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

## FINANCIAL STATEMENTS

**For the Year Ended December 31, 2010**

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

**FINANCIAL STATEMENTS**

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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, 2010 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, 2010 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
Aspen, Colorado
June 29, 2011

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

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2010**

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ | 119,024 |
| Accounts Receivable | | 17,650 |
| Pledges Receivable | | 613,414 |
| Property and Equipment, net | | 4,172,826 |
| **TOTAL ASSETS** | **$** | **4,922,914** |
| | | |
| **LIABILITIES** | | |
| Accounts Payable | $ | 18,424 |
| Security Deposits | | 63,640 |
| Notes Payable | | 2,953,623 |
| **TOTAL LIABILITIES** | | **3,035,687** |
| | | |
| **NET ASSETS** | | |
| Unrestricted | | 1,257,000 |
| Temporarily Restricted | | 630,227 |
| **TOTAL NET ASSETS** | | **1,887,227** |
| **TOTAL LIABILITIES AND NET ASSETS** | **$** | **4,922,914** |

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, 2010**

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| **REVENUES, GAINS & OTHER SUPPORT** | | | |
| Contributions | $ - | $ 1,290,546 | $ 1,290,546 |
| Donated Services | 25,000 | - | 25,000 |
| Lease Income | 265,920 | - | 265,920 |
| Interest Income | 34 | - | 34 |
| Other Income | 10,930 | - | 10,930 |
| Net Assets Released from Restrictions: | | | |
| Payment of Construction Costs | 1,358,723 | (1,358,723) | - |
| **TOTAL REVENUES, GAINS & OTHER SUPPORT** | **1,660,607** | **(68,177)** | **1,592,430** |
| **EXPENSES** | | | |
| Program Expenses | 386,378 | - | 386,378 |
| General & Administrative Expenses | 87,309 | - | 87,309 |
| Fundraising Expenses | 73,714 | - | 73,714 |
| **TOTAL EXPENSES** | **547,401** | **-** | **547,401** |
| **Change in Net Assets** | **1,113,206** | **(68,177)** | **1,045,029** |
| **NET ASSETS, Beginning of Year** | **143,794** | **698,404** | **842,198** |
| **NET ASSETS, End of Year** | **$ 1,257,000** | **$ 630,227** | **$ 1,887,227** |

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, 2010**

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change In Net Assets | $ | 1,045,029 |
| Adjustments To Reconcile Change in Net Assets to Net Cash | | |
| Provided by (Used in) Operating Activities: | | |
| Depreciation Expense | | 45,640 |
| Non-Cash Contributions | | (135,179) |
| (Increase) Decrease in: | | |
| Accounts Receivable | | (17,650) |
| Pledges Receivable | | 84,990 |
| Increase (Decrease) in: | | |
| Accounts Payable | | (226,588) |
| Interest Payable | | (24,503) |
| Security Deposits | | 45,590 |
| **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | **817,329** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Sale of Investments | | 514 |
| Leasehold Construction Costs | | (1,926,226) |
| **NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES** | | **(1,925,712)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Receipts from Notes Payable | | 1,318,364 |
| Principal Payments on Notes | | (150,748) |
| **NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES** | | **1,167,616** |
| **NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS** | | **59,233** |
| **CASH AND CASH EQUIVALENTS, Beginning of Year** | | **59,791** |
| **CASH AND CASH EQUIVALENTS, End of Year** | **$** | **119,024** |
| **NONCASH INVESTING & FINANCING ACTIVITIES:** | | |
| Contributed Services Capitalized - Construction Costs | $ | 110,179 |
| Debt Forgiveness Reported as Contributed Income | $ | 25,000 |
| Interest Paid on Notes Payable: | | |
| Capitalized to Construction Costs | $ | 63,597 |
| Expensed as Program Costs | $ | 99,004 |

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, 2010**

## 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, 2010.

## 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.

The Financial Accounting Standards Board (FASB) issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, which became effective on July 1, 2010, and establishes the FASB Accounting Standards Codification ("FASC"). The Codification has become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2010. The Organization follows industry specific guidance outlined by FASC 958, Not-for-Profit Entities.

