

**CENTER FOR
RESOURCE CONSERVATION**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2013

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CENTER FOR RESOURCE CONSERVATION
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Center for ReSource Conservation

We have audited the accompanying financial statements of Center for ReSource Conservation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. Information for the year ended December 31, 2012 is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year, on which an unqualified audit opinion dated June 26, 2013, was expressed.

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 of 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 Center for ReSource Conservation as of December 31, 2013, 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.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Taylor Roth & Company, PLLC".

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Denver, Colorado
March 20, 2014

CENTER FOR RESOURCE CONSERVATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| <u>Assets</u> | | |
| Cash and cash equivalents - unrestricted | \$ 217,807 | \$ 14,547 |
| Cash and cash equivalents - temporarily restricted | 93,300 | 80,000 |
| Grants and contributions receivable | 21,684 | 108,193 |
| Tenant finish receivable (Note 8) | 840 | 12,537 |
| Prepaid expenses and deposits | 19,320 | 13,985 |
| Inventory (Note 3) | 73,943 | 104,687 |
| Property and equipment (Note 4) | 88,516 | 475,886 |
| Property held for sale (Note 4) | 383,520 | - |
| Total assets | <u>\$ 898,930</u> | <u>\$ 809,835</u> |
| <u>Liabilities and net assets</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 36,392 | \$ 39,700 |
| Payroll liabilities | 37,378 | 51,449 |
| Deferred revenue | 22,570 | 34,852 |
| Copier lease obligation (Note 5) | 10,283 | 13,392 |
| Note payable (Note 6) | 295,772 | 312,885 |
| Line of credit (Note 7) | - | - |
| Commitments (Note 8) | | |
| Total liabilities | <u>402,395</u> | <u>452,278</u> |
| <u>Net assets</u> | | |
| Unrestricted net assets | | |
| Operating | 403,235 | 277,557 |
| Temporarily restricted net assets (Note 9) | 93,300 | 80,000 |
| Total net assets | <u>496,535</u> | <u>357,557</u> |
| Total liabilities and net assets | <u>\$ 898,930</u> | <u>\$ 809,835</u> |

The accompanying notes are an integral part of these financial statements

CENTER FOR RESOURCE CONSERVATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

| | 2013 | | | 2012 |
|---|--------------|---------------------------|------------|------------|
| | Unrestricted | Temporarily restricted | Total | Total |
| <u>Revenue and other support</u> | | | | |
| ReSource sales and merchandise revenue | \$ 960,455 | \$ - | \$ 960,455 | \$ 901,882 |
| Used building materials for resale (Note 10) | 887,181 | - | 887,181 | 883,709 |
| less cost of goods sold (donated) | (905,038) | - | (905,038) | (893,840) |
| Net profit from ReSource sales | 942,598 | - | 942,598 | 891,751 |
| Garden In a Box program sales revenue | \$ 165,098 | \$ - | \$ 165,098 | \$ 174,435 |
| less cost of goods sold (purchased) | (88,542) | - | (88,542) | (115,672) |
| Net profit from Garden In a Box sales | 76,556 | - | 76,556 | 58,763 |
| Program service fees | \$ 691,884 | \$ - | \$ 691,884 | \$ 808,116 |
| Grants and contributions | 81,047 | 154,000 | 235,047 | 151,787 |
| Special event income | 17,210 | - | 17,210 | 95,165 |
| less direct expenses | (17,327) | - | (17,327) | (59,956) |
| Interest income | 51 | - | 51 | 70 |
| Other income | 1,141 | - | 1,141 | - |
| In-kind contributions (Note 10) | 102,152 | - | 102,152 | 87,000 |
| Net assets released from restrictions (Note 11) | 140,700 | (140,700) | - | - |
| Total revenue and other support | 2,036,012 | 13,300 | 2,049,312 | 2,032,696 |
| <u>Expense</u> | | | | |
| Total program services | 1,664,983 | - | 1,664,983 | 1,861,694 |
| Supporting services | | | | |
| Management and general | 157,692 | - | 157,692 | 172,767 |
| Fundraising | 87,659 | - | 87,659 | 96,049 |
| Total expense | 1,910,334 | - | 1,910,334 | 2,130,510 |
| Change in net assets | 125,678 | 13,300 | 138,978 | (97,814) |
| Net assets, beginning of year | 277,557 | 80,000 | 357,557 | 455,371 |
| Net assets, end of year | \$ 403,235 | \$ 93,300 | \$ 496,535 | \$ 357,557 |

