



Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

Environmental and Spatial Technology, Inc.

Financial Statements

For the Year Ended June 30, 2023

Environmental and Spatial Technology, Inc.

Table of Contents

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-10



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Environmental and Spatial Technology, Inc.
Little Rock, Arkansas

Opinion

We have audited the accompanying financial statements of Environmental and Spatial Technology, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Environmental and Spatial Technology, Inc. as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Environmental and Spatial Technology, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Environmental and Spatial Technology, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Environmental and Spatial Technology, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Environmental and Spatial Technology, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Upakum, Howell, & Company, PLC
Certified Public Accountants

Benton, Arkansas
November 29, 2023

Environmental and Spatial Technology, Inc.
Statement of Financial Position
June 30, 2023

Assets	
Current Assets	
Cash and Cash Equivalents - Operations	\$2,284,774
Receivables	129,106
Inventory	27,086
Prepaid Expenses	198,535
Total Current Assets	<u>2,639,501</u>
Property and Equipment	
Land, Building, and Building Improvements	2,446,078
Furniture and Fixtures	157,837
Computer Equipment and Software	185,596
Total Property and Equipment	<u>2,789,511</u>
Less: Accumulated Depreciation	<u>604,299</u>
Net Property and Equipment	<u>2,185,212</u>
Other Assets	
Cash and Cash Equivalents - Capital Reserve	426,750
Finance Lease Right-of-Use Asset, Net	7,979
Utility Deposits	1,676
Total Other Assets	<u>436,405</u>
Total Assets	<u><u>\$5,261,118</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 225,583
Payroll and Other Liabilities	89,410
Refundable Advances	967,921
Deferred Revenue	118,309
Current Portion of Finance Lease	2,738
Total Current Liabilities	<u>1,403,961</u>
Long-Term Finance Lease, Net of Current Portion	<u>5,341</u>
Net Assets	
Without Donor Restrictions	<u>3,851,816</u>
Total Net Assets	<u>3,851,816</u>
Total Liabilities and Net Assets	<u><u>\$5,261,118</u></u>

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

Environmental and Spatial Technology, Inc.
Statement of Activities
For the Year Ended June 30, 2023

Revenue and Support	
Program Service Fees	\$ 399,138
Grants:	
Government	3,385,090
Other	15,000
Contributions	90,547
Investment Income	66,153
Other	1,599
In-Kind Revenue	14,940
Total Revenue and Support	<u>3,972,467</u>
Operating Expenses	
Program Services	3,746,784
Supporting Services	
Management and General	169,599
Fundraising	144,537
Total Operating Expenses	<u>4,060,920</u>
Changes in Net Assets	(88,453)
Net Assets at Beginning of Year	<u>3,940,269</u>
Net Assets at End of Year	<u><u>\$3,851,816</u></u>

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

Environmental and Spatial Technology, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Benefits	\$1,545,207	\$ 152,618	\$ 131,391	\$1,829,216
Grants to Others	1,157,877			1,157,877
Conference	468,651	5,312	240	474,203
Information Technology	113,918	139	6,624	120,681
Professional Fees	75,559		38	75,597
Travel	74,407	281	658	75,346
Depreciation and Amortization	72,138			72,138
Facilities	70,504		767	71,271
Telephone and Telecommunications	47,489	456	1,646	49,591
Contract Services	49,327			49,327
Other	12,649	10,354	1,056	24,059
Utilities	18,638		209	18,847
Office Supplies	9,792	82	1,116	10,990
Printing	8,667	164		8,831
Non-Capital Furniture and Equipment	8,502		7	8,509
Interest	4,803		53	4,856
Marketing and Promotion	4,220			4,220
Meetings	2,490		640	3,130
Postage and Shipping	1,928	193	92	2,213
Program Supplies	18			18
Total Expenses	<u>\$3,746,784</u>	<u>\$ 169,599</u>	<u>\$ 144,537</u>	<u>\$4,060,920</u>

