



Funding FRC in the Pacific Northwest – 2016 Edition

Kevin Ross
PNW District Chairman
Founding Chairman, Washington FIRST Robotics

Executive Summary

Teams in the PNW District will be presented with an invoice for \$10,652 for the 2016 season participation fees (Don't panic! Read on). Teams in the PNW District will be presented with a list of offsetting grants from Washington *FIRST* Robotics and Oregon *FIRST* Robotics to lower this cost to between \$5,000 and \$6,800. All *FIRST* payments will be made to Washington *FIRST* Robotics for the 2016 season. The participation fee includes all registration fees up to and INCLUDING the District Championship registration fee. Washington *FIRST* Robotics and Oregon *FIRST* Robotics will be actively working to help decrease the costs to teams. If we do well, we will be able to lower your net costs to below \$5,000. All payments for FRC will be directed to Washington *FIRST* Robotics.

Preface

What a great year in FRC. As a District, we have had many accomplishments. Did you know that over 50% of the PNW teams who made it to World Championships were picked for the playoffs! That is our best showing ever.

The PNW District did a few unique things this year compared to the rest of the country. Specifically, we made transparent the costs of our program to the teams. We made transparent our fundraising activities. We invoiced the teams for all of the costs for running the FRC program. We also created a system where teams were given grants to help cover their share of the costs. The net increase for teams in participation fees was zero, but the true costs of running the program were documented and published to teams and to sponsors. We actually didn't change much in terms of actual dollars. We are now aiming to show you where those dollars are coming from, so you know all the great partners who are making this program possible. We just showed our dollars to everyone.

We had successes and failures. Learning from those failures, we are going to modify our plans for the upcoming season. This document is going to share with you our plan to make the *FIRST* programs more efficient, accessible, and to make the costs to teams go down a little.

We had successes

1. We raised enough grant money to cover the increased participation fees.
2. Sponsors and donors like the new funding model. It is easy for them to understand.
3. We were able to hire staff to help take a large burden off the shoulders of our volunteers.



4. The executive staff were able to secure more funding for teams over the past year.
5. We were able to assist many teams with fundraising support and planning.

Some of the things we learned included

1. The \$4,000 registration fee for the District Championship imposed a large expense to many of our teams that was not budgeted for.
2. Explaining the differences between rookie and veteran fees led to confusion with our donors.
3. Higher rookie team fees are counter to the principles of gracious professionalism wherein we all try to give a helping hand up to teams that are just starting out
4. The process for registering for World Championships was stressful for teams.
5. The change in payee for the FRC teams was done too late and became confusing for teams.

As an appendix to this document, we will show you the traditional model of how *FIRST* events are funded and why we feel that our approach is better.

Introduction and Goals

Washington *FIRST* Robotics is the 501(c)3 organization that is responsible for running all *FIRST*® programs in Washington plus the PNW *FIRST* Robotics Competition (FRC) District that spans Oregon and Washington. We have been operating *FIRST* programs since 2002, and have a long history of providing great experiences and infrastructure for the *FIRST* teams.

Washington *FIRST* Robotics has a close partnership with Oregon *FIRST* Robotics. Our states run independent boards. Last year, we were using the moniker PNW *FIRST*. This created unity for our District, but is also causing some confusion with our donor community. Creating yet another entity for them to think about did lead to some issues.

Washington *FIRST* Robotics is the legal entity which has fiduciary responsibility for the PNW District and is signing the contracts. We are very sensitive to the fact that a third of our District is based in Oregon, and that our District Championship is in Portland in 2016. We are one big happy District. Currently there is not a 501(c)3 in Oregon who is responsible for the FRC program. That is being worked on. The rest of this document is going to show the Washington *FIRST* Robotics budget as it relates to the FRC program. This intends to and does include teams in Oregon and Washington.

