RESOURCE central

CONSERVATION MADE EASY

Financial Statements

As of and For the Year Ended December 31, 2017 with Summarized Financial Information As of and For the Year Ended December 31, 2016

ACM

Anton Collins Mitchell LLP

Accountants & Consultants

Resource Central

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Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report

Board of Directors
Resource Central
Boulder, Colorado

We have audited the accompanying financial statements of Resource Central (formerly, Center for Resource Conservation) (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 from 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resource Central as of December 31, 2017, and the changes in its net assets, functional expenses, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Resource Central's 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Anton Collins Mitchell LLP

Boulder, Colorado
May 29, 2018

Resource Central

Statement of Financial Position
As of December 31, 2017
With Summarized Financial Information at December 31, 2016

December 31,		**2017**		2016
Assets:				
Cash and cash equivalents - unrestricted	**$**	**446,532**	$	365,273
Cash and cash equivalents - temporarily restricted		**149,777**		169,775
Grants and contributions receivable		**18,141**		65,910
Prepaid expenses and deposits		**30,113**		14,193
Inventory		**53,540**		62,103
Property and equipment, net		**173,979**		123,581
Total assets	**$**	**872,082**	$	800,835
Liabilities and net assets				
Liabilities:				
Accounts payable	**$**	**45,592**	$	18,512
Accrued payroll		**72,952**		99,053
Deferred revenue		**129,059**		98,904
Note payable		**18,987**		-
Total liabilities		**266,590**		216,469
Commitments and contingencies				
Net assets:				
Unrestricted		**455,715**		414,591
Temporarily restricted		**149,777**		169,775
Total net assets		**605,492**		584,366
Total liabilities and net assets	**$**	**872,082**	$	800,835

See accompanying notes to the financial statements.

Resource Central

Statement of Activities
Year Ended December 31, 2017
With Summarized Financial Information for the Year Ended December 31, 2016

Year Ended December 31,		**2017**		2016
	Unrestricted	**Temporarily Restricted**	**Total**	Total
Support and revenue:				
Resource sales and merchandise revenue	**$ 917,015**	**$ -**	**$ 917,015**	$ 863,750
Building materials for resale	**840,632**	**-**	**840,632**	861,665
Less: cost of goods sold	**(840,632)**	**-**	**(840,632)**	(861,665)
Net profit from Resource sales	**917,015**	**-**	**917,015**	863,750
Garden In a Box sales revenue	**779,455**	**-**	**779,455**	500,927
Less: cost of goods sold	**(291,774)**	**-**	**(291,774)**	(177,806)
Net profit from Garden In a Box sales	**487,681**	**-**	**487,681**	323,121
Program service fees	**499,385**	**-**	**499,385**	630,067
Grants and contributions	**267,639**	**172,382**	**440,021**	328,015
Interest income	**804**	**-**	**804**	242
In-kind contributions	**211,680**	**-**	**211,680**	190,318
Net assets released from restrictions	**192,380**	**(192,380)**	**-**	-
Total other revenue and support	**1,171,888**	**(19,998)**	**1,151,890**	1,148,642
Total support and revenue	**2,576,584**	**(19,998)**	**2,556,586**	2,335,513
Expenses:				
Program services	**2,180,968**	**-**	**2,180,968**	1,894,640
General and administrative	**250,198**	**-**	**250,198**	233,458
Fundraising	**104,294**	**-**	**104,294**	105,788
Total expenses	**2,535,460**	**-**	**2,535,460**	2,233,886
Change in net assets	**41,124**	**(19,998)**	**21,126**	101,627
Net assets, beginning of year	**414,591**	**169,775**	**584,366**	482,739
Net assets, end of year	**$ 455,715**	**$ 149,777**	**$ 605,492**	$ 584,366

See accompanying notes to the financial statements.

