MOUNTAIN RESOURCE CENTER

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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HEIDER, TANNER & DIRKS, INC.
CERTIFIED PUBLIC ACCOUNTANTS

RICHARD P. HEIDER, CPA
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mountain Resource Center

We have audited the accompanying statements of financial position of Mountain Resource Center (a nonprofit corporation) as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 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 Mountain Resource Center as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Heider, Tanner & Dirks, Inc.

HEIDER, TANNER & DIRKS, INC.
Denver, Colorado

May 23, 2017

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MOUNTAIN RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 442,676	$ 341,771
Grants and contracts receivable	235,627	234,371
Prepaid expenses and deposits	32,910	8,890
Other receivables	463	463
Thrift shop inventory	44,597	39,265
Total current assets	756,273	624,760
Land, building and equipment, net of accumulated depreciation of $817,374 and $748,971	1,246,224	1,314,627
Total assets	$ 2,002,497	$ 1,939,387
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 36,236	$ 26,680
Payroll related liabilities	13,169	9,636
Current portion of notes payable	24,030	22,869
Total current liabilities	73,435	59,185
Long-term liabilities:		
Long-term portion of notes payable	308,709	332,503
Total long-term liabilities	308,709	332,503
Total liabilities	382,144	391,688
Net assets:		
Unrestricted, undesignated	1,303,097	1,200,804
Unrestricted, board designated	12,609	12,556
Total unrestricted net assets	1,315,706	1,213,360
Temporarily restricted	304,647	334,339
Total net assets	1,620,353	1,547,699
Total liabilities and net assets	$ 2,002,497	$ 1,939,387

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

MOUNTAIN RESOURCE CENTER

STATEMENT OF ACTIVITIES

For the years ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND SUPPORT						
Grants and contracts	$ 142,128	$ 619,949	$ 762,077	$ 75,701	$ 690,645	$ 766,346
Government grants	402,039	-	402,039	348,429	-	348,429
Thrift store sales (net)	60,066	-	60,066	77,261	-	77,261
Special events (net)	52,619	-	52,619	45,107	-	45,107
Contributions	135,892	31,132	167,024	131,006	51,705	182,711
Rental income	10,120	-	10,120	11,680	-	11,680
Program service fees	11,536	-	11,536	11,257	-	11,257
Miscellaneous income	443	-	443	868	-	868
Interest income	91	-	91	83	-	83
In-kind contributions	117,617	-	117,617	132,973	-	132,973
Net assets released from restrictions	680,773	(680,773)	-	733,008	(733,008)	-
Total revenues, gains and support	1,613,324	(29,692)	1,583,632	1,567,373	9,342	1,576,715
EXPENSES						
Program services	1,395,411	-	1,395,411	1,495,853	-	1,495,853
Supporting services:						
Management and general	90,316	-	90,316	111,220	-	111,220
Fundraising	25,251	-	25,251	28,179	-	28,179
Total supporting services	115,567	-	115,567	139,399	-	139,399
Total expenses	1,510,978	-	1,510,978	1,635,252	-	1,635,252
CHANGE IN NET ASSETS	102,346	(29,692)	72,654	(67,879)	9,342	(58,537)
NET ASSETS, BEGINNING OF PERIOD	1,213,360	334,339	1,547,699	1,281,239	324,997	1,606,236
NET ASSETS, END OF PERIOD	$ 1,315,706	$ 304,647	$ 1,620,353	$ 1,213,360	$ 334,339	$ 1,547,699

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

MOUNTAIN RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Salaries	$ 641,488	$ 42,296	$ 21,148	$ 704,932
Payroll taxes and benefits	91,364	6,024	3,012	100,400
Client assistance	284,340	-	-	284,340
Accounting and audit	13,166	2,360	-	15,526
Advertising and marketing	8,350	1,102	-	9,452
Interest	15,513	3,177	-	18,690
Insurance	17,380	1,724	-	19,104
Utilities	18,690	1,591	-	20,281
Telephone	11,465	996	-	12,461
Supplies	37,897	1,350	-	39,247
Rent	49,096	760	-	49,856
Equipment	16,284	2,609	-	18,893
Contract and professional	52,395	237	-	52,632
Repairs	19,473	2,246	-	21,719
Dues and subscriptions	8,920	518	-	9,438
Travel, conferences and meals	15,109	1,876	-	16,985
All other	3,952	3,999	-	7,951
In-kind	33,755	6,507	407	40,669
Total expenses before depreciation	1,338,637	79,372	24,567	1,442,576
Depreciation	56,774	10,944	684	68,402
Total expenses	$ 1,395,411	$ 90,316	$ 25,251	$ 1,510,978

