

JOHNSON KIGHTLINGER & COMPANY

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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certified public accountants

JOHNSON KIGHTLINGER & COMPANY

4999 Pearl East Cir. Ste. 103
Boulder, CO 80301

T 303.449.3830
F 303.449.3889
www.jk-cpas.com

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, 2018 and 2017, 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, 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.

JOHNSON KIGHTLINGER & COMPANY

Johnson Kightlinger & Company

August 5, 2019

AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 300,903	\$ 122,715
Receivables (Note 2)	122,350	48,618
Prepaid expense and other	11,060	13,310
Total current assets	434,313	184,643
PROPERTY AND EQUIPMENT		
Equipment	63,390	55,696
Software	4,000	4,000
Vehicle	50,681	50,681
Leasehold improvements	20,571	20,571
	138,642	130,948
Accumulated depreciation	(98,520)	(83,748)
Net property and equipment	40,122	47,200
OTHER ASSETS		
Deposits	2,755	2,755
Investments (Notes 1 and 3)	9,465	10,382
Total other assets	12,220	13,137
TOTAL ASSETS	\$ 486,655	\$ 244,980
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 6,881	\$ 18,019
Accrued payroll liabilities	14,323	3,309
Line of credit	-	10,447
Current portion of notes payable	8,055	7,793
Total current liabilities	29,259	39,568
LONG-TERM DEBT, net of current portion		
Notes payable - vehicles (Note 4)	15,429	23,430
TOTAL LIABILITIES	44,688	62,998
COMMITMENTS (Note 5)		
NET ASSETS		
Without donor restrictions	331,967	146,982
With donor restrictions (Note 7)	110,000	35,000
	441,967	181,982
TOTAL LIABILITIES AND NET ASSETS	\$ 486,655	\$ 244,980

See Notes to Financial Statements

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 75,731	\$ -	\$ 75,731
Government grants	746,125	110,000	856,125
Net assets released from time restrictions	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Total support and revenue	<u>856,856</u>	<u>75,000</u>	<u>931,856</u>
EXPENSES			
Program services	570,840	-	570,840
Management and general	33,180	-	33,180
Fundraising	<u>66,934</u>	<u>-</u>	<u>66,934</u>
Total expenses	<u>670,954</u>	<u>-</u>	<u>670,954</u>
Net investment loss	<u>917</u>	<u>-</u>	<u>917</u>
Total expenses and losses	<u>671,871</u>	<u>-</u>	<u>671,871</u>
CHANGE IN NET ASSETS	<u>184,985</u>	<u>75,000</u>	<u>259,985</u>
NET ASSETS			
Beginning of year	<u>146,982</u>	<u>35,000</u>	<u>181,982</u>
End of year	<u>\$ 331,967</u>	<u>\$ 110,000</u>	<u>\$ 441,967</u>

See Notes to Financial Statements

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 65,656	\$ -	\$ 65,656
Government grants	433,921	35,000	468,921
Investment income	1,220	-	1,053
Net assets released from restrictions	35,000	(35,000)	-
Total support and revenue	<u>535,797</u>	<u>-</u>	<u>535,797</u>
EXPENSES AND LOSSES			
Program services	510,681	-	510,681
Management and general	26,452	-	26,452
Fundraising	56,915	-	56,915
Total expenses	<u>594,048</u>	<u>-</u>	<u>594,048</u>
CHANGE IN NET ASSETS	<u>(58,251)</u>	<u>-</u>	<u>(58,251)</u>
NET ASSETS			
Beginning of year	205,233	35,000	240,233
End of year	<u>\$ 146,982</u>	<u>\$ 35,000</u>	<u>\$ 181,982</u>

See Notes to Financial Statements

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 264,901	\$ 3,116	\$ 43,631	\$ 311,648
Payroll taxes	21,836	257	3,596	25,689
Employee benefits	77,347	910	12,739	90,996
Professional fees	14,517	19,945	-	34,462
Insurance	12,268	131	653	13,052
Occupancy expense	56,123	597	2,985	59,705
Conferences and meetings	19,545	-	-	19,545
Equipment expense	19,259	46	228	19,533
Interest	-	3,390	-	3,390
Marketing	1,615	-	-	1,615
Office expense	17,442	4,323	777	22,542
Postage	758	8	41	807
Printing	1,410	15	75	1,500
Telephone and communications	25,562	272	1,359	27,193
Travel and meals	22,286	-	-	22,286
Depreciation	15,971	170	850	16,991
	\$ 570,840	\$ 33,180	\$ 66,934	\$ 670,954

See Notes to Financial Statements

**AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 224,985	\$ 2,647	\$ 37,056	\$ 264,688
Payroll taxes	18,579	219	3,060	21,858
Employee benefits	45,516	535	7,497	53,548
Professional fees	10,424	16,075	-	26,499
Insurance	20,199	215	1,074	21,488
Occupancy expense	59,421	632	3,161	63,214
Conferences and meetings	23,163	-	-	23,163
Equipment expense	15,627	47	236	15,910
Interest	-	3,216	-	3,216
Office expense	23,931	2,299	1,007	27,237
Postage	941	10	50	1,001
Printing	2,526	27	134	2,687
Telephone and communications	33,483	356	1,781	35,620
Travel and meals	15,557	-	990	16,547
Depreciation	16,329	174	869	17,372
	<u>\$ 510,681</u>	<u>\$ 26,452</u>	<u>\$ 56,915</u>	<u>\$ 594,048</u>

