

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

Environmental and Spatial Technology, Inc.  
Financial Statements  
For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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  
October 10, 2019

Environmental and Spatial Technology, Inc.  
Statements of Financial Position  
June 30, 2019 and 2018

<b>Assets</b>	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and Cash Equivalents - Operations	\$2,717,045	\$3,553,223
Receivables	16,361	33,106
Inventory	10,402	1,806
Prepaid Expenses	68,782	50,684
<b>Total Current Assets</b>	<u>2,812,590</u>	<u>3,638,819</u>
<b>Property and Equipment</b>		
Land, Building, and Building Improvements	2,387,334	2,380,446
Furniture and Fixtures	133,078	133,967
Computer Equipment and Software	566,353	669,045
<b>Total Property and Equipment</b>	<u>3,086,765</u>	<u>3,183,458</u>
Less: Accumulated Depreciation	811,395	868,118
<b>Net Property and Equipment</b>	<u>2,275,370</u>	<u>2,315,340</u>
<b>Other Assets</b>		
Cash and Cash Equivalents - Capital Reserve	250,000	200,000
Utility Deposits	1,676	1,676
<b>Total Other Assets</b>	<u>251,676</u>	<u>201,676</u>
<b>Total Assets</b>	<u><u>\$5,339,636</u></u>	<u><u>\$6,155,835</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 155,350	\$ 433,429
Gift Certificates Payable	25	290
Payroll and Other Liabilities	79,175	69,695
Refundable Advances	546,277	926,666
Prepaid Occupancy Revenue		3,114
Deferred Revenue	39,225	17,800
Current Portion of Long-Term Debt	89,552	74,886
<b>Total Current Liabilities</b>	<u>909,604</u>	<u>1,525,880</u>
<b>Long-Term Debt</b>	<u>1,140,454</u>	<u>1,513,272</u>
<b>Net Assets</b>		
Without Donor Restrictions	<u>3,289,578</u>	<u>3,116,683</u>
<b>Total Net Assets</b>	<u>3,289,578</u>	<u>3,116,683</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$5,339,636</u></u>	<u><u>\$6,155,835</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue and Support		
Contracts	\$ 224,209	\$ 176,966
State of Arkansas Department of Education:		
Appropriations	1,865,064	1,927,590
Grants	518,217	494,857
Other Grants	245,675	75,330
Conference and Seminar	216,919	192,882
Occupancy Revenue	3,114	266
Contributions	25,797	25,754
Interest Income	68,333	61,299
Other	28,825	38,903
In-Kind Revenue	68,486	76,755
Total Revenue and Support	<u>3,264,639</u>	<u>3,070,602</u>
Operating Expenses		
Program Services	2,506,166	2,327,060
Supporting Services		
Management and General	504,078	457,490
Fundraising	81,500	105,193
Total Operating Expenses	<u>3,091,744</u>	<u>2,889,743</u>
Changes in Net Assets	172,895	180,859
Net Assets at Beginning of Year	<u>3,116,683</u>	<u>2,935,824</u>
Net Assets at End of Year	<u><u>\$3,289,578</u></u>	<u><u>\$3,116,683</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, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Benefits	\$1,369,672	\$ 314,559	\$ 49,873	\$1,734,104
Contract Services	185,575	19,938	11,590	217,103
Utilities	14,387	6,913	254	21,554
Interest	37,065	17,889	658	55,612
Communications	33,820	9,633	1,877	45,330
Conference Supplies	216,051		691	216,742
Conference Meals	49,154		1,485	50,639
Meetings	5,409	5,055		10,464
Travel	124,812	1,036	2,871	128,719
Office Supplies	10,073	5,639	1,622	17,334
Non-Capital Furniture and Equipment	27,821			27,821
Facilities	41,345	16,200	728	58,273
Professional Fees	1,480	52,876		54,356
Computer Supplies	50,621	7,579	1,714	59,914
Postage and Shipping	3,295	1,052	1,410	5,757
Grants to Others	156,015			156,015
Insurance	309	28,520		28,829
Printing	7,546	8,548	4,945	21,039
Depreciation and Amortization	55,992			55,992
Bad Debts	25,000			25,000
In-Kind Materials and Services	68,486			68,486
Other	22,238	8,641	1,782	32,661
<b>Total Expenses</b>	<b>\$2,506,166</b>	<b>\$ 504,078</b>	<b>\$ 81,500</b>	<b>\$3,091,744</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, 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.  
Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 172,895	\$ 180,859
Items Not Requiring Cash:		
Depreciation and Amortization	55,992	60,023
(Gain) Loss From Disposal Of Assets		13,864
(Increase) Decrease In:		
Receivables	16,745	(31,868)
Inventory	(8,596)	932
Prepaid Expenses	(18,098)	9,784
Increase (Decrease) In:		
Accounts Payable	(278,079)	412,027
Gift Certificates Payable	(265)	(25)
Payroll and Other Liabilities	9,480	(17,192)
Refundable Advances	(380,389)	(255,431)
Prepaid Occupancy Revenue	(3,114)	(266)
Deferred Revenue	21,425	4,100
Net Cash (Used) Provided by Operating Activities	<u>(412,004)</u>	<u>376,807</u>
 Cash Flows from Investing Activities		
Purchases of Property and Equipment	<u>(16,022)</u>	<u>(57,572)</u>
Net Cash Used by Investing Activities	<u>(16,022)</u>	<u>(57,572)</u>
 Cash Flows From Financing Activities		
Payments on Long-Term Debt	<u>(358,152)</u>	<u>(159,791)</u>
Net Cash Used by Financing Activities	<u>(358,152)</u>	<u>(159,791)</u>
 Net (Decrease) Increase in Cash and Cash Equivalents	(786,178)	159,444
 Cash and Cash Equivalents at Beginning of Year	<u>3,753,223</u>	<u>3,593,779</u>
 Cash and Cash Equivalents at End of Year	<u>\$2,967,045</u>	<u>\$3,753,223</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, 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018, 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, 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 2015, 2016, 2017, and 2018 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:

	2019	2018
Contracts	\$ 319,640	\$ 259,451
Grants	226,637	667,215
	\$ 546,277	\$ 926,666

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

**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. 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 73% and 79% of the total revenue and support for the years ended June 30, 2019 and June 30, 2018, respectively.

**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:

	2019	2018
Prepaid Occupancy Revenue, Beginning of Year	\$ 3,114	\$ 3,380
Less:		
Administrative Costs	3,114	266
Prepaid Occupancy Revenue, End of Year	\$ _____	\$ 3,114

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 \$3,750 and \$3,746 from this lease for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments are as follows for the years ended June 30:

2020	\$ 3,788
2021	3,788
	\$ 7,576

**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, 2019 and 2018, was \$42,096 and \$38,543, respectively.

**Note 7: Long-Term Debt**

	2019	2018
Mortgage - \$11,493 monthly installments, including interest at 4.0%, secured by the land and building, maturing October 2021	\$ 1,230,006	\$ 1,588,158
Less: Current Maturities	89,552	74,886
Long-Term Debt, Net of Current Portion	\$ 1,140,454	\$ 1,513,272
Interest paid for the years ended June 30, 2019 and 2018 was \$55,612 and \$71,126, respectively. The estimated future maturities of long-term debt are as follows:		
2020	\$ 89,552	
2021	93,384	
2022	1,047,070	
	\$ 1,230,006	

**Note 8: Subsequent Events**

Subsequent events were evaluated through October 10, 2019, which is the date the financial statements were available to be issued.