

AUSTIN EXPLORE, INC.
dba EXPLORE AUSTIN
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2022

AUSTIN EXPLORE, INC.
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AND
FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Austin Explore, Inc. dba Explore Austin
Austin, Texas

Opinion

We have audited the accompanying financial statements of Austin Explore, Inc. dba Explore Austin (“Explore Austin”) (a nonprofit corporation), which comprise the statement of financial position as of December 31, 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 Explore Austin as of December 31, 2022, and the changes in its net assets 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 Explore Austin 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 Explore Austin’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, including omissions, 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 Explore Austin'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 Explore Austin'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.

Allman & Associates, Inc.

Austin, Texas
June 13, 2023

AUSTIN EXPLORE, INC.
 dba EXPLORE AUSTIN
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STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

Assets

Current Assets:	
Cash and cash equivalents	\$ 1,386,290
Investments	635,033
Contributions and grants receivable, current portion, net of \$10,000 allowance for doubtful accounts	212,250
Prepaid expenses	38,042
Total current assets	2,271,615
Contributions receivable, net of discount and current portion	111,326
Operating lease right-of-use assets	109,219
Security deposits	16,514
Property and equipment, net	133,809
Total Assets	\$ 2,642,483

Liabilities and Net Assets

Liabilities:	
Current Liabilities:	
Accounts payable	\$ 26,963
Accrued payroll liabilities	25,526
Operating lease liabilities, current	69,798
Total current liabilities	122,287
Operating lease liabilities, net of current portion	39,989
Total Liabilities	162,276
Net Assets:	
Without donor restrictions	
Undesignated	2,142,956
Total net assets without donor restrictions	2,142,956
With donor restrictions	
Purpose restricted	42,876
Time restricted	294,375
Total net assets with donor restrictions	337,251
Total Net Assets	2,480,207
Total Liabilities and Net Assets	\$ 2,642,483

See accompanying auditor's report and notes to financial statements.

AUSTIN EXPLORE, INC.
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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and gains:			
Contributions	\$ 1,106,010	\$ 455,254	\$ 1,561,264
Other income	4,308	-	4,308
Contributed goods and services	17,825	-	17,825
Net investment return	6,358	-	6,358
Special events:			
Special events revenue	326,677	-	326,677
Cost of direct benefit to donors	(44,285)	-	(44,285)
Special events, net	282,392	-	282,392
Net assets released from restriction	336,341	(336,341)	-
Total support, revenues, and gains	1,753,234	118,913	1,872,147
Expenses:			
Program services	1,157,182	-	1,157,182
General and administrative	73,133	-	73,133
Fundraising	164,466	-	164,466
Total expenses	1,394,781	-	1,394,781
Change in Net Assets	358,453	118,913	477,366
Net assets, beginning of year	1,784,503	218,338	2,002,841
Net assets, end of year	\$ 2,142,956	\$ 337,251	\$ 2,480,207

See accompanying auditor's report and notes to financial statements.

AUSTIN EXPLORE, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Communications	\$ 5,153	\$ -	\$ 5,153	\$ 10,306
Contract labor	50,125	3,133	9,399	62,657
Credit card and bank fees	-	100	12,004	12,104
Depreciation	26,838	-	-	26,838
Development expenses	-	-	18,350	18,350
Employee insurance	41,668	2,604	7,813	52,085
Equipment storage	38,803	-	-	38,803
Insurance	43,820	942	2,356	47,118
Mentor training and recruitment	7,593	-	-	7,593
Mileage	112	-	32	144
Occupancy	40,739	2,546	7,639	50,924
Office supplies and IT services	17,516	1,095	3,284	21,895
Other	18,420	2,315	1,632	22,367
Phone and internet	3,374	211	633	4,218
Pledge adjustments	-	19,069	-	19,069
Professional services	8,288	9,060	-	17,348
Retirement benefits	3,975	248	745	4,968
Salaries and payroll taxes	629,628	31,053	93,157	753,838
Saturday events	21,928	-	-	21,928
Staff development	12,104	757	2,269	15,130
Summer wilderness trips	141,408	-	-	141,408
Supplies and gear	45,690	-	-	45,690
	<u>45,690</u>	<u>-</u>	<u>-</u>	<u>45,690</u>
Total expenses	<u>\$ 1,157,182</u>	<u>\$ 73,133</u>	<u>\$ 164,466</u>	<u>\$ 1,394,781</u>

See accompanying auditor's report and notes to financial statements.

