

Resource Central
(a nonprofit Colorado corporation)
Boulder, Colorado

Financial Statements

December 31, 2022 and 2021



Resource Central

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Independent Auditors' Report

To the Board of Directors
Resource Central
Boulder, Colorado

Opinion

We have audited the accompanying financial statements of Resource Central (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Resource Central as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of Resource Central and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Resource Central's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Resource Central's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Resource Central's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Boulder, Colorado
June 7, 2023

Resource Central

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 817,630	\$ 880,803
Grants and pledges receivable, current	222,391	247,945
Accounts receivable	18,315	11,578
Inventories	58,552	56,759
Prepaid expenses	50,116	32,295
Total current assets	<u>1,167,004</u>	<u>1,229,380</u>
Property and Equipment, net	<u>2,835,554</u>	<u>2,367,103</u>
Other Assets		
Grants and pledges receivable, noncurrent, net	1,851,712	2,032,463
Right-of-use asset	20,049	-
Deposits	1,578	858
Total other assets	<u>1,873,339</u>	<u>2,033,321</u>
Total assets	<u>\$ 5,875,897</u>	<u>\$ 5,629,804</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 97,615	\$ 168,290
Accrued compensation and benefits	142,743	129,764
Refundable advance	155,000	-
Deferred revenue	3,421	7,445
Amounts held for others	85,000	-
Operating lease obligation	20,147	-
Total current liabilities	<u>503,926</u>	<u>305,499</u>
Net Assets		
Without donor restrictions	3,183,405	1,886,229
With donor restrictions	2,188,566	3,438,076
Total net assets	<u>5,371,971</u>	<u>5,324,305</u>
Total liabilities and net assets	<u>\$ 5,875,897</u>	<u>\$ 5,629,804</u>

Resource Central

Statement of Activities

Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 490,628	\$ 416,091	\$ 906,719
Contributions - discount amortization	40,700	-	40,700
In-kind contributions	18,634	-	18,634
Special event income	11,271	-	11,271
Special event expenses	(19,573)	-	(19,573)
Net assets released from restrictions			
Expiration of time restrictions	193,939	(193,939)	-
Satisfaction of purpose restrictions	1,471,662	(1,471,662)	-
Total operating support	<u>2,207,261</u>	<u>(1,249,510)</u>	<u>957,751</u>
Operating Revenue			
Retail sales, net of cost of sales of \$1,512,973	1,435,958	-	1,435,958
Program revenue	1,095,938	-	1,095,938
Total operating revenue	<u>2,531,896</u>	<u>-</u>	<u>2,531,896</u>
Total operating support and revenue	<u>4,739,157</u>	<u>(1,249,510)</u>	<u>3,489,647</u>
Operating Expenses			
Program services	<u>2,806,170</u>	<u>-</u>	<u>2,806,170</u>
Supporting services			
General and administrative	516,857	-	516,857
Fundraising	189,941	-	189,941
Total supporting services	<u>706,798</u>	<u>-</u>	<u>706,798</u>
Total operating expenses	<u>3,512,968</u>	<u>-</u>	<u>3,512,968</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>1,226,189</u>	<u>(1,249,510)</u>	<u>(23,321)</u>
Other Changes			
Rental income	68,607	-	68,607
Interest	2,380	-	2,380
Total other changes	<u>70,987</u>	<u>-</u>	<u>70,987</u>
Change in Net Assets	1,297,176	(1,249,510)	47,666
Net Assets, Beginning of Year	<u>1,886,229</u>	<u>3,438,076</u>	<u>5,324,305</u>
Net Assets, End of Year	<u>\$ 3,183,405</u>	<u>\$ 2,188,566</u>	<u>\$ 5,371,971</u>

