iGEM Foundation, Inc.

Financial Statements

Years Ended December 31, 2017 and 2016



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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. which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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.

Wolf + Company, P.C.

Boston, Massachusetts

August 8, 2018

iGEM Foundation, Inc.

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 782,191	\$ 985,646
Restricted cash	34,528	34,476
Total cash and cash equivalents	816,719	1,020,122
Accounts receivable	79,457	42,743
Prepaid expenses	47,954	58,819
Total current assets	944,130	1,121,684
Property and equipment:		
Equipment	306,027	289,870
Leasehold improvements	17,334	17,333
	323,361	307,203
Less accumulated depreciation and amortization	(171,061)	(110,390)
Net property and equipment	152,300	196,813
Deposits	24,426	38,766
Total assets	\$ 1,120,856	\$ 1,357,263
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 23,147	\$ 94,708
Accrued expenses	135,919	71,597
Deferred rent	3,854	18,116
Deferred revenue	212,042	237,650
Total current liabilities	374,962	422,071
Commitment and contingencies		
Net assets:		
Unrestricted net assets	745,894	935,192
Temporarily restricted net assets	-	-
Total net assets	745,894	935,192
Total liabilities and net assets	\$ 1,120,856	\$ 1,357,263

See accompanying notes to financial statements.

iGEM Foundation, Inc.

Statements of Activities

Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
iGEM program fees	\$ 3,329,991	\$ -	\$ 3,329,991	\$ 3,132,314	\$ -	\$ 3,132,314
Sponsorships	239,750	-	239,750	297,071	19,100	316,171
Grants	-	190,608	190,608	-	52,350	52,350
Interest income	218	-	218	1,417	-	1,417
Contributions	285	-	285	723	-	723
Net assets released from restrictions due to satisfaction of program restrictions	190,608	(190,608)	-	71,450	(71,450)	-
Total support and revenue	<u>3,760,852</u>	<u>-</u>	<u>3,760,852</u>	<u>3,502,975</u>	<u>-</u>	<u>3,502,975</u>
Expenses:						
Program:						
iGEM competition	3,100,115	-	3,100,115	2,747,547	-	2,747,547
Administrative expenses	850,035	-	850,035	559,305	-	559,305
Total expenses	<u>3,950,150</u>	<u>-</u>	<u>3,950,150</u>	<u>3,306,852</u>	<u>-</u>	<u>3,306,852</u>
Increase (decrease) in net assets	(189,298)	-	(189,298)	196,123	-	196,123
Net assets - beginning of year	935,192	-	935,192	739,069	-	739,069
Net assets - end of year	<u>\$ 745,894</u>	<u>\$ -</u>	<u>\$ 745,894</u>	<u>\$ 935,192</u>	<u>\$ -</u>	<u>\$ 935,192</u>

See accompanying notes to financial statements.

iGEM Foundation, Inc.

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (Decrease) in net assets	\$ (189,298)	\$ 196,123
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	60,671	55,067
Changes in operating assets and liabilities:		
Accounts receivable	(36,714)	(42,743)
Prepaid expenses and deposits	25,205	(11,102)
Accounts payable	(71,561)	62,542
Accrued expenses	64,322	29,768
Deferred rent	(14,262)	(9,582)
Deferred revenue	(25,608)	167,650
Net cash (used by) provided by operating activities	<u>(187,245)</u>	<u>447,723</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(16,158)</u>	<u>(10,543)</u>
Net cash used by investing activities	<u>(16,158)</u>	<u>(10,543)</u>
Net change in cash and cash equivalents	(203,403)	437,180
Cash and cash equivalents, restricted cash at beginning of year	<u>1,020,122</u>	<u>582,942</u>
Cash and cash equivalents, restricted cash at ending of year	<u>\$ 816,719</u>	<u>\$1,020,122</u>

See accompanying notes to financial statements.

iGEM Foundation, Inc.

Notes to Financial Statements

Years Ended December 31, 2017 and 2016

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. The Jamborees are held in Boston, Massachusetts.

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.

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 or grant or imposed restrictions. As of December 31, 2017 and 2016, the Foundation had no permanently or temporarily restricted net assets.

iGEM Foundation, Inc.

Notes to Financial Statements (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$34,528 and \$34,476 at December 31, 2017 and 2016, respectively, represents a money market account pledged as collateral for a letter of credit issued in connection with the Foundation's lease agreement (see Note 3).

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, 2017.

