



**ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

**ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

TABLE OF CONTENTS

DECEMBER 31, 2016

| | <u>Page</u> |
|----------------------------------|-------------|
| Independent Auditor's Report | 1 - 2 |
| Financial Statements: | |
| Statement of Financial Position | 3 - 4 |
| Statement of Activities | 5 - 6 |
| Statement of Functional Expenses | 7 |
| Statement of Cash Flows | 8 - 9 |
| Statement of Net Assets | 10 |
| Notes to Financial Statements | 11 - 20 |



VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ReSOURCE: A Nonprofit Community Enterprise, Inc., d/b/a ReSOURCE
Burlington, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of ReSOURCE: A Nonprofit Community Enterprise, Inc. d/b/a ReSOURCE, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, cash flows, and net assets 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ReSOURCE: A Nonprofit Community Enterprise, Inc. d/b/a ReSOURCE as of December 31, 2016, and the changes in its net assets and 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's 2015 financial statements, and our report dated November 16, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jmm & Associates

July 25, 2017

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

A S S E T S

| | 2016 | 2015 |
|---------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 279,617 | \$ 211,147 |
| Accounts receivable, net of allowance | 75,647 | 173,864 |
| Grants receivable | 229,155 | 169,464 |
| Pledges receivable, current | 30,000 | 11,000 |
| Inventory | 148,932 | 163,055 |
| Prepaid expenses | 56,996 | 48,391 |
| | | |
| TOTAL CURRENT ASSETS | 820,347 | 776,921 |
| | | |
| PROPERTY AND EQUIPMENT | | |
| Land | 32,500 | 32,500 |
| Machinery and equipment | 217,076 | 186,388 |
| Leasehold improvements | 264,544 | 271,572 |
| Vehicles | 336,109 | 263,721 |
| Building | 302,059 | 302,059 |
| Building renovation | 1,431,010 | 1,431,010 |
| | 2,583,298 | 2,487,250 |
| Less accumulated depreciation | (841,607) | (762,561) |
| | | |
| TOTAL PROPERTY AND EQUIPMENT | 1,741,691 | 1,724,689 |
| | | |
| OTHER ASSETS | | |
| Pledges receivable - noncurrent, net | 18,000 | 25,175 |
| Security deposits | 15,038 | 19,350 |
| | | |
| TOTAL OTHER ASSETS | 33,038 | 44,525 |
| | | |
| TOTAL ASSETS | \$ 2,595,076 | \$ 2,546,135 |

See accompanying notes.

LIABILITIES AND NET ASSETS

| | 2016 | 2015 |
|---|--------------|--------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 82,175 | \$ 35,205 |
| Current portion of long-term debt | 74,000 | 42,000 |
| Note payable - line of credit | 154,870 | 90,507 |
| Deferred revenue | 19,000 | 12,901 |
| Accrued wages and payroll liabilities | 96,972 | 87,249 |
| Accrued vacation | 86,597 | 82,132 |
| Sales tax payable | 4,848 | 6,550 |
| Store credits | 14,742 | 11,155 |
| | 533,204 | 367,699 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, net of current portion | 814,779 | 763,825 |
| | 814,779 | 763,825 |
| TOTAL LIABILITIES | 1,347,983 | 1,131,524 |
| NET ASSETS AND MEMBERS' EQUITY | | |
| Net assets: | | |
| Unrestricted | 1,123,316 | 1,009,413 |
| Temporarily restricted | 123,777 | 194,258 |
| Total net assets | 1,247,093 | 1,203,671 |
| Members' equity - noncontrolling interest | - | 210,940 |
| | 1,247,093 | 1,414,611 |
| TOTAL LIABILITIES AND NET ASSETS/MEMBERS' EQUITY | \$ 2,595,076 | \$ 2,546,135 |

See accompanying notes.

**ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE**

STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

| | 2016 | 2015 |
|---|--------------------|---------------------|
| CHANGE IN UNRESTRICTED NET ASSETS | | |
| SALES | | |
| Sales, net of returns and allowances | \$ 1,935,708 | \$ 2,149,117 |
| Less cost of goods sold | (791,137) | (748,483) |
| Less parts, fuel and disposal | (176,938) | (237,282) |
| TOTAL NET SALES | 967,633 | 1,163,352 |
| OPERATING REVENUE | | |
| Contributions | 245,289 | 160,211 |
| Donated goods | 785,547 | 787,531 |
| Donated facilities and services | 25,162 | 32,794 |
| Grants | 962,982 | 527,228 |
| Training fees | 462,656 | 300,744 |
| Rental income | - | 6,600 |
| Miscellaneous income | 56,252 | 16,447 |
| Subtotal - support and revenue | 2,537,888 | 1,831,555 |
| Net assets released from restrictions - programs | 605,719 | 552,724 |
| TOTAL OPERATING REVENUE | 3,143,607 | 2,384,279 |
| TOTAL SALES AND OPERATING REVENUE | 4,111,240 | 3,547,631 |
| EXPENSES | | |
| Program services | 3,459,951 | 2,915,152 |
| Support expenses: | | |
| General and administrative expenses - ReSOURCE | 611,188 | 564,621 |
| General and administrative expenses - 28 Granite Street LLC | - | 111,286 |
| Development | 137,138 | 132,578 |
| Total support expenses | 748,326 | 808,485 |
| TOTAL EXPENSES | 4,208,277 | 3,723,637 |
| OPERATING LOSS | (97,037) | (176,006) |
| TOTAL CHANGE IN UNRESTRICTED NET ASSETS | (97,037) | (176,006) |
| LESS CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTEREST | - | (6,027) |
| CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO RESOURCE | \$ (97,037) | \$ (169,979) |

See accompanying notes.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | 2016 | 2015 |
|--|--------------|-------------|
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUE | | |
| Contributions - program | \$ 535,238 | \$ 624,667 |
| Subtotal - support and revenue | 535,238 | 624,667 |
| Net assets released from restrictions - programs | (605,719) | (552,724) |
| TOTAL SUPPORT AND REVENUE | (70,481) | 71,943 |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | (70,481) | 71,943 |
| TOTAL CHANGE IN NET ASSETS | (167,518) | (104,063) |
| LESS CHANGE IN NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTEREST | - | (6,027) |
| CHANGE IN NET ASSETS ATTRIBUTABLE TO RESOURCE | \$ (167,518) | \$ (98,036) |

See accompanying notes.

**ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE**

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Development</u> | <u>Total 2016</u> | <u>Total 2015</u> |
|------------------------------|-----------------------------|---|--------------------------|----------------------------|----------------------------|
| Salaries | \$ 2,034,607 | \$ 262,079 | \$ 82,669 | \$ 2,379,355 | \$ 2,118,494 |
| Payroll taxes | 157,478 | 54,520 | 925 | 212,923 | 188,615 |
| Employee benefits | 118,362 | 233,180 | 1,060 | 352,602 | 297,260 |
| Subtotal - personnel costs | <u>2,310,447</u> | <u>549,779</u> | <u>84,654</u> | <u>2,944,880</u> | <u>2,604,369</u> |
| Occupancy | 288,429 | 28,764 | 368 | 317,561 | 302,628 |
| Professional services | 165,566 | (9,522) | 16,892 | 172,936 | 62,926 |
| Supplies and services | 109,588 | 12,032 | 9,281 | 130,901 | 157,455 |
| Depreciation | 106,033 | 5,489 | 50 | 111,572 | 94,347 |
| Essential goods program | 104,314 | - | - | 104,314 | 137,853 |
| Trainee stipends and support | 100,249 | 1,209 | - | 101,458 | 79,124 |
| Insurance | 48,317 | 1,502 | 4,984 | 54,803 | 42,266 |
| Vehicle expense | 47,545 | 1,360 | 1,828 | 50,733 | 47,993 |
| Property taxes | 50,155 | - | - | 50,155 | 48,033 |
| Advertising and printing | 21,191 | 1,489 | 16,542 | 39,222 | 20,277 |
| Other expenses | 34,150 | 731 | 1,511 | 36,392 | 50,865 |
| Interest | 19,477 | 12,196 | - | 31,673 | 24,841 |
| Office expense | 26,147 | 3,555 | 29 | 29,731 | 23,636 |
| Staff education and training | 22,135 | 1,359 | 421 | 23,915 | 18,892 |
| Travel | 6,208 | 1,245 | 578 | 8,031 | 8,132 |
| Subtotal - other expenses | <u>1,149,504</u> | <u>61,409</u> | <u>52,484</u> | <u>1,263,397</u> | <u>1,119,268</u> |
| TOTAL EXPENSES | <u><u>\$ 3,459,951</u></u> | <u><u>\$ 611,188</u></u> | <u><u>\$ 137,138</u></u> | <u><u>\$ 4,208,277</u></u> | <u><u>\$ 3,723,637</u></u> |