The purpose of this document is to explain to all of our FRC teams in Oregon and Washington the way that we generate the revenues required to operate the FRC program in Oregon and Washington. Our plan is a deviation from what the rest of the *FIRST* community across the country is doing. We have been working closely with U.S. *FIRST* and have agreed to pilot a new finance model for a few years. Our goal is to provide excellent opportunities for all of our *FIRST* students and volunteers.

Our goals for making this change are very simple:



- Allow us to raise funds directly for teams across Oregon and Washington.
- Create a sustainable system that allows donors to support teams matching their criteria.
- Make it easier and simpler for our donors to get involved directly with teams. Participation both financially and with mentorship.
- Ensure fair and proper proportionality in funding across the two states.

The 2016 Season Budget

A summary of our District budget is shown below.

PNW District Budget 2016		
Revenues		
	Team Participation Fees	\$ 1,683,087
	FRC Revenues	\$ 1,683,087
Expenses		
	Program Fees to USFIRST	\$ 898,000
	District Events	\$ 306,150
	District Championships	\$ 163,200
	Staff	\$ 121,622
	Administrative	\$ 194,115
	FRC Total Expenses	\$ 1,683,087

To keep this simple for our donors, the team registration fees are set at the exact value required to offset our forecast expenses.

Some important things that have changed include:

- For all PNW District teams, the Team Registration Fees will include participation in the District Championship.
- For all PNW District Rookie Teams, the cost for participation is the same as for veteran teams.

We will discuss the Team Participation Fees in the next section.

Program Fees to U.S. *FIRST* include all of the registration fees to U.S. *FIRST*, plus a program fee that we worked out with *FIRST* to offset the registration fees that would have been collected as the District championship fee. It is a large number, so allow me to spend a little wording about that number. U.S. *FIRST* is responsible for game development, IT support for the field, volunteer management systems, the actual game supplies (field elements, game elements), shipping supplies, and a lot of other logistics and training support. All of this requires staffing in New Hampshire and in the field. As such, U.S.*FIRST* does



have expenses. Their revenue model is that they pay for a lot of their overhead by charging teams registration fees at multiple levels. Districts, District Championships, Regionals, and World Championships.

As offset, we must all realize that U.S. *FIRST* does a LOT of sponsor development and secures some pretty large grants to help teams (NASA and Boeing grants, for example). They also help organizations such as Washington FIRST Robotics. Some of our largest sponsors, for example, are sponsors who became involved because of involvement with U.S. *FIRST*. Most teams in the U.S. benefit from their efforts.

District Events are Washington *FIRST* Robotics costs for putting on events across both states. This includes all of the expenses for volunteers, rental equipment, transportation, storage and maintenance of equipment, and capital expenses needed to run each event. Costs have increased over previous years based on experience and based on actual data from previous years.

The District Championship event is our major event for the year. We are moving back to Portland for 2016, which costs more than other venues. Large venues involve venue rental fees, union labor calls, big A/V equipment and staff, required professional catering, and other expenses that are avoided at smaller venues. We have cut a lot of the fat out of the budget, but it is still a major item for a single event. It is a major event at a major venue!

Staff expenses cover the logistics, volunteer management, site support, and a large number of other required roles during the year.

Administrative expenses cover the fundraising, management, accounting, legal, and board management activities as well as establishing a small reserve contingency fund.

Team Participation Fees

Let's discuss details about the team Participation Fee. There are some changes for this upcoming year that are important for you to understand. Our goal is to make this less expensive for everyone who wants to participate in *FIRST*. Of great irony, the best way to do that is to bill you for the entire cost of your team participating in the PNW District, allowing WFR and OFR to fundraise on your behalf. We succeeded last year; we are going to do even better this year.

The total bill for the PNW FRC District this year is going to be \$1,683,087. We expect to have 158 teams in the 2016 season. Therefore, each of our 158 teams will get an invoice for \$10,652. Yikes! But wait, don't panic, we are going to help with that.



