

FOOTHILLS ACCOUNTING, INC.

AUDIO INFORMATION NETWORK OF COLORADO, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Audio Information Network of Colorado, Inc.
Boulder, Colorado

We have audited the accompanying financial statements of Audio Information Network of Colorado, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Organization'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 Audio Information Network of Colorado, Inc. as of December 31, 2015 and 2014, 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.

FOOTHILLS ACCOUNTING, INC.

Foothills Accounting, Inc.

June 30, 2016

AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 87,660	\$ 117,665
Receivables (Note 2)	43,673	43,237
Prepaid expense and other	9,898	9,410
Total current assets	141,231	170,312
PROPERTY AND EQUIPMENT		
Equipment	51,748	101,728
Software	4,000	4,620
Vehicle	34,497	26,997
Website development	-	13,455
Leasehold improvements	19,446	17,356
	109,691	164,156
Accumulated depreciation	(53,350)	(113,882)
Net property and equipment	56,341	50,274
OTHER ASSETS		
Deposits	2,255	2,255
Investments (Notes 1 and 3)	8,870	9,045
Total other assets	11,125	11,300
TOTAL ASSETS	\$ 208,697	\$ 231,886
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 13,143	\$ 11,670
Accrued liabilities	4,797	4,332
Current portion of note payable	4,629	4,530
Total current liabilities	22,569	20,532
LONG-TERM DEBT , net of current portion		
Note payable - vehicle (Note 4)	21,256	24,689
TOTAL LIABILITIES	43,825	45,221
COMMITMENTS (Note 5)		
NET ASSETS		
Unrestricted	129,872	144,165
Temporarily restricted (Note 7)	35,000	42,500
	164,872	186,665
TOTAL LIABILITIES AND NET ASSETS	\$ 208,697	\$ 231,886

See Notes to Financial Statements

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 86,249	\$ -	\$ 86,249
Government grants	432,032	35,000	467,032
Other	3,068	-	3,068
Investment income (loss)	(175)	-	(175)
Net assets released from time restrictions (Note 7)	<u>42,500</u>	<u>(42,500)</u>	<u>-</u>
Total support and revenue	563,674	(7,500)	556,174
EXPENSES			
Program services	472,525	-	472,525
Management and general	24,403	-	24,403
Fundraising	<u>81,039</u>	<u>-</u>	<u>81,039</u>
Total expenses	577,967	-	577,967
INCREASE (DECREASE) IN NET ASSETS	<u>(14,293)</u>	<u>(7,500)</u>	<u>(21,793)</u>
NET ASSETS			
Beginning of year	<u>144,165</u>	<u>42,500</u>	<u>186,665</u>
End of year	<u>\$ 129,872</u>	<u>\$ 35,000</u>	<u>\$ 164,872</u>

See Notes to Financial Statements

AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 57,908	\$ 12,500	\$ 70,408
Government grants	385,515	30,000	415,515
Other	952	-	952
Investment income	432	-	432
Net assets released from restrictions (Note 7)	-	-	-
	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
Total support and revenue	<u>474,807</u>	<u>12,500</u>	<u>487,307</u>
EXPENSES AND LOSSES			
Program services	390,662	-	390,662
Management and general	24,361	-	24,361
Fundraising	<u>42,197</u>	<u>-</u>	<u>42,197</u>
Total expenses	<u>457,220</u>	<u>-</u>	<u>457,220</u>
<u>Losses</u>			
Loss on disposal of fixed assets	<u>119</u>	<u>-</u>	<u>119</u>
Total expenses and losses	<u>457,339</u>	<u>-</u>	<u>457,339</u>
INCREASE IN NET ASSETS	<u>17,468</u>	<u>12,500</u>	<u>29,968</u>
NET ASSETS			
Beginning of year	<u>126,697</u>	<u>30,000</u>	<u>156,697</u>
End of year	<u>\$ 144,165</u>	<u>42,500</u>	<u>186,665</u>

See Notes to Financial Statements

AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 198,284	\$ 2,333	\$ 32,658	\$ 233,275
Payroll taxes	16,233	191	2,674	19,098
Employee benefits	41,652	490	6,860	49,002
Professional fees	9,088	14,744	31,528	55,360
Insurance	11,919	127	634	12,680
Occupancy expense	60,232	641	3,204	64,077
Conferences and meetings	13,102	-	-	13,102
Equipment expense	25,450	39	195	25,684
Interest	-	2,634	-	2,634
Office expense	34,339	2,832	678	37,849
Dues and memberships	2,018	21	107	2,146
Telephone and communications	21,887	233	1,164	23,284
Travel and meals	27,281	-	750	28,031
Depreciation	11,040	118	587	11,745
	<u>\$ 472,525</u>	<u>\$ 24,403</u>	<u>\$ 81,039</u>	<u>\$ 577,967</u>

