

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

**Compiled Financial Statements**

**December 31, 2019**



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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, 2019, 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  
November 9, 2020

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

**Statement of Financial Position**

**December 31, 2019**

**ASSETS**

Cash	\$	75,704
Accounts Receivable		6,690
Pledges Receivable		1,500
Bank Designated Cash		6,758
Property and Equipment, net		3,707,926
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>3,798,578</u></b>

**LIABILITIES**

Accounts Payable	\$	25,406
Ready Reserve Loan		6,728
Security Deposits		61,562
Note Payable		2,063,200
<b>TOTAL LIABILITIES</b>		<b><u>2,156,896</u></b>

**NET ASSETS**

Without Donor Restrictions		
Unrestricted, Undesignated	(11,302)	
Board Designated Corporate Reserve	6,758	
Invested in Property, net of debt	1,644,726	
Total Without Donor Restrictions	1,640,182	
With Donor Restrictions	1,500	
<b>TOTAL NET ASSETS</b>		<b><u>1,641,682</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>3,798,578</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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 19,396	\$ 1,500	\$ 20,896
Lease Income	444,111	-	444,111
Interest Income	6	-	6
Other Income	29,899	-	29,899
Net Assets Released From Restrictions:			
Release of Time Restrictions	4,500	(4,500)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u><b>497,912</b></u>	<u><b>(3,000)</b></u>	<u><b>494,912</b></u>
 <b>EXPENSES</b>			
Program Expenses	536,989	-	536,989
General and Administrative Expenses	41,040	-	41,040
Fundraising Expenses	38,941	-	38,941
<b>TOTAL EXPENSES</b>	<u><b>616,970</b></u>	<u><b>-</b></u>	<u><b>616,970</b></u>
 <b>CHANGE IN NET ASSETS</b>	 <b>(119,058)</b>	 <b>(3,000)</b>	 <b>(122,058)</b>
<b>NET ASSETS, Beginning of Year</b>	<u><b>1,759,240</b></u>	<u><b>4,500</b></u>	<u><b>1,763,740</b></u>
<b>NET ASSETS, End of Year</b>	<u><u><b>\$ 1,640,182</b></u></u>	<u><u><b>\$ 1,500</b></u></u>	<u><u><b>\$ 1,641,682</b></u></u>

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, 2019**

	Program Expenses	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 98,624	\$ 18,938	\$ 18,938	\$ 136,500
Employee Benefits	13,453	1,681	1,681	16,815
Payroll Taxes	8,694	1,087	1,087	10,868
Legal	-	656	-	656
Accounting	2,862	4,294	-	7,156
Consulting	4,186	6,376	1,063	11,625
Advertising	-	705	6,342	7,047
Community Appeals	-	-	7,488	7,488
Office Expenses	4,207	1,493	819	6,519
Computer & Networking	270	270	-	540
Building Expenses	182,002	4,594	576	187,172
Meetings	1,241	-	-	1,241
Interest Expense	73,570	-	-	73,570
Depreciation	127,453	-	-	127,453
Insurance	20,427	946	947	22,320
	<u>\$536,989</u>	<u>\$ 41,040</u>	<u>\$ 38,941</u>	<u>\$ 616,970</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, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change In Net Assets	\$ (122,058)
Adjustments To Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	127,453
(Increase) Decrease in:	
Accounts Receivable	13,404
Pledges Receivable	3,000
Increase (Decrease) in:	
Accounts Payable	8,437
Security Deposits	<u>(2,561)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>27,675</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	<u>(10,675)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b><u>(10,675)</u></b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Receipts from Line of Credit	3,500
Payments on Line of Credit	(517)
Principal Payments on Note Payable	<u>(51,454)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b><u>(48,471)</u></b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>(31,471)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b><u>113,933</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 82,462</u></b>

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, 2019**

**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. There were no cash equivalents at December 31, 2019.

**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, 2019.

**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, 2019, the Organization had \$1,500 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, 2019, 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 \$1,650 in donated maintenance services for the year ended December 31, 2019.

### 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.

#### ADVERTISING

The Organization expenses advertising costs as incurred. Total advertising expense was \$7,047 for the year ended December 31, 2019.

#### 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.

#### DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 6, 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	\$ 50,298
Accounts Receivable	6,690
Pledges Receivable	1,500
Ready Reserve Loan	<u>3,272</u>
	<u>\$ 61,760</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, 2019:

Leasehold Improvements	\$ 4,674,877
Furnishings	<u>228,404</u>
	4,903,281
Accumulated Depreciation	<u>(1,195,355)</u>
Property and Equipment, net	<u>\$ 3,707,926</u>

Depreciation expense for the year ended December 31, 2019 was \$127,453. The Organization's assets are collateral for a loan; see Note 8.

## 5. READY RESERVE LOAN

The Organization has a ready reserve account with an available balance of \$10,000 and interest rate of 8%. As of December 31, 2019, the outstanding balance is \$6,728.

## 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, 2019, the balance of the bank designated cash was \$6,758 and is included in Board Designated Cash on the Statement of Financial Position.

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

2020	\$	52,351
2021		54,212
2022		56,141
2023		58,137
2024		60,205
Later Years		<u>1,782,154</u>
Total	\$	<u><u>2,063,200</u></u>

## 7. NET ASSETS WITHOUT DONOR RESTRICTIONS

At December 31, 2018, the Organization's board had designated \$6,758 in net assets for corporate reserves. The corporate reserves are held in a bank designated account of \$6,758; see Note 8 for more details.

## 8. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions at December 31, 2019 total \$1,500, which is a time restriction.

Net assets released from restrictions during the year ended December 31, 2019 were \$4,500 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 2019 was \$7,201.

## **10. SUBSEQUENT EVENTS**

In early March 2020, the U.S. and global economies reacted negatively in response to worldwide concerns due to the economic impact of the COVID-10 pandemic. These trends, including the economic downturn, and any potential resulting direct and indirect negative impacts to Third Street Center, cannot be determined, but may have a material prospective impact to the Center's operations, cash flows, and liquidity.

On April 3, 2020 the SBA launched the Payroll Protection Program (PPP). Third Street Center applied for this loan and on April 28, 2020 they signed an unsecured promissory note with Alpine Bank in the amount of \$32,200. Under the terms of the PPP, some, or all, of the principal and interest may be forgiven but loan forgiveness is dependent upon Third Street Center's compliance with the terms of the PPP, including, but not limited to, the use of the proceeds in accordance with the PPP. Third Street Center acknowledged that the terms, conditions and provisions of the note are based on the SBA's interim final rule which was released on April 2, 2020 and is subject to change if and when new, updated or amended rules, regulations or guidance is released by the SBA or other state or federal agencies and/or state or federal regulatory bodies.

On May 18, 2020, the Third Street Center entered into a loan payable with the Small Business Association (SBA) for \$150,000. The loan matures in May 2050 and incurs interest at a rate of 2.75%, which began to accrue when the funds were advanced. Payments of principal and interest totaling \$641 will be made monthly and begin in May 2021.