

**PUBLIC LABORATORY FOR OPEN  
TECHNOLOGY AND SCIENCE, INC.**

**JUNE 30, 2018 AND 2017**

**NEW ORLEANS, LOUISIANA**

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### Independent Auditor's Report

To the Board of Directors of  
Public Laboratory for Open Technology and Science, Inc.  
New Orleans, Louisiana

We have audited the accompanying financial statements of Public Laboratory for Open Technology and Science, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2018 and 2017, and the related Statements of Activities, 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 policies 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 position of Public Laboratory for Open Technology and Science, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

New Orleans, Louisiana  
April 29, 2019

**PUBLIC LABORATORY FOR OPEN TECHNOLOGY AND SCIENCE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

AS OF JUNE 30, 2018 AND 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 794,865	\$ 645,805
Accounts Receivable	605,856	69,200
Total Assets	<u>\$ 1,400,721</u>	<u>\$ 715,005</u>

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 141,421	\$ 8,050
Accrued Expenses	21,987	22,345
Investment Note Payable:		
Current Portion	4,280	278
Long-Term Portion	-	4,002
Total Liabilities	<u>167,688</u>	<u>34,675</u>
Unrestricted (Deficit)	340,300	(115,577)
Temporarily Restricted	892,733	795,907
Total Net Assets	<u>1,233,033</u>	<u>680,330</u>
Total Liabilities and Net Assets	<u>\$ 1,400,721</u>	<u>\$ 715,005</u>

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

**PUBLIC LABORATORY FOR OPEN TECHNOLOGY AND SCIENCE, INC.**

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	2018		
	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue:</b>			
Grants	\$ 296,935	\$ 1,178,632	\$ 1,475,567
Contributions	103,668	-	103,668
Sponsorships	67,313	-	67,313
Retail Sales:			
Retail Revenue	119,376	-	119,376
Cost of Retail Revenue	(41,396)	-	(41,396)
	77,980	-	77,980
Net Assets Released from Restriction	1,081,806	(1,081,806)	-
Total Support and Revenue	1,627,702	96,826	1,724,528
<b>Expenses:</b>			
Program Services	967,157	-	967,157
Supporting Services:			
Management and General	128,433	-	128,433
Fundraising	76,235	-	76,235
Total Supporting Services	204,668	-	204,668
Total Expenses	1,171,825	-	1,171,825
<b>Change in Net Assets</b>	455,877	96,826	552,703
<b>Net Assets (Deficit) - Beginning of Year</b>	(115,577)	795,907	680,330
<b>Net Assets - End of Year</b>	\$ 340,300	\$ 892,733	\$ 1,233,033

(CONTINUED)

**PUBLIC LABORATORY FOR OPEN TECHNOLOGY AND SCIENCE, INC.**

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

	2017		
	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue:</b>			
Grants	\$ 186,805	\$ 1,012,401	\$ 1,199,206
Contributions	52,502	5,000	57,502
Honorarium Income	1,000	-	1,000
Retail Sales:			
Retail Revenue	61,817	-	61,817
Cost of Retail Revenue	(52,561)	-	(52,561)
	9,256	-	9,256
Net Assets Released from Restriction	478,046	(478,046)	-
Total Support and Revenue	727,609	539,355	1,266,964
<b>Expenses:</b>			
Program Services	677,906	-	677,906
Supporting Services:			
Management and General	101,809	-	101,809
Fundraising	77,606	-	77,606
Total Supporting Services	179,415	-	179,415
Total Expenses	857,321	-	857,321
<b>Change in Net Assets</b>	(129,712)	539,355	409,643
<b>Net Assets - Beginning of Year</b>	14,135	256,552	270,687
<b>Net Assets (Deficit) - End of Year</b>	\$ (115,577)	\$ 795,907	\$ 680,330