Resource Central

Statement of Functional Expenses
Year Ended December 31, 2017
With Summarized Financial Information for the Year Ended December 31, 2016

Year Ended December 31,	2017				2016
	Program Services	**General and Administrative**	**Fundraising**	**Total**	Total
Wages	**$ 1,049,217**	**$ 116,492**	**$ 36,247**	**$ 1,201,956**	$ 1,101,958
Employee benefits	**149,161**	**36,564**	**3,960**	**189,685**	164,349
Payroll tax expenses	**106,360**	**10,797**	**2,523**	**119,680**	115,121
Employee expenses	**1,304,738**	**163,853**	**42,730**	**1,511,321**	$ 1,381,428
Occupancy	**220,404**	**17,619**	**4,744**	**242,767**	241,170
Professional fees	**65,410**	**41,300**	**17,434**	**124,144**	75,407
Renew Our Schools prizes	**290,537**	**-**	**-**	**290,537**	206,223
Depreciation	**72,933**	**5,307**	**5,460**	**83,700**	94,396
Supplies	**23,535**	**295**	**9,264**	**33,094**	36,339
Site maintenance	**40,588**	**605**	**512**	**41,705**	45,471
Business development	**32,141**	**144**	**14,084**	**46,369**	20,498
Travel	**19,278**	**366**	**36**	**19,680**	18,092
Staff development	**9,501**	**10,367**	**1,072**	**20,940**	18,035
Insurance	**22,643**	**793**	**660**	**24,096**	22,421
Utilities	**22,020**	**2,726**	**6,401**	**31,147**	27,178
Merchant credit card fees	**32,108**	**91**	**400**	**32,599**	26,232
Interest	**-**	**836**	**-**	**836**	-
Postage and printing	**10,968**	**255**	**1,056**	**12,279**	5,423
Licenses and fees	**1,083**	**299**	**145**	**1,527**	1,798
Dues and subscriptions	**2,451**	**111**	**296**	**2,858**	4,547
Other	**10,630**	**5,231**	**-**	**15,861**	9,228
Total expenses	**$ 2,180,968**	**$ 250,198**	**$ 104,294**	**$ 2,535,460**	$ 2,233,886

See accompanying notes to the financial statements.

Resource Central

Statement of Cash Flows
Year Ended December 31, 2017
With Summarized Financial Information for the Year Ended December 31, 2016

Year Ended December 31,		**2017**		2016
Cash flows from operating activities:				
Change in net assets	**$**	**21,126**	$	101,627
Adjustments to reconcile change in net assets to net cash flows from operating activities				
Depreciation		**83,700**		94,396
Loss on sale of property and equipment		**-**		1,723
Decrease (increase) in operating assets:				
Grants and contributions receivable		**47,769**		(42,316)
Inventory		**8,563**		(5,827)
Prepaid expenses and deposits		**(15,920)**		13,985
Increase (decrease) in operating liabilities:				
Accounts payable		**27,080**		(828)
Accrued payroll		**(26,101)**		37,746
Deferred revenue		**30,155**		(18,990)
Net cash from operating activities		**176,372**		181,516
Cash flows from investing activities:				
Purchase of property and equipment		**(109,900)**		(56,225)
Net cash used in investing activities		**(109,900)**		(56,225)
Cash flows from financing activities:				
Payments on copier lease		**-**		(4,065)
Payments on note payable		**(5,211)**		-
Net cash used in financing activities		**(5,211)**		(4,065)
Net change in cash and cash equivalents		**61,261**		121,226
Cash and cash equivalents, beginning of year		**535,048**		413,822
Cash and cash equivalents, end of year	**$**	**596,309**	$	535,048
Supplemental cash flow information				
Cash paid during the year for interest	**$**	**836**	$	-
Property and equipment acquired with a note payable	**$**	**24,198**	$	-

See accompanying notes to the financial statements.