Washington *FIRST* Robotics and Oregon *FIRST* Robotics will help offset this by taking all of our fundraising efforts and directing them towards buying down your bill. We have already started, and things are looking good so far. It is too early for us to release numbers yet, but we believe that your actual bill will be between \$5,000 and \$6,800.

The reality of this change is (mostly) being open about our funding activities. For the past 7 years, we have been raising funds to cover the District expenses. This has been happening behind the opaque glass. Just in the last year, we have started to make you aware of the money we are raising on your behalf by showing you the numbers. Both WFR and OFR are heavily involved in the state grants that public schools have been able to apply for. We spend a huge amount of time working to increase and administrate those grants. We are hoping for increases in both grants.

The 'mostly' part of the reality of the change is that we are have a new \$256,000 fee that is due to U.S. *FIRST* as our program fee. This new program fee is going to replace the registration fees for the PNW District Championship. The good news for all of our teams is that no additional fees are due when you make it to the District championship. That has become an expense item in the WFR budget and is now part of team participation fee. It adds \$1,684 for each of our 152 existing teams. If we grow or shrink teams, the \$256K is still a fixed expense that we will owe to U.S. *FIRST*.

Since we don't have clarity on how to fund this at the moment, we feel it appropriate to point out that there is a risk that we may need to get fundraising help from every team to help cover this expense. We are telling everyone this in June so that you can plan for it in the event we don't make our full fundraising target. So, just to be safe, plan on fundraising \$6,800 to cover the cost of your participation fee for the 2016 season. We don't believe it will be more than that. We intend for it to be less.

We are now telling our sponsors they are now YOUR sponsors. We don't compete with you for sponsors' money. We are showing them \$10,652 is the participation fee for the 2016 season. We also tell them that an average team needs about \$25,000 to participate. This makes our discussions with sponsors about funding teams and students. It makes the numbers easy to digest. It ties our sponsors to teams more directly. It lets you know who is providing money that enables your team to compete.

Changes in payment terms

Payments are now going to be made to Washington *FIRST* Robotics rather than U.S. *FIRST*. We will be sending each team who registers an initial invoice this fall after they register. You will no longer be sending funds to U.S. *FIRST*. Even your World Championship (aka St Louis) payments will be directed through Washington *FIRST* Robotics.

Instead, team Purchase Orders and payments for the FRC program will go to



Washington *FIRST* Robotics
21238 68th Ave South
Kent, WA 98014

The registration process for all of the other programs (JrFLL, FTC, and FLL) remain the same with teams paying a national registration fee and a local participation fee. Please check the payment terms for the other *FIRST* programs separately.

We are fundraising year round, and in fact will be fundraising right up to the due date for your FRC payment in late November. We will track any payments, credits, and over payments and make things right if there are additional funds raised. If we raise more funds than you owe, we will issue your team a check or apply those funds to a Washington *FIRST* Robotics booster account.

Donor Intent

We will be fundraising across Washington and Oregon from many different entities. Each donor ends up having specific requirements about its donations. A potential result of this is that some teams may end up getting more or less donations than others. This is the nature of fundraising. We actively advocate for all FRC teams. To help us in that effort, we need to learn from you what your team goal and budget looks like. You may not have your budget for the 2016 season developed yet, so sharing what your revenue and expenditure budget looked like for 2015 would be very helpful.

www.firstwa.org/TeamReport is the best place to share that information with us. Our fundraisers, Erin McCallum, Cindy Lebeau, and our Oregon and Washington Board members can be your partners in working to ensure that your fundraising goals are met. We will keep your team's information confidential and this information will only be used to advance the revenue generation for your team.

Understand that every team gets the same amount on their bill in terms of the participation fee. The final cost on an individual team basis may end up having different values. For example, we often times get donors who are contributing to their local area schools. It is quite possible for some teams to get more directed funding than others, in which case the final net bill for those teams may differ. This is not unexpected, and is something that has been happening for years. We want to insure that you realize that your final net bill may be different than the team next door.