See Notes to Financial Statements

AUDIO INFORMATION NETWORK OF COLORADO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 259,985	\$ (58,251)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation expense	16,991	17,372
Unrealized (gain) loss on investments	917	(1,220)
Changes in operating assets and liabilities:		
Prepaid expense and other assets	2,250	3,124
Receivables	(73,732)	819
Payables and accrued expenses	(124)	8,826
Net cash from operating activities	<u>206,287</u>	<u>(29,330)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, net	<u>(9,913)</u>	<u>(1,125)</u>
Net cash from investing activities	(9,913)	(1,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	15,000	30,000
Repayment of line of credit	(25,447)	(19,553)
Repayments of notes payable	<u>(7,739)</u>	<u>(7,468)</u>
Net cash from financing activities	(18,186)	2,979
NET CHANGE IN CASH	178,188	(27,476)
CASH - BEGINNING OF YEAR	<u>122,715</u>	<u>150,191</u>
CASH - END OF YEAR	<u>\$ 300,903</u>	<u>\$ 122,715</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 3,390</u>	<u>\$ 3,216</u>

See Notes to Financial Statements

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

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. The 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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets with donor restrictions 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, 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. Restricted contributions whose restrictions are met in the same fiscal year are reported as net assets without donor restrictions in the accompanying financial statements.

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.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Property and equipment are depreciated using the straight-line method over estimated useful lives as follows:

<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 net assets with donor restrictions and are to be only used for the purpose, or the time frame, specifically designated by the donor.

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 reimbursements 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**

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>2018</u>	<u>2017</u>
Investments - mutual funds	\$ <u>9,465</u>	\$ <u>10,382</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.

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 the date of the accompanying independent auditors' report, which is the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncements

Leases - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset along with a liability for the corresponding lease obligation for leases with a term more than twelve months. ASU No. 2016-02 is effective for non-public companies with a fiscal year beginning January 1, 2020. The impact of this new pronouncement is significant for most companies with leased facilities.

NOTE 2 – RECEIVABLES

Receivables consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
<u>Promises to give</u>		
State of Colorado	\$ 110,000	\$ 35,000
 <u>Cost reimbursement grants</u>		
DRCOG	12,350	13,618
	\$ <u>122,350</u>	\$ <u>48,618</u>

The unconditional promises to give were recorded as net assets with donor restrictions 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 the following year.

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

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 at December 31:

	<u>2018</u>	<u>2017</u>
Unrealized gain/(loss), net	(917)	1,220
	<u>\$ (917)</u>	<u>\$ 1,220</u>

NOTE 4 – DEBT

Notes Payable - Vehicles

In December 2010 the Organization purchased a vehicle with a \$27,278 note payable to a commercial finance company. The notes interest rate was 2.9% and was secured by the vehicle. In December 2014, the vehicle was traded in for a new vehicle and the old note payable was rolled into a new note payable totaling \$29,219. The new note requires monthly payments of principal and interest of \$443 through December 2020. Outstanding principal under the note totaled \$11,578 and \$16,439 at December 31, 2018 and 2017, respectively.

In September 2016 the Organization traded in an older vehicle with a fair market value of \$12,000. The additional consideration for the new vehicle was \$2,000 cash and a note payable for \$18,217. The note bears interest at a rate 2.9%, is secured by the vehicle and requires monthly payments of \$285 through September 2022. Outstanding principal under the note totaled \$12,006 and \$14,784 at December 31, 2018 and 2017, respectively.

Future maturities under both notes are as follows as of December 31, 2018:

2019	\$ 8,055
2020	9,780
2021	3,254
2022	<u>2,395</u>
	<u>\$ 23,484</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 prime rate plus 2.25% (7.75% at December 31, 2018), 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, 2018 there was no outstanding principal balance on the line of credit.

NOTE 5 – OPERATING LEASE

The Organization leases office space under a facility lease that expires July 31, 2020. The Organization is also liable for its pro-rata share of taxes and common area maintenance under the office lease. Rent expenses for the office and various equipment leases totaled \$40,196 and \$40,684 in 2018 and 2017, respectively.

Future lease commitments consist of the following at December 31, 2018:

2019	\$ 40,821
2020	<u>22,376</u>
	<u>\$ 63,197</u>

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

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 of up to 3% of an employee's annual compensation. Employer matching contributions to the plan were \$3,443 and \$3,442 in 2018 and 2017, respectively. It was discovered that a correction was necessary for employer matching contributions for 2016 and 2017. Upon discovery, the Organization submitted corrections to the IRS under their Voluntary Correction Program.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
<u>Time restriction</u>		
State of Colorado \$	<u>110,000</u>	<u>\$ 35,000</u>

NOTE 8 – MAJOR DONOR

The Organization receives a significant portion of its revenue from the State of Colorado's Department of Education. Their contributions comprised 79% and 65% of total support revenue in 2018 and 2017, respectively.

NOTE 9 – LIQUIDITY

The Organization had \$424,663 of financial assets available within one year of the balance sheet date. The contribution receivables were subject to time restrictions, but were collected within one year. The Organization has a goal to maintain financial assets of approximately \$100,000, on average, to meet 60 days of normal operating expenses. As part of its liquidity management, the Organization invests cash in excess of daily requirement in an investment account. Also, as more fully described in Note 4, the Organization has a committed line of credit with an amount available of \$32,000, which it can draw upon in the event of an unanticipated liquidity need.

The Organization's financial assets available for general expenditures, without donor or other restrictions limiting their use and due within one year of the balance sheet date, comprised the following:

Financial assets at year end:	
Cash, unrestricted	\$ 300,903
Contributions receivable	122,350
Investments	<u>9,465</u>
Total financial assets:	432,718
Less amounts unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:	<u>(8,055)</u>
Amounts available for general expenditures within one year:	<u>\$ 424,663</u>

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

NOTE 10 – RELATED PARTY TRANSACTIONS

An employee's husband was paid \$3,364 in 2018 and \$ 3,591 in 2017 for IT related work.