The accompanying Notes are an integral part of these financial statements

Resource Central

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Grants and contributions	\$ 519,077	\$ 1,693,090	\$ 2,212,167
In-kind contributions	43,440	-	43,440
Contributions - discount amortization	10,044	-	10,044
Net assets released from restrictions			
Expiration of time restrictions	451,550	(451,550)	-
Satisfaction of purpose restrictions	1,345,904	(1,345,904)	-
Total operating support	<u>2,370,015</u>	<u>(104,364)</u>	<u>2,265,651</u>
Operating Revenue			
Retail sales, net of cost of sales of \$1,016,109	1,045,543	-	1,045,543
Program revenue	757,274	-	757,274
Total operating revenue	<u>1,802,817</u>	<u>-</u>	<u>1,802,817</u>
Total operating support and revenue	<u>4,172,832</u>	<u>(104,364)</u>	<u>4,068,468</u>
Operating Expenses			
Program services	<u>2,304,463</u>	<u>-</u>	<u>2,304,463</u>
Supporting services			
General and administrative	326,165	-	326,165
Fundraising	166,872	-	166,872
Total supporting services	<u>493,037</u>	<u>-</u>	<u>493,037</u>
Total operating expenses	<u>2,797,500</u>	<u>-</u>	<u>2,797,500</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>1,375,332</u>	<u>(104,364)</u>	<u>1,270,968</u>
Other Changes			
Rental income	11,435	-	11,435
Gain on the sale of equipment	13,970	-	13,970
Interest	1,444	-	1,444
Total other changes	<u>26,849</u>	<u>-</u>	<u>26,849</u>
Change in Net Assets	1,402,181	(104,364)	1,297,817
Net Assets, Beginning of Year, As Restated	<u>484,048</u>	<u>3,542,440</u>	<u>4,026,488</u>
Net Assets, End of Year	<u>\$ 1,886,229</u>	<u>\$ 3,438,076</u>	<u>\$ 5,324,305</u>

The accompanying Notes are an integral
part of these financial statements

Resource Central

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services			Supporting Services			Total Expenses
	Materials Reuse	Water and Energy	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 646,666	\$ 847,761	\$ 1,494,427	\$ 301,187	\$ 96,556	\$ 397,743	\$ 1,892,170
Employee benefits	65,030	83,287	148,317	30,906	13,904	44,810	193,127
Payroll taxes	51,850	67,774	119,624	21,580	7,738	29,318	148,942
Total personnel costs	763,546	998,822	1,762,368	353,673	118,198	471,871	2,234,239
Occupancy	277,341	16,761	294,102	76,448	3,687	80,135	374,237
Depreciation	100,871	120,697	221,568	5,369	8,587	13,956	235,524
Professional fees	35,680	47,110	82,790	48,429	4,515	52,944	135,734
Site maintenance	57,247	46,373	103,620	640	352	992	104,612
Insurance	28,705	25,766	54,471	8,304	3,284	11,588	66,059
Program expenses	4,855	59,645	64,500	-	-	-	64,500
Travel	468	55,006	55,474	-	70	70	55,544
Bank and merchant fees	21,480	28,180	49,660	76	768	844	50,504
Office expenses	19,686	18,016	37,702	211	8,440	8,651	46,353
Business development	1,430	10,266	11,696	1,997	31,193	33,190	44,886
Staff development	7,322	17,840	25,162	19,449	35	19,484	44,646
Dues and subscriptions	5,310	19,515	24,825	656	10,161	10,817	35,642
Postage and printing	3,338	11,973	15,311	28	93	121	15,432
Miscellaneous	-	2,581	2,581	1,542	539	2,081	4,662
Licenses and fees	142	198	340	35	19	54	394
	<u>\$ 1,327,421</u>	<u>\$ 1,478,749</u>	<u>\$ 2,806,170</u>	<u>\$ 516,857</u>	<u>\$ 189,941</u>	<u>\$ 706,798</u>	<u>\$ 3,512,968</u>

