

**CARBONDALE COMMUNITY NONPROFIT CENTER  
(DBA: Third Street Center)**

**FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

Carbondale Community Nonprofit Center  
DBA: Third Street Center  
Carbondale, Colorado

We have audited the accompanying statement of financial position of Carbondale Community Nonprofit Center (DBA: Third Street Center – a nonprofit organization) as of December 31, 2012 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 Carbondale Community Nonprofit Center as of December 31, 2012 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Reese Henry & Company, Inc.*

Certified Public Accountants  
Carbondale, Colorado  
August 6, 2013

**CARBONDALE COMMUNITY NONPROFIT CENTER  
(DBA: Third Street Center)**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2012**

**ASSETS**

Cash and Cash Equivalents	\$ 119,317
Pledges Receivable	124,035
Investments	58,689
Other Assets	4,878
Property and Equipment, net	<u>4,145,108</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,452,027</u></b>

**LIABILITIES**

Accounts Payable	\$ 2,708
Deferred Income	133
Security Deposits	65,955
Line of Credit	43,692
Notes Payable	<u>2,452,669</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,565,157</u></b>

**NET ASSETS**

Unrestricted	
Unrestricted, Undesignated	1,712,843
Board Designated	<u>49,992</u>
Total Unrestricted	<u>1,762,835</u>
Temporarily Restricted	124,035
<b>TOTAL NET ASSETS</b>	<b><u>1,886,870</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,452,027</u></b>

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

**CARBONDALE COMMUNITY NONPROFIT CENTER  
(DBA: Third Street Center)**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS &amp; OTHER SUPPORT</b>			
Contributions	\$ 78,824	\$ -	\$ 78,824
Donated Services	3,600	-	3,600
Lease Income	464,480	-	464,480
Interest Income	783	-	783
Other Income	13,361	-	13,361
Net Assets Released from Restrictions	<u>108,635</u>	<u>(108,635)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS &amp; OTHER SUPPORT</b>	<b><u>669,683</u></b>	<b><u>(108,635)</u></b>	<b><u>561,048</u></b>
 <b>EXPENSES</b>			
Program Expenses	500,356	-	500,356
General & Administrative Expenses	52,748	-	52,748
Fundraising Expenses	29,390	-	29,390
<b>TOTAL EXPENSES</b>	<b><u>582,494</u></b>	<b><u>-</u></b>	<b><u>582,494</u></b>
 <b>Change in Net Assets</b>	 <b>87,189</b>	 <b>(108,635)</b>	 <b>(21,446)</b>
 <b>NET ASSETS, Beginning of Year</b>	 <b><u>1,675,646</u></b>	 <b><u>232,670</u></b>	 <b><u>1,908,316</u></b>
 <b>NET ASSETS, End of Year</b>	 <b><u>\$ 1,762,835</u></b>	 <b><u>\$ 124,035</u></b>	 <b><u>\$ 1,886,870</u></b>

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

**CARBONDALE COMMUNITY NONPROFIT CENTER  
(DBA: Third Street Center)**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change In Net Assets	\$ (21,446)
Adjustments To Reconcile Change in Net Assets to Net Cash	
Provided by (Used in) Operating Activities:	
Depreciation Expense	124,926
(AIncrease) Decrease in:	
Accounts Receivable	667
Pledges Receivable	50,000
Increase (Decrease) in:	
Accounts Payable	(4,325)
Deferred Income	133
Security Deposits	(8,092)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>141,863</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	(39,398)
Purchase of Investment	(58,689)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(98,087)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on Line of Credit	(49,679)
Principal Payments on Note Payable	(49,968)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(99,647)</b>

<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(55,871)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>175,188</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 119,317</b>

**NONCASH INVESTING & FINANCING ACTIVITIES:**

Interest Paid on Note Payable and Line of Credit	\$ 143,133
Debt Forgiveness Through Pledge Reduction	\$ 50,000

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

**CARBONDALE COMMUNITY NONPROFIT CENTER  
(DBA: Third Street Center)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

**1. NATURE OF ORGANIZATION**

**ORGANIZATION AND PURPOSE**

Carbondale Community Nonprofit Center (DBA: Third Street Center) (“The Organization”) was incorporated on June 30, 2008 as a Colorado nonprofit corporation. The Organization is a joint effort between the Town of Carbondale, Alpine Bank, The Manaus Fund, Sustainability Center of the Rockies, and the Roaring Fork Community Development Corporation to renovate the old Carbondale Elementary School into a green facility that maintains affordable space for community and regional nonprofit organizations.

