



Certified Public Accountants

**IRIDESCENT**

Financial Statements and Compliance Audit  
Reports  
Year Ended December 31, 2016  
Together with Independent Auditor's Report

**IRIDESCENT**  
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Certified Public Accountants

# Zuehls, Legaspi & Company

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Iridescent

### Report on Financial Statements

We have audited the accompanying financial statements of Iridescent, a California nonprofit corporation, which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, cash flows and functional expenses for the year 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's 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 and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Iridescent'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 Iridescent'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 Iridescent as of December 31, 2016 and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017 on our consideration of Iridescent's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iridescent's internal control over financial reporting and compliance.



Los Angeles, California

May 24, 2017

**IRIDESCENT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,399,408
Accounts receivable, net	2,530
	421,502
Prepaid expenses	4,328

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TOTAL CURRENT ASSETS 1,827,768

Property and equipment, net	195,270
Deposits	7,540

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**TOTAL ASSETS** \$ 2,030,578

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 27,068
Accrued expenses	45,000
Deferred revenue	795,585

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TOTAL LIABILITIES 867,653

**COMMITMENT**

**NET ASSETS**

Unrestricted net assets	696,173
Temporarily restricted net assets	466,752

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TOTAL NET ASSETS 1,162,925

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**TOTAL LIABILITIES AND NET ASSETS** \$ 2,030,578

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

**IRIDESCENT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Grants	\$ 1,080,904	\$ -	\$ 1,080,904
Contributions	481,541	466,752	948,293
Program revenue	103,233	-	103,233
Others	3,470	-	3,470
	<u>1,669,148</u>	<u>466,752</u>	<u>2,135,900</u>
Net assets released from restrictions	100,300	(100,300)	-
	<u>1,769,448</u>	<u>366,452</u>	<u>2,135,900</u>
<b>EXPENSES</b>			
Program services	2,765,860	-	2,765,860
Management and general	303,907	-	303,907
Fundraising	163,241	-	163,241
	<u>3,233,008</u>	<u>-</u>	<u>3,233,008</u>
<b>CHANGE IN NET ASSETS</b>	(1,463,560)	366,452	(1,097,108)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,159,733</u>	<u>100,300</u>	<u>2,260,033</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 696,173</u>	<u>\$ 466,752</u>	<u>\$ 1,162,925</u>

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

**IRIDESCENT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**OPERATING ACTIVITIES**

Change in net assets	\$ (1,097,108)
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Amortization and depreciation	135,210
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Grants receivable	(168,395)
Prepaid expenses	11,206
Increase (Decrease) in:	
Accounts payable	(1,792)
Accrued expenses	30,000
Deferred revenue	486,132
	(606,547)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(606,547)</b>

**INVESTING ACTIVITIES**

Purchase of property and equipment	(46,430)
	(46,430)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(46,430)</b>

**CHANGE IN CASH AND CASH EQUIVALENTS** (652,977)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 2,054,915

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 1,401,938

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

**IRIDESCENT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
Contract services	\$ 110,814	\$ 1,202	\$ 601	\$ 112,617
Education materials	285,391	-	-	285,391
Employee benefits	153,181	22,417	11,208	186,806
Equipment expense	8,919	3,462	3,462	15,843
Insurance	4,595	865	433	5,893
Office expenses	36,047	7,700	14,044	57,791
Printing and copying	10,707	77	39	10,823
Professional development	31,989	4,681	2,341	39,011
Professional fees	97,067	2,233	2,256	101,556
Promotion	48,088	-	-	48,088
Rent	73,212	10,714	5,357	89,283
Research	89,661	-	-	89,661
Salaries	1,586,951	232,237	116,118	1,935,306
Taxes	12	580	-	592
Travel	79,947	11,700	5,850	97,497
Utilities	17,745	2,597	1,298	21,640
Total before amortization and depreciation	<u>2,634,326</u>	<u>300,465</u>	<u>163,007</u>	<u>3,097,798</u>
Amortization and depreciation	<u>131,534</u>	<u>3,442</u>	<u>234</u>	<u>135,210</u>
<b>TOTAL EXPENSES</b>	<b><u><u>\$ 2,765,860</u></u></b>	<b><u><u>\$ 303,907</u></u></b>	<b><u><u>\$ 163,241</u></u></b>	<b><u><u>\$ 3,233,008</u></u></b>

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



**IRIDESCENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE I: NATURE OF ORGANIZATION**

Iridescent was incorporated in the State of California in 2006, as a not-for-profit organization.

Iridescent is a science, engineering, and technology education organization, empowering underrepresented children to become self-motivated learners and inventors. Since 2006, over 60,000 children, parents, mentors and educators have participated in their programs around the globe. The organization has trained over 3,500 engineers and scientists to develop design challenges and/or mentor students and families. Iridescent received an award for Excellence in Mentoring in 2015, a US2020 White House Initiative.

Iridescent manages two programs – Technovation and Curiosity Machine (CM):

- Through their Technovation Challenge program, Iridescent runs the world’s largest global technology entrepreneurship program for girls aged 10-18. Since 2009, over 10,000 girls from over 78 countries have created business plans and mobile apps to solve community problems.
- Iridescent’s CM is a unique open-ended, project-based learning program that inspires students, families, and teachers to solve science and engineering problems together. CM has one of the largest collections of unique hands-on science and engineering design challenges for young people.

Iridescent has a science studio in Los Angeles and runs programs in other strategic locations around the U.S. and internationally. Besides grants and donations, the organization is also supported by volunteer mentors, coaches, educators and families around the world.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Basis of Accounting

The financial statements of Iridescent have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

b. Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements as set forth in FASB ASC 958-205-45. Accordingly, the net assets of Iridescent are reported in each of the following three classes: unrestricted, temporarily restricted, and permanently restricted net assets.

- Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out Iridescent’s operations in accordance with its bylaws.
- Temporarily restricted net assets represent resources currently available for us, but expendable only for those operating purposes specified by the donor. Resources of this fund originate from gifts and grants.
- Permanently restricted net assets represent resources in which donors have placed restrictions that do not expire.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. At December 31, 2016, Iridescent had \$466,752 temporarily restricted net assets and no permanently restricted net assets.

**IRIDESCENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

c. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

d. Depreciation, Amortization and Property and Equipment

Property, equipment and furniture are carried at cost or, if donated, at estimated fair value on the date of the gift. Depreciation is computed using the straight-line method over useful lives of three to ten years for equipment and furniture.

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the related lease term.

Computer software and video library are amortized on a straight-line method over the estimated useful lives of three years for software and ten years for the video.

Iridescent capitalizes property and equipment with a cost of over \$1,000 and estimated life of three years or more. Iridescent capitalizes expenditures or betterments that materially increase asset lives and charge ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

e. Contributions and Revenue Recognition

In accordance with FASB ASC 958-605-50, revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date receipt of funds or the date of a formal, unconditional pledge from known donors.

Unconditional contributions are measured at fair value when received or promised and reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

f. Donated Materials and Services

Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not donated. For the year ended December 31, 2016, no in-kind services were received.

In-kind contributions (donated materials and other noncash assets) are recognized at their estimated market value at the date of receipt. For the year ended December 31, 2016, no contributed materials were recognized in the accompanying financial statements.

**IRIDESCENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

g. Functional Expenses

The costs of providing Iridescent's programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Costs have been allocated to program services, management and general, and fundraising. The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- Management and general expenses consist of costs incurred in connection with the overall activities of Iridescent, which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred to solicit funds and other fundraising activities.

h. Income Taxes

Iridescent is a nonprofit corporation, under section 501(c)(3) of the Internal Revenue Code and related California law. Iridescent's revenues are derived from governmental grants and contracts, and contributions and are not subject to federal or state income taxes.

Iridescent does not pay any material excise taxes nor do they earn any unrelated business income. Therefore, no provision for taxes was made.

Iridescent adopted the provisions of FASB interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, derecognition, classification, interest and penalties and disclosure. The adoption of FIN 48 did not have a material impact on Iridescent's financial position, results of operations or cash flows.

Generally Accepted Accounting Principles (GAAP) provides accounting and disclosure guidance about the position taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Iridescent in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Under the general three-year statute of limitations, Iridescent's returns for years ended 2013, 2014 and 2015 are subject to examination by federal and state taxing authorities for three years after they are filed.

i. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

**IRIDESCENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 3: CONCENTRATION OF CREDIT RISK**

Financial instruments, which potentially subject Iridescent to concentrations of credit risk, consist of cash and equivalents. Iridescent maintains its cash balances at a single financial institution. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution.

At December 31, 2016, Iridescent's uninsured cash balance was \$1,166,952.

**NOTE 4: RECEIVABLE**

Grants receivable consists of unconditional promises to give that are expected to be collected in future years and grants classified as exchange transactions to the extent that allowable expenditures have been incurred, but reimbursement from the grantor has not yet been received. Grants receivable is reviewed for collectability and reserves for uncollectible amounts are established when needed. Management believes that all grants receivable amounts are fully collectible and therefore no reserve is reflected in these financial statements.

At December 31, 2016, grants receivable, net was \$421,502. The accounts receivable was \$2,530.

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>Amount</u>
Computer software	\$ 872,108
Building Improvement	64,891
Computer Equipment	25,973
Video Library	93,777
Furniture and Equipment	<u>20,622</u>
	1,077,371
Less accumulated amortization and depreciation	<u>( 882,101)</u>
Property and Equipment	<u>\$ 195,270</u>

Amortization and depreciation expense for the year ended December 31, 2016 amounted to \$135,210.

**NOTE 6: DEPOSITS**

A security deposit in the amount of \$7,540 was paid by Iridescent for their studio leases and utilities. The security deposit will be refunded to Iridescent upon expiration and termination of the leases and services.

**NOTE 7: LEASE COMMITMENT**

In May 2011, Iridescent entered into a lease agreement to rent approximately 1,438 sq. ft. of rentable space for their Los Angeles (LA) Studio location. The term of the agreement commenced on June 1, 2011 and will end on May 31, 2016. On May 27, 2016, Iridescent signed the renewal lease and extended the lease term to May 31, 2018.

**IRIDESCENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

Future annual minimum lease payments are as follows:

2017	\$	30,727
2018		12,960
	<u>\$</u>	<u>43,687</u>

**NOTE 8: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available to support the following programs:

Technovation	\$	150,000
Curiosity Machine		316,752
	<u>\$</u>	<u>466,752</u>

**NOTE 9: SUBSEQUENT EVENT**

In accordance with ASC 855, subsequent events through May 24, 2017, the date of these financial statements were evaluated. There were no material subsequent events that required recognition or additional disclosure in these financial statements



Certified Public Accountants

## Zuehls, Legaspi & Company

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### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Iridescent

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Iridescent, a California nonprofit corporation, which comprised the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Iridescent's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iridescent's internal control. Accordingly, we do not express an opinion on the effectiveness of Iridescent's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Iridescent's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Iridescent's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Iridescent's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iridescent's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We also noted certain inconsequential matters that we reported to the management of Iridescent in a separate letter dated May 24, 2017.

This report is intended solely for the information and use of Iridescent's Board of Directors and management, federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than the specified parties.



Los Angeles, California  
May 24, 2017