
THE FAB FOUNDATION

Financial Statements

December 31, 2012

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Independent Accountants' Review Report

To the Board of Directors
The Fab Foundation
Cambridge, Massachusetts

We have reviewed the accompanying statement of financial position of The Fab Foundation (a nonprofit organization) as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
November 12, 2013

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Statement of Financial Position December 31, 2012

Assets:

Cash	\$	147,852
Accounts receivable		13,654
Total assets		<u><u>\$161,506</u></u>

Liabilities and net assets

Liabilities:

Accrued expenses		\$45,405
Deferred revenue		98,877
Total liabilities		<u>144,282</u>

Net assets - unrestricted

Total liabilities and net assets

		<u>17,224</u>
		<u><u>\$161,506</u></u>

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Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contracts	\$ 252,312	\$ -	\$ 252,312
Grants and contributions	-	63,005	63,005
Tuition	32,091	-	32,091
Net assets released from restrictions	63,005	(63,005)	-
Total revenue and support	<u>347,408</u>	<u>-</u>	<u>347,408</u>
Expenses:			
Program services:			
Organizational services	285,467	-	285,467
Education	28,241	-	28,241
Total program services	<u>313,708</u>	<u>-</u>	<u>313,708</u>
Management and general	35,904	-	35,904
Total expenses	<u>349,612</u>	<u>-</u>	<u>349,612</u>
Change in net assets	(2,204)	-	(2,204)
Net assets, beginning of year	<u>19,428</u>	<u>-</u>	<u>19,428</u>
Net assets, end of year	<u>\$ 17,224</u>	<u>\$ -</u>	<u>\$ 17,224</u>

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Statement of Cash Flows For the Year Ended December 31, 2012

Cash flows provided by operating activities:	
Change in net assets	\$ (2,204)
Changes in operating assets and liabilities:	
Accounts receivable	(13,654)
Accrued expenses	45,405
Deferred revenue	98,877
Net cash provided by operating activities	<u>128,424</u>
Cash, beginning of year	<u>19,428</u>
Cash, end of year	<u><u>\$ 147,852</u></u>

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**Statement of Functional Expenses
For the Year Ended December 31, 2012**

	Program			Management and General	Total
	Organizational Services	Education	Total Program		
Lab components	\$ 265,141	\$ 1,672	\$ 266,813	\$ -	\$ 266,813
Professional fees	-	4,580	4,580	32,576	37,156
Travel	9,197	5,928	15,125	-	15,125
Staffing	75	14,000	14,075	500	14,575
Grants and awards	5,800	659	6,459	-	6,459
Conferences	4,679	600	5,279	224	5,503
Postage and delivery	130	585	715	1,129	1,844
Miscellaneous	411	217	628	920	1,548
Office expense	34	-	34	555	589
	<u>\$ 285,467</u>	<u>\$ 28,241</u>	<u>\$ 313,708</u>	<u>\$ 35,904</u>	<u>\$ 349,612</u>

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Notes to Financial Statements

1. Organization

Nature of Activities

The Fab Foundation (the “Organization”) was organized in February 2009 under the laws of the State of California for the purpose of providing access to the tools, the knowledge and the financial means to educate, innovate and invent using technology and digital fabrication to allow anyone to make (almost) anything, and thereby creating opportunities to improve lives and livelihoods around the world. The Organization’s headquarters are in Massachusetts. Community organizations, educational institutions and non-profit concerns are the Organization’s primary beneficiaries. The Organization’s primary sources of revenue and support are from contracts for the procurement of fab labs, tuition, and grants and contributions. A fab lab is comprised of off-the-shelf, industrial-grade fabrication and electronics tools, wrapped in open source software and programs.

Program Descriptions

Organizational Services

The Organization promotes digital fabrication by facilitating the development of community-based and educational fab labs, the dissemination of best practices in digital fabrication throughout the fab lab network, facilitation and dissemination of research and community-beneficial projects, the funding and facilitation of fab lab and digital fabrication projects that benefit people and communities in exemplary ways, such as mobile fab labs for emergency aid, or fab labs for developing world contexts. These services include deploying, installing, training, and consulting for new fab labs as well as programmatic support of established fab labs. The Organization works to gather and provide critical evaluation data as well as provide tools for tracking the impact of fab labs in educational, business and social contexts. As part of its services the Organization provides a network function for the fab lab community, bringing together fab labs around the world either physically (for annual meetings and workshops) or virtually through online tools and resources.

Education

The Organization brings digital fabrication tools and processes to people of all ages, teaching the skills and knowledge of digital fabrication, developing curriculum for formal and informal educational settings, as well as designing and offering professional development training programs for teachers, fab lab managers and other professionals. The Organization offers advanced technical education through the Fab Academy which provides instruction and supervises investigation of mechanisms, applications, and implications of digital fabrication. The Fab Academy is a worldwide, distributed campus utilizing fab labs as classrooms and libraries for a new kind of technical literacy.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, the Organization determines the classification of its net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

- 1) *Unrestricted net assets* represent expendable resources available for support of the Organization's general operations.
- 2) *Temporarily restricted net assets* represent resources restricted by donors for a specific period or purpose.
- 3) *Permanently restricted net assets* represent resources which cannot be expended. Income on these invested endowment funds are utilized in accordance with the donors' stipulations.

The Organization had no temporarily or permanently restricted net assets as of December 31, 2012, and no permanently restricted net assets during the year then ended.

Revenue and Support

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Contributions that are classified as temporarily restricted support are reclassified to unrestricted net assets upon satisfaction of the restriction or expiration of the time restriction.

Contracts for equipping and setting up fab labs require a portion of the agreed upon price to be paid in advance. Revenue for constructing fab lab projects is recognized on an individual project basis based on the costs incurred to date, plus the proportional quoted mark-up percentage. Any amounts paid in excess of the revenue recognized are reported as deferred revenue.

Amounts received for Fab Academy tuition payments are recognized as revenue when instruction commences. Any amounts paid in advance of instruction are reported as deferred revenue.

The Organization receives contributions of time by volunteers, including Board members, and the use of office space and various office services. Management has not been able to readily determine the value of these in-kind items, or they do not meet the criteria for recognition of in-kind support, and therefore, they have not been reflected in the financial statements.

Cash

Cash consists of deposits held in checking accounts at federally insured banks.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates and Subsequent Events

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on November 12, 2013, the date these financial statements became available to be issued.

Income Taxes

The Organization is a publicly supported organization whose activities are described in Internal Revenue Code Section 501(c)(3) and, therefore, is exempt from income taxes. The Organization is also exempt from Massachusetts and California income tax.

The Organization has evaluated the tax positions taken on returns for open years and those expected to be taken on returns for the year ended December 31, 2012. It is management's belief that such tax positions are more likely than not to be sustained upon examination by tax authorities. Accordingly, no liability for uncertain tax positions has been reflected in these financial statements. Tax returns for tax years beginning with those filed for the period ended December 31, 2009 are open to examination.

3. Temporarily Restricted Net Assets

Net assets released from restrictions for the year ended December 31, 2012 consisted of \$63,005 expended for organizational services.

4. Subsequent Event

In July 2013, the Organization received a grant award from a large corporation in the amount of \$10,000,000, to be paid over three years beginning in 2013. In October 2013, the Organization received the first installment of \$4,000,000. The agreement provides for the Organization to establish fab labs in the states where the corporation operates.