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

**PUBLIC LABORATORY FOR OPEN TECHNOLOGY AND SCIENCE, INC.**

**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 552,703	\$ 409,643
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(536,656)	(1,700)
Increase (Decrease) in Accounts Payable	133,371	6,069
Increase (Decrease) in Accrued Expenses	(358)	(1,715)
Net Cash Provided by Operating Activities	<u>149,060</u>	<u>412,297</u>
<b>Cash Flows from Financing Activities:</b>		
Payments on Long-Term Debt	<u>-</u>	<u>(984)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(984)</u>
Net Increase in Cash and Cash Equivalents	149,060	411,313
Cash and Cash Equivalents, Beginning of Year	<u>645,805</u>	<u>234,492</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 794,865</u></u>	<u><u>\$ 645,805</u></u>

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

# **PUBLIC LABORATORY FOR OPEN TECHNOLOGY AND SCIENCE, INC.**

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### **Note 1 - Summary of Significant Accounting Policies and Nature of Operations -**

#### Nature of Activities

The Public Laboratory for Open Technology and Science, Inc. (“the Organization”) is a community which develops and applies open-source tools to environmental exploration and investigation. Its goal is to increase the ability of underserved communities to identify, redress, remediate, and create awareness and accountability around environmental concerns. The Organization achieves this by providing online and offline training, education and support, and by focusing on locally-relevant outcomes that emphasize human capacity and understanding.

The Organization is operating as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

#### Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

#### Basis of Presentation

The Organization classifies its net assets, its revenues and expenses, and gains and losses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These net asset classifications are described as follows:

Unrestricted Net Assets - Net assets which are not subject to donor-imposed stipulations are considered unrestricted. Support restricted by the donor is reported as a transfer from either permanently or temporarily restricted net assets when the restriction expires or is met in the reporting period.

Temporarily Restricted Net Assets - Net assets which are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of the Organization pursuant to those stipulations. The Organization has no permanently restricted net assets.

#### Public Support and Revenue

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

#### Contributed Goods and Services

The Organization accepts in-kind contributions of goods and services. The fair value of in-kind contributions received for donated website and server hosting services, lodging, printing, and donated use of facilities amounted to \$24,588 and \$29,588 for each of the years ended June 30, 2018 and 2017, respectively, and is recognized in contribution revenue on the statement of activities. This expense is included in operations expenses in the statement of functional expenses.

Members of the Organization's board of directors and other volunteers have made significant contributions of their time to assist in the Organization's operations and related charitable programs. The value of this contributed time is not recorded in these financial statements because it is not susceptible to objective measurement or valuation.

#### Accounts Receivable

Accounts receivable consist of grants, contributions, and trade receivables. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, management believes that the effect of the use of direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

#### Concentrations of Credit Risk

The primary source of revenue for the Organization are grants from various funding sources. The continued operations of the Organization are dependent on the renewal of grants from current funding sources as well as obtaining new funding.

The Organization maintains cash accounts with a commercial bank which is insured by the Federal Deposit Insurance Corporation. Periodically, cash may exceed the federally insured amount.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Expenses related to shipping and handling are included in costs of retail revenue on the statement of activities.

### Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization files income tax returns in the U.S. federal tax jurisdiction. With few exceptions, the Organization is no longer subject to federal income tax examinations by tax authorities for years before 2015. Any interest and penalties assessed by income taxing authorities are not significant and are included in general and administrative expenses in these financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2018 and 2017.

### Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition and disclosure in the financial statements through April 29, 2019, the date the financial statements were available to be issued.

### **Note 2 - EDGI Agreement -**

In February 2017, the Organization entered into an agreement to work with Environmental Data and Governance Initiative (“EDGI”). EDGI is a collaborative project of an international network of academics and not-for-profits addressing threats to federal environmental and energy policy, and to the scientific research built to investigate, inform, and enforce them by building online tools, events, and research networks to proactively archive public environmental data and ensure its continued public availability. EDGI aims to serve the environmental community and its allies and to create an open, collaborative network of individuals, not-for-profits, universities, and companies who believe that science and data are vital for environmental governance. The activities and mission of EDGI are directly in line with the Organization’s tax-exempt purpose. The Organization collects contributions on behalf of EDGI at the donors’ discretion. These contributions are temporarily restricted funds used to support the implementation and operation of EDGI, and the Organization accounts for increases and decreases in the net assets of EDGI in its financial statements.

