CARBONDALE COMMUNITY NONPROFIT CENTER
(DBA: Third Street Center)

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2011 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 the financial position of Carbondale Community Nonprofit Center as of December 31, 2011 and the results of operations and 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
July 18, 2012

CARBONDALE COMMUNITY NONPROFIT CENTER
(DBA: Third Street Center)

STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS		
Cash and Cash Equivalents	$	116,504
Accounts Receivable		667
Pledges Receivable		174,035
Cash Restricted for New Driveway/Parking Lot		58,684
Other Assets		4,878
Property and Equipment, net		4,230,636
TOTAL ASSETS	**$**	**4,585,404**
LIABILITIES		
Accounts Payable	$	7,033
Security Deposits		74,047
Line of Credit		93,371
Notes Payable		2,502,637
TOTAL LIABILITIES		**2,677,088**
NET ASSETS		
Unrestricted		
Unrestricted, Undesignated		1,650,650
Board Designated		24,996
Total Unrestricted		1,675,646
Temporarily Restricted		232,670
TOTAL NET ASSETS		**1,908,316**
TOTAL LIABILITIES AND NET ASSETS	**$**	**4,585,404**

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, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS & OTHER SUPPORT			
Contributions	$ 33,294	$ 79,679	$ 112,973
Donated Services	5,996	-	5,996
Lease Income	456,263	-	456,263
Fundraising	27,000	-	27,000
Interest Income	326	-	326
Other Income	4,039	-	4,039
Net Assets Released from Restrictions	477,236	(477,236)	-
TOTAL REVENUES, GAINS & OTHER SUPPORT	**1,004,154**	**(397,557)**	**606,597**
EXPENSES			
Program Expenses	485,314	-	485,314
General & Administrative Expenses	56,441	-	56,441
Fundraising Expenses	43,753	-	43,753
TOTAL EXPENSES	**585,508**	**-**	**585,508**
Change in Net Assets	**418,646**	**(397,557)**	**21,089**
NET ASSETS, Beginning of Year	**1,257,000**	**630,227**	**1,887,227**
NET ASSETS, End of Year	**$ 1,675,646**	**$ 232,670**	**$ 1,908,316**

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

CARBONDALE COMMUNITY NONPROFIT CENTER
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STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Change In Net Assets	$	21,089
Adjustments To Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense		124,396
Non-Cash Contributions		(6,225)
(Increase) Decrease in:		
Accounts Receivable		16,983
Pledges Receivable		389,379
Other Assets		(4,878)
Increase (Decrease) in:		
Accounts Payable		(11,391)
Security Deposits		10,407
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**539,760**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets		(6,702)
Leasehold Construction Costs		(169,279)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(175,981)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Line of Credit		128,546
Payments on Line of Credit		(35,175)
Principal Payments on Note Payable		(400,986)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(307,615)**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		**56,164**
CASH AND CASH EQUIVALENTS, Beginning of Year		**119,024**
CASH AND CASH EQUIVALENTS, End of Year	**$**	**175,188**
NONCASH INVESTING & FINANCING ACTIVITIES:		
Contributed Equipment Capitalized	$	6,225
Interest Paid on Note Payable and Line of Credit	$	142,634
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, 2011

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 was organized as 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, 2011.

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, 2011.

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 estimates these accounts to be fully collectible at December 31, 2011.

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 to give are recognized when the conditions on which they depend are substantially met. Conditional promises are dependent on the occurrence of a specified future and uncertain event and are recognized as contribution revenue when the occurrence has been substantially met.

The Organization had no conditional pledges as of December 31, 2011.

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 $5,996.

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, 2011. 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 2009.

ADVERTISING
The Organization expenses advertising costs as incurred. Total advertising expense was $2,217 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 July 18, 2012, the date which the financial statements were available to be issued.

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2011:

Receivable in Less than One Year	$ 74,035
Receivable in One to Five Years	100,000
Net Pledges Receivable	$ 174,035

Pledges receivable with due dates extending beyond one year are typically discounted using the applicable Treasury bill rate for similar term investments. The amount of discount was immaterial at December 31, 2011, and was therefore not recognized.

4. PROPERTY & EQUIPMENT

Leasehold Improvements	$4,293,121
Furnishings	109,266
	4,402,387
Accumulated Depreciation	(171,751)
Property & Equipment, net	$4,230,636

Depreciation expense at December 31, 2011 was $124,396.

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

5. 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 collaterized 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, 2011 is $93,371.

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 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:

2012	$ 54,438
2013	57,480
2014	60,692
2015	64,084
2016	67,665
Later Years	2,198,278
Total	$ 2,502,637

7. BOARD DESIGNATED NET ASSETS

At December 31, 2011, the Organization's board had designated $15,000 in net assets for capital purchases and $9,996 for operating reserves.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of pledges receivable totaling $174,035 for construction costs and a grant of $58,635 which is to be held in a separate money market account. The grant is to be used for the construction of a new driveway/parking lot on the east side of the building. The grant may also be used for the grading and gravelling of a temporary lot.

9. OPERATING SUB - LEASES

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 2011 was $38,654.

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

2012	$ 240,740
2013	141,757
2014	103,092
2015	60,184
2016	25,222
2017 and After	27,318
	$ 598,312

10. COMMITMENTS AND CONTINGENCIES

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. 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.

11. SIGNIFICANT CONCENTRATIONS

99% 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.