

**Carbondale Community Nonprofit Center
(DBA: Third Street Center)**

Compiled Financial Statements

December 31, 2018



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REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for 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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
March 27, 2020

**Carbondale Community Nonprofit Center
(DBA: Third Street Center)**

Statement of Financial Position

December 31, 2018

ASSETS

Cash and Cash Equivalents	\$ 102,835
Accounts Receivable	20,094
Pledges Receivable	4,500
Bank Designated Cash	11,098
Property and Equipment, net	3,824,704
TOTAL ASSETS	<u>\$ 3,963,231</u>

LIABILITIES

Accounts Payable	\$ 16,969
Ready Reserve Loan	3,745
Security Deposits	64,123
Note Payable	2,114,654
TOTAL LIABILITIES	<u>2,199,491</u>

NET ASSETS

Unrestricted	
Unrestricted, Undesignated	38,092
Board Designated Corporate Reserve	11,098
Invested in Property, net of debt	1,710,050
Total Unrestricted	1,759,240
Temporarily Restricted	4,500
TOTAL NET ASSETS	<u>1,763,740</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,963,231</u>

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, 2018

	Without Restrictions	With Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 18,531	\$ 39,635	\$ 58,166
Lease Income	439,749	-	439,749
Interest Income	303	-	303
Other Income	62,728	-	62,728
Net Assets Released From Restrictions:			
Release of Time Restrictions	15,092	(15,092)	-
Release of Purpose Restrictions	65,135	(65,135)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	601,538	(40,592)	560,946
 EXPENSES			
Program Expenses	514,434	-	514,434
General and Administrative Expenses	46,862	-	46,862
Fundraising Expenses	28,323	-	28,323
TOTAL EXPENSES	589,619	-	589,619
 CHANGE IN NET ASSETS	 11,919	 (40,592)	 (28,673)
NET ASSETS, Beginning of Year	1,747,321	45,092	1,792,413
NET ASSETS, End of Year	\$ 1,759,240	\$ 4,500	\$ 1,763,740

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

**Carbondale Community Nonprofit Center
(DBA: Third Street Center)**

Statement of Functional Expenses

For the Year Ended December 31, 2018

	Program Expenses	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 90,500	\$ 17,500	\$ 17,500	\$ 125,500
Employee Benefits	15,428	1,928	1,928	19,284
Payroll Taxes	8,229	1,029	1,029	10,287
Accounting	6,300	9,450	-	15,750
Consulting	5,184	8,370	1,395	14,949
Advertising	-	374	3,362	3,736
Community Appeals	-	-	533	533
Office Expenses	5,188	2,334	1,469	8,991
Computer & Networking	752	752	-	1,504
Building Expenses	162,666	4,564	546	167,776
Meetings	1,846	-	-	1,846
Interest Expense	76,327	-	-	76,327
Depreciation	124,962	-	-	124,962
Insurance	17,052	561	561	18,174
	<u>\$ 514,434</u>	<u>\$ 46,862</u>	<u>\$ 28,323</u>	<u>\$ 589,619</u>

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change In Net Assets	\$ (28,673)
Adjustments To Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	124,962
(Increase) Decrease in:	
Accounts Receivable	(7,131)
Pledges Receivable	10,592
Increase (Decrease) in:	
Accounts Payable	8,418
Security Deposits	1,045
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>109,213</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(98,547)
Certificate of Deposit Cashed in	60,357
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(38,190)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipts from Line of Credit	100
Payments on Line of Credit	(673)
Principal Payments on Note Payable	(50,023)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(50,596)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,427
CASH AND CASH EQUIVALENTS, Beginning of Year	93,506
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 113,933</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:	
Interest Paid on Note Payable and Line of Credit	<u>\$ 69,562</u>

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, 2018

1. NATURE OF ORGANIZATION

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Organization’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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, 2018.

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. As of December 31, 2018, the Organization had \$4,500 of pledges receivable all due within one year.

