

EXPLORE LAWRENCE, INC.
Lawrence, Kansas

FINANCIAL STATEMENTS
For the year ended December 31, 2019
And
INDEPENDENT AUDITOR'S REPORT

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Karlin & Long, LLC
Certified Public Accountants

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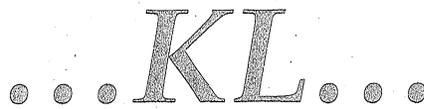
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eXplore Lawrence, Inc.
Lawrence, Kansas

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Karlin & Long, LLC
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS**

To the Board of Directors
eXplore Lawrence, Inc.
Lawrence, KS 66044

We have audited the accompanying financial statements of eXplore Lawrence, Inc. (a nonprofit organization), a component unit of the city of Lawrence, Kansas, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 opinions on these financial statements based on our audit. We conducted our audit 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 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.

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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 eXplore Lawrence, Inc. (a nonprofit organization), as of December 31, 2019 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants
Lawrence, Kansas

January 31, 2020

EXPLORE LAWRENCE, INC.

Lawrence, Kansas

STATEMENT OF FINANCIAL POSITION

As of December 31, 2019

Assets		
Current assets		
Cash and cash equivalents (Note 2)	\$ 216,888	
Accounts receivable	32,967	
Prepaid 401(k)	1,188	
Prepaid expense	<u>3,100</u>	
Total current assets		\$ 254,143
Property and Equipment		
Leasehold Improvements (Note 1)	107,174	
Accumulated amortization	<u>(5,359)</u>	
		101,815
Assets limited to use		
Board designated cash		<u>50,168</u>
Total assets		<u>\$ 406,126</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 28,306	
Accrued compensation	<u>4,272</u>	
Total liabilities		\$ 32,578
Net Assets		
Without donor restrictions	<u>373,548</u>	
Total net assets		<u>373,548</u>
Total liabilities and net assets		<u>\$ 406,126</u>

The accompanying notes to financial statements
are an integral part of this statement.

EXPLORE LAWRENCE, INC.

Lawrence, Kansas

STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>
Revenues, Gains and other support	
Contributions	
Guest tax	\$ 1,120,000
In-Kind	28,800
Program service fees	66,399
Miscellaneous	<u>17,057</u>
Total revenues, gains and support	<u>1,232,256</u>
Expenditures	
Program services	979,465
Management and general	<u>231,358</u>
Total expenses	<u>1,210,823</u>
Change in Net Assets	21,433
Net Assets - Beginning of year	<u>352,115</u>
Net Assets - End of year	<u><u>\$ 373,548</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

EXPLORE LAWRENCE, INC.

Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Expenses			
Salaries and payroll taxes	\$ 307,225	\$ 106,652	\$ 413,877
Employee benefits	19,297	10,665	29,962
Insurance	39,583	8,601	48,184
Advertising/Marketing/Sales	485,373		485,373
Supplies expense		98,343	98,343
Travel and meetings	64,285	7,097	71,382
Amortization	5,359		5,359
Rent	58,343		58,343
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 979,465</u>	<u>\$ 231,358</u>	<u>\$ 1,210,823</u>

The accompanying notes to financial statements
are an integral part of this statement

EXPLORE LAWRENCE, INC.

Lawrence, Kansas

STATEMENT OF CASH FLOWS
For the year ended December 31, 2019

Cash flows from operating activities	
Increase (decrease) in net assets	\$ 21,433
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Amortization	5,359
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(32,967)
(Increase) decrease in prepaid expenses	(1,188)
Increase (decrease) in accounts payable	19,285
Increase (decrease) in accrued payroll	(652)
Increase (decrease) in accrued compensation	691
	<hr/>
Net cash provided (used) by operating activities	<hr/> 11,961
 Cash flows from investing activities	
Purchase of fixed assets	<hr/> (107,174)
 Net cash provided (used) by investing activities	<hr/> (107,174)
 Net increase (decrease) in cash for period	(95,213)
Cash as of beginning of period	<hr/> 362,269
 Cash as of end of period	<hr/> <hr/> \$ 267,056
 <u>Supplemental Information</u>	
Interest paid	<hr/> <hr/> \$ -
Income taxes paid	<hr/> <hr/> \$ -

The accompanying notes to financial statements
are an integral part of this statement

EXPLORE LAWRENCE, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

eXplore Lawrence, Inc. is a private, not-for-profit organization with the purpose to promote, support, foster and develop programs which endeavor to increase general tourism and visitations to Lawrence.