AUSTIN EXPLORE, INC.
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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 477,366
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	26,838
Amortization of right-of-use operating leases	43,471
Repayment of operating lease liability	(42,903)
Investment earnings held in investment accounts	(4,668)
Change in assets and liabilities:	
Accounts receivable	6,778
Contributions receivable, net	(36,367)
Contributions receivable from related party, net	(82,710)
Grants receivable	13,840
Prepaid expenses	(15,027)
Security deposits	(4,092)
Accounts payable	13,320
Accrued payroll liabilities	16,185
Net Cash Provided by Operating Activities	412,031
Cash Flows From Investing Activities:	
Purchases of property and equipment	(94,267)
Insurance proceeds on property and equipment loss	5,766
Purchase of investments	(600,000)
Net Cash Used by Investing Activities	(688,501)
Net Change in Cash and Cash Equivalents	(276,470)
Cash and cash equivalents at beginning of year	1,662,760
Cash and cash equivalents at end of year	\$ 1,386,290
Supplemental Information:	
Interest paid	\$ -
Income taxes paid	\$ -

See accompanying auditor's report and notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Organization

Austin Explore, Inc. dba Explore Austin (“Explore Austin”) is a non-profit corporation that exists to empower youth to their full potential through leadership, mentoring, and outdoor adventure. Through a leadership based outdoor adventure curriculum coupled with social-emotional learning components and long-term mentoring, Explore Austin improves the well-being of each participant, their families, and the community.

Explore Austin matches high potential, 6th grade “Explorers” with caring and committed adult mentors and starts them on a six-year journey including Saturday Challenges and a week-long Summer Wilderness Trip that increases in difficulty and distance from home each year. Mentors stay with the Explorers from 6th grade through high school graduation and into their adult lives. Over the course of the six-year program, each Explorer spends more than 1,300 hours with their mentors and fellow Explore teammates, creating lifelong growth in character, integrity, courage, and grit.

Explore Austin is primarily supported by contributions and grants.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of Explore Austin is presented to assist in understanding Explore Austin’s financial statements. The financial statements and notes are representations of Explore Austin’s management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with GAAP and accordingly, reflect all significant receivables, payables and other liabilities. Revenue and expenses are recognized in the period earned or incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include those used in the functional allocation of expenses and depreciation. Accordingly, actual results could differ from those estimates.

AUSTIN EXPLORE, INC.
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) 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 and require that the assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When the donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Explore Austin considers all highly liquid investments with original maturities of three months or less to be cash equivalents, unless designated as investments.

Investments

Investments are carried at fair market value on the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Receivables

Contributions receivable are recognized at the estimated present value of the future cash flows. Management determined the allowance for uncollectible contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. The allowance reported in the financial statement is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and an adjustment could be significant. At December 31, 2022, the allowance was \$10,000.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (continued)

Grants receivable are amounts awarded to Explore Austin that had not been funded by December 31, 2022. Grants receivable are recognized at the estimated present value of the future cash flows. Explore Austin considers all grants receivable to be fully collectible, and accordingly, no allowance for uncollectible accounts has been recorded in these financial statements for grants.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value if contributed. Depreciation is calculated using the straight-line method over estimated lives of three to seven years. Explore Austin capitalizes the costs of significant assets that will benefit the organization for more than one year. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the period of disposal. Maintenance and repairs are charged to expense as incurred.

Leases

Explore Austin leases certain buildings and equipment. Explore Austin has elected to apply the short-term lease exception to all leases with a term of one year or less. These leases are not recorded on the statement of financial position and lease expense is recognized on a straight-line basis over the lease term.

For leases entered into after the January 1, 2022 transition date, the determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the statement of financial position.

ROU assets represent Explore Austin's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease payments such as reimbursements for operating costs incurred by lessors for common area maintenance, real estate taxes, and insurance, are not included in the lease liability and are recognized as incurred. Explore Austin used the implicit

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (continued)

rate when it is readily determinable. Since most of Explore Austin's leases do not provide an implicit rate, to determine the present value of lease payments, management uses Explore Austin's incremental borrowing rate based on information available at lease commencement or a risk-free rate based on U.S. Treasury rates for periods comparable with that of the remaining lease term. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Explore Austin's lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Expenses that are not specifically identifiable to a function are allocated based on management's estimate of time and resources devoted to that function. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support of Explore Austin.

Federal Income Taxes

Explore Austin is a nonprofit organization qualifying for tax exempt status under Section 501(c)(3) of the Internal Revenue Code, and, as such, is subject to income taxes only on unrelated business income in excess of \$1,000. Explore Austin owes no federal income tax for the year ending December 31, 2022.

