Carbondale Community Nonprofit Center
(DBA: Third Street Center)

Audited Financial Statements

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Carbondale Community Nonprofit Center (DBA: Third Street Center)
Carbondale, Colorado

We have audited the accompanying financial statements of Carbondale Community Nonprofit Center (DBA Third Street Center, a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year 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 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 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 entity'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 Carbondale Community Nonprofit Center (DBA: Third Street Center) as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reese Henry & Company, Inc.

Certified Public Accountants
Carbondale, Colorado
November 13, 2015

Carbondale Community Nonprofit Center
(DBA: Third Street Center)

Statement of Financial Position

December 31, 2014

ASSETS		
Cash and Cash Equivalents	$	149,513
Accounts Receivable		3,379
Investments		59,381
Bank Designated Cash		47,400
Property and Equipment, net		4,023,822
Other Assets		4,878
TOTAL ASSETS	**$**	**4,288,373**
LIABILITIES		
Accounts Payable	$	8,677
Deferred Income		12,871
Security Deposits		64,638
Line of Credit		4,841
Notes Payable		2,328,639
TOTAL LIABILITIES		**2,419,666**
NET ASSETS		
Unrestricted		
Unrestricted, Undesignated		1,750,069
Unrestricted, Bank Designated		47,375
Board Designated		71,263
TOTAL NET ASSETS		**1,868,707**
TOTAL LIABILITIES AND NET ASSETS	**$**	**4,288,373**

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, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	$ 40,768	$ -	$ 40,768
Donated Services	63	-	63
Lease Income	446,612	-	446,612
Interest Income	363	-	363
Other Income	32,421	-	32,421
Net Assets Released from Restrictions	63,500	(63,500)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	**583,727**	**(63,500)**	**520,227**
EXPENSES			
Program Expenses	473,080	-	473,080
General and Administrative Expenses	75,466	-	75,466
Fundraising Expenses	26,438	-	26,438
TOTAL EXPENSES	**574,984**	**-**	**574,984**
Change in Net Assets	**8,743**	**(63,500)**	**(54,757)**
NET ASSETS, Beginning of Year	**1,859,964**	**63,500**	**1,923,464**
NET ASSETS, End of Year	**$ 1,868,707**	**$ -**	**$ 1,868,707**

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Change In Net Assets	$	(54,757)
Adjustments To Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense		130,252
(Increase) Decrease in:		
Accounts Receivable		(1,709)
Pledges Receivable		63,500
Increase (Decrease) in:		
Accounts Payable		(15,762)
Deferred Income		12,871
Security Deposits		(2,759)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**131,636**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets		(21,815)
Purchase of Investment		(296)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(22,111)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit		(29,188)
Principal Payments on Note Payable		(62,041)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(91,229)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**18,296**
CASH AND CASH EQUIVALENTS, Beginning of Year		**178,617**
CASH AND CASH EQUIVALENTS, End of Year	**$**	**196,913**
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Interest Paid on Note Payable and Line of Credit	$	84,506
Cash Consists of:		
Operating Cash	$	115,677
Capital Reserve Cash		33,836
Bank Designated Cash		47,400
	$	196,913

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, 2014

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 for profit and 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, 2014.

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, 2014.

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. No allowance for uncollectible accounts is considered necessary, as management anticipates these accounts to be fully collectible at December 31, 2014.

PLEDGES RECEIVABLE
Unconditional pledges 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. Pledges 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 pledges 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, 2014.

INVESTMENTS
The Organization holds an investment in a certificate of deposit with a readily determinable fair value based on quoted prices in active markets (Level 1 measurement) in the Statement of Financial Position.

FAIR VALUE MEASUREMENT
The Organization is subject to the provisions of *Fair Value Measurement and Disclosures* Topic of FASB ASC. This standard requires use of a fair value hierarchy that provides the inputs to valuation techniques used to measure fair value into three levels: quoted market price in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

PROPERTY & EQUIPMENT
Purchased assets are capitalized at cost. 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. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Useful lives range from five to thirty-nine years for buildings and leaseholds, and two to seven years for machinery, equipment, furniture and vehicles.