The accompanying Notes are an integral part of these financial statements

Resource Central

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services			Supporting Services			Total Expenses
	Materials Reuse	Water and Energy	Total	General and Administrative	Fundraising	Total	
Salaries and wages	\$ 507,056	\$ 662,882	\$ 1,169,938	\$ 210,275	\$ 116,965	\$ 327,240	\$ 1,497,178
Employee benefits	46,694	61,036	107,730	27,524	9,496	37,020	144,750
Payroll taxes	40,305	50,914	91,219	13,768	9,038	22,806	114,025
Total personnel costs	594,055	774,832	1,368,887	251,567	135,499	387,066	1,755,953
Occupancy	262,274	73,017	335,291	22,388	8,655	31,043	366,334
Professional fees	36,147	112,850	148,997	21,364	3,683	25,047	174,044
Depreciation	41,170	76,490	117,660	10,266	5,806	16,072	133,732
Program expenses	5,890	75,023	80,913	16	-	16	80,929
Insurance	32,622	11,828	44,450	3,420	1,402	4,822	49,272
Site maintenance	27,625	12,735	40,360	-	-	-	40,360
Business development	19,438	15,708	35,146	-	-	-	35,146
Bank and merchant fees	12,871	18,926	31,797	-	1,125	1,125	32,922
Office expenses	7,568	21,186	28,754	1,387	1,218	2,605	31,359
Dues and subscriptions	7,208	14,468	21,676	1,340	6,021	7,361	29,037
Travel	21	23,502	23,523	-	11	11	23,534
Miscellaneous	-	7,304	7,304	9,015	806	9,821	17,125
Staff development	4,557	5,508	10,065	5,088	1,774	6,862	16,927
Postage and printing	835	7,197	8,032	86	785	871	8,903
Licenses and fees	733	875	1,608	228	87	315	1,923
	<u>\$ 1,053,014</u>	<u>\$ 1,251,449</u>	<u>\$ 2,304,463</u>	<u>\$ 326,165</u>	<u>\$ 166,872</u>	<u>\$ 493,037</u>	<u>\$ 2,797,500</u>

The accompanying Notes are an integral part of these financial statements

Resource Central

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 47,666	\$ 1,297,817
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	235,524	133,732
Lease expense	98	-
Gain on the sale of equipment	-	(13,970)
Increase (decrease) from changes in assets and liabilities		
Grants and pledges receivable	206,305	414,207
Accounts receivable	(6,737)	(10,773)
Inventories	(1,793)	20,277
Prepaid expenses	(17,821)	(20,400)
Deposits	(720)	5,142
Accounts payable	(70,675)	99,495
Accrued compensation and benefits	12,979	19,751
Deferred revenue	(4,024)	970
Refundable advance	155,000	-
Assets held for others	85,000	-
Net cash provided by operating activities	<u>640,802</u>	<u>1,946,248</u>
Cash Flows From Investing Activities		
Purchases of leasehold improvements	(424,996)	(1,312,835)
Construction of building improvement	(278,979)	(903,251)
Net cash used by investing activities	<u>(703,975)</u>	<u>(2,216,086)</u>
Net Decrease in Cash and Cash Equivalents	(63,173)	(269,838)
Cash and Cash Equivalents, Beginning of Year	880,803	1,150,641
Cash and Cash Equivalents, End of Year	\$ 817,630	\$ 880,803
Supplemental Cash Flow Information		
Cash paid for interest	\$ -	\$ 132

The accompanying Notes are an integral
part of these financial statements

Resource Central

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Resource Central ("the Organization") is a community based non-profit organization 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 and beyond.

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 the programs below, including sales of used building materials, drought-tolerant gardens, known as Garden in a Box program, and conservation program service fees.

Description of Program Services:

Materials Reuse - Reselling donated building materials at discounted prices to help reduce the amount of materials that goes into landfills.

Water and Energy - This includes Renew Our Schools: Helping students and schools conserve energy and hosting competitions to encourage schools to compete in saving the most energy. Slow the Flow: A conservation program that helps people optimize their in-ground sprinkler systems to avoid unnecessary over-watering. Lawn Replacement Service: Makes it easier for households to transition from water-intensive grasses to water-wise gardens by removing sections of lawn so people can reimagine their yards. Garden in a Box: Offers professionally designed, waterwise garden kits tailor made for Colorado yards. The kits are affordable, do it yourself gardens that are easy to use and help save water.

Description of Supporting Services:

General and Administrative - Includes the functions necessary to provide support to the Organization's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations, including donations and pledges received during special events.

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.