Explore Austin has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. Explore Austin has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. Explore Austin believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on their financial position, changes in net assets or cash flows. Accordingly, Explore Austin has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022. Explore Austin is subject to income tax audits for the previous three years which are open. There are currently no audits for any tax periods in progress.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (continued)

Credit Risk

Financial instruments which potentially subject Explore Austin to credit risk principally consist of cash and cash equivalents, receivables, and investments. To minimize risk, Explore Austin places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or Security Investment Protection Corporation (SIPC). As of December 31, 2022, Explore Austin's deposits exceeded the federal insurance limits by \$1,129,511.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that change in the near-term could materially affect the amounts reported in the statement of financial position.

Explore Austin generally does not maintain collateral for its receivables and does not believe significant credit risk exists as of December 31, 2022.

Revenue Recognition

Contributions, including unconditional promises to give and grants, are recorded when received. In accordance with FASB ASC 958-605, *Not-For-Profit Entities Revenue Recognition*, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

A portion of Explore Austin's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Explore Austin has incurred expenditures in compliance with specific contract or grant provisions.

Contributed Goods and Services

Explore Austin records contributions of in-kind goods based on an estimate of the fair value on the date of the donation. Explore Austin recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not contributed.

Change in Accounting Not-for-Profit Standards

In September 2020, the FASB issued ASU 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*

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DECEMBER 31, 2022

2. Summary of Significant Accounting Policies (continued)

(“ASU 2022-07”), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 is effective for annual period beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Explore Austin adopted ASU 2020-07 in these financial statements with no significant changes in presentation or disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

Explore Austin elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients except the practical expedient to not separate nonlease components from lease components. The adoption had a material impact on Explore Austin’s statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required Explore Austin to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$74,882, an increase in operating lease liabilities of \$30,521, and an increase in long-term liabilities of \$44,361.

3. Contributions and Grants Receivable

Contributions and grants receivable are recorded at present value using a discount rate of 3%. Grants and contributions receivable are estimated to be collected as follows at December 31, 2022:

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3. Contributions and Grants Receivable (continued)

	Contributions Receivable	Contributions Receivable - Related Party	Grants Receivable
Amounts due in:			
Less than one year	\$ 92,250	\$ 50,000	\$ 80,000
One to five years	56,390	60,000	-
Total	148,640	110,000	80,000
Less discount to present value	(2,484)	(2,580)	-
Less allowance for doubtful accounts	(10,000)	-	-
Receivables, net	<u>\$ 136,156</u>	<u>\$ 107,420</u>	<u>\$ 80,000</u>

4. Property and Equipment

At December 31, 2022, property and equipment consisted of the following:

Vehicles and trailers	\$ 267,708
Less: accumulated depreciation	<u>(133,899)</u>
Property and equipment, net	<u>\$ 133,809</u>

Total depreciation expense was \$26,838 for the year ended December 31, 2022.

5. Simple IRA Retirement Plan

Since 2016, Explore Austin has offered a Simple IRA qualified retirement plan to its employees. The plan calls for Explore Austin to make matching contributions equal to 100% of each participating employees' contribution up to a maximum of 3% of compensation. Explore Austin employees must meet various eligibility requirements before being eligible to participate in the plan. The employer plan contribution for the year ended December 31, 2022 was \$4,968.

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6. Related Parties

Explore Austin received donations totaling \$174,636 from members of the Board of Directors during the year ended December 31, 2022. Contributions receivable from related parties was \$107,420 net of discount at December 31, 2022.

7. Leasing Arrangements

Explore Austin is obligated under operating lease agreements covering office facilities, warehouse space, and copiers. Explore Austin signed a 60-month lease for office space beginning in June 2019 with monthly rates ranging from \$2,255 to \$2,430 plus Explore Austin's proportionate share of building operating expenses. There is an option to renew the office lease for 3 years at the end of the lease term, which was not considered when assessing the value of the ROU asset because Explore Austin was not reasonably certain that it will exercise its option to renew the lease. For the year ended December 31, 2022, total lease expense for the office space was \$28,398 and the proportionate share of building operating expenses was \$22,526. These expenses totaling \$50,924 are included in occupancy expense on the statement of functional expenses for the year ended December 31, 2022.