The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. Contributions to the Organization are tax deductible as permitted under the Code. The Organization has no uncertain tax positions as of December 31, 2012.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ACCOUNTING METHOD**

The Organization’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and have been consistently applied in the preparation of the financial statements.

**FINANCIAL STATEMENT PRESENTATION**

Under FASC No. 958, 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. There were no permanently restricted net assets as of December 31, 2012.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all cash held in deposits and temporary investments with an original maturity of three months or less. This includes investments that are held in money market accounts.

**ACCOUNTS RECEIVABLE**

Accounts receivable represents balances due on lease agreements. The Organization monitors the balances closely. Management anticipates these accounts to be fully collectible at December 31, 2012.

**PLEDGES RECEIVABLE**

Unconditional promises to give are recognized as revenues in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Conditional promises are dependent on the occurrence of a specified future and uncertain event and are recognized as contribution revenue when the conditions on which they depend has been substantially met.

The Organization had no conditional pledges as of December 31, 2012.

#### PROPERTY & EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value. 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 and contributions of cash that must be used to acquire property and equipment are reported as temporarily 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. Property and equipment are depreciated over their estimated useful lives of 7 years using the straight-line method.

#### ACCRUED COMPENSATED ABSENCES

A liability for accrued compensated absences has not been included in the statement of financial position because it is not readily determinable.

#### REVENUES

##### Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in FASC No. 958, *Accounting for Contributions Received and Contributions Made*. In accordance with FASC No. 958, contributions may be in the form of cash, stock, or services, and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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.

##### Donated Services

Businesses donate time and services to the Organization's purpose. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Services received include legal services, marketing, design and development, and sustainable designs. The amount recognized during the year for these services was \$3,600.

##### Leases

Lease revenues are derived from sub-leases that the Organization enters into and are recognized as the space is utilized and other contractual obligations have been met.

#### INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except on the net income derived from unrelated business activities. The lease income is subject to tax on unrelated business income. Since related expenses exceeded the income, no provision for income taxes has been accrued.

The accounting standard on accounting for uncertainty in taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization follows the use of a two-step approach for recognizing and measuring

tax positions taken or expected to be taken in a tax return. First, a tax position should only be recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination by the taxing authority. Second, a tax position that meets the recognition threshold should be measured at the largest amount that has a greater than 50 percent likelihood of being sustained. The Organization had no material unrecognized tax benefits for the year ended December 31, 2012. As a result, no interest or penalties were accrued for unrecognized tax benefits during the year.

The Organization is no longer subject to Federal or State income tax examination authorities for years before 2010.

#### ADVERTISING

The Organization expenses advertising costs as incurred. Total advertising expense was \$2,265 during the year.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

#### SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 6, 2013, the date which the financial statements were available to be issued.

### 3. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2012:

Receivable in Less than One Year	\$ 74,035
Receivable in One to Five Years	50,000
Net Pledges Receivable	<u><u>\$ 124,035</u></u>

Pledges receivable with due dates extending beyond one year are typically discounted using the applicable Treasury bill rate for similar term investments. No adjustment for such discount has been recorded at December 31, 2012.

### 4. INVESTMENTS

The Organization's investments at December 31, 2012 consisted of a certificate of deposit recorded at fair value based on quoted prices in active markets (Level 1 measurement) as summarized below:

Cost Basis	Maturity Date	Interest Rate	Fair Value
<u><u>\$ 58,689</u></u>	8/6/2016	0.4988%	<u><u>\$ 58,689</u></u>

The following schedule summarized the investment return and its classification in the Statement of Activities for the year ended December 31, 2012.