### Note 3 - Investment Note Payable -

The Organization entered into an investment note payable on July 18, 2013, with an unrelated party. Under the terms of the agreement, the Organization received \$10,000 from the lender and became liable to make payments in quarterly amounts equal to 3% of the Organization's earned income. Earned income is defined in the agreement as all income other than grants, donations, awards and other philanthropic amounts. The payment obligations cease when the lender receives a total of \$15,000 or the payments owed by the maturity date which is November 14, 2018. Due to this stipulation, the Organization considers payments made up to \$10,000 to be return of principal and considers payments made in excess of \$10,000 to be interest.

For the years ended June 30, 2018 and 2017, the Organization had gross retail income of \$77,980 and \$9,256, respectively, and under the terms of the agreement is liable for payments of 3%, or \$2,339 and \$278, respectively, of the gross amount. As of June 30, 2018 and 2017, this amount is included in the short-term portion of the note. Interest expense recorded at June 30, 2018 and 2017 related to this note is \$4,991 and \$-0-, respectively.

### Note 4 - Grants -

The Organization received grant funding from the following sources for the years ended June 30, 2018 and 2017, respectively:

	2018	2017
Foundations	\$ 1,441,723	\$ 1,198,463
Government	33,844	743
	<u>\$ 1,475,567</u>	<u>\$ 1,199,206</u>

### Note 5 - Restrictions on Net Assets -

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Communication Engagement Evaluation Framework	\$ -	\$ 83,484
Oil & Gas Accountability Toolkit	-	168,758
11th Hour Networks	169,323	-
Listen for Good	-	25,827
NASA / AREN GLOBE Program	-	11,965
Building Scientific Literacy and Resilience	30,205	137,131
Sloan Foundation - Workshops and Roadmapping for Open Source Hardware	50,000	23,720
Moore Foundation - Low Cost Tools and Technology for Everyday Exploration	197,922	314,805
National Endowment for Democracy	60,000	-
AutoDesk Foundation	12,911	-
Dodge Foundation	5,000	-
Environmental Data and Governance Initiative	367,372	30,217
	<u>\$ 892,733</u>	<u>\$ 795,907</u>

Temporarily restricted net assets were released from restrictions for the following purposes during the year ended June 30:

	2018	2017
Communication Engagement Evaluation Framework	\$ 83,484	\$ 47,337
Oil & Gas Accountability Toolkit	168,758	143,561
11th Hour Networks	20,677	-
Listen for Good	25,827	27,585
NASA / AREN GLOBE Program	35,565	22,735
Building Scientific Literacy and Resilience	106,926	20,369
Sloan Foundation - Workshops and Roadmapping for Open Source Hardware	23,720	101,129
Moore Foundation - Low Cost Tools and Technology for Everyday Exploration	269,371	59,940
Moore Make (GOSH 2)	116,380	-
National Science Foundation - SmART Form App for Residential Testing for Formaldehyde	10,244	743
AutoDesk Foundation	2,089	-
Environmental Data and Governance Initiative	218,765	54,647
	<u>\$ 1,081,806</u>	<u>\$ 478,046</u>

#### **Note 6 - Operating Lease Commitments -**

On September 15, 2015, the Organization entered into a month-to-month use agreement for office space in Somerville, Massachusetts requiring payments of \$175 per month. Rent payments under this lease totaled \$2,100 for each of the years ended June 30, 2018 and 2017, and are included in office expense in the financial statements.

