



Certified Public Accountants

eTown

Financial Statements

December 31, 2014 and 2013



Cahill • O'Kelly
& Associates

INDEPENDENT AUDITOR'S REPORT

Certified Public Accountants

Board of Directors
eTown
Boulder, Colorado

We have audited the accompanying financial statements of eTown (a nonprofit organization), which comprised the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' judgement, 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 Organization'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of eTown as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cahill, O'Kelly & Associates, P.C.
CAHILL, O'KELLY & ASSOCIATES, P.C.

May 18, 2015

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eTown
 Statements of Financial Position
 December 31, 2014 and 2013

ASSETS		
	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 162,578	\$ 71,872
Accounts Receivable - Pledges	-	101,420
Accounts Receivable - Sponsorships	5,433	10,168
Accounts Receivable - Employees	4,000	-
Prepaid Insurance	1,820	-
Total Current Assets	173,829	183,460
PROPERTY AND EQUIPMENT		
eTown Hall Building	7,617,652	7,617,652
Land	340,000	340,000
Audio Equipment	277,389	208,650
Computer Equipment	29,065	25,937
Furniture and Fixtures	30,514	18,500
Office Equipment	1,840	1,840
	8,296,458	8,212,579
Less: Accumulated Depreciation	(680,900)	(452,477)
Net Property and Equipment	7,615,558	7,760,102
OTHER ASSETS		
Tape Library	100,000	100,000
Loan Closing Costs, net	45,016	46,264
Total Other Assets	145,016	146,264
TOTAL ASSETS	\$ 7,934,404	\$ 8,089,826
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 55,604	\$ 17,903
Due to Related Parties	5,558	6,734
Accrued Expenses	3,701	29,453
Accrued Interest	8,165	-
Accrued Salaries and Payroll Taxes	35,971	15,958
Simple IRA Contributions Payable	38,242	4,340
Security Deposits	8,750	-
Short-Term Loans Payable	129,990	240,000
Line of Credit Payable	-	82,950
Note Payable - Short-term portion	73,097	70,256
Total Current Liabilities	359,077	467,594
LONG-TERM LIABILITIES		
Note Payable - Long-term portion	1,797,366	1,869,787
Total Liabilities	2,156,444	2,337,381
NET ASSETS		
Unrestricted	5,777,961	5,752,445
Temporarily Restricted	-	-
Total Net Assets	5,777,961	5,752,445
TOTAL LIABILITIES AND NET ASSETS	\$ 7,934,404	\$ 8,089,826

See Accompanying Notes to Financial Statements

eTown
Statements of Activities
For the Years Ended December 31, 2014 and 2013

	2014	2013
SUPPORT AND REVENUE		
Corporate Sponsorships	\$ 218,559	\$ 401,945
Contributions/Grants	1,337,101	694,535
Ticket Sales	656,993	970,397
Rental Income	125,763	72,285
Interest and Dividend Income	17	33
Merchandise Sales, Net	51,224	39,481
Total Support and Revenue	2,389,657	2,178,676
Net Assets Released from Restrictions	-	235,173
Unrestricted Support and Revenue	2,389,657	2,413,849
 FUNCTIONAL EXPENSES		
Program Services	1,912,029	2,117,809
Fundraising	87,899	58,925
Management and General	364,213	390,076
Total Functional Expenses	2,364,141	2,566,810
 (DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	25,516	(152,961)
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	138,000
Net Assets Released from Restrictions	-	(235,173)
(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	(97,173)
 (DECREASE) INCREASE IN NET ASSETS	25,516	(250,134)
 NET ASSETS, Beginning of Year	5,752,445	6,002,579
 NET ASSETS, End of Year	\$ 5,777,961	\$ 5,752,445

