



IRIDESCENT

Financial Statements and Compliance Audit Reports
Year Ended December 31, 2017
Together with Independent Auditor's Report

IRIDESCENT
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Certified Public Accountants

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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, 2017 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, 2017 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 23, 2018 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 23, 2018

**IRIDESCENT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,911,921
Accounts receivable, net	18,165
Grants receivable, net	100,000
Prepaid expenses	6,280

TOTAL CURRENT ASSETS	2,036,366
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Property and equipment, net	79,666
Deposits	2,890

TOTAL ASSETS	\$ 2,118,922
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 57,851
Deferred revenue	701,315

TOTAL LIABILITIES	759,166
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COMMITMENT

NET ASSETS

Unrestricted net assets	1,359,756
Temporarily restricted net assets	0

TOTAL NET ASSETS	1,359,756
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TOTAL LIABILITIES AND NET ASSETS	\$ 2,118,922
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The accompanying notes are an integral part of these financial statements.

**IRIDESCENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
Grants	\$ 2,674,229	\$ -	\$ 2,674,229
Contributions	618,677	-	618,677
Program revenue	184,183	-	184,183
Others	6,002	-	6,002
	<u>3,483,091</u>	<u>-</u>	<u>3,483,091</u>
Net assets released from restrictions	200,000	(200,000)	-
	<u>3,683,091</u>	<u>(200,000)</u>	<u>3,483,091</u>
EXPENSES			
Program services	2,556,323	266,752	2,823,075
Management and general	280,600	-	280,600
Fundraising	182,585	-	182,585
	<u>3,019,508</u>	<u>266,752</u>	<u>3,286,260</u>
CHANGE IN NET ASSETS	663,583	(466,752)	196,831
NET ASSETS AT BEGINNING OF YEAR	<u>696,173</u>	<u>466,752</u>	<u>1,162,925</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,359,756</u>	<u>\$ -</u>	<u>\$ 1,359,756</u>

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

**IRIDESCENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

OPERATING ACTIVITIES

Change in net assets	\$	196,831
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization and depreciation		117,426
Loss from disposal of assets		734
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Grants and accounts receivable		305,867
Deposits		4,650
Prepaid expenses		(1,952)
Increase (Decrease) in:		
Accounts payable		30,783
Accrued expenses		(45,000)
Deferred revenue		(94,270)
		515,069
NET CASH PROVIDED BY OPERATING ACTIVITIES		515,069

INVESTING ACTIVITIES

Purchase of property and equipment		(2,556)
		(2,556)
NET CASH USED IN INVESTING ACTIVITIES		(2,556)

CHANGE IN CASH AND CASH EQUIVALENTS		512,513
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,399,408
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	1,911,921

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

**IRIDESCENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Advertising cost	\$ 33,182	\$ 4,856	\$ 2,428	\$ 40,466
Contract services	51,848	1,038	26,992	79,878
Disposal of assets	734	-	-	734
Education materials	429,593	-	-	429,593
Equipment expense	11,029	5,449	5,449	21,927
Insurance	4,045	315	158	4,518
Office expenses	21,197	5,103	6,389	32,689
Printing and copying	11,304	387	193	11,884
Professional development	9,882	1,446	723	12,051
Professional fees	37,337	1,956	11,464	50,757
Promotion	42,356	-	-	42,356
Rent	47,077	6,889	3,445	57,411
Research	28,038	-	-	28,038
Salaries	1,625,304	237,850	118,924	1,982,078
Taxes	20	690	-	710
Travel	70,475	10,313	5,157	85,945
Uncollectible grant loss	266,752	-	-	266,752
Utilities	17,258	2,526	1,263	21,047
Total before amortization and depreciation	<u>2,707,431</u>	<u>278,818</u>	<u>182,585</u>	<u>3,168,834</u>
Amortization and depreciation	<u>115,644</u>	<u>1,782</u>	<u>-</u>	<u>117,426</u>
TOTAL EXPENSES	<u>\$ 2,823,075</u>	<u>\$ 280,600</u>	<u>\$ 182,585</u>	<u>\$ 3,286,260</u>

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

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1: NATURE OF ORGANIZATION

Iridescent was incorporated in the State of California in 2006, as a nonprofit public benefit corporation.