On October 1, 2015, a staff member of the Organization entered into a lease agreement to rent office space for the Organization's New York, New York location. The monthly rent of \$2,840 from October 1, 2015 to September 30, 2016 and \$2,925 from October 1, 2016 to September 30, 2017 is split between multiple groups for the shared used of the space. The Organization was liable for monthly payments of \$310 from October 1, 2015 to September 30, 2016 and \$320 from October 1, 2016 to September 30, 2017. Rent expense of \$960 and \$3,810 under the lease were included in office expense in the financial statements for the years ended June 30, 2018 and 2017, respectively and is included in office expense in the financial statements. The lease expired on September 30, 2017 and was not renewed.

In July 2015, the Organization entered into a month-to-month lease to rent office space for the Organization's Portland, Oregon location. The base rent at inception of this lease was \$875 per month with a 3% increase March 1<sup>st</sup> of each year. This lease was terminated as of August 31, 2018. Rent expense under this lease totaled \$1,857 and \$10,950 for the years ended June 30, 2018 and 2017, respectively and is included in office expense in the financial statements.

In October 2015, the Organization entered into a month-to-month lease to rent office space for the Organization's Durham, North Carolina location. The base rent at inception of this lease was \$215 per month with a 3% increase January 1<sup>st</sup> of each year. Rent expense under this lease totaled \$2,697 and \$2,619 for the years ended June 30, 2018 and 2017, respectively and is included in office expense in the financial statements.

On June 15, 2016, the Organization entered into a month-to-month membership in a shared workspace in New Orleans, Louisiana. The rent under the shared workspace membership is \$650 per month. The total rent expense under this lease was \$7,800 for each of the years ended June 30, 2018 and 2017, and is included in office expense in the financial statements.

There are no future minimum lease payments on the above lease obligations as of June 30, 2018.

SUPPLEMENTARY INFORMATION

**PUBLIC LABORATORY FOR OPEN TECHNOLOGY AND SCIENCE, INC.**

**SCHEDULES OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED JUNE 30, 2018

	2018			
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>		
Salaries	\$ 330,288	\$ 57,249	\$ 52,846	\$ 440,383
Payroll Taxes and Employee Benefits	62,048	10,755	9,927	82,730
Contract Labor	237,354	41,319	-	278,673
Professional Fees	1,780	309	285	2,374
Program Supplies	2,982	-	-	2,982
Travel Expenses	65,479	4,853	2,427	72,759
Operations	35,659	561	518	36,738
Office Expenses	22,519	6,736	2,315	31,570
Grant Expense	199,469	-	-	199,469
Insurance Expense	9,579	1,660	1,532	12,771
Fundraising	-	-	6,385	6,385
Interest Expense	-	4,991	-	4,991
Total Functional Expenses	<u>\$ 967,157</u>	<u>\$ 128,433</u>	<u>\$ 76,235</u>	<u>\$ 1,171,825</u>

(CONTINUED)

**PUBLIC LABORATORY FOR OPEN TECHNOLOGY AND SCIENCE, INC.**

**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2017

	2017			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 324,658	\$ 56,275	\$ 51,945	\$ 432,878
Payroll Taxes and Employee Benefits	60,770	10,533	9,723	81,026
Contract Labor	35,481	-	-	35,481
Professional Fees	-	9,324	-	9,324
Program Supplies	7,293	-	-	7,293
Travel Expenses	120,205	-	4,345	124,550
Operations	26,711	4,630	4,274	35,615
Office Expenses	26,243	4,548	4,199	34,990
Payroll Fees	13,048	2,262	2,088	17,398
Grant Expense	63,497	-	-	63,497
Insurance Expense	-	12,813	-	12,813
Fundraising	-	-	1,032	1,032
Other	-	1,424	-	1,424
Total Functional Expenses	<u>\$ 677,906</u>	<u>\$ 101,809</u>	<u>\$ 77,606</u>	<u>\$ 857,321</u>

See independent auditor's report.