Explore Austin entered into a 24-month lease for warehouse space beginning September 1, 2022 with monthly rates ranging from \$3,300 to \$3,406 plus Explore Austin's pro rata share of common area maintenance ("CAM"), insurance, and taxes. For the year ended December 31, 2022, total warehouse lease expense was \$27,687, including \$13,200 under this lease and \$14,487 under a former month to month lease. The pro rata share of CAM, insurance, and taxes was \$3,968. Warehouse lease expense is included in equipment storage expense on the statement of functional expenses.

In May 2021, Explore Austin entered into a 36-month lease with monthly payments of \$221. The lease expires in April 2024. Total copier lease expense for the year ended December 31, 2022 was \$2,654. Copier lease expense is included in office supplies and IT services in the statement of functional expenses.

The operating lease assets and liabilities were calculated using the risk-free discount rates of 3.51% for the warehouse lease and 0.91% for the copier and office leases. At December 31, 2022, the weighted-average remaining lease term and average discount rate are 1.56 years and 2.47%, respectively.

The maturities of lease liabilities as of December 31, 2022 were as follows:

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7. Leasing Arrangements (continued)

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 71,617
2024	40,285
	<hr/>
Total lease payments	111,902
Less: interest	<u>(2,115)</u>
Present value of lease liabilities	<u>\$ 109,787</u>

Total operating lease expense for the year ended December 31, 2022 was \$58,739. The total expense for CAM, property taxes, and insurance paid to lessors was \$26,494.

The following summarizes non cash information for leases:

ROU assets obtained in exchange for operating lease liabilities	\$ 77,808
-----------------------------------------------------------------	-----------

8. Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the ASC apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

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NOTES TO FINANCIAL STATEMENTS

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8. Fair Value Measurements and Disclosures (continued)

- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

Description	Amount	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 19,504	\$ 19,504	\$ -	\$ -
US Treasury bills	585,164	-	585,164	-
Investment held by Austin Community Foundation	30,365	-	-	30,365
Total Investments	<u><u>\$ 635,033</u></u>	<u><u>\$ 19,504</u></u>	<u><u>\$ 585,164</u></u>	<u><u>\$ 30,365</u></u>

The fair value of level 3 assets is based on the stated investment balance. There was no change in the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable input (Level 3) for the year ended December 31, 2022.

The fair value of Explore Austin’s remaining current assets and liabilities approximate the carrying amounts of such instruments due to their short maturity.

9. Investment Held by the Austin Community Foundation

During 2016, Explore Austin created a Quasi-Endowed Fund (the “Fund”) with Austin Community Foundation (ACF). The purpose of the Fund was to provide general support for Explore Austin. Funds may be withdrawn at any time with no restriction. There was no activity in the fund during the year. The balance of the Fund at December 31, 2022 was \$30,365.

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NOTES TO FINANCIAL STATEMENTS

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10. Net Assets with Donor Restrictions

Explore Austin had the following activity in net assets with donor restrictions during the year ended December 31, 2022:

	Beginning Balance	Additions	Releases	Ending Balance
Specified Purpose:				
Gear	\$ -	\$ 15,650	\$ -	\$ 15,650
Mentor and trip leader support		37,000	(9,774)	27,226
Program services		167,500	(167,500)	-
Texas program activities	-	20,665	(20,665)	-
Total purpose restricted	-	240,815	(197,939)	42,876
Time restrictions	218,338	214,439	(138,402)	294,375
Total net assets with donor restrictions	\$ 218,338	\$ 455,254	\$ (336,341)	\$ 337,251

11. Liquidity and Availability of Resources

The following reflects Explore Austin's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date. Amounts available include donor-restricted funds that are available for general expenditure in the following year.

Cash and cash equivalents	\$ 1,386,290
Investments	635,033
Contributions and grants receivable, current portion	212,250
Total financial assets at year-end	2,233,573
Less those unavailable for general expenditures within one year due to :	
Donor-imposed restrictions	(42,876)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,190,697

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11. Liquidity and Availability of Resources (continued)

Explore Austin's working capital and cash flows are dependent on the timing of receipts of grants and donations. Excess funds are invested to provide income with preservation of capital and liquidity.

12. In-kind Contributions

During the year ended December 31, 2022, Explore Austin recognized contributed goods and services revenue of \$17,825 for donated auction items. Donated auction items were valued at the sale price received during the auction on the day of the event. All gifts-in-kind received during the year ended December 31, 2022 were unrestricted.

13. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management has evaluated subsequent events through the issuance date of the auditors' report, June 13, 2023, and there were no significant subsequent events to be disclosed.