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

Environmental and Spatial Technology, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows from Operating Activities	
Change in Net Assets	\$ (88,453)
Items Not Requiring Cash:	
Depreciation and Amortization	72,138
(Increase) Decrease In:	
Receivables	(127,700)
Inventory	(4,146)
Prepaid Expenses	(113,141)
Increase (Decrease) In:	
Accounts Payable	136,677
Payroll and Other Liabilities	996
Refundable Advances	(171,888)
Deferred Revenue	98,451
Net Cash Used by Operating Activities	<u>(197,066)</u>
Cash Flows from Investing Activities	
Purchases of Property and Equipment	<u>(17,046)</u>
Net Cash Used by Investing Activities	<u>(17,046)</u>
Cash Flows From Financing Activities	
Principal Payments on Finance Lease	(2,636)
Principal Payments on Long-Term Debt	<u>(718,811)</u>
Net Cash Used by Financing Activities	<u>(721,447)</u>
Net Decrease in Cash and Cash Equivalents	(935,559)
Cash and Cash Equivalents at Beginning of Year	<u>3,647,083</u>
Cash and Cash Equivalents at End of Year	<u><u>\$2,711,524</u></u>
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position	
Cash and Cash Equivalents - Operations	\$2,284,774
Cash and Cash Equivalents - Capital Reserve	426,750
Total Cash and Cash Equivalents	<u><u>\$2,711,524</u></u>
Supplemental Disclosure of Cash Flow Information:	
Interest Payments	
Interest Paid on Finance Lease	\$ 115
Interest Paid on Long-Term Debt	18,732
Total Interest Payments	<u><u>\$ 18,847</u></u>

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

Environmental and Spatial Technology, Inc.
Notes to the Financial Statements

Note 1: Significant Accounting Policies

Environmental and Spatial Technology, Inc. (EAST) was organized in December 2001 under the Arkansas Non-Profit Corporation Act. The mission of EAST is to provide all learners the opportunity to have relevant, individualized, life-changing educational experiences. The EAST Initiative is dedicated to providing students with the opportunity to develop competencies using advanced technological applications in a classroom environment.

The significant accounting policies of the Organization are outlined below. The policies are presented to assist the reader in evaluating the financial statements and other data presented in this report.

- A. **Basis of Accounting** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, and accordingly, reflect all significant receivables, payables, and other liabilities.
- B. **Basis of Presentation** – EAST is required to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in the corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for a capital reserve (see Note 1D).

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. As of June 30, 2023, EAST did not have any net assets with donor restrictions.

- C. **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- D. **Cash and Cash Equivalents** – Cash and cash equivalents consists of all cash on hand, deposited in the bank, or in certificates of deposit as of June 30, 2023. On December 2, 2014, the Board approved a Capital Reserve of \$50,000 per year that is set aside from operating cash for any capital improvements over \$5,000. Any use of these funds must be approved by the Finance and Audit Committee. All other cash is available for operating expenditures in the next fiscal year.
- E. **Receivables** – EAST provides an allowance for uncollectible receivables that is based upon a review of outstanding receivables and historical experience with each funding source. Management considers all amounts receivable at June 30, 2023, to be fully collectible, thus no allowance for uncollectible receivables has been recorded.
- F. **Inventory** – Inventories are stated at the lower of cost or market as determined by the first-in first-out method.

Environmental and Spatial Technology, Inc.
Notes to the Financial Statements

Note 1: Significant Accounting Policies (Cont'd)

- G. **Property and Equipment** – Property and equipment is stated at cost or, if contributed, at the approximate fair value on the date of donation. Major renewals and improvements in excess of \$2,500 are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from three to seven years for equipment and thirty-nine years for the building. Amortization of leasehold improvements is computed using the straight-line method over the estimated useful life of the asset or the term of the lease, whichever is shorter.
- H. **Donated Materials, Rent, and Services** – Donated materials and rent are recorded at their estimated fair market value on the date received. Donated services are recognized as contributions only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by EAST. Although a substantial number of uncompensated volunteers have donated significant amounts of their time to EAST's program services, the value of such donated services has not been recognized in the financial statements as these services did not meet the recognition criteria.
- I. **Revenue and Support** – Funding to EAST is provided through grants, contracts, and contributions. These funds are recognized when received or earned, as increases in net assets, depending on the existence and/or nature of any donor restrictions. If restricted, the funds unused at the end of an accounting period are carried in the applicable net assets until the donor restrictions have been met. When the restrictions have been met, the funds will be reported in the Statement of Activities as net assets released from restrictions.
- Contract revenues, derived from services provided to various school districts, states and other education-related entities are considered exchange transactions or contributions with conditions, and revenues are recorded as services are provided under the contract or when the conditions have been met. Related receivables may include an unbilled portion of the contract amount. Refundable advances are recorded to the extent that funds received exceed revenues earned.
- J. **Expense Allocation** – EAST allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various statistical bases. Expenses associated with certain activities and functions necessary for the support of programs provided by EAST are reflected as general and administrative expenses for financial statement purposes in accordance with accounting principles generally accepted in the United States.
- K. **Income Taxes** – EAST is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements. EAST files a tax form 990. The tax years 2019, 2020, 2021, and 2022 are subject to examination by the IRS, generally for three years after they are filed.
- L. **Liquidity and Availability** – EAST regularly monitors liquidity required to meet its operating needs and contractual commitments. There were no contractual limitations, donor-imposed restrictions, or board designations that limit the availability of the EAST's current assets to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The Organization had \$2,639,501 in current assets as of June 30, 2023.