See Accompanying Notes to Financial Statements

eTown
Statement of Functional Expenses
For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 486,627	\$ 64,681	\$ 64,565	\$ 615,873
Payroll Tax Expense	<u>37,772</u>	<u>5,020</u>	<u>5,011</u>	<u>47,803</u>
Total Compensation Costs	524,399	69,701	69,576	663,676
Advertising and Marketing	29,760	-	75	29,835
Bank and Credit Card Fees	4,140	-	1,295	5,435
Conferences and Meetings	-	-	1,999	1,999
Computer Supplies & Services	10,986	1,460	1,457	13,903
Contract Labor	196,833	-	73,782	270,615
Dues & Subscriptions	5,230	695	694	6,619
Fundraising	-	5,611	-	5,611
Insurance	16,679	817	11,349	28,845
Interest Expense	33,428	-	50,141	83,569
Licenses and Fees	972	-	417	1,389
Maintenance and Repairs	23,195	-	9,941	33,136
Miscellaneous	-	-	6,161	6,161
Office Supplies	17,333	2,304	2,489	22,126
Postage and Delivery	2,541	338	337	3,216
Professional Fees	-	-	48,235	48,235
Simple IRA Matching	12,628	1,679	1,675	15,982
Rental Expenses	5,177	-	2,219	7,396
Show Production Costs	803,905	-	-	803,905
Telephone	6,884	-	2,950	9,834
Taxes - Other	5,907	-	336	6,243
Travel and Entertainment	10,450	1,389	1,386	13,225
Utilities	11,435	-	4,900	16,335
Web Design	29,377	3,905	3,898	37,180
Total Other Expenses	<u>1,226,860</u>	<u>18,198</u>	<u>225,736</u>	<u>1,470,794</u>
Total Expenses Before Depreciation and Amortization	1,751,259	87,899	295,312	2,134,470
Depreciation and Amortization	<u>160,770</u>	<u>-</u>	<u>68,901</u>	<u>229,671</u>
Total Functional Expenses	<u>\$ 1,912,029</u>	<u>\$ 87,899</u>	<u>\$ 364,213</u>	<u>\$ 2,364,141</u>

See Accompanying Notes to Financial Statements

eTown
Statement of Functional Expenses
For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Wages	\$ 397,513	\$ 48,975	\$ 75,056	\$ 521,544
Payroll Tax Expense	<u>32,426</u>	<u>3,995</u>	<u>6,122</u>	<u>42,543</u>
Total Compensation Costs	429,939	52,970	81,178	564,087
Advertising and Marketing	34,736	-	389	35,125
Bank and Credit Card Fees	3,646	-	868	4,514
Conferences and Meetings	-	-	2,250	2,250
Computer Supplies & Services	7,778	958	1,469	10,205
Contract Labor	227,989	-	77,052	305,041
Dues & Subscriptions	3,630	447	685	4,762
Insurance	13,434	445	10,504	24,383
Interest Expense	34,502	-	51,753	86,255
Licenses and Fees	6,755	-	2,895	9,650
Maintenance and Repairs	41,343	-	17,719	59,062
Miscellaneous	-	-	42,309	42,309
Office Supplies	15,637	1,927	2,953	20,517
Postage and Delivery	938	116	177	1,231
Professional Fees	-	-	14,912	14,912
Simple IRA Matching	4,556	561	860	5,977
Rental Expenses	7,123	-	3,053	10,176
Show Production Costs	1,097,100	-	-	1,097,100
Telephone	6,958	-	2,982	9,940
Taxes - Other	1,215	-	371	1,586
Travel and Entertainment	8,804	1,085	1,662	11,551
Utilities	12,754	-	5,466	18,220
Web Design	3,379	416	638	4,433
Total Other Expenses	1,532,277	5,955	240,967	1,779,199
Total Expenses Before Depreciation and Amortization	1,962,216	58,925	322,145	2,343,286
Depreciation and Amortization	155,593	-	67,931	223,524
Total Functional Expenses	\$ <u>2,117,809</u>	\$ <u>58,925</u>	\$ <u>390,076</u>	\$ <u>2,566,810</u>