1. NATURE OF ACTIVIES

The Resource Central (formerly, Center for Resource Conservation) (the "Organization") is a community based non-profit incorporated in 1976 with a mission to put conservation into action. Its vision is thriving communities living sustainably. Currently, the Organization serves homeowners, schools, small businesses and municipalities throughout Colorado Front Range Communities. More than 70,000 people are impacted directly through its programs and services.

Through 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets accounting principles generally accepted in the United Stated of America ("GAAP") which the Organization follows to ensure the financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification, referred to as the Codification or ASC.

The financial statements are prepared on the accrual basis under ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statements.* 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. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

The Organization considers all highly liquid investments and securities with original maturities of three months or less at the time of purchase to be cash equivalents. At times, the Organization's bank account balances may exceed federally insured limits. As of December 31, 2017, there were funds of $100,771 held in excess of the insured limits. Management monitors the reputation of the financial institutions with which it associates and believes the Organization's risk is negligible. The Organization has not experienced any losses in such accounts. The organization records restricted cash for the amounts of net assets that are temporarily restricted.

Grants and Contributions Receivable

Based on the judgment of the Organization and past collection histories, no allowance for doubtful accounts was deemed necessary as of December 31, 2017 and 2016. The Organization does not require collateral on grants or contributions receivable. As of December 31, 2017 and 2016, there were four and three donors, respectively, which individually accounted for more than 10% of the grants and contributions receivable. As of December 31, 2017, these four donors totaled 76% of grants receivable.

Conditional promises to give are not included in support until the conditions are substantially met. In November 2017, Boulder County ballot initiatives 2M and 2N passed. This includes funding of $1,400,000 for capital improvements and build out of a Zero Waste Community Center in Boulder. These funds are conditional on the Organization raising funds of $1,400,000 for this project. No portions of the funds were recorded in the financial statements as of December 31, 2017 as conditions had not been met.

Property and Equipment

Property and equipment acquired with an initial value of $1,000 or more are capitalized and stated at cost, less accumulated depreciation. Depreciation of furniture, equipment and leasehold improvements is computed using the straight-line method over the estimated useful lives of three to ten years, or lease term if shorter. Depreciation of tool library assets is computed using the straight-line method over the estimated useful lives of five years. The fair value of donated assets is similarly capitalized.

The Organization follows the provisions of ASC 350-40, *Internal-Use Software*, for capitalizing software costs. Costs incurred during the application development stage are capitalized and costs incurred during the preliminary project and the post-implementation stages are expensed as incurred. Capitalized software costs are amortized using the straight-line method over the estimated useful life of approximately three years. Amortization begins when the software is ready for its intended use.

Expenditures for renewals and betterments in excess of $1,000 that materially extend the life of an asset or increase its productivity are capitalized. Expenditures for repairs and maintenance that do not extend asset lives or improve productivity are expensed as incurred. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized.

Inventory

Inventory consists of donated used building materials, stated at fair value at the time of donation, and purchased merchandise, stated at the net realizable value.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Contributions

Contributions are recognized when cash, other assets, a decrease in liabilities or expense, or an unconditional promise to give is received. In accordance with ASC 958-605 *Not-for-Profit Entities, Revenue Recognition,* contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions.

Recognition of Donor Restrictions

Support that is restricted by the donor 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the assets are to be used. 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.

Revenue Recognition and Deferred Revenue

The Organization recognizes revenues from merchandise sales at the time of product delivery. Program service fees are recognized when the program occurs. Deferred revenue consists of outstanding gift cards and funds received for conditional contributions. Revenue from gift cards is recognized when the cards are redeemed. Revenue from conditional contributions is recognized when the conditions have been met.

Donated Services, Equipment and Materials

Donated services are reported as contributions when services create or enhance nonfinancial assets or would be purchased if they require specialized skills and are provided by individuals possessing those skills. Donated equipment and materials are recorded at estimated fair values as revenue and cost of goods sold, expense, or capitalized assets, depending on the nature of the donation.