The accompanying notes are an integral part of these financial statements

CENTER FOR RESOURCE CONSERVATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2013 (WITH COMPARATIVE TOTALS FOR 2012)

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|------------------|
| <u>Cash flows from operating activities</u> | | |
| Change in net assets | \$ 138,978 | \$ (161,036) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Prior period adjustment | - | 63,522 |
| Depreciation | 44,071 | 64,765 |
| Change in donated inventory | 30,744 | - |
| <u>Changes in operating assets and liabilities</u> | | |
| Decrease(increase) in grants and contributions receivable | 86,509 | (18,321) |
| Decrease(increase) in tenant finish receivable | 11,697 | 2,081 |
| Decrease(increase) in prepaid expenses and deposits | (5,335) | 2,358 |
| Increase(decrease) in accounts payable and payroll accruals | (17,379) | 6,655 |
| Increase(decrease) in deferred revenue | (12,282) | (22,376) |
| Net cash provided(used) by operating activities | <u>277,003</u> | <u>(62,352)</u> |
| <u>Cash flows from investing activities</u> | | |
| (Purchases) of fixed assets | <u>(40,221)</u> | <u>(8,394)</u> |
| Net cash used in investing activities | (40,221) | (8,394) |
| <u>Cash flows from financing activities</u> | | |
| Borrowing (repayments) for tool library | - | (50,000) |
| Borrowing (repayments) on capital lease | (3,109) | (2,871) |
| Borrowing (repayments) of mortgage loan | (17,113) | (16,208) |
| Net cash provided by (used in) financing activities | (20,222) | (69,079) |
| Net increase(decrease) in cash and cash equivalents | 216,560 | (139,825) |
| Cash and cash equivalents, beginning of year | <u>94,547</u> | <u>234,372</u> |
| Cash and cash equivalents, end of year | <u>\$ 311,107</u> | <u>\$ 94,547</u> |
| <u>Supplemental disclosure of information</u> | | |
| Cash paid during the period for interest | <u>\$ 16,705</u> | <u>\$ 19,520</u> |

The accompanying notes are an integral part of these financial statements

CENTER FOR RESOURCE CONSERVATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES

The Center for ReSource Conservation (Organization) is a 38 year old community based non-profit incorporated in 1976 with a mission to put conservation into action. Its vision is thriving communities living sustainability. Currently, the Organization serves homeowners, schools and small businesses throughout Front Range communities. More than 60,000 people are impacted directly per year by its programs and services.

Through its sustainability programs that impact water and energy consumption and its retail operation that diverts materials from the landfill, the Organization is evolving as a social enterprise, identifying market-driven opportunities to expand and improve its reach and impact, and engage more directly with residents.

The Organization is primarily funded by sales of used building materials and conservation program service fees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

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.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONCLUDED)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

5. Inventory

Inventories consist of donated used building materials, stated at fair value and purchased merchandise, stated at the lower of cost or market.

6. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized, except for donated tools for the tool library. The Organization capitalizes all tool library assets. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements. The Organization's federal return of organizations exempt from income tax (Form 990) is subject to examination by the IRS, generally for three years after filing.

9. Functional Reporting of Expenses

For the year ended December 31, 2013, the costs of providing the various programs and other 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.

10. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

11. Subsequent Events

Management has evaluated subsequent events through March 20, 2014, the date the financial statements were available to be issued.