See Notes to Financial Statements

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 165,654	\$ 1,949	\$ 27,284	\$ 194,887
Payroll taxes	13,716	161	2,259	16,136
Employee benefits	32,201	378	5,304	37,883
Professional fees	20,099	12,555	-	32,654
Insurance	4,184	45	223	4,452
Occupancy expense	47,297	503	2,515	50,315
Conferences and meetings	6,887	-	-	6,887
Equipment expense	10,163	36	179	10,378
Interest	-	3,337	-	3,337
Office expense	36,536	5,087	1,962	43,585
Telephone and communications	17,072	182	908	18,162
Travel and meals	24,862	-	925	25,787
Depreciation	11,991	128	638	12,757
	<u>\$ 390,662</u>	<u>\$ 24,361</u>	<u>\$ 42,197</u>	<u>\$ 457,220</u>

See Notes to Financial Statements

AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (21,793)	\$ 29,968
Adjustments to reconcile increase in net assets to cash flows from operating activities:		
Depreciation expense	11,745	12,757
Loss on disposal of fixed assets	-	119
(Gain) loss on investments	175	(430)
Changes in operating assets and liabilities:		
Prepaid expense and other assets	(488)	(2,406)
Receivables	(436)	(49)
Payables and accrued expenses	<u>1,938</u>	<u>3,520</u>
Net cash provided by operating activities	<u>(8,859)</u>	<u>43,479</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(17,812)</u>	<u>(2,595)</u>
Net cash used by investing activities	<u>(17,812)</u>	<u>(2,595)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit (Note 4)	30,000	32,000
Repayment of line of credit (Note 4)	(30,000)	(32,000)
Repayments of note payable	<u>(3,334)</u>	<u>(4,613)</u>
Net cash provided by financing activities	<u>(3,334)</u>	<u>(4,613)</u>
 INCREASE (DECREASE) IN CASH	 (30,005)	 36,271
 CASH - BEGINNING OF YEAR	 <u>117,665</u>	 <u>81,394</u>
CASH - END OF YEAR	<u>\$ <u>87,660</u></u>	<u>\$ <u>117,665</u></u>
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 2,634</u>	<u>\$ 3,337</u>

See Notes to Financial Statements

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Audio Information Network of Colorado, Inc. (the Organization), is a Colorado nonprofit corporation providing closed-circuit reading and informational services for the blind, visually impaired, and print-disabled. Established in 1990 as Radio Reading Service of the Rockies, Inc., the Organization maintains its office and broadcast studios in Boulder, Colorado. Its name was changed to Audio Information Network of Colorado, Inc. in July of 2007.

To support audio programming, the Organization relies on financial support from state and local government agencies as well as donations from the general public. Substantially all of the Organization's financial support derives from government agencies and donors located in Colorado.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Temporarily restricted net assets consist of amounts subject to donor restrictions to be met by expenditures or actions of the Organization or by the passage of time. 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. Restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted net assets in the accompanying financial statements. The Organization has not received any permanently restricted contributions.

Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Investments

The Organization's investments consist of mutual fund investments in equity and debt securities. Generally, such investments have readily determinable market values and are reported at fair value, with gains and losses reported in the statement of activities.

Receivables

Receivables consist of unconditional promises to give that are expected to be received within one year and are recorded at net realizable value. There are also receivables due from government agencies where they provide cost reimbursement grants. The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific receivable balances. Management considers all receivables in the accompanying financial statements to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded in the accompanying financial statements.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or estimated fair market value, if donated. Donated property and equipment are reported as unrestricted support unless the donor has restricted use of the donated asset to a specific purpose. Capital expenditures greater than \$500 are capitalized by the Organization. Property and equipment are depreciated using the straight-line method over estimated useful lives as follows:

AUDIO INFORMATION NETWORK OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Useful Life</u>
Equipment	3-10 years
Software	3 years
Leasehold improvements	5-10 years
Vehicles	5 years

Impairment of Long-Lived Assets

The Organization reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statements of activities, to its current fair value. There have been no such impairments to date.

Revenue Recognition

Contributions are recognized in the period received at fair value. Special purpose contributions are accounted for as an increase in temporarily restricted net assets and are to be only used for the purpose, or the time frame, specifically designated by the donor. When a purpose restriction is accomplished or a time restriction has lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted contributions.

The Organization recognizes revenue from cost reimbursement grants as eligible costs are incurred for the applicable programs, as specified in the underlying grant agreements. Some government grants are treated as contributions. Cost reimbursement grants are treated as exchange transactions.