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
Contributions 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 $63.

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, 2014. 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 2012.

FUNCTIONAL ALLOCATION OF 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.

ADVERTISING
The Organization expenses advertising costs as incurred. Total advertising expense was $4,128 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.

3. INVESTMENTS

The Organization’s investments at December 31, 2014 consisted of a certificate of deposit recorded at fair value as summarized below:

Cost Basis	Maturity Date	Interest Rate	Fair Value
$ 58,689	8/6/2016	0.4988%	$ 59,381

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2014.

	Unrestricted	Temporarily Restricted	Total
Investment Income	$ 363	-	$ 363
Total Investment Return	$ 363	-	$ 363

4. FAIR VALUE MEASUREMENTS

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The fair value option was chosen to measure all financial assets and liabilities in order to mitigate volatility in reported changes in net assets. The carrying amount reported on the balance sheet for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Investments measured on a recurring basis and reported at fair value are classified and disclosed in one of the three categories in the fair value hierarchy. The Organization's investment for the year ended December 31, 2014 consists of a certificate of deposit which is a Level 1 measurement.

5. PROPERTY & EQUIPMENT

Property and equipment consists of the following as of December 31, 2014:

Leasehold Improvements	$ 4,462,464
Furnishings	116,612
	4,579,076
Accumulated Depreciation	(555,253)
Property and Equipment, net	$ 4,023,823

Depreciation expense for the year ended December 31, 2014 was $130,252.

The Organization's assets are collateral for a loan; see Note 7.

6. LINE OF CREDIT

The Organization has available a line of credit up to $100,000 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 November 15, 2015. The line is collateralized by the assignment of gifts and pledged in prior years from two donors. There was no balance on the line of credit as of December 31, 2014.

In addition to the line of credit, the Organization also has a ready reserve account with an available balance of $10,000 and interest rate of 8%. As of December 31, 2014 the outstanding balance is $4,841.

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 was 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 secured by assignment of leases and pledge commitments. 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. On June 1, 2013 the Organization signed an agreement with Alpine Bank to change the interest rate to 3.5% and establish an additional reserve checking account for the interest savings, with all other terms of the note to remain the same. This reserve checking account is shown as Bank Designated Cash on the Statement of Financial Position and the terms for this account state that once the balance reaches $75,000 - $125,000 the Organization can used additional funds for other items. As of December 31, 2014 the balance of the bank designated cash was $47,400.

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

2015	$ 78,226
2016	81,008
2017	83,890
2018	86,873
2019	89,984
Later Years	1,890,395
Total	$ 2,310,376

In addition to the promissory note with Alpine Bank, the organization has a zero interest note with Aspen Ski Company to be repaid with 50% of energy efficiency savings. As of December 31, 2014 the outstanding balance of the loan was $4,765.

8. UNRESTRICTED NET ASSETS

At December 31, 2014, the Organization's board had designated $33,777 in net assets for capital purchases, $37,485 for operating reserves and $47,375 in net assets for corporate reserves. There was also a bank designated amount of $47,400; see Note 7 for more details.

9. 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 $4.90 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 2014 was $8,560.

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

2015	$ 202,637
2016	74,565
2017	45,775
2018	9,953
	$ 332,930

10. CONCENTRATION OF RISKS

CREDIT RISK

The Organization maintains cash deposits with major banks which from time to time may exceed federally insured limits. There were no uninsured deposits at December 31, 2014.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 12, 2015, which is the date the financial statements were available to be issued.

Through inquiry with management, an arson fire occurred September 16, 2015. The fire ruined 2 office spaces, part of a hallway, and a bathroom. The total estimated repair cost is estimated at $22,100. The repair costs will be reimbursed by insurance proceeds less the $5,000 deductible. Additionally, management is confident that the insurance company will reimburse TSC for the loss of rent during the three month repair process.