



Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

Environmental and Spatial Technology, Inc.

Financial Statements

For the Year Ended June 30, 2022

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

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, 2022, 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, 2022, 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.

Yoakum, Lovell, & Co., PLLC
Certified Public Accountants

Benton, Arkansas
October 28, 2022

Environmental and Spatial Technology, Inc.
Statement of Financial Position
June 30, 2022

Assets

Current Assets	
Cash and Cash Equivalents - Operations	\$3,270,333
Receivables	1,406
Inventory	22,940
Prepaid Expenses	85,394
Total Current Assets	<u>3,380,073</u>
Property and Equipment	
Land, Building, and Building Improvements	2,410,583
Furniture and Fixtures	157,837
Computer Equipment and Software	185,596
Construction in Progress	18,448
Total Property and Equipment	<u>2,772,464</u>
Less: Accumulated Depreciation	534,896
Net Property and Equipment	<u>2,237,568</u>
Other Assets	
Cash and Cash Equivalents - Capital Reserve	376,750
Utility Deposits	1,676
Total Other Assets	<u>378,426</u>
Total Assets	<u><u>\$5,996,067</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ 88,906
Payroll and Other Liabilities	88,414
Refundable Advances	1,139,809
Deferred Revenue	19,858
Current Portion of Long-Term Debt	104,047
Total Current Liabilities	<u>1,441,034</u>
Long-Term Debt	<u>614,764</u>
Net Assets	
Without Donor Restrictions	<u>3,940,269</u>
Total Net Assets	<u>3,940,269</u>
Total Liabilities and Net Assets	<u><u>\$5,996,067</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, 2022

Revenue and Support	
Program Service Fees	\$ 456,630
Grants:	
Government	2,941,400
Other	36,669
Contributions	88,761
Investment Income	16,911
Other	7,221
In-Kind Revenue	11,312
Total Revenue and Support	<u>3,558,904</u>
Operating Expenses	
Program Services	3,302,729
Supporting Services	
Management and General	119,963
Fundraising	208,651
Total Operating Expenses	<u>3,631,343</u>
Changes in Net Assets	(72,439)
Net Assets at Beginning of Year	<u>4,012,708</u>
Net Assets at End of Year	<u><u>\$3,940,269</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, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Benefits	\$1,449,151	\$ 102,536	\$ 191,342	\$1,743,029
Grants to Others	860,540		1,000	861,540
Conference	414,890	1,633	271	416,794
Information Technology	84,322		4,678	89,000
Professional Fees	84,307			84,307
Travel	73,344	892	1,518	75,754
Facilities	66,941	4,479	727	72,147
Depreciation and Amortization	63,895			63,895
Telephone and Telecommunications	46,811	456	2,014	49,281
Other	24,596	8,084	2,902	35,582
Contract Services	31,152			31,152
Interest	30,009		337	30,346
Non-Capital Furniture and Equipment	19,569		174	19,743
Utilities	15,273		172	15,445
Printing	13,865	162		14,027
Office Supplies	10,246	1,648	1,180	13,074
Postage and Shipping	5,207	73	663	5,943
Program Supplies	3,939		95	4,034
Marketing and Promotion	2,389		825	3,214
Meetings	2,283		753	3,036
Total Expenses	<u>\$3,302,729</u>	<u>\$ 119,963</u>	<u>\$ 208,651</u>	<u>\$3,631,343</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, 2022

Cash Flows from Operating Activities	
Change in Net Assets	\$ (72,439)
Items Not Requiring Cash:	
Depreciation and Amortization	63,895
(Increase) Decrease In:	
Receivables	67,632
Inventory	5,530
Prepaid Expenses	70,264
Increase (Decrease) In:	
Accounts Payable	(199,746)
Gift Certificates Payable	(120)
Payroll and Other Liabilities	6,451
Refundable Advances	70,276
Deferred Revenue	4,108
Net Cash Provided by Operating Activities	<u>15,851</u>
Cash Flows from Investing Activities	
Purchases of Property and Equipment	<u>(68,364)</u>
Net Cash Used by Investing Activities	<u>(68,364)</u>
Cash Flows From Financing Activities	
Payments on Long-Term Debt	<u>(107,546)</u>
Net Cash Used by Financing Activities	<u>(107,546)</u>
Net Decrease in Cash and Cash Equivalents	(160,059)
Cash and Cash Equivalents at Beginning of Year	<u>3,807,142</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,647,083</u></u>
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position	
Cash and Cash Equivalents - Operations	\$3,270,333
Cash and Cash Equivalents - Capital Reserve	<u>376,750</u>
Total Cash and Cash Equivalents	<u><u>\$3,647,083</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, 2022, 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, 2022. 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, 2022, 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 2018, 2019, 2020, and 2021 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 \$3,380,073 in current assets as of June 30, 2022.

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

Note 2: Refundable Advances

Refundable advances consisted of the following at June 30, 2022:

Contracts	\$ 54,000
Grants	<u>1,085,809</u>
	<u>\$ 1,139,809</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. 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 82% of the total revenue and support for the year ended June 30, 2022.

Note 4: Commitments

EAST traded in a copier for a newer one on May 3, 2021. The new copier is on a noncancelable five-year operating lease. EAST recognized printing expense of \$3,076 from the copier leases for the year ended June 30, 2022. Future minimum lease payments are as follows for the years ended June 30:

2023	\$ 3,106
2024	3,106
2025	3,106
2026	<u>2,848</u>
	<u>\$12,166</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.

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, 2022 is \$2,931,559. There were no amounts receivable from ADE at June 30, 2022. ADE's portion of refundable advances in Note 2 was \$1,051,021 at June 30, 2022.

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, 2022 was \$37,353.

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

Note 8: Long-Term Debt

Mortgage - \$10,904 monthly installments, including interest
at 3.85%, secured by the land and building, maturing
October 2028

\$ 718,811

Less: Estimated Current Maturities

104,047

Long-Term Debt, Net of Current Portion

\$ 614,764

Interest paid for the year ended June 30, 2022 was \$30,346. EAST paid off the balance of the mortgage on August 10, 2022.

Note 9: Subsequent Events

Subsequent events were evaluated through October 28, 2022, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2022, EAST paid off the mortgage in Note 8.