PROPERTY AND 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. 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 leasehold improvements, and two to seven years for furniture.

NET ASSETS

Net assets, revenues, gains and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions that are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2018, the Organization has no net assets to be maintained in perpetuity.

REVENUES

Contributions

Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets without donor restrictions depending on the nature of the restriction. When a 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 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 Organization recognized no donated services for the year ended December 31, 2018.

Lease Income

Lease income is 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. It has been determined the Organization is not subject to unrelated business income tax.

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.

RECENT ACCOUNTING GUIDANCE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 as of and for the year ended December 31, 2018 and has adjusted the presentation in these financial statements accordingly. The adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

ADVERTISING

The Organization expenses advertising costs as incurred. Total advertising expense was \$3,735 for the year ended December 31, 2018.

USE OF ESTIMATES

The preparation of financial statements in conformity with US GAAP includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 27, 2020, the date that the financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 4,814
Accounts Receivable	20,094
Pledges Receivable	4,500
Line of Credit	<u>100,000</u>
	<u>\$ 129,408</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. The goal is to maintain financial liquidity to meet 60 days of normal operating expenses.

4. PROPERTY & EQUIPMENT

Property and equipment consists of the following as of December 31, 2018:

Leasehold Improvements	\$ 4,664,290
Furnishings	<u>228,404</u>
	4,892,694
Accumulated Depreciation	<u>(1,067,990)</u>
Property and Equipment, net	<u>\$ 3,824,704</u>

Depreciation expense for the year ended December 31, 2018 was \$124,962. The Organization's assets are collateral for a loan; see Note 8.

5. LINE OF CREDIT AND READY RESERVE LOAN

The Organization has available a line of credit up to \$100,000 with a bank at an interest rate of 5.25%. The line is collateralized by the assignments of two gift pledges. Payments of accrued interest on outstanding principal are due monthly with the outstanding balance of principal and accrued interest due on November 15, 2019. There was no outstanding balance as of December 31, 2018

The Organization has a ready reserve account with an available balance of \$10,000 and interest rate of 8%. As of December 31, 2018, the outstanding balance is \$3,745.

6. 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 promissory note was 5.45% for ten years and then adjusts to the current US Government Treasury rate plus 200 basis points for an additional 10 years with a ceiling of 8%. The promissory note matures on September 1, 2035. The promissory note is secured by assignment of leases and pledge commitments. On June 1, 2013, the Organization signed an agreement with the 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. The terms for the reserve checking account state that once the balance reaches \$75,000 - \$125,000 the Organization can use additional funds for other items. As of December 31, 2018, the balance of the bank designated cash was \$11,098 and is included in Board Designated Cash on the Statement of Financial Position.

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

2019	\$	67,233
2020		106,139
2021		109,914
2022		113,823
2023		117,872
Later Years		<u>1,599,673</u>
Total	\$	<u><u>2,114,654</u></u>

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

At December 31, 2017, the Organization's board had designated \$11,098 in net assets for corporate reserves. The corporate reserves are held in a bank designated account of \$11,098; see Note 8 for more details.

8. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions at December 31, 2018 total \$4,500, which are restricted for time.

Net assets released from restrictions during the year ended December 31, 2018 included \$65,135 for the gym renovation and \$15,092 in time purpose restrictions.

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. The Organization paid \$49 for the full term of 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 Organization provided capital improvements as required by the lease terms. All improvements revert to the Town of Carbondale 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 businesses. 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 and gallery space, outdoor courtyard and amphitheater. The terms of the leases range from one to three years.

The Organization has a lease agreement with Carbondale Chamber of Commerce, a related party. Total sub-lease income received from Carbondale Chamber of Commerce in 2018 was \$7,050.

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, 2018.

PLEDGES RECEIVABLE

Three donors account for 89% of pledges receivable as of December 31, 2018.

CONTRIBUTIONS

Three donors account for 52% of total contributions and grants for the year ended December 31, 2018.