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

MOUNTAIN RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Salaries	$ 693,394	$ 45,718	$ 22,859	$ 761,971
Payroll taxes and benefits	119,874	8,298	3,755	131,927
Client assistance	242,342	-	-	242,342
Accounting and audit	40,047	7,835	-	47,882
Advertising and marketing	6,276	1,672	88	8,036
Interest	14,497	2,969	-	17,466
Insurance	15,500	3,706	-	19,206
Utilities	19,213	2,967	-	22,180
Telephone	11,874	1,594	-	13,468
Supplies	42,409	3,007	14	45,430
Rent	49,812	817	-	50,629
Equipment	9,023	1,363	-	10,386
Contract and professional	59,488	1,252	-	60,740
Repairs	21,147	3,744	-	24,891
Dues and subscriptions	3,942	531	-	4,473
Travel, conferences and meals	35,040	961	-	36,001
All other	3,026	3,784	150	6,960
In-kind	51,939	10,012	626	62,577
Total expenses before depreciation	1,438,843	100,230	27,492	1,566,565
Depreciation	57,010	10,990	687	68,687
Total expenses	$ 1,495,853	$ 111,220	$ 28,179	$ 1,635,252

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

MOUNTAIN RESOURCE CENTER
STATEMENT OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 72,654	$ (58,537)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	68,402	68,687
Changes in operating assets and liabilities:		
Decrease (increase) in grants and contracts receivable	(1,256)	47,110
Decrease (increase) in other receivables	-	(463)
Decrease (increase) in prepaid expenses	(24,020)	(257)
Decrease (increase) in inventory	(5,332)	(31,863)
Increase (decrease) in accounts payable	9,556	(977)
Increase (decrease) in payroll accruals	3,533	(47,517)
Net cash provided (used) by operating activities	123,537	(23,817)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(22,632)	(24,455)
Net cash provided (used) by financing activities	(22,632)	(24,455)
Net increase (decrease) in cash and cash equivalents	100,905	(48,272)
Cash and cash equivalents, beginning of year	341,771	390,043
Cash and cash equivalents, end of year	$ 442,676	$ 341,771
Supplemental Disclosures:		
Cash paid during the period for interest	$ 18,690	$ 17,466

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

NOTE 1 - NATURE OF ORGANIZATION

The mission of Mountain Resource Center is: To provide high quality, integrated health and human services that improve the lives of people in communities we serve.

Mountain Resource Center is a community-based, nonprofit organization that promotes community involvement and responsibility to foster the optimal welfare of children, youth, adults and communities. Mountain Resource Center provides clients with referrals and direct services when possible and is supported primarily through grants and contracts.

Through a dedicated, highly qualified staff and 266 volunteers, Mountain Resource Center can provide essential health and human services to 1,000+ square mile service area that includes: Bailey, Conifer, and Evergreen mountain communities and Park, West Jefferson, Clear Creek and Gilpin counties.

The rural communities that are served by Mountain Resource Center are geographically isolated, and services can be difficult or even impossible to access for many of the residents. By working in collaboration with local businesses, private and public organizations, churches, schools, and individuals, Mountain Resource Center serves as a hub to address community needs. Children, families and single adults turn to Mountain Resource Center with critical basic needs for food, safety, shelter, health and wellness. Services provided include: Basic Needs Assistance, Workforce Services, Veterans Services, Family Education, Mental Health Services, Financial Literacy, Health and Wellness and Presumptive Eligibility Site. Beyond these basics, Mountain Resource Center works to strengthen and improve the fabric of our community in many ways.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements of Mountain Resource Center (the "Center") have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, certain revenues and the related assets are recognized when earned rather than when received, and certain expenses and the related liabilities are recognized when incurred rather than when paid.

b. Financial Statement Presentation

Under Statement of Financial Accounting Standards Board FASB ASC 958-205-45, "*Financial Statements of Not-for-Profit Organizations",* the Center 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.

Unrestricted Net Assets – consists of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions, which permit Mountain Resource Center to expend the assets only as specified, and are satisfied either by the passage of time or by actions of the organization. Resources of this nature typically originate from gifts, grants, and bequests.

Permanently Restricted Net Assets – includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Financial Statement Presentation (continued)

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the 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 restriction.

c. Cash and Cash Equivalents

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

d. Grants and Contracts Receivable

The Center 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.

