

**Yoakum, Lovell & Co., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Environmental and Spatial Technology, Inc.

Financial Statements

For the Years Ended June 30, 2018 and 2017

Environmental and Spatial Technology, Inc.

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**Yoakum, Lovell & Co., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Environmental and Spatial Technology, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 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. Those standards require that we plan and perform the audits 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 auditor's 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 the entity'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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 positions of Environmental and Spatial Technology, Inc. as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Yoakum, Lovell & Co., PLC*  
Certified Public Accountants

Benton, Arkansas  
September 27, 2018

Environmental and Spatial Technology, Inc.  
 Statements of Financial Position  
 June 30, 2018 and 2017

<b>Assets</b>	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents - Operations	\$3,553,223	\$3,443,779
Receivables	33,106	1,238
Inventory	1,806	2,738
Prepaid Expenses	50,684	60,468
Total Current Assets	<u>3,638,819</u>	<u>3,508,223</u>
Property and Equipment		
Land, Building, and Building Improvements	2,380,446	2,380,446
Furniture and Fixtures	133,967	129,769
Computer Equipment and Software	669,045	764,857
Total Property and Equipment	<u>3,183,458</u>	<u>3,275,072</u>
Less: Accumulated Depreciation	<u>868,118</u>	<u>943,417</u>
Net Property and Equipment	<u>2,315,340</u>	<u>2,331,655</u>
Other Assets		
Cash and Cash Equivalents - Capital Reserve	200,000	150,000
Utility Deposits	1,676	1,676
Total Other Assets	<u>201,676</u>	<u>151,676</u>
Total Assets	<u><u>\$6,155,835</u></u>	<u><u>\$5,991,554</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable	\$ 433,429	\$ 21,402
Gift Certificates Payable	290	315
Payroll and Other Liabilities	69,695	86,887
Refundable Advances	926,666	1,182,097
Prepaid Occupancy Revenue	3,114	3,380
Deferred Revenue	17,800	13,700
Current Portion of Long-Term Debt	74,886	68,283
Total Current Liabilities	<u>1,525,880</u>	<u>1,376,064</u>
Long-Term Debt	<u>1,513,272</u>	<u>1,679,666</u>
Net Assets		
Unrestricted	<u>3,116,683</u>	<u>2,935,824</u>
Total Net Assets	<u>3,116,683</u>	<u>2,935,824</u>
Total Liabilities and Net Assets	<u><u>\$6,155,835</u></u>	<u><u>\$5,991,554</u></u>

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

Environmental and Spatial Technology, Inc.  
 Statements of Activities  
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue and Support		
Contracts	\$ 176,966	\$ 258,779
State of Arkansas Department of Education:		
Appropriations	1,927,590	1,742,998
Grants	494,857	501,819
Other Grants	75,330	
Conference and Seminar	192,882	164,013
Occupancy Revenue	266	1,713
Contributions	25,754	21,052
Interest Income	61,299	57,619
Other	38,903	32,400
In-Kind Revenue	<u>76,755</u>	<u>78,343</u>
Total Revenue and Support	<u>3,070,602</u>	<u>2,858,736</u>
Operating Expenses		
Program Services	2,327,060	2,181,701
Supporting Services		
Management and General	457,490	462,855
Fundraising	<u>105,193</u>	<u>116,736</u>
Total Operating Expenses	<u>2,889,743</u>	<u>2,761,292</u>
Changes in Net Assets	180,859	97,444
Net Assets at Beginning of Year	<u>2,935,824</u>	<u>2,838,380</u>
Net Assets at End of Year	<u><u>\$3,116,683</u></u>	<u><u>\$2,935,824</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, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Benefits	\$1,270,528	\$ 298,927	\$ 51,057	\$1,620,512
Contract Services	236,443	1,216	37,511	275,170
Utilities	14,252	6,849	252	21,353
Interest	47,470	22,817	839	71,126
Communications	38,606	10,411	2,103	51,120
Conference Supplies	180,541	94	461	181,096
Conference Meals	47,308		4,341	51,649
Meetings	5,003	3,865		8,868
Travel	79,578	3,026	2,111	84,715
Office Supplies	11,468	4,240	396	16,104
Non-Capital Furniture and Equipment	35,055	13,988	299	49,342
Facilities	26,033	12,672	460	39,165
Professional Fees	4,310	38,050		42,360
Computer Supplies	41,651	3,127	162	44,940
Postage and Shipping	1,652	930	56	2,638
Grants to Others	102,796			102,796
Insurance		26,081		26,081
Printing	9,612	3,336	1,825	14,773
Depreciation and Amortization	60,023			60,023
In-Kind Materials and Services	76,755			76,755
Other	37,976	7,861	3,320	49,157
<b>Total Expenses</b>	<b>\$2,327,060</b>	<b>\$ 457,490</b>	<b>\$ 105,193</b>	<b>\$2,889,743</b>