NOTE 3 - INVENTORIES

Inventories consisted of the following at December 31, 2013:

| <u>Description</u> | <u>Amount</u> |
|--------------------------------|------------------|
| Donated building materials | \$ 65,436 |
| ReSource merchandise | 4,034 |
| Woodshop inventory | 2,646 |
| Indoor audit- Niagara supplies | <u>1,827</u> |
| Total | <u>\$ 73,943</u> |

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| <u>Description</u> | <u>Amount</u> |
|--------------------------------|------------------|
| Equipment | \$ 292,722 |
| Leasehold improvements | 58,823 |
| Tool library | 40,316 |
| Leased copier | <u>17,393</u> |
| Total | 409,254 |
| Less: accumulated depreciation | <u>(320,738)</u> |
| Net property and equipment | <u>\$ 88,516</u> |

Depreciation expense for the year was \$44,071.

Property held for sale

On November 28, 2013, the Organization ceased its operations at their Fort Collins' location. Management intends to sell the property, as discussed in Note 6 below.

NOTE 5 - COPIER LEASE OBLIGATION

In 2011, the Organization acquired a copier under a capital lease arrangement. The future minimum lease payments are as follows:

| <u>Description</u> | <u>Amount</u> |
|-------------------------------|------------------|
| 2014 | \$ 4,068 |
| 2015 | 4,068 |
| 2016 | <u>3,390</u> |
| Total | 11,526 |
| Less: interest | <u>(1,243)</u> |
| Total copier lease obligation | <u>\$ 10,283</u> |

NOTE 6 - NOTE PAYABLE

Mortgage

In June 3, 2011, the Organization refinanced a note on a property in Fort Collins, Colorado. The note was settled with Bank of the West for \$336,889 and requires monthly principal payments of \$2,738 beginning July 3, 2011. All remaining principal and accrued interest will be due June 3, 2026. The interest rate is 5.340%, but may change on the five year anniversary of the note. Also included in the terms is a prepayment penalty of one percent.

Future scheduled principal maturities are as follows:

| <u>Description</u> | <u>Amount</u> |
|--------------------|-------------------|
| 2014 | \$ 17,331 |
| 2015 | 18,282 |
| 2016 | 19,288 |
| 2017 | 20,348 |
| 2018 and after | <u>220,523</u> |
| Total | <u>\$ 295,772</u> |

Notice of Eminent Domain

On May 3, 2013, the Organization received from the City of Fort Collins, a notice of interest to acquire right of way, utility and construction easements relating to its property. On November 28, 2013, the Fort Collins location ceased its operations, moving inventory, equipment and software to its Boulder ReSource location. The Organization attained an eminent domain appraisal for the property in the amount of \$115,000. Management received an initial offer of \$44,000 from the City, but respectfully declined. As of the report date, management has the property listed for sale, and has engaged an attorney to negotiate with the City of Fort Collins.

NOTE 7 - LINE OF CREDIT

A \$150,000 unsecured line of credit was established with Bank of the West. The line accrues interest at an annual percentage rate of 5 percent. There was no outstanding balance at December 31, 2013.

NOTE 8 - COMMITMENTS

Land and building lease

In 2010, the Organization entered into a lease agreement with the City of Boulder for a new site for its Boulder ReSource program. Under the lease, the Organization occupied land, buildings and certain improvements for \$1 a month. The lease term ended August 31, 2011 but the space is still being rented on a month to month basis. The estimated fair market value of this leased space in 2013 was \$87,000, which is also reflected Note 10 as in-kind revenue.

