

MOUNTAIN RESOURCE CENTER

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mountain Resource Center

We have audited the accompanying statement of financial position of Mountain Resource Center (a nonprofit corporation) 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 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, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements for the year ended December 31, 2016 were audited by other auditors and are included for comparative purposes only. An unqualified opinion was expressed in their report dated May 23, 2017.

Claire Sonnier, CPA, PC

CLAIRE SONNIER, CPA, PC
Aurora, Colorado

May 18, 2018

MOUNTAIN RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 497,455	\$ 442,676
Grants and contracts receivable	209,408	235,627
Prepaid expenses and deposits	18,188	32,910
Other receivables	-	463
Thrift shop inventory	<u>42,701</u>	<u>44,597</u>
Total current assets	<u>767,752</u>	<u>756,273</u>
Land, building and equipment, net of accumulated depreciation of \$865,892 and \$817,374	<u>1,175,531</u>	<u>1,246,224</u>
Total assets	<u><u>\$ 1,943,283</u></u>	<u><u>\$ 2,002,497</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 29,848	\$ 36,236
Payroll related liabilities	25,049	13,169
Deferred revenue	540	-
Current portion of notes payable	<u>25,200</u>	<u>24,030</u>
Total current liabilities	<u>80,637</u>	<u>73,435</u>
Long-term liabilities:		
Long-term portion of notes payable	<u>283,464</u>	<u>308,709</u>
Total long-term liabilities	<u>283,464</u>	<u>308,709</u>
Total liabilities	<u>364,101</u>	<u>382,144</u>
Net assets:		
Unrestricted, undesignated	1,150,827	1,303,097
Unrestricted, board designated	<u>12,716</u>	<u>12,609</u>
Total unrestricted net assets	1,163,543	1,315,706
Temporarily restricted	<u>415,639</u>	<u>304,647</u>
Total net assets	<u>1,579,182</u>	<u>1,620,353</u>
Total liabilities and net assets	<u><u>\$ 1,943,283</u></u>	<u><u>\$ 2,002,497</u></u>

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

MOUNTAIN RESOURCE CENTER
STATEMENT OF ACTIVITIES
For the years ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND SUPPORT						
Grants and contracts	\$ 14,740	\$ 652,615	\$ 667,355	\$ 142,128	\$ 619,949	\$ 762,077
Government grants	332,620	-	332,620	402,039	-	402,039
Thrift store sales (net)	50,012	-	50,012	60,066	-	60,066
Special events (net)	54,068	-	54,068	52,619	-	52,619
Contributions	142,829	29,492	172,321	135,892	31,132	167,024
Rental income	13,383	-	13,383	10,120	-	10,120
Program service fees	8,020	-	8,020	11,536	-	11,536
Miscellaneous income	2,979	-	2,979	443	-	443
Interest income	390	-	390	91	-	91
In-kind contributions	113,411	-	113,411	117,617	-	117,617
Net assets released from restrictions	571,115	(571,115)	-	680,773	(680,773)	-
Total revenues, gains and support	1,303,567	110,992	1,414,559	1,613,324	(29,692)	1,583,632
EXPENSES						
Program services	1,343,793	-	1,343,793	1,395,411	-	1,395,411
Supporting services:						
Management and general	87,328	-	87,328	90,316	-	90,316
Fundraising	24,609	-	24,609	25,251	-	25,251
Total supporting services	111,937	-	111,937	115,567	-	115,567
Total expenses	1,455,730	-	1,455,730	1,510,978	-	1,510,978
CHANGE IN NET ASSETS	(152,163)	110,992	(41,171)	102,346	(29,692)	72,654
NET ASSETS, BEGINNING OF PERIOD	1,315,706	304,647	1,620,353	1,213,360	334,339	1,547,699
NET ASSETS, END OF PERIOD	<u>\$ 1,163,543</u>	<u>\$ 415,639</u>	<u>\$ 1,579,182</u>	<u>\$ 1,315,706</u>	<u>\$ 304,647</u>	<u>\$ 1,620,353</u>

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

MOUNTAIN RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Supporting Services Management and General	Fundraising	Total Expenses
Salaries	\$ 626,445	\$ 41,304	\$ 20,652	\$ 688,401
Payroll taxes and benefits	98,574	6,499	3,250	108,323
Client assistance	201,689	-	-	201,689
Accounting and audit	10,550	1,172	-	11,722
Advertising and marketing	5,891	1,159	-	7,050
Interest	12,679	2,597	-	15,276
Insurance	17,603	1,182	-	18,785
Utilities	16,259	1,349	-	17,608
Telephone	13,673	1,137	-	14,810
Supplies	28,302	840	-	29,142
Rent	50,353	754	-	51,107
Equipment	8,143	778	-	8,921
Contract and professional	97,237	5,429	-	102,666
Repairs	19,286	2,044	-	21,330
Dues and subscriptions	15,789	837	-	16,626
Travel, conferences and meals	20,061	3,538	-	23,599
All other	2,294	5,398	-	7,692
In-kind	40,290	-	-	40,290
Total expenses before depreciation	1,285,118	76,017	23,902	1,385,037
Depreciation	58,675	11,311	707	70,693
Total expenses	<u>\$ 1,343,793</u>	<u>\$ 87,328</u>	<u>\$ 24,609</u>	<u>\$ 1,455,730</u>