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, 2010.

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 the uncollectible balance to be $0 at December 31, 2010.

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 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, 2010.

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

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.

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

A substantial number of businesses donate significant amounts of time and services to the Organization’s purpose. The Organization records value of these services based on what the entity would charge in the normal course of business. Services received include marketing, design and development, and sustainable designs. The amount recorded during the year for these services was $138,016. Of this total, $110,179 was for services related to the building remodel and have been capitalized.

ADVERTISING

The Organization expenses advertising costs as incurred. Total advertising expense was $17,711 during the year. Of this total, $15,503 was donated services.

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 June 29, 2011, the date which the financial statements were available to be issued.

**3. PLEDGES RECEIVABLE**

Pledges receivable consist of the following at December 31, 2010:

| | |
|---|---|
| Receivable in Less than One Year | $ 470,977 |
| Receivable in One to Five Years | 150,000 |
| Total | 620,977 |
| Less Discount to Net Present Value | (7,563) |
| Net Pledges Receivable | $ 613,414 |

Pledges receivable with due dates extending beyond one year are discounted using the applicable Treasury bill rates for similar term investments. The applicable rate at December 31, 2010 was .81%. The capital campaign pledges receivable are restricted in use for costs and expenses of a new facility and of the campaign, itself. The Organization's management believes all pledges receivable are collectible.

Approximately 78% of the pledges receivable are from corporate and foundation organizations. Approximately 55% of the total pledges have been paid subsequent to year-end.

**4. POWER PURCHASE AGREEMENTS**

The Organization has signed a power purchase agreement with RC Energy for the sale of solar power generated from its solar panel at Carbondale Community Center. $11,310 was received in 2010.

**5. PROPERTY & EQUIPMENT**

| | |
|---|---|
| Leasehold Improvements | $4,123,841 |
| Furnishings | 96,340 |
| | 4,220,181 |
| Accumulated Depreciation | (47,355) |
| Property & Equipment, net | $4,172,826 |

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

## 6. NOTES PAYABLE

| | |
|---|---|
| **ALPINE BANK NOTE:** $2,700,000 note dated August 31, 2009. Interest rate 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 loan matures on September 1, 2035. The loan is collateralized by the Organization's assets. | $2,552,883 |
| **MANAUS LOAN:** $518,256 note dated April 7, 2008. Interest rate is 4%. Principal and interest due on December 31, 2010. | 390,740 |
| **SCOR LOAN:** $35,000 face amount, noninterest bearing note dated November 13, 2008. On April 28, 2010 SCOR forgave $25,000 and extended the due datefrom May 30th, 2010 to March 30, 2011. | 10,000 |
| **Total** | **$2,953,623** |

The Organization's management believes it is in compliance with all debt covenants at December 31, 2010.

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

| | |
|---|---|
| 2011 | $ 452,370 |
| 2012 | 54,515 |
| 2013 | 57,562 |
| 2014 | 60,778 |
| 2015 | 64,175 |
| Later Years | 2,264,223 |
| Total | $ 2,953,623 |

## 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of pledges receivable totaling $620,227 for construction costs and a $10,000 donation for equipment.

## 8. 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 two leases with related parties: The Manaus Fund and Sustainability Center of the Rockies.

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

| | |
|---|---|
| 2011 | $ 296,392 |
| 2012 | 281,880 |
| 2013 | 243,234 |
| 2014 | 153,263 |
| 2015 | 72,025 |
| 2016 and After | 58,386 |
| | $ 1,105,180 |

**9. 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.

**10. SIGNIFICANT CONCENTRATIONS**

PLEDGES
87% of outstanding pledges are due from a total of five separate donors.

CONTRIBUTIONS
57% of total contributions were received through The Town of Carbondale, either directly or indirectly.

**11. 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.