See Accompanying Notes to Financial Statements

eTown
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
Changes in Net Assets	\$ 25,516	\$ (250,134)
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	229,671	223,523
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	102,156	9,412
Increase in Prepaid Expenses	(1,820)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	64,769	(11,506)
Increase in Security Deposits Payable	8,750	-
Decrease in Deferred Revenue	-	(18,333)
	429,041	(47,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(83,879)	(188,244)
	(83,879)	(188,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payment) of Principal on Notes Payable	(69,580)	656,933
Payment on Line of Credit	(82,950)	(15,949)
(Payment) Proceeds from Short-Term Loans	(110,010)	(370,000)
	(262,540)	270,984
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,622	35,702
CASH AND CASH EQUIVALENTS - Beginning of Year	71,872	36,170
CASH AND CASH EQUIVALENTS - End of Year	\$ 154,494	\$ 71,872
 SUPPLEMENTAL INFORMATION		
Interest Paid, Net of Amounts Capitalized	\$ 75,404	\$ 74,417

See Accompanying Notes to Financial Statements

eTown
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

eTown is a Colorado nonprofit corporation whose mission is to produce and distribute a unique radio program, combining environmental information with various types of music. eTown operates from its facility located in Boulder, Colorado. It serves the public on a local and national level. Revenues are derived from contributions and ticket sales.

Basis of Presentation

eTown has adopted the provisions of FASB Accounting Standards Codification(ASC) No 958 *Not-for-Profit Entities*.

As required by ASC No. 958, the accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into the following classes of net assets:

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

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations. This category includes net assets which have been designated by the board or other designated funds, and eTown's investment in property and equipment pursuant to approved Board policy.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions received containing donor restrictions are reported as temporarily restricted support and are then classified to unrestricted net assets upon compliance with such restrictions.

Cash and Cash Equivalents

eTown considers all liquid investments purchased with maturities of three months or less to be cash equivalents.

Contributions Receivable

Unconditional contributions receivable are recognized as revenues in the period the promise is received. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Contributions

Contributions are recognized in the year that unconditional promises to give are received and recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and the nature of the donor restrictions.

Inventories

The Organization has historically carried inventory consisting of compact discs valued at cost. Over the past few years, this inventory has been used more as promotional materials than as an available-for-sale product. Management decided in 2011 to expense all future purchases as marketing costs.

eTown
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment purchased by eTown is recorded at cost. Donated property is recorded at fair value on the date contributed. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided using the double-declining balance method over the estimated useful lives of the assets, which range from thirty-nine years for the building to five to seven years for furniture and equipment.

Investments

eTown reports its investments in compliance with FASB Accounting Standards Codification (ASC) No. 958, *Not-For-Profit Organizations*. Under ASC No. 958, all investments in marketable equity securities with readily determinable fair values and all debt securities are reported at fair values. Realized and unrealized gains and losses are reported in the statement of activities, when applicable.

Deferred Revenue

Deferred revenue consists of sponsorship promises received for the subsequent year. Recognition of revenue is deferred until the period in which the services are provided.

Contributed Assets

Contributed property, marketable securities, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. There has been no contributed property for the years ending December 31, 2014 and 2013, respectively.

Donated Services and Materials

Donated services and materials which meet the criteria for recognition under ASC No. 958, *Not For Profit Entities*, are recorded in the accompanying financial statements at fair market value as of the date of donation.

A significant portion of eTown's functions are conducted by unpaid volunteers and is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under ASC No. 958.

Concentrations of Credit Risk

eTown is supported by contributions from the public. It is always considered reasonably possible that benefactors, grantors or contributors/sponsors will be lost in the near term and the Organization actively pursues additional sponsorship and financial support.

Expense Allocation

Expenses are charged to program service and supporting services on the basis of periodic time and expense studies. Management and general expenses include expenses not directly identifiable with any specific function and provide for the overall support and direction of the Organization.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

eTown
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Exemption

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation under Section 509(a)(2); as such, no provisions for income taxes have been made. Contributions made to eTown qualify for the charitable contribution deduction under Section 170(b)(1)(a).