Resource Central

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

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

Cash and Cash Equivalents. Cash consists of checking and savings accounts held at financial institutions. For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Grants and Pledges Receivable. Grants and pledges receivable are stated net of allowances for uncollectible amounts and unamortized net present value discounts (see Note 3). At the time grants and pledges receivable are originated, the Organization considers an allowance for doubtful amounts based on the creditworthiness of the grantor or donor. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that all grants and pledges receivable are fully collectible at December 31, 2022 and 2021. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the customer. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that all accounts receivable are fully collectible at December 31, 2022 and 2021.

Inventories. Inventories consist of purchased and donated used building materials available for reuse or resale through the Materials Reuse and Garden In A Box programs. Purchased inventory are recorded at the lower of cost or market. Cost is determined on a first-in, first-out basis. Donated items are recorded at fair value at the date of receipt and are recorded as inventory and contribution support at estimated fair value at the date of donation, taking into consideration shrinkage. All inventories are expensed when sold (see Note 8).

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$5,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally three to seven years for furniture and equipment, twenty years for leasehold improvements, five years for vehicles, and three to five years for the website. Depreciation expense for the years ended December 31, 2022 and 2021 was \$235,524 and \$133,732, respectively.

Resource Central

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2022 and 2021.

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets, net assets without donor restrictions and net assets with donor restrictions:

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from the gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Revenue Recognition.

Revenue from materials resale is related to the Materials Reuse and Garden In A Box programs. Materials reuse sales, net costs of sales, is recognized immediately at the point of sale. All Garden In A Box sales, net cost of sales, are recorded as deferred revenue and recognized as revenue when actual garden pick-ups are fulfilled. Materials resale is the Organization's primary revenue stream that constitutes revenue from contracts with customers.

Auxiliary revenue may include event sponsorships, special event ticket sales, and sales rebates. The Organization generally satisfies its performance obligations upon immediate occurrence of the event.

Transaction Price. The transaction price of a contract with a customer is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised goods and services to the customer.

For the years ended December 31, 2022 and 2021, the Organization recognized revenue of \$2,531,896 and \$1,802,817, respectively, from goods and services that transfer to the customer over time.

The Organization's contracts do not include significant financing components.

Resource Central

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Grants and Contributions. Grants and contributions are recognized when the donations are received. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions. Grants and contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support.

Contributed Items, Facilities, Services and New Accounting Pronouncement Adopted. Contributed items and the use of facilities are recorded at fair market value at the time of donation. Services are recognized if the services received satisfy the criteria for recognition. Contributed services are recognized if services either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by persons possessing those skills and would typically need to be purchased if not provided by donation.

The Financial Accounting Standards Board issued Accounting Standards Update ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

In-kind contributions are as follows for the years ended December 31:

	2022	2021	Usage
Services	\$ 9,038	\$ 33,832	Resource Central programs
Materials and supplies	9,596	9,608	Resource Central programs
Total in-kind contributions	<u>\$ 18,634</u>	<u>\$ 43,440</u>	

In-kind professional service contributions were valued using estimated average hourly wage for identical services using pricing data of similar services under a 'like-kind' methodology, considering the utility of the services at the time of the contribution. Materials and supplies in-kind contributions were valued using estimated average US prices of identical or similar products using pricing data of similar products under a 'like-kind' methodology, considering the utility of the goods at the time of the contribution. No in-kind contributions were restricted. The Organization does not sell donated gifts in-kind and only uses services and goods for its own program or supporting service activities.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Sales Tax. The Organization collects sales taxes on all sales. Sales taxes assessed on sales are recorded as accrued expenses in the statements of financial position until remitted to state agencies. As of December 31, 2022 and 2021, there were no outstanding balances.

Resource Central

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expense was incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Marketing and Advertising. The Organization expenses advertising costs, including donated advertising, as incurred. Total marketing and advertising expense for the years ended December 31, 2022 and 2021 was \$15,796 and \$6,963 respectively.

Reclassifications. Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation without affecting net assets as of December 31, 2021.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 7, 2023, the date at which the financial statements were available for release.

Note 2 – New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), with the intended purpose to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows from leases.