Iridescent is a science, engineering, and technology education organization, empowering underrepresented children to become self-motivated learners and inventors. Since 2006, more than 120,000 children, parents, mentors, and educators have participated in its two global programs: Technovation, the world's largest global tech entrepreneurship program for girls, and Curiosity Machine, a unique, open-ended, project-based learning program that inspires students, families, and teachers to solve science and engineering problems together. Iridescent has proudly trained more than 13,000 engineers and scientists to develop design challenges and/or mentor students and families. In recognition of its pioneering work for the collective impact in underserved communities, Iridescent received the prestigious 2015 Excellence in Mentoring award, a US2020 White House Initiative.

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

- Through their Technovation Challenge program, Iridescent runs the world's largest global technology entrepreneurship program for middle and high school girls ages 10-18. Since 2009, over 30,000 girls from over 100 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 also has a science studio in Los Angeles and runs programs in other strategic locations around the U.S. and internationally. In addition to 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, but expendable only for 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.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of Presentation (continued)

Restricted net assets are created only by donor-imposed restrictions on their use. At December 31, 2017, Iridescent had no temporarily restricted net assets and no permanently restricted net assets.

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. Property and Equipment, Depreciation and Amortization

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.

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.

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.

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.

IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Donated Materials and Services

Donated materials and other non-cash contributions are recognized at their estimated market value at the date of receipt. For the year ended December 31, 2017, no donated materials were recognized in the accompanying financial statements.

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, 2017, Iridescent did not record any donated services.

g. Functional Expenses

The costs of providing Iridescent's programs and other activities have been summarized on a functional basis in both 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 2014, 2015 and 2016 are subject to examination by federal and state taxing authorities for three years after they are filed.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017, Iridescent's uninsured cash balance was \$1,670,622.

NOTE 4: ACCOUNTS RECEIVABLE, NET

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowances based on its assessment of the current status of individual accounts. Balance that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable

For the year ended December 31, 2017, management estimates that all accounts receivable amounts are fully collectible based on historical experience. Accordingly, the allowance for doubtful accounts at December 31, 2017 was \$0. The accounts receivable, net at December 31, 2017 was \$18,165.

NOTE 5: GRANTS 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, 2017, grants receivable, net was \$100,000.

**IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Amount</u>
Computer software	\$ 872,108
Building Improvements	64,891
Computer Equipment	27,529
Video Library	93,777
Furniture and Equipment	20,622
	1,078,927
Less accumulated amortization and depreciation	(999,261)
Property and Equipment	\$ 79,666

Amortization and depreciation expense for the year ended December 31, 2017 amounted to \$117,426.

NOTE 7: DEPOSITS

A security deposit in the amount of \$2,890 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 8: LEASE COMMITMENT AND RENT

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. Future annual minimum lease payments are as follows:

2018	12,960
Total	\$ 12,960

The rent expense for this office space for the year ended December 31, 2017 is \$30,802.

The total rent expense, including other monthly rent for the year ended December 31, 2017 is \$57,411.

NOTE 9: ADVERTISING COSTS

Advertising costs are expensed as incurred and included in the statement of functional expenses. For the year ended December 31, 2017, advertising costs amounted to \$40,466.

IRIDESCENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10: TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, the temporarily restricted net assets amounted to \$0. A previously recorded grant in fiscal year ended December 31, 2016 in the amount of \$266,752 was not honored by the grantor.

Temporarily restricted net asset activity was as follows during the year ended December 31, 2017:

Beginning Balance	466,752
Transfer from Restricted to Unrestricted	(200,000)
Uncollectible grant	<u>(266,752)</u>
Ending Balance	<u><u>-</u></u>

NOTE 11: SUBSEQUENT EVENT

In accordance with ASC 855, subsequent events through May 23, 2018, 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

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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, 2017, 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 .

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 23, 2018.

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 23, 2018