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, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Benefits	\$1,174,820	\$ 312,777	\$ 41,258	\$1,528,855
Contract Services	161,691	947	56,613	219,251
Utilities	14,111	7,017	252	21,380
Interest	47,866	23,802	855	72,523
Communications	32,076	7,567	1,634	41,277
Conference Supplies	180,544		24	180,568
Conference Meals	22,803		3,083	25,886
Meetings	3,843	3,915	19	7,777
Travel	89,636	3,099	3,928	96,663
Office Supplies	12,870	3,297	654	16,821
Non-Capital Furniture and Equipment	8,639	316		8,955
Facilities	53,000	14,383	494	67,877
Professional Fees	348	45,788		46,136
Computer Supplies	32,610	1,596	131	34,337
Postage and Shipping	1,426	993	88	2,507
Grants to Others	193,932			193,932
Insurance		26,219		26,219
Printing	6,757	5,983	1,628	14,368
Depreciation and Amortization	54,164			54,164
In-Kind Materials and Services	76,127		2,216	78,343
Other	14,438	5,156	3,859	23,453
<b>Total Expenses</b>	<b>\$2,181,701</b>	<b>\$ 462,855</b>	<b>\$ 116,736</b>	<b>\$2,761,292</b>

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

Environmental and Spatial Technology, Inc.  
 Statements of Cash Flows  
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 180,859	\$ 97,444
Items Not Requiring Cash:		
Depreciation and Amortization	60,023	54,164
(Gain) Loss From Disposal Of Assets	13,864	
(Increase) Decrease In:		
Receivables	(31,868)	3,881
Inventory	932	2,591
Prepaid Expenses	9,784	14,878
Increase (Decrease) In:		
Accounts Payable	412,027	(65,401)
Gift Certificates Payable	(25)	70
Payroll and Other Liabilities	(17,192)	14,332
Refundable Advances	(255,431)	347,669
Prepaid Occupancy Revenue	(266)	(1,713)
Deferred Revenue	4,100	(3,925)
Net Cash Provided by Operating Activities	<u>376,807</u>	<u>463,990</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	<u>(57,572)</u>	<u>(25,016)</u>
Net Cash Used by Investing Activities	<u>(57,572)</u>	<u>(25,016)</u>
Cash Flows From Financing Activities		
Payments on Long-Term Debt	<u>(159,791)</u>	<u>(65,395)</u>
Net Cash Used by Financing Activities	<u>(159,791)</u>	<u>(65,395)</u>
Net Increase in Cash and Cash Equivalents	159,444	373,579
Cash and Cash Equivalents at Beginning of Year	<u>3,593,779</u>	<u>3,220,200</u>
Cash and Cash Equivalents at End of Year	<u>\$3,753,223</u>	<u>\$3,593,779</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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. EAST has no temporarily or permanently restricted net assets.
- C. **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, 2018 and 2017. 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.
- D. **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, 2018 and 2017, to be fully collectible, thus no allowance for uncollectible receivables has been recorded.
- E. **Inventory** – Inventories are stated at the lower of cost or market as determined by the first-in first-out method.
- F. **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.
- G. **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.
- H. **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.