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 of two to five 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 de minimus additions are expensed when incurred.

iGEM Foundation, Inc.

Notes to Financial Statements (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

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

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

The Foundation recognizes grant revenue in the periods of performance indicated in the grant as funds are expended. Grant related expenses incurred in advance of grant receipts are recognized as a grant receivable. Grant funds received in advance of grant-related expenditures are recognized as deferred revenue.

Deferred Revenue

At December 31, 2017, the Foundation recorded \$85,000 of deferred sponsorship revenue and \$127,042 of deferred grant revenue (see Note 2). At December 31, 2016, the Foundation recorded \$70,000 of deferred sponsorship revenue and \$167,650 of deferred grant revenue.

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 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

iGEM Foundation, Inc.

Notes to Financial Statements (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Income Taxes (concluded)

no uncertain tax positions as of December 31, 2017 and 2016. The Foundation records interest and penalties, if any, as part of income tax expense. No interest or penalties were recorded in 2017 and 2016.

The Foundation's tax returns for 2014 through 2017 are subject to review and examination by federal and state taxing authorities.

2. GRANTS

In 2016, the Foundation executed a multi-year grant agreement with the Good Ventures Foundation to support the Foundation's safety and security work. The grant amount is \$520,000, with \$220,000 received in 2016 and \$150,000 received in 2017 and \$150,000 to be received in 2018. Total revenues and expenses under the grant were \$190,608 resulting in deferred revenues of \$127,042 at December 31, 2017. Activity under the grant commenced in 2016 with total revenues and expenses incurred of \$52,350.

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 was to 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. In August 2017, the Foundation entered into the first amendment of the lease. The amendment requires monthly payments of \$20,284 from commencement on April 1, 2018 through expiration on March 31, 2019. The difference between the amount expensed and the actual rental payments will be recorded as deferred rent on the Foundation's statements of financial position.

iGEM Foundation, Inc.

Notes to Financial Statements (Continued)

COMMITMENT AND CONTINGENCIES (continued)

Operating Lease (concluded)

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

<u>Years Ending December 31,</u>	
2018	\$ 237,558
2019	<u>60,852</u>
	<u>\$ 298,410</u>

Total rent, operating and real estate tax expenses amounted to \$282,933 and \$281,290 in 2017 and 2016, 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.

Hotel Commitments

In 2015, the Foundation entered into agreements with a hotel in connection with the 2016 through 2020 Jamborees. Under the agreements, the hotel will reserve a specific number of rooms for the Jamboree attendees and in return, the Foundation will guarantee the hotel Minimum Guest Room Revenue, as defined, of approximately \$330,000 for each annual event. The Foundation anticipates that the attendees will generate sufficient revenue to the hotel to meet the Minimum Guest Room Revenue under the agreement. Accordingly, no liability has been recorded at December 31, 2017.

Convention Center Commitments

In 2015, the Foundation entered into agreements with a convention center in connection with the 2016 through 2020 Jamborees. Under the agreements, the Foundation will pay the convention center a Minimum License Charge for the use of the convention center and guarantee a specified level of Food and Beverage revenue, as defined. The Foundation anticipates that the attendees will generate sufficient revenue to the convention center to meet the Food and Beverage minimum. The Foundation made deposits in 2015 representing 10% of the Minimum License Charge.

iGEM Foundation, Inc.

Notes to Financial Statements (Concluded)

COMMITMENT AND CONTINGENCIES (concluded)

Convention Center Commitments (concluded)

Future amounts due for Minimum License Charges are as follows:

<u>Years Ending December 31,</u>	
2018	\$ 114,362
2019	108,315
2020	<u>111,515</u>
	<u>\$ 334,192</u>

4. EMPLOYEE RETIREMENT PLAN

During 2016, the Foundation established a 401(k) plan (the “Plan”). The Plan provides for voluntary contributions by participating employees, subject to limitations imposed by the Internal Revenue Code. The Plan calls for the Company to make a nondiscretionary contribution of 100% of each employee’s elective deferral, not to exceed 5% of the employee’s compensation. In addition, the Company may make discretionary contributions.

The Foundation contributed \$20,500 and \$16,419 during the years ended December 31, 2017 and 2016, respectively.

5. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 8, 2018, which is the date the financial statements were available to be issued. In May 2018, the Foundation received the final installment under its multi-year grant agreement of \$150,000 (see Note 2). There were no other subsequent events that require adjustment to or disclosure in the financial statements.