	Temporarily		
	Unrestricted	Restricted	Total
Investment Income	\$ 102	-	\$ 102
Total Investment Return	<u>\$ 102</u>	<u>-</u>	<u>\$ 102</u>

## 5. PROPERTY & EQUIPMENT

Leasehold Improvements	\$ 4,328,019
Furnishings	<u>113,766</u>
	4,441,785
Accumulated Depreciation	(296,677)
Property & Equipment, net	<u>\$ 4,145,108</u>

Depreciation expense at December 31, 2012 was \$124,926.

The Organization's assets are collateral for a loan; see Note 6.

## 6. LINE OF CREDIT

The Organization has available a line of credit up to \$150,000 with Alpine Bank at an interest rate of 5.45%. Payments of accrued interest on outstanding principal are due monthly with one payment of all outstanding principal plus accrued unpaid interest due on May 15, 2013. The line is collateralized by the assignment of the gift pledge from James C. and Connie L. Callaway in the amount of \$125,000 and the gift pledge from Alpine Bank in the amount of \$100,000. The balance on the line of credit as of December 31, 2012 is \$43,692.

## 7. NOTE PAYABLE

On August 31, 2009 the Organization signed a Promissory Note with the Town of Carbondale in the amount of \$2,700,000. The interest rate on the note is 5.45% for ten years and will adjust to the current US Government Treasury rate plus 200 basis points for an additional 10 years with a ceiling of 8%. The note matures on September 1, 2035. The note is not secured. The note's terms and payments agree with a note payable provided to the Town of Carbondale through Alpine Bank. The Organization pays Alpine Bank directly.

Minimum payments on notes payable for the next five years follow:

2013	\$ 57,230
2014	60,428
2015	63,805
2016	67,371
2017	71,136
Later Years	<u>2,132,699</u>
Total	<u><u>\$2,452,669</u></u>

## **8. BOARD DESIGNATED NET ASSETS**

At December 31, 2012, the Organization's board had designated \$30,000 in net assets for capital purchases and \$19,992 for operating reserves.

## **9. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of pledges receivable totaling \$124,035 for construction costs.

## **10. OPERATING LEASES**

### TOWN OF CARBONDALE

The Organization entered into a lease agreement with The Town of Carbondale as of October 31, 2008 to lease the former Carbondale Elementary School (CES) and to oversee the renovation of the old CES facility, including asbestos remediation, and the conversion of such structure into the Carbondale Community Nonprofit Center, which the Organization will sub-lease to a mix of community organizations. In consideration of the payment of rent, the Organization paid \$49 for the full term and is responsible for the plan, design and expense of the construction and finishing of the premises, as well as other conditions outlined in the lease. The term of the lease is 49 years beginning September 1, 2008 and will expire August 31, 2057. The market value of the long term lease is not considered a bargain or below market value lease as the Center provided capital improvements (as required by the lease terms). All improvements revert to the Town upon termination of the lease. The Town of Carbondale is considered to be a related party as they are instrumental in the establishment and continued development of the Organization.

As the primary business purpose of the Organization is to sub-lease space to nonprofit entities, the success of the Organization depends solely on the well-being of the leased property. The lease property was subjected to asbestos remediation, however not all materials were removable. The Organization has implemented an Asbestos Management Plan that is used by the property managers and all tenants. The Organization's management believes they are in compliance with state regulations.

### SUBLEASES

The Organization provides long-term, affordable rental space to bring together nonprofit organizations, artists and small business. Each lease has a base rent rate of \$9.75 per square foot with additional \$4.65 per square foot for common area amenities, which includes wireless internet, copy and mail room access, a

board meeting room, common room, kitchen, break room, display/gallery space, outdoor courtyard and amphitheater. The terms of the leases are from one to five years.

The Organization has a lease agreement with The Manaus Fund, a related party. Total sub-lease income received from The Manaus Fund in 2012 was \$8,560.

Minimum future lease payments to be received for the next five years follow:

2013	\$ 141,757
2014	103,092
2015	60,184
2016	25,222
2017	21,855
2018 and After	<u>5,464</u>
	<u>\$ 357,574</u>

## **11. SIGNIFICANT CONCENTRATIONS**

82% of outstanding pledges are due from a total of three separate donors.

## **12. FUNCTIONAL EXPENSES**

The costs of producing the various programs and activities 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.