Environmental and Spatial Technology, Inc.
Notes to the Financial Statements

Note 2: Refundable Advances

Refundable advances consisted of the following at June 30, 2023:

Contracts	\$ 95,250
Grants	<u>872,671</u>
	<u>\$ 967,921</u>

Note 3: Concentrations

EAST maintains cash deposits in a financial institution that may, at times exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). This financial institution has pledged securities for any balance that exceeds the FDIC insured amount. EAST has not experienced any losses in such accounts and, in management's opinion, is not exposed to any significant credit risk on such deposits.

Revenue and support from the State of Arkansas Department of Education represents 81% of the total revenue and support for the year ended June 30, 2023.

Note 4: Finance Lease Right-of-Use Asset and Liability

EAST has a noncancelable copier lease with an original term of five years and renewal options. It is a finance lease with monthly payments of \$235, plus tax, through May 2026. The finance lease was discounted to present value using the Internal Revenue Service Applicable Federal Rate of 1.2% with a remaining lease term of 2.92 years. The lease was recorded as a right-of-use asset on the statement of financial position, then amortized on a straight-line basis over the term of the lease. The following table shows the right-of-use asset and lease liability as of June 30, 2023:

Right of Use Asset – Finance Lease	\$ 13,679
Right of Use Asset – Accumulated Amortization	<u>(5,700)</u>
Right-of-Use Asset – Net	<u>\$ 7,979</u>
Lease Liabilities – Finance Lease	\$ 8,079
Less Current Portion	<u>(2,738)</u>
Non-Current Lease Liability	<u>\$ 5,341</u>
Amortization of Right of Use Asset	\$ 2,736
Finance Lease Interest Expense	<u>115</u>
Total Finance Lease Cost	<u>\$ 2,851</u>

Lease liability maturities as of June 30, 2023 are as follows:

	2024	\$ 2,820
	2025	2,820
	2026	<u>2,585</u>
Total Undiscounted Lease Liability		8,225
Less Imputed Interest		<u>(146)</u>
Total Lease Liability		<u>\$ 8,079</u>

Note 5: Contingencies

EAST receives grants from the State of Arkansas Department of Education (ADE) designated for specific programs as specified in related award notifications. Should EAST fail to utilize funding for its specified purpose, EAST could be required to return funds to ADE. It is the opinion of EAST's management that EAST has fulfilled its duties as required; therefore no allowance has been recorded for any such reimbursement.

Environmental and Spatial Technology, Inc.
Notes to the Financial Statements

Note 6: Related Party Transactions

A member of EAST's board of directors is a division leader for the research and technology department of the Arkansas Department of Education (ADE).

The amount of revenue and support from ADE during the year ended June 30, 2023 is \$3,218,638. There were no amounts receivable from ADE at June 30, 2023. ADE's portion of refundable advances in Note 2 was \$837,882 at June 30, 2023.

Note 7: Retirement Plan

EAST established a simple IRA plan to provide retirement benefits to certain eligible employees that are projected to earn a minimum of \$5,000 per year. EAST contributes up to 3% of eligible compensation for participating employees who are making pretax salary deferrals into the plan. Plan assets are held in individual simple IRA accounts established in the name of each employee. Employer contribution expense for the year ended June 30, 2023 was \$39,830.

Note 8: Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02 – Leases. This guidance requires an entity to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as expenses when paid. The FASB also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, and timing of the leases. EAST has implemented ASU 2016-02 for the year ended June 30, 2023. EAST has elected to use the optional transition method to apply the new lease standard at the adoption date and not apply it to a prior period.

Note 9: Subsequent Events

Subsequent events were evaluated through November 29, 2023, which is the date the financial statements were available to be issued.