Functional Allocation of Expenses

The costs of conducting the various program and supporting services 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 Expense

Advertising costs are expensed when incurred and totaled approximately $2,000 and $8,000 for the years ended December 31, 2017 and 2016, respectively, and are included in business development costs on the statement of functional expenses.

Income Taxes and Tax Status

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under the Colorado Income Tax Act of 1964 (as amended). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. Years before 2015 are no longer subject to tax authority examinations.

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

December 31,	**2017**	2016
Furniture and equipment	**$ 390,343**	$ 328,190
Leasehold improvements	**21,842**	21,842
Tool library	**43,921**	40,316
Vehicle	**33,182**	-
Software	**189,764**	154,606
	679,052	544,954
Less: accumulated depreciation	**(505,073)**	(421,373)
Property and equipment, net	**$ 173,979**	$ 123,581

4. LINE OF CREDIT

The Organization has a $150,000 unsecured line of credit with a financial institution, which requires annual renewal. The line accrues interest at an annual rate of 3.22% per annum above the prime rate (7.72% at December 31, 2017) and requires the greater of $100 or accrued interest to be paid monthly. At December 31, 2017 and 2016 there was no outstanding balance on the line of credit. During the year ended December 31, 2017, no advances were made on the line of credit.

5. NOTE PAYABLE

On January 2, 2017, the Organization entered into a note to finance a vehicle. The note requires monthly principal payments of $550 beginning in February 2017 and expires in January 2023. The note accrues interest at an annual rate of 4.30% and is secured by the vehicle. The balance as of December 31, 2017 was $18,987.

Future principal maturities under this note are as follows:

Year Ended December 31,	
2018	$ 5,885
2019	6,143
2020	6,412
2021	547
Total principal payments on note payable	$ 18,987

6. 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 occupies land, buildings and certain improvements for $1 a month. The lease term ended in August 2011 but the space is still being rented on a month to month basis. The estimated fair market value of this leased space for each of the years ended December 31, 2017 and 2016 was $175,000, which as reflected in Note 8, is recorded as in-kind contribution revenue on the statement of activities.

Administration Building Lease

The Organization has also entered into a lease agreement for its administrative location. The lease commenced June 1, 2013, and requires monthly payments ranging from $3,675 to $6,730, plus estimated costs for insurance and property taxes through expiration in March 2023. Rental expense under this lease agreement was $67,767 and $66,170 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under this lease are as follows:

Year Ending December 31,		
2018	$	67,057
2019		74,553
2020		76,407
2021		78,318
2022		80,270
Thereafter		20,190
Total	$	396,795

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are designated by donors for the following:

December 31,	**2017**	2016
Renew Our Schools	**$ 108,000**	$ 132,500
Resource	**5,000**	6,500
Water Conservation	**32,240**	30,000
Conservation for All	**4,537**	775
	$ 149,777	$ 169,775

Net assets released from restriction consisted of the following:

Year Ended December 31,	**2017**	2016
Renew Our Schools	**$ 143,000**	$ 133,614
Resource	**1,500**	4,400
Water Conservation	**27,760**	10,500
Conservation for All	**20,120**	-
	$ 192,380	$ 148,514

8. IN-KIND CONTRIBUTIONS

Support from donated services, equipment and materials for the years ended December 31, 2017 and 2016 consisted of the following:

Year Ended December 31,	**2017**	2016
Used building materials for resale	**$ 840,632**	$ 861,665
Rent - Resource Boulder	**175,000**	175,000
Legal services	**15,565**	567
Supplies and materials	**21,115**	14,751
Total	**$ 1,052,312**	$ 1,051,983

Support from donated services, equipment and materials for the years ended December 31, 2017 and 2016 were reported in the statement of activities as follows:

Year Ended December 31,	**2017**	2016
Used building materials for resale	**$ 840,632**	$ 861,665
Program services	**211,680**	190,318
Total	**$ 1,052,312**	$ 1,051,983

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2018, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.