Contributed Facilities and Services

Contributed services are recognized and accrued when the services received create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills that would otherwise need to be purchased if not donated. The Organization receives donated services from many unpaid volunteers who assist the Organization with program reading and administration. However, no amounts have been recognized in the accompanying financial statements.

Concentrations of Credit Risk

Financial instruments which potentially expose the Organization to concentrations of credit risk consist of cash, investments, and contributions receivable. The Organization places its cash and investments with high quality financial institutions and limits the amount of credit exposure to any one financial institution. Receivables are due from a limited number of donors and granting agencies.

Functional Expenses

The costs of providing programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

Fair value measurements of assets and liabilities may be carried out using:

- Quoted prices in active markets for identical assets (Level 1),
- Significant other observable inputs (Level 2), or
- Significant unobservable inputs (Level 3).

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis using Level 1 inputs consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Investments – mutual funds	\$ <u>8,870</u>	\$ <u>9,045</u>

Income Tax Status

Audio Information Network of Colorado, Inc. is a nonprofit organization that is exempt from income taxes under 501(c)(3) of the Internal Revenue Code and has no unrelated business income. The Organization has taken no tax position they believe are unlikely to be upheld, or that might jeopardize their tax-exempt status, if examined by taxing authorities with full knowledge of all relevant information. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The federal income tax returns of the Company for 2012, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events Evaluation

Management has evaluated subsequent events through June 30, 2016, the date the financial statements were available to be issued.

NOTE 2 – RECEIVABLES

Receivables consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
<u>Promise to give</u>		
State of Colorado	\$ 35,000	\$ 30,000
<u>Cost reimbursement grants</u>		
DRCOG	8,673	13,237
	\$ <u>43,673</u>	\$ <u>43,237</u>

The unconditional promises to give were recorded as increases to temporarily restricted net assets due to time restrictions and are receivable within one year thus no present value discount is necessary.

Receivables from cost reimbursement grants are generally received within 30 days of billing. The amounts above were collected in 2016.

AUDIO INFORMATION NETWORK OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 – INVESTMENTS

The Organization invests in mutual funds which hold marketable debt and equity securities. Income and losses from these investments consisted of the following for the years ending December 31:

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 35	\$ 20
Gains and (losses), net	<u>(210)</u>	<u>412</u>
	<u>\$ (175)</u>	<u>\$ 432</u>

NOTE 4 – DEBT

Note Payable - Vehicle

In December 2010, the Organization purchased a vehicle with a \$27,278 note payable to a commercial finance company. In December 2014, the vehicle was traded in for a new one and the old note payable was rolled into a new note totaling \$29,219. The new note requires monthly payments of principal and interest of \$443 through December, 2020. Outstanding principal under the note totaled \$25,885 at December 31, 2015.

Future maturities under the note are as follows:

2016	\$	4,629
2017		4,766
2018		4,905
2019		5,050
2020		<u>6,535</u>
	\$	<u>25,885</u>

Bank Line of Credit

The Organization has a \$32,000 revolving line of credit with a commercial bank that renews annually. Borrowings under the line bear interest at 5.50% at December 31, 2015, and are secured by the assets of the Organization. During the term of the agreement, minimum interest payments are due monthly on any outstanding principal balance. As of December 31, 2015 and 2014, no amounts were outstanding under the line of credit.

NOTE 5 – OPERATING LEASE

The Organization leases office space and office equipment under operating leases. The Organization is also liable for its pro-rata share of taxes and common area maintenance under the office lease. Rent expenses under these leases totaled \$ 38,563 and \$33,480 in 2015 and 2014, respectively.

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 – OPERATING LEASE (Continued)

Future lease commitments are as follows:

2016	\$	38,846
2017		37,413
2018		37,413
2019		37,413
2020		<u>21,823</u>
	\$	<u><u>172,908</u></u>

NOTE 6 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a SIMPLE IRA plan for all of its employees (the Plan). To participate in the Plan, employees must earn at least \$5,000 of compensation per calendar year. Employee contributions under the Plan are subject to IRS limitations. The Organization provides a matching contribution up to 3% of an employee's annual compensation, which totaled \$3,350 and \$490 in 2015 and 2014, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
<u>Time Restriction</u>		
State of Colorado	\$ 35,000	\$ 30,000
<u>Purpose Restriction</u>		
Disabled American Veterans – purpose restriction	-	12,500
	<u>\$ 35,000</u>	<u>\$ 42,500</u>

NOTE 8 – MAJOR DONOR

The Organization receives a significant portion of its support from the State of Colorado's Department of Education. During 2015 and 2014 this donor provided funding of approximately 62% of the Organization's total support.