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

**Note 1: Significant Accounting Policies (Cont'd)**

I. **Revenue and Support** – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any restrictions on the use of the funds. Support that is restricted to be used for a specified purpose or during a specified time is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and 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, and revenues are recorded as services are provided under the contract. 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 2014, 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they are filed.

**Note 2: Refundable Advances**

Refundable advances consisted of the following at June 30:

	2018	2017
Contracts	\$ 259,451	\$ 62,250
Grants	667,215	1,119,847
	\$ 926,666	\$ 1,182,097

**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. 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.

As is evident on the statement of activities, revenue and support from the State of Arkansas Department of Education represents 79% of the total revenue and support for each of the years ended June 30, 2018 and June 30, 2017.

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

**Note 4: Commitments**

In June 2006, EAST began subleasing a portion of its training facilities to the State of Arkansas Department of Education (ADE) for the "Distance Learning Center" program. ADE paid EAST \$312,000, during previous years, to be used for the payment of future rent, minor maintenance and repairs, and certain administrative costs related to the portion of the training facilities occupied by ADE. On July 1, 2011, EAST assumed a lease that had previously been in ADE's name. A portion of this new lease space was subleased to ADE. ADE paid \$90,612 to EAST to be used for the payment of future rent and janitorial services. During the year ended June 30, 2009, ADE paid EAST \$106,721 to be used to improve the training center bandwidth, communication system, data base server, and any administrative costs connected to this. The lease ended on December 31, 2014, and EAST purchased land and building for its new office space (see Note 7). An employee of ADE has moved with EAST to the new office, and EAST has agreed to continue leasing office space to ADE for that employee. The amounts received from ADE over the years is reported in the Statements of Financial Position as "Prepaid Occupancy Revenue" and is recognized as revenue when the rental payments are made and other expenses are incurred by EAST that are directly attributable to the space occupied by ADE and expenses incurred for the increased bandwidth. Rent and occupancy expenses related to space occupied by ADE are included in general and administrative expenses in the Statement of Activities. The following summarizes amounts received from ADE and related expenses incurred by EAST:

	<u>2018</u>	<u>2017</u>
Prepaid Occupancy Revenue, Beginning of Year	\$ 3,380	\$ 5,093
Less:		
Utilities and Interest Paid		843
Bandwidth Costs		228
Cleaning and Maintenance		356
Security		20
Administrative Costs	<u>266</u>	<u>266</u>
Prepaid Occupancy Revenue, End of Year	<u>\$ 3,114</u>	<u>\$ 3,380</u>

EAST traded in a copier for a newer one on July 1, 2016. The new copier is on a noncancelable five-year operating lease. EAST recognized printing expense of \$3,746 and \$3,729 from this lease for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments are as follows for the years ended June 30:

2019	\$ 3,746
2020	3,746
2021	<u>3,746</u>
	<u>\$11,238</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: 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, 2018 and 2017, was \$38,543 and \$35,038, respectively.

**Note 7: Long-Term Debt**

	2018	2017
Mortgage - \$11,493 monthly installments, including interest at 4.0%, secured by the land and building, maturing October 2021	\$ 1,588,158	\$ 1,747,949
Less: Current Maturities	74,886	68,283
Long-Term Debt, Net of Current Portion	<u>\$ 1,513,272</u>	<u>\$ 1,679,666</u>
Interest paid for the years ended June 30, 2018 and 2017 was \$71,126 and \$72,523, respectively. The estimated future maturities of long-term debt are as follows:		
2019	\$ 74,886	
2020	77,816	
2021	81,195	
2022	1,354,261	
	<u>\$ 1,588,158</u>	

**Note 8: Subsequent Events**

Subsequent events were evaluated through September 27, 2018, which is the date the financial statements were available to be issued.