The Board has seven voting members, comprising the following positions: a representative employed by a full-service hotel within the city limits of Lawrence; a representative employed by a limited-service hotel within the city limits of Lawrence; a member of the elected body of the Lawrence City Commission; a representative from the cultural industry in Lawrence; a representative of a local university or educational institution; a representative of the sports and/or recreational industry in Lawrence; and a representative from the service/event management industry in Lawrence. Additionally, the Organization shall have three ex-officio members: the City Manager or designee from the City Manager's Office; the Director of Downtown Lawrence, Inc. or staff designee; and the Lawrence Chamber of Commerce CEO or staff designee.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and

EXPLORE LAWRENCE, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time. The governing board has designated, form net assets without donor restrictions, net assets for a personnel reserve in the amount of \$ 50,174 for the year ended December 31, 2019.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Gifts of long-lived assets and gifts of cash received for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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. The Organization does not have any net assets with donor restrictions for the year ended December 31, 2019.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Equipment, Leasehold Improvements and Amortization

Property and Equipment assets are recorded at the original cost or if donated at fair market value. Depreciation and Amortization is provided using the straight-line method over the estimated useful life of the respective asset. Amortization expense recorded for the year ended December 31, 2019 was \$ 5,359.

EXPLORE LAWRENCE, INC.

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Equipment Leasehold Improvements and Amortization (continued)

Management annually reviews fixed assets to determine whether carrying values have been impaired.

Expenditures for major renewals that results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated. Expenditures for maintenance and repairs are charged to expense as incurred.

Use of Accounting 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Income Taxes

No income tax provision is made as the Organization is exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code and Kansas income taxes under applicable state law. The Organization is annually required to file a Return of Organization Exempt form Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. For the year ended December 31, 2019, the Organization had no unrelated business income.

The Organization's tax returns for the years ending 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

EXPLORE LAWRENCE, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with our restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets with our donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

NOTE 2 – Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers demand deposits and funds invested at market rates in interest bearing accounts with an initial maturity of three months or less to be cash equivalents. As of December 31, 2019, the Organization had no cash equivalents.

The Organization had no noncash financing transactions.

At year end, the carrying amount of the Organization's deposits was \$ 267,056. This included \$66,078 in checking accounts, \$ 150,810 in a Money Market account, and \$ 50,168 in a reserve account. The bank balance was \$ 295,796. The entire account was covered by FDIC Insurance.

EXPLORE LAWRENCE, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Compensated Absences

Under the terms of the Organization’s personnel policy, full-time employees earn vacation leave in varying amounts. At the end of each calendar year, employees are allowed to carry over 48 hours of any unused vacation. Vacation time is not paid out to employees with less than one year of service, an employee is paid for any unused carryover plus all unused earned vacation through the date of separation not to exceed a total of 80 hours. The Organization records a liability for earned, but not paid, compensated absences. The liability at December 31, 2019 was \$ 4,272.

NOTE 4 – Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expenses as incurred. During 2019, advertising costs totaled \$ 308,594.

NOTE 5 – In-Kind Contributions

The City of Lawrence allows the Organization to use a facility free of rent. The fair value of this service totals \$ 28,800. This service has been included in the financial statements as in-kind contribution revenue and program service expense for the year ended December 31, 2019.

NOTE 6 - Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following at December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 216,888
Assets limited to use:	
Board Designated	<u>50,168</u>
Total financial assets	267,056
Less amounts not available to be used within one year:	
Net asses with board designations to be met in less than a year for personnel settlements	<u>50,168</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 216,888</u>

As part of the Organization’s liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds.

EXPLORE LAWRENCE, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Concentration of Credit Risk

The Organization maintains cash balances at financial institutions located in Lawrence and Wichita, Kansas. This results in a concentration of credit risk. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. At times, such investments may be in excess of the FDIC insurance limit.

NOTE 8 – Concentration of Contribution Revenue

For the year ended December 31, 2019, approximately 93% of the Organization's total revenues came from the City of Lawrence, Kansas as an appropriation of Guest Tax. Any material delay or reduction in these payments would have a negative impact on the Organization's operating results.

NOTE 9 – Lease Commitments

Total payments incurred under an operating lease agreement totaled \$ 5,618 for the year ended December 31, 2019. For years subsequent to 2019, minimum future commitments under the lease agreement are as follows:

Year Ended <u>December 31,</u> 2020	<u>\$1,390</u>
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NOTE 10 – Risk Management

The Organization is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11 – Defined Contribution Retirement Plan

The Organization sponsors a 401(k) retirement plan covering qualified employees. The Organization contributes 9% and matches the employees' contribution to a maximum of 1% of the eligible employee's compensation. All full-time employees become part of the plan after one year of employment. The Organization contributed \$ 29,962 for the year ended December 31, 2019.

NOTE 12 – Subsequent Events

Subsequent events for management's review have been evaluated through January 31, 2020. The date in the prior sentence is the date the financial statements were available to be issued.