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	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	<u>\$ 1,395,411</u>	<u>\$ 90,316</u>	<u>\$ 25,251</u>	<u>\$ 1,510,978</u>

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

MOUNTAIN RESOURCE CENTER
STATEMENT OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (41,171)	\$ 72,654
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	70,693	68,402
Changes in operating assets and liabilities:		
Decrease (increase) in grants and contracts receivable	26,219	(1,256)
Decrease (increase) in other receivables	463	-
Decrease (increase) in prepaid expenses	14,722	(24,020)
Decrease (increase) in inventory	1,896	(5,332)
Increase (decrease) in accounts payable	(6,388)	9,556
Increase (decrease) in payroll accruals	11,880	3,533
Increase (decrease) in deferred revenue	540	-
Net cash provided (used) by operating activities	<u>78,854</u>	<u>123,537</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	<u>(24,075)</u>	<u>(22,632)</u>
Net cash provided (used) by financing activities	<u>(24,075)</u>	<u>(22,632)</u>
Net increase (decrease) in cash and cash equivalents	54,779	100,905
Cash and cash equivalents, beginning of year	<u>442,676</u>	<u>341,771</u>
Cash and cash equivalents, end of year	<u><u>\$ 497,455</u></u>	<u><u>\$ 442,676</u></u>
Supplemental Disclosures:		
Cash paid during the period for interest	<u><u>\$ 15,276</u></u>	<u><u>\$ 18,690</u></u>

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

MOUNTAIN RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION

The mission of Mountain Resource Center is: We strengthen our community with services that empower people.

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 259 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, Advocacy, Two-Generation Family Education, Parents as Teachers-Home Visitation, Food Pantry, 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.

MOUNTAIN RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 has expired, 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, 2017 and 2016. 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 \$2,500. 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. *Inventory*

Inventory for the thrift store consists entirely of donated goods and is recorded at fair market value.

g. *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.

MOUNTAIN RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. 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, 2017.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

At December 31, 2017 and 2016, the Center had outstanding receivables from grantors of \$209,408 and \$235,627, 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, 2017 and 2016 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:

	<u>Estimated Useful Life</u>	<u>2017</u>	<u>2016</u>
Land		\$ 151,648	\$ 151,648
Building and improvements	30 years	1,786,715	1,786,715
Furniture and equipment	3-5 years	<u>103,060</u>	<u>125,235</u>
		2,041,423	2,063,598
Less: Accumulated depreciation and amortization		<u>(865,892)</u>	<u>(817,374)</u>
Net property and equipment		<u>\$ 1,175,531</u>	<u>\$ 1,246,224</u>

Depreciation expense was \$70,693 and \$68,402 for the years ended December 31, 2017 and 2016, 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:

<u>Year Ending December 31:</u>	<u>Amount</u>
2018	\$ 41,680
2019	10,755
2020	<u>626</u>
Total	<u>\$ 53,061</u>

Rent expense under these leases for the years ended December 31, 2017 and 2016, was \$54,911 and \$41,070, respectively.

MOUNTAIN RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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, 2017 and 2016, 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:

<u>Year Ended December 31:</u>	<u>Amount</u>
2018	\$ 25,201
2019	26,428
2020	27,681
2021	29,064
2022	30,479
Thereafter	<u>170,981</u>
Total	309,834
Less current portion	<u>(25,200)</u>
Long-term debt	<u>\$ 284,634</u>

NOTE 7 - 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 \$113,411 and \$117,617 in the years ended December 31, 2017 and 2016, respectively. The portion of these contributions benefitting programs or supporting services is included in the statement functional expenses, and amounted to \$40,289 and \$42,359, respectively, for the years ended December 31, 2017 and 2016. In-kind contributions of thrift store merchandise of \$73,123 and \$76,948 for the years ended December 31, 2017 and 2016, 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 \$31,646 and \$36,943 for the years ended December 31, 2017 and 2016, 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, 2017, 259 volunteers provided 12,371 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 8 - BOARD DESIGNATED OPERATING RESERVE

It is the intention of the Center's Board of Directors to build an operating reserve. As of December 31, 2017 and 2016, the balance in the reserve was \$12,716 and \$12,609, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 consist of grants and contributions restricted for purpose of \$415,639 and \$304,647.

MOUNTAIN RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE 10 - SPECIAL EVENTS

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

<u>Description</u>	<u>2017</u>	<u>2016</u>
Bowls events	\$ 43,395	\$ 43,667
Mountain Derby Daze	8,550	3,987
Stage Productions	-	2,378
Boo in the Hills	1,426	940
Alternate Gift Fair	697	1,647
Total	<u>\$ 54,068</u>	<u>\$ 52,619</u>

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 18, 2018, and this is the date through which subsequent events were evaluated.