Personal Note

I am very happy with the direction that we are headed with our District. A lot of thought, debate, effort, and conviction has been placed in the way we are intending to raise funds for our teams. None of these changes are taken lightly. We have had some very serious discussions with the executives on our Board of Directors.



After checking with the other Districts, our budgets are pretty close in terms of operating costs. Most of the other Districts are watching what we are piloting very closely as they face all the same issues that the PNW faces. U.S. *FIRST* is also watching this very closely. A simple story for funders is really important to the entire *FIRST* community worldwide. I feel honored that the Pacific Northwest District is respected and trusted with making a substantial change in the *FIRST* community. Our reputation as a District is strong because of our teams and our volunteers. We should all feel proud of what we have accomplished for our students.

I am feeling much more comfortable about stepping down and letting others take the helm in 2 years knowing that we have a clear plan on how to improve our funding model and that the program will sustain itself into the future.

Kevin Ross
PNW District Chair



Appendix:

This was published last year and has had just a few minor edits. Not required reading for the year, but if you are interested in knowing the reason for these changes, this is how it all began.

Why Change?

The core problem is that the traditional FIRST funding model can be extremely confusing to our donors. Confused donors are wary of the complexity. We were asking them to fund teams, fund events, fund our 501(c)(3) organization, and fund USFIRST. The relationships between these four avenues for participation can be quite difficult to explain.

A confused donor is never a good thing. They can be confused to the point of saying "no" or only being willing to put one toe in the water. Currently teams, WFR, and USFIRST may all ask for support from the same sponsor. From the sponsor's perspective, we are all *FIRST* and we are asking for multiple streams of funding. Without a clear and simple story, they don't always know exactly what to do. So they often times do nothing. We can do a better job!

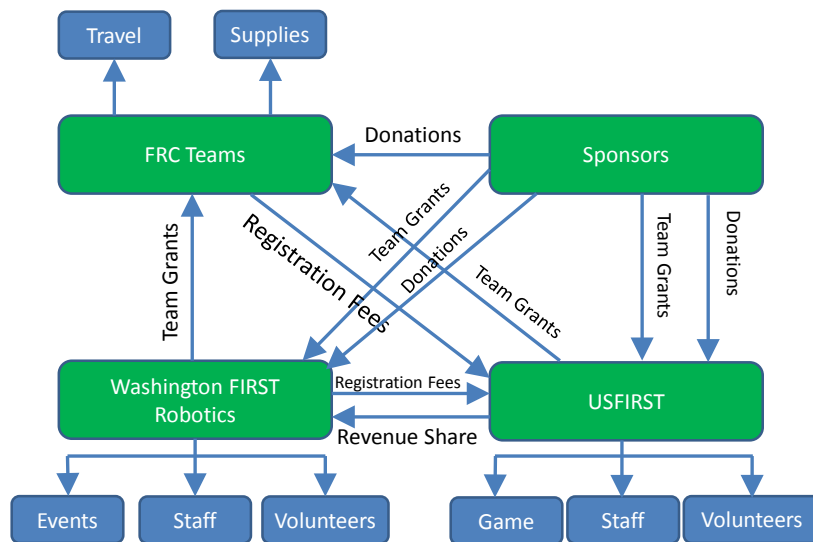
We also want to insure that our teams understand how much it actually costs to participate in the PNW District. We believe if everyone understands the finances, we can all work together to make the program successful.

The Traditional FRC funding Model

How did money in the traditional FRC community flow? This can be a confusing system, as you will see in the following diagram. Note that Oregon FIRST Robotics was raising money as USFIRST for the 2014 season.



Traditional Donor Model for FRC teams in the Pacific Northwest



Issues with Accounting

Funders who donate/sponsor expect to see their donations reflected on a financial statement. This is an important part in building trust. Under the traditional PNW District model, many donors/sponsors do not show up on our financial statement because their funding is directed to many directions (USFIRST, Washington *FIRST* Robotics, School PTA, School Foundations, Booster Accounts, etc.).