During the year ended December 31, 2022, the Organization adopted the requirements of ASU 2016-02 and, as a result, adjusted the presentation of the financial statements accordingly, applying the changes under the transition method. Under the transition method, the application date shall be the beginning of the reporting period in which the Organization first applied ASU 2016-02, which was January 1, 2022. The Organization has elected the package of practical expedients permitted in ASC Topic 842 and, accordingly, accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. In addition, the Organization does allocate the consideration between lease and non-lease components. As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 (a) a lease liability of approximately \$92,606, which represents the present value of the remaining lease payments of approximately \$100,460, discounted using the federal risk free borrowing rate of 2.55%, and (b) a right-of-use asset of approximately \$98,977. This standard did not have a material impact on the Organization's statements of financial position or cash flows from operations and had no impact on the Organization's operating results. The most significant impact was the recognition of right-of-use assets and lease obligations for operating leases.

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Notes to Financial Statements

December 31, 2022 and 2021

Note 3 – Grants and Pledges Receivable

Grants and pledges receivable are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 222,391	\$ 247,945
Due in one to five years	1,107,254	1,107,254
Due after five years	<u>2,214,506</u>	<u>2,435,957</u>
	3,544,151	3,791,156
Less: unamortized present value discount	<u>(1,470,048)</u>	<u>(1,510,748)</u>
Net grants and pledges receivable	<u>\$ 2,074,103</u>	<u>\$ 2,280,408</u>

Grants and pledges receivable are measured in the aggregate using present value techniques that consider historical trends of collections similar to other grant and fund raising activities, the type of grantor or donor, general economic conditions, and market interest rate assumptions. The noncurrent portion of grants and pledges receivable relates to the estimated fair market value of contributed building use as of March 2019 (see Note 8), at which time a present value discount rate of 5.0% was used. The discount is amortized using the effective interest method. The amortization of the discount of \$40,700 and \$10,044 is included in contributions - discount amortization in the accompanying statements of activities for the years ended December 31, 2022 and 2021, respectively.

Note 4 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 290,385	\$ 284,481
Leasehold improvements	2,572,164	1,232,159
Website	391,516	348,318
Vehicles	<u>260,577</u>	<u>200,984</u>
	3,514,642	2,065,942
Less accumulated depreciation	<u>(958,067)</u>	<u>(722,544)</u>
	2,556,575	1,343,398
Construction in progress	<u>278,979</u>	<u>1,023,705</u>
Net property and equipment	<u>\$ 2,835,554</u>	<u>\$ 2,367,103</u>

Note 5 – Right-of-Use Asset

Right-of-use asset under operating lease (office space)	\$ 98,977
Less accumulated amortization	<u>(78,928)</u>
Net right-of-use asset	<u>\$ 20,049</u>

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Notes to Financial Statements

December 31, 2022 and 2021

Note 6 – Commitments and Sublease

Operating Leases. The Organization leases office space in Boulder, Colorado under an operating lease agreement with monthly payment of \$6,730 as of December 31, 2022 with a 24-month lease term expiring March 2023. Rent expense under this lease, excluding utilities and other charges, was \$80,368 for the year ended December 31, 2022. The weighted average discount rate at December 31, 2022 was 2.55%. The weighted average remaining lease term at December 31, 2022 was .25 years.

Future annual minimum lease payments required under the noncancelable operating lease are as follows at December 31, 2022:

Year ended December 31	
2023	\$ <u>20,190</u>

In October 2021, the Organization subleased a portion of its building to an unrelated third party under a noncancelable operating lease agreement, which expires in March 2023. The agreement requires monthly payments of \$3,812 and a proportionate share of real estate taxes, building insurance, common area maintenance, and management expenses. Rental income under this agreement excluding real estate taxes, building insurance, and other charges under the sublease agreement totaled \$45,738 for the year ended December 31, 2022.