Administration building lease

The Organization has also entered into a lease agreement for its administrative location. The lease commenced June 1, 2013 and will end March 31, 2018. Lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2014 | \$ 44,744 |
| 2015 | 46,562 |
| 2016 | 47,511 |
| 2017 | 48,189 |
| 2018 | <u>12,171</u> |
| Total | <u>\$ 199,177</u> |

Tenant finish receivable

As part of the administration building lease agreement, the lessor agreed to reimburse the Organization up to \$10,000 for leasehold improvements. The Organization pays for the improvements and is then reimbursed by the lessor. At December 31, 2013, a receivable of \$840 is owed to the Organization.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets were available for the following program purposes:

| <u>Description</u> | <u>Amount</u> |
|--------------------|------------------|
| Renew Our Schools | \$ 88,300 |
| Monument signage | <u>5,000</u> |
| Total | <u>\$ 93,300</u> |

NOTE 10 - IN-KIND CONTRIBUTIONS

During the year, in-kind contributions were received as follows:

| <u>Description</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| Used building materials for resale | <u>\$ 887,181</u> |

| <u>Description</u> | <u>Amount</u> |
|------------------------|-------------------|
| Rent- ReSource Boulder | \$ 87,000 |
| In kind legal | <u>15,152</u> |
| Total | <u>\$ 102,152</u> |

Volunteers have donated significant amounts of time to the Organization; however, no amounts have been reflected in the financial statements for donated services not requiring specific expertise. Management estimates 95 volunteers donated a total of 1,960 hours at a value of \$43,131.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, expenditures were made satisfying donor restrictions as follows:

| <u>Description</u> | <u>Amount</u> |
|--------------------|-------------------|
| Renew Our Schools | <u>\$ 140,700</u> |

SUPPLEMENTARY INFORMATION

CENTER FOR RESOURCE CONSERVATION

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

| | 2013 | | | 2012 | |
|----------------------------|---------------------|---------------------|------------------|--------------------|--------------------|
| | | Supporting Services | | | |
| | Program | Management | Fund- | Total | Total |
| | Services | And General | raising | | |
| Salaries | \$ 839,785 | \$ 87,884 | \$ 48,825 | \$ 976,494 | \$1,163,117 |
| Payroll taxes and benefits | 135,352 | 14,165 | 7,869 | 157,386 | 228,858 |
| Professional fees | 148,045 | 15,493 | 8,608 | 172,146 | 44,517 |
| Occupancy | 126,207 | 13,208 | 7,337 | 146,752 | 142,198 |
| Contract services | 98,811 | 10,341 | 5,744 | 114,896 | 161,665 |
| Site maintenance | 34,776 | 3,639 | 2,022 | 40,437 | 37,334 |
| Supplies | 30,390 | 3,180 | 1,767 | 35,337 | 29,571 |
| Travel | 31,650 | - | - | 31,650 | 35,144 |
| Equipment | 24,786 | - | - | 24,786 | 16,835 |
| Merchant credit card fees | 23,838 | - | - | 23,838 | 28,120 |
| Staff development | 23,650 | - | - | 23,650 | 28,330 |
| Advertising | 21,256 | - | - | 21,256 | 51,322 |
| Telephone | 15,912 | 1,665 | 925 | 18,502 | 21,792 |
| Repairs and maintenance | 14,887 | 1,558 | 865 | 17,310 | 15,021 |
| Insurance | 14,257 | 1,492 | 829 | 16,578 | 19,648 |
| Interest | 14,366 | 1,503 | 836 | 16,705 | 19,520 |
| Printing | 5,382 | 563 | 313 | 6,258 | 8,720 |
| Dues and subscriptions | 2,281 | 239 | 132 | 2,652 | 2,852 |
| Licenses and fees | 2,276 | 238 | 132 | 2,646 | 1,983 |
| Postage | 876 | 92 | 51 | 1,019 | 2,983 |
| Bank and service fees | 323 | 34 | 18 | 375 | 818 |
| All other | 13,407 | 1,403 | 780 | 15,590 | 5,397 |
| | <u>1,622,513</u> | <u>156,697</u> | <u>87,053</u> | <u>1,866,263</u> | <u>2,065,745</u> |
| Depreciation | 42,470 | 995 | 606 | 44,071 | 64,765 |
| Total expenses | <u>\$ 1,664,983</u> | <u>\$ 157,692</u> | <u>\$ 87,659</u> | <u>\$1,910,334</u> | <u>\$2,130,510</u> |

The accompanying notes are an integral part of these financial statements