

**EARTHLINKS, INC.**  
**FINANCIAL STATEMENTS**  
**December 31, 2006**

**Hull and Associates, P.C.**  
**Certified Public Accountants**  
**780 Simms Street, Suite 200**  
**Golden, Colorado 80401**

**EARTHLINKS, INC.**  
**December 31, 2006**

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## INDEPENDENT AUDITORS' REPORT

### **Board of Directors EarthLinks, Inc.**

We have audited the accompanying statements of financial position of the EarthLinks, Inc. (a nonprofit organization) as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EarthLinks, Inc. as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hull & Associates, P.C.*

**Hull & Associates, P.C.  
Certified Public Accountants**

Golden, Colorado  
February 22, 2007

**EARTHLINKS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2006**

**ASSETS**

Current assets		
Cash and cash equivalents	\$ 80,843	
Accounts receivable	19,494	
Prepaid expenses	<u>1,539</u>	
Total current assets		\$ 101,876
Property and equipment, net		7,365
Other asset		
Security deposit		<u>1,000</u>
Total assets		<u><u>\$ 110,241</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 338	
Sales tax payable	1,567	
Payroll taxes payable	2,225	
Accrued vacation payable	<u>1,827</u>	
Total current liabilities		\$ 5,957
Net assets		
Unrestricted	96,214	
Temporarily restricted	<u>8,070</u>	
Total net assets		<u>104,284</u>
Total liabilities and net assets		<u><u>\$ 110,241</u></u>

The accompanying notes are an integral part of these financial statements.

**EARTHLINKS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2006**

Changes in unrestricted net assets		
Revenues and other support		
Greenfingers program income	\$ 27,859	
Individual donations	23,637	
Foundation and trust grants	20,000	
Sponsorships	18,500	
Special event income	10,817	
In-kind donations	5,734	
Interest income	2,956	
Donations, other	2,589	
Workshops	153	
Total unrestricted revenues and other support		\$ 112,245
Net assets released from restrictions		
Satisfaction of program restrictions	<u>44,396</u>	
Total net assets released from restrictions		<u>44,396</u>
Total unrestricted revenues and support		156,641
Expenses		
Program services	124,117	
General operating and administrative	18,167	
Fundraising	<u>5,479</u>	
Total expenses		<u>147,763</u>
Increase in unrestricted net assets		8,878
Changes in temporarily restricted assets		
Foundation and trust grants	51,201	
Corporation and business grants	1,265	
Net assets released from restrictions	<u>(44,396)</u>	
Increase in temporarily restricted net assets		<u>8,070</u>
Increase in net assets		16,948
Net assets at beginning of year		<u>87,336</u>
Net assets at end of year		<u>\$ 104,284</u>

The accompanying notes are an integral part of these financial statements.

**EARTHLINKS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2006**

Cash flows from operating activities		
Increase in net assets	\$ 16,948	
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,944	
Change in operating assets and liabilities		
Accounts receivable	(1,069)	
Prepaid expenses	(1,216)	
Accounts payable	(70)	
Sales tax payable	956	
Payroll taxes payable	536	
Accrued vacation payable	1,827	
Deferred revenue	<u>(8,355)</u>	
Net cash provided by operating activities		\$ 11,501
Cash flows from investing activities		
Acquisition of equipment	<u>(3,930)</u>	
Net cash used by investing activities		<u>(3,930)</u>
Net increase in cash and cash equivalents		7,571
Cash and cash equivalents, beginning of year		<u>73,272</u>
Cash and cash equivalents, end of year		<u>\$ 80,843</u>
Supplemental information:		
Non cash investing activity		
Donation of equipment	<u>\$ 3,014</u>	

The accompanying notes are an integral part of these financial statements.

**EARTHLINKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

**Note 1: Organization**

The EarthLinks, Inc. is a nonprofit corporation formed in 1996 with a purpose to provide experiential earth education that engages economically poor city residents in the Denver, Colorado, metropolitan area in a mutually enhancing relationship with the earth and an expanded sense of community. The Organization enables participants to share experiences in the natural world and gain a renewed perspective in their lives and act in ways that benefit both themselves and the larger society.

**Note 2: Summary of Significant Accounting Policies**

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements.

b. Basis of Presentation

Financial statement presentation follows the provisions of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets as of December 31, 2006.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

**EARTHLINKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all checking accounts, deposits and short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

d. 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 and disclosures. Actual results could differ from those estimates.

Significant estimates in these financial statements include estimated useful lives of property and equipment, fair value of non-cash donations, allowance for doubtful accounts and allocation of functional expenses between activities.

e. Functional Allocation of Expenses

The costs of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the benefiting activity and supporting services.

f. Fair Values of Financial Instruments

For certain of the Organization's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, the carrying amounts approximate fair value due to their short maturities.

g. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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**NOTES TO FINANCIAL STATEMENTS**  
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h. Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The depreciable lives of the assets are 3-7 years.

i. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains its cash balances in a financial institution and a brokerage account. The financial institution balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2006, the Organization's uninsured cash balance totaled \$80,264. This is the amount held in the brokerage account.

j. Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the cost of property and equipment or other assets may be impaired, an evaluation of the recoverability would be performed. If an evaluation were required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. No impairment losses were recorded in 2006.

k. In-Kind Contributions

In-kind contributions are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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**Note 3: Leases**

The Organization leases its office space under an operating lease through April 2008, at \$1,000 per month. Total office rent paid was \$12,000 for the year ended December 31, 2006. There is no leased equipment.

Minimum future annual lease payments for the years ended December 31:

	<u>Office</u>
2007	\$ 12,000
2008	<u>4,000</u>
Totals	<u>\$ 16,000</u>

**Note 4: Property and Equipment**

Furniture and equipment consisted of the following at December 31, 2006:

Furniture and fixtures	\$ 1,176
Equipment	3,487
Vehicles	9,325
Less accumulated depreciation	<u>(6,623)</u>
	<u>\$ 7,365</u>

Depreciation expense was \$1,944 for the year.

**Note 5: Accrued Vacation Payable**

Accrued vacation payable is computed based on the unpaid vacation days which have been earned during the year.

**EARTHLINKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 6: Grants and Other Receivables**

Receivables at December 31, 2006, consisted of the following:

Grants receivable		\$ 15,000
Donations and miscellaneous	4,494	
Less allowance for doubtful accounts		<u>0</u>
		<u>\$ 19,494</u>

**Note 7: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for program services from the following funders:

Blessings Fund		\$ 5,000
FROG		114
Gary Williams Oil		808
Lexis Nexis		697
Loretto Special Needs		943
Schaller Wind Source		<u>508</u>
		<u>\$ 8,070</u>