Future annual minimum lease payments to be received under this noncancelable operating lease are as follows at December 31, 2022:

Year ended December 31	Amount
2023	\$ <u>11,435</u>

Note 7 – Net Assets with Donor Restrictions

The balances of net assets with donor restrictions are as follows:

	January 1, 2022	Additions	Releases	December 31, 2022
<i>Time restrictions</i>	\$ 2,268,042	\$ -	\$ 193,939	\$ 2,074,103
<i>Purpose restrictions</i>				
Reuse Redevelopment	1,135,034	414,591	1,461,662	87,963
Renew Our Schools	35,000	1,500	10,000	26,500
	<u>\$ 3,438,076</u>	<u>\$ 416,091</u>	<u>\$ 1,665,601</u>	<u>\$ 2,188,566</u>
	January 1, 2021	Additions	Releases	December 31, 2021
<i>Time restrictions</i>	\$ 2,671,477	\$ 48,115	\$ 451,550	\$ 2,268,042
<i>Purpose restrictions</i>				
Reuse Redevelopment	838,359	1,482,575	1,185,900	1,135,034
Renew Our Schools	32,604	162,400	160,004	35,000
	<u>\$ 3,542,440</u>	<u>\$ 1,693,090</u>	<u>\$ 1,797,454</u>	<u>\$ 3,438,076</u>

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Notes to Financial Statements

December 31, 2022 and 2021

Note 8 – Donated Use of Facilities and Materials

In March 2019, the Organization extended its lease by twenty years with the City of Boulder ("the City") for use of the building for purposes limited to the operation of its programs and services. The lease requires annual rent of \$1 per year and expires December 31, 2038. All operating costs of the building will continue to be the responsibility of the Organization.

Upon execution of the lease agreement, the Organization recognized support and a receivable of \$4,429,015, net of present value discount of \$1,531,338, for the estimated fair market value of contributed building use as of March 2019. The value of the contributed property is amortized on the straight-line basis during the lease term. During the years ended December 31, 2022 and 2021, the Organization recognized \$221,451, for in-kind facilities expense, which is included as occupancy costs in the accompanying statement of functional expenses.

All donated materials for resale are recorded at fair value and are received from anonymous donors. Donated materials are considered to be unrestricted support unless the materials explicitly contain donor restrictions. The Organization only records the value of donated materials in which it is either the original recipient of the gift, is involved in partnership with another organization for distribution, or if the materials are used in the Organization's programs.

Note 9 – Special Event

The Organization received contributions totaling \$11,271 from the Heroes and Hope fundraising event during the year ended December 31, 2022. The Organization incurred direct costs totaling \$19,573 related to this event.

Note 10 – Retirement Plan

The Organization maintains a 403(b) plan covering all employees who are residents of the United States and have completed at least six months of service. The Organization may make a discretionary contribution to the plan for those eligible participants. Employer contributions to the plan totaled \$24,645 and \$22,164 for the years ended December 31, 2022 and 2021, respectively.

Note 11 – Line of Credit

As of December 31, 2022, the Organization has a \$250,000 unsecured line of credit with JPMorgan Chase Bank, N.A, carrying a fluctuating rate equal to LIBOR plus 7.9%. During the years ended December 31, 2022 and 2021, there were no borrowings on the line of credit.

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Notes to Financial Statements

December 31, 2022 and 2021

Note 12 – Liquidity and Availability of Resources

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

Additionally, in the event of an unanticipated liquidity need, the Organization could draw upon its \$250,000 line of credit, of which, \$250,000 is available at December 31, 2022. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves increased.

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

Financial assets at year-end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 817,630	\$ 880,803
Grants and pledges receivable, current	222,391	247,945
Accounts receivable	18,315	11,578
Deposits	<u>1,578</u>	<u>858</u>
Financial assets available for general expenditures within one year	<u>\$ 1,059,914</u>	<u>\$ 1,141,184</u>

Note 13 – Concentrations

Bank Deposits. The Organization maintained cash balances in excess of federally insured limits at certain times during the years ended December 31, 2022 and 2021.

Major Contributors. The Organization had a single donor who comprised 31% of total support and revenue during the year ended December 31, 2021.

Geographical. The Organization receives a substantial amount of its operating support and revenue from within the Boulder, Colorado area. The effects of this concentration of credit risk on the Organization's financial statements have not been determined for the years ended December 31, 2022 and 2021.