The Center reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets are to 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 Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give are recorded when pledges are made by the respective donors. An allowance for uncollectibility is provided based on review of individually significant pledges. No such allowance was deemed necessary at December 31, 2016 and 2015. All contributions are available for unrestricted use, unless specified by the donor for a specific purpose. Promises to give are classified as temporarily restricted contributions due to a presumptive time restriction and in accordance with FASB ASC 958-205-45. When the pledge is funded, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

e. Capitalization and Depreciation

The Center follows the practice of capitalizing all expenditures for property and equipment in excess of $1,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives range from 3 to 5 years for equipment, and to 30 years for the building.

f. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Income Taxes

The Center is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code (IRC) as a public charity, as described in Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

The Center follows FASB ASC 740 *Income Taxes*, which requires entities to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. The Center has evaluated tax positions taken related to its tax-exempt status, and none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2016.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

At December 31, 2016 and 2015, the Center had outstanding receivables from grantors of $235,627 and $234,371, respectively. All receivables are expected to be collected within the next year and, accordingly, no discount to net present value has been recorded. Management considers all receivables at December 31, 2016 and 2015 to be fully collectible, thus no allowance for uncollectible accounts has been recorded.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Estimated Useful Life	2016	2015
Land		$ 151,648	$ 151,648
Building and improvements	30 years	1,786,715	1,786,715
Furniture and equipment	3-5 years	125,235	125,235
		2,063,598	2,063,598
Less: Accumulated depreciation and amortization		(817,374)	(748,971)
Net property and equipment		$ 1,246,224	$ 1,314,627

Depreciation expense was $68,402 and $68,687 for the years ended December 31, 2016 and 2015, respectively.

NOTE 5 - LEASE COMMITMENTS

The Center leases retail space for its thrift shop operations under a non-cancellable operating lease agreement, which expires February 2019. In addition, the Center leases office equipment under various non-cancellable operating leases. Future minimum payments under these leases are as follows:

Year Ending December 31:	Amount
2017	$ 40,608
2018	41,680
2019	10,755
2020	626
Total	$ 93,669

Rent expense under these leases for the years ended December 31, 2016 and 2015, was $41,070 and $56,128, respectively.

NOTE 6 - NOTES PAYABLE

In May 2016, the Center renewed a $75,000 line of credit with a bank. The line of credit provides for interest to be paid at the Wall Street Journal prime rate plus 1%, has a 4.5% interest rate floor, and is available through May 1, 2019. At December 31, 2016 and 2015, there were no amounts outstanding on this line of credit.

During the year ended December 31, 2012, the Center refinanced an existing commercial loan. Terms of the loan require principal and interest to be paid in 180 monthly installments of $3,279, with a stated interest rate of 4.7%.

Both notes are secured by a deed of trust on the Center's building.

Principal payments due on notes payable are as follows:

Year Ended December 31:	Amount
2017	$ 24,030
2018	25,201
2019	26,428
2020	27,681
2021	29,064
Thereafter	200,335
Total	332,739
Less current portion	(24,030)
Long-term debt	$ 308,709

NOTE 7 - BOARD DESIGNATED OPERATING RESERVE

It is the intention of the Center's Board of Directors to build an operating reserve. The reserve will be equal to the income received from state and federal sources, or equal to 25% of the annual operating budget, whichever is higher. As of December 31, 2016 and 2015, the balance in the reserve was $12,609 and $12,556, respectively.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 consist of grants and contributions restricted for purpose of $304,647 and $334,339.

NOTE 9 - IN-KIND CONTRIBUTIONS

Donated materials and use of facilities are reflected in these financial statements at their estimated fair market value at the date of receipt. Such in-kind contributions amounted to $117,617 and $132,973 in the years ended December 31, 2016 and 2015, respectively. The portion of these contributions benefitting programs or supporting services is included in the statement functional expenses, and amounted to $40,669 and $62,577, respectively, for the years ended December 31, 2016 and 2015. In-kind contributions of thrift store merchandise of $76,948 and $38,534 for the years ended December 31, 2016 and 2015, respectively, have been netted against thrift store revenue in the statement of activities. In-kind contributions were also received to benefit special events in the amount of $36,943 and $39,875 for the years ended December 31, 2016 and 2015, respectively and have been netted against special events revenue in the statement of activities.

In addition, the Center utilizes volunteers for administrative, program and fundraising support. During the year ended December 31, 2016, 266 volunteers provided 11,387 hours of donated services to the Center. However, these donated services do not meet the criteria to be recognized in the financial statements, and accordingly, are not recorded.

NOTE 10 - SPECIAL EVENTS

Special events revenues (net of expenses) for the year consisted of:

Description	2016	2015
Bowls events	$ 43,667	$ 42,569
Mountain Derby Daze	3,987	-
Stage Productions	2,378	-
Boo in the Hills	940	1,293
Alternate Gift Fair	1,647	1,233
Other events	-	12
Total	$ 52,619	$ 45,107

NOTE 11 - PENSION PLAN

In May 2016, the Center established a 401k pension plan, whereby employees may contribute to either a pre-tax or a Roth IRA. The Center does not make matching contributions in this plan.

NOTE 12 - SUBSEQUENT EVENTS

The Center has adopted the provisions of FASB ASC 855-10-50, "*Subsequent Events*". This statement requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Center's financial statements were available to be issued on May 23, 2017, and this is the date through which subsequent events were evaluated.