In accounting geek talk, it is difficult in this model to track down which IRS Form 990 (a non-profit's annual tax return to the IRS) to look at. Washington *FIRST* Robotics helps facilitate over \$1,000,000 in grants and corporate sponsorships annually, but that funding is largely not reflected in Washington *FIRST* Robotics' financial statements because the funding does not all come through Washington *FIRST* Robotics.

Oregon *FIRST* Robotics has done much the same, but it isn't an IRS 501(c)(3) organization, and therefore previous funding has been directed through USFIRST. There currently isn't a place for Oregon corporations to go and cleanly find this important information.

There isn't a clean way to show where the money flows. Our new model will help address that issue.



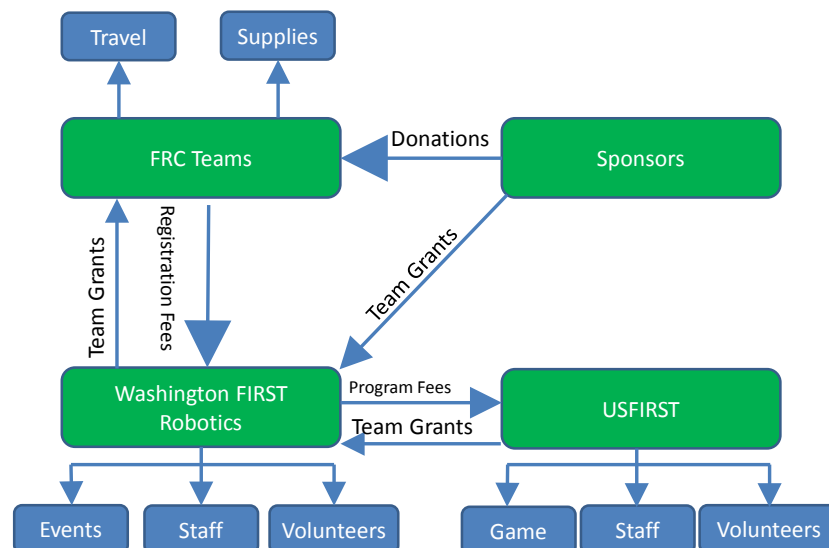
Our New Funding Model

Our new PNW model is designed to shift the conversation with our donor/sponsor community from supporting running specific events into an opportunity to support teams of students who are eager to do amazing things with STEM.

We will shift the existing donors/sponsors who are supporting Washington *FIRST* Robotics and Oregon *FIRST* Robotics in our FRC District into donors/sponsors who are supporting *FIRST* teams, with the eventual intent of getting all donors/sponsors to cover the full cost for a team to participate in FRC events, including both the team registration fees and the event costs.

Realize that this change is intended to be financially neutral (no cost increase) to our teams at the start, and then financially positive (lower costs) for FRC teams in the long haul. Let us explain.

Proposed Donor Model for FRC teams in the Pacific Northwest



In this new model, we will be asking donors/sponsors to support FRC teams. The teams will be tasked with paying for the program expenses through their participation fees. Yes, FRC participation fees will initially appear go up. All of the costs of the program are now covered by these fees. The increase should be offset by providing additional team grants. Washington FIRST Robotics will redirect existing donors/sponsors into team support. Our collective objective is to raise as much money as possible for PNW FRC teams, rookie and veteran.



Under this new funding model we have simplified the funding so that teams are the focus for donors/sponsors. We no longer need to distinguish between paying for PNW *FIRST* expenses and support for teams. They become one and the same.

The other key point is that the participation fee (registration and competition) that is paid to Washington FIRST Robotics will allow us to properly account to our donors where the funding they have committed has gone in a single statement, rather than a split between Washington *FIRST* Robotics and USFIRST's financial statements.