NOTE 2 - CONTRIBUTIONS RECEIVABLE

At December 31, 2014 and 2013, eTown had sponsorship contribution receivables of \$5,433 and \$10,168, respectively. Sponsorship contributions are related to contracted corporate sponsorships.

NOTE 3 - PLEDGES RECEIVABLE

For the years ended December 31, 2014 and 2013, eTown had \$0 and \$101,420 in pledges receivable, respectively.

NOTE 4 - TAPE LIBRARY

The value of the tape library was estimated at \$50,000 in 1992, with the formation of the Organization, and adjusted to \$100,000 in 2004. Additional library costs have been expensed as incurred. The true value of the tape library cannot be determined without an appraisal.

NOTE 5 - LINE OF CREDIT

On June 30, 2010, the Organization obtained a business line of credit with a financial institution. The balance available on this line is \$100,000. Interest is due monthly at the variable Prime Rate plus 1.75 percentage points (3.25% at December 31, 2014). As of December 31, 2014 and 2013 the balance outstanding was \$0 and \$82,950, respectively.

eTown
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 6 - NOTES PAYABLE

A summary of notes payable outstanding as of December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Short-term notes from Board of Director members and the Executive Director bearing interest at 4%. These notes are not collateralized, have no set maturity date, and are due on demand.	\$ 129,990	\$ 240,000

The Organization refinanced a mortgage loan in January, 2013 with a principal amount of \$2,000,000. The loan requires monthly principal and interest payments of \$12,166. The loan bears interest at the monthly LIBOR rate plus 3.77%. The loan is collateralized with a deed of trust on the building at 1535 Spruce Street, Boulder, CO. The final payment on this loan is due in January, 2023 in the amount of outstanding principal plus any outstanding interest.

	1,870,463	1,940,043
	<u>\$2,000,453</u>	<u>\$2,180,043</u>

The following is a schedule of maturities for the mortgage loan outstanding at December 31, 2014:

2015	\$	73,097
2015		76,052
2016		79,127
2017		82,326
2018-2023		<u>1,559,861</u>
		<u>\$ 1,870,463</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of amounts specified by the donors for a specific service or use of funds. For the period ended December 31, 2013, restricted donations were contributed to the One World Song program and the Studio Build-out project. All of these restricted donations were used during the period. At December 31, 2014 and 2013, respectively, there were no restricted net assets.

NOTE 8 - STANDARD SIMPLE PLAN

eTown has adopted a SIMPLE-IRA Plan for eligible employees. Participation in the plan is voluntary. Under this plan, an employee may make salary reduction contributions, not to exceed statutory limitations. The Organization matches the employee's contribution subject to a maximum of three percent (3%). Contributions made on behalf of eligible employees for 2014 and 2013 amounted to \$15,982 and \$7,396, respectively.

eTown
Notes to Financial Statements
December 31, 2014 and 2013

NOTE 9 - RELATED PARTIES

During 2014 and 2013, eTown paid \$114,111 and \$101,234, respectively to Wendell World, an S Corporation owned by eTown's Executive Director Nick Forster. These payments were for the following expenses:

	<u>2014</u>	<u>2013</u>
Contracted Production Costs	\$ 67,510	\$ 96,234
Equipment Rental	10,609	5,000
Equipment Purchase	<u>4,849</u>	<u>-</u>
	<u>\$ 82,968</u>	<u>\$ 101,234</u>

Wendell World provided a \$20,000, interest free, short-term loan to eTown on August 28, 2012 and a \$25,000 interest free short-term loan on October 17, 2014. The loans were repaid on January 29, 2013 and November 11, 2014 respectively.

As identified in Note 6 - Notes Payable, various Board of Director members and the Executive Director provided short-term loans and have remaining balances to be paid in the amounts of \$86,660 and \$43,330, respectively, to eTown as of December 31, 2014. Accrued interest payable on these loans amounted to \$8,165 at December 31, 2014 and \$0 at December 31, 2013.

NOTE 10 - SUBSEQUENT EVENTS

Management has reviewed all subsequent events through May 18, 2015, which is the date the financial statements were available to be issued.