See accompanying notes.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | 2016 | 2015 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributions | \$ 761,702 | \$ 792,132 |
| Cash received from grants | 909,390 | 606,120 |
| Cash received from training fees | 560,873 | 263,632 |
| Cash received from sales | 1,769,188 | 1,886,950 |
| Cash received from rental and miscellaneous income | 56,252 | 23,047 |
| Cash paid for personnel | (2,930,692) | (2,566,708) |
| Cash paid for goods and services | (1,052,313) | (1,024,740) |
| Cash paid for interest | (31,673) | (7,136) |
| | <u>42,727</u> | <u>(26,703)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | (128,574) | (87,594) |
| | <u>(128,574)</u> | <u>(87,594)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in line of credit | 64,363 | 90,507 |
| Capital campaign contributions | 7,000 | 17,137 |
| Proceeds from long-term debt | 144,431 | 45,951 |
| Payments on long-term debt | (61,477) | (36,157) |
| | <u>154,317</u> | <u>117,438</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | |
| INCREASE IN CASH | 68,470 | 3,141 |
| BEGINNING CASH | <u>211,147</u> | <u>208,006</u> |
| ENDING CASH | <u>\$ 279,617</u> | <u>\$ 211,147</u> |

See accompanying notes.

**ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE**

STATEMENT OF CASH FLOWS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

| | 2016 | 2015 |
|---|----------------------|------------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ (167,518) | \$ (104,063) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 111,572 | 94,347 |
| (Increase) decrease in: | | |
| Accounts receivable | 98,217 | (76,161) |
| Grants receivable | (59,691) | 74,315 |
| Pledges receivable | (18,825) | 7,254 |
| Inventory | 14,123 | (25,698) |
| Prepaid expenses | (8,605) | 13,984 |
| Security deposits | 4,312 | (13,010) |
| Increase (decrease) in: | | |
| Accounts payable | 46,970 | (40,722) |
| Accrued wages and payroll liabilities | 9,723 | 23,004 |
| Accrued vacation | 4,465 | 14,657 |
| Sales tax payable | (1,702) | 395 |
| Store credits | 3,587 | 418 |
| Deferred revenue | 6,099 | 4,577 |
| Total adjustments | 210,245 | 77,360 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 42,727 | \$ (26,703) |

See accompanying notes.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | Unrestricted | Temporarily Restricted | Total |
|--------------------------------------|--------------|---------------------------|--------------|
| BEGINNING BALANCE - JANUARY 1, 2015 | \$ 1,179,392 | \$ 122,315 | \$ 1,301,707 |
| Change in net assets | (169,979) | 71,943 | (98,036) |
| ENDING BALANCE - DECEMBER 31, 2015 | 1,009,413 | 194,258 | 1,203,671 |
| BEGINNING BALANCE - JANUARY 1, 2016 | 1,009,413 | 194,258 | 1,203,671 |
| Transfer of non-controlling interest | 210,940 | - | 210,940 |
| Change in net assets | (97,037) | (70,481) | (167,518) |
| ENDING BALANCE - DECEMBER 31, 2016 | \$ 1,123,316 | \$ 123,777 | \$ 1,247,093 |

See accompanying notes.

**ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE**

NOTES TO FINANCIAL STATEMENTS

**DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

ReSOURCE: A Nonprofit Community Enterprise, Inc. d/b/a "ReSOURCE" (ReSOURCE or Organization) is a private, nonprofit corporation dedicated to ReSOURCE conservation, job skills training and poverty relief. ReSOURCE, formerly ReCycle North, integrates conservation and training by collecting used appliances and other household items which are refurbished and offered for sale to homeless and disadvantaged individuals. ReSOURCE also operates an innovative Building Material Reuse enterprise through which materials are sold or given away through a used building materials store. Training programs are offered in office administration, retail sales, appliance and computer systems repair, and construction/carpentry. ReSOURCE has operations in Burlington, South Burlington, Hyde Park, and Barre, Vermont. Sources of revenue include sales, federal, state and foundation grants, service, and individual contributions.

Reporting entity

In 2009, ReSOURCE created a subsidiary entity, 28 Granite Street LLC, as a holding company for the purpose of benefiting from state and federal historic tax credits related to the renovation of the new program site in Barre, Vermont. The LLC was wholly owned by ReSOURCE.

On October 20, 2011, 28 Granite Street LLC converted from a single-member LLC to a two-member LLC in which ReSOURCE, the managing member, became a .01% member of the LLC and Community National Bank became a 99.99% member. In 2015 and prior years, ReSOURCE presented the noncontrolling interest in the financial statements. The accompanying summarized 2015 financial statements include the consolidated statement of financial position, and the related consolidated statements of activities, functional expenses and cash flows for the year ended December 31, 2015.

Effective December 31, 2016, Community National Bank assigned its noncontrolling interest in 28 Granite Street LLC to ReSOURCE, 28 Granite Street LLC transferred all of its assets and liabilities to ReSOURCE and 28 Granite Street LLC was dissolved.

Programs and activities

ReSOURCE's mission is to meet community and individual needs through (1) education and job skills training, (2) environmental stewardship and (3) economic opportunities.

ReSOURCE is dedicated to extending its impact, changing more lives, providing relief, retraining, rebuilding, repairing, and restoring.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Programs and activities (continued)

The significant programs of ReSOURCE are as follows:

Four household goods and building material stores accept donated items that are refurbished and repaired and then sold or given away. More than a half million items including major appliances, computers, electronics, furniture, household goods, lumber, doors, windows, and other building materials are kept out of the landfill and made available for reuse.

ReSOURCE trains 300 individuals annually in one of three training programs: YouthBuild, Work Experience and Apprentice-style. Participants are trained for occupations in construction, weatherization, appliance repair, computer repair and networking, and retail sales. Each training program offers a unique combination of hands-on experiential and classroom-based learning. In addition to the personal and professional development curriculum used by all programs, YouthBuild also provides academic training that leads to a high school degree.

Launched in 1998, Essential Goods Program (EGP) unites local and regional nonprofits and service providers to provide essential household items and building materials to those who most need them. The EGP allocates a requested donation amount to the partner organization, and these organizations then issue vouchers to their clients to "purchase" goods and services.

Deconstruction Service provides an alternative to traditional "crunch and dump" demolition. Founded in 2001, ReSOURCE's deconstruction service completes full house take downs (essentially construction in reverse), as well as the first stage of house remodeling jobs, and salvages up to 80% of many structures. Materials salvaged are delivered to one of ReSOURCE's building material stores. ReSOURCE discontinued the deconstruction services in 2016.

ReSOURCE operates a full-service appliance repair service in order to service the salvaged machines it sells, and to ensure that trainees in the appliance repair program develop the necessary skills to succeed as appliance technicians.

Other services operated by ReSOURCE to promote its environmental mission and support its training include computer repair, pickup and delivery truck services at each location, and construction work including affordable housing construction, weatherization and solar installation. Construction services are provided through ReSOURCE's Barre and Burlington YouthBuild programs.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

ReSOURCE: A Nonprofit Community Enterprise, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 509(a)(1). In addition, contributions to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi). ReSOURCE does not believe that there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

Financial statement presentation

ReSOURCE is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There are no permanently restricted net assets to report.

Contributions

ReSOURCE reports contributions as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donated investments are also reported at fair value at the date of receipt, which is then treated as cost.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total, but does not include the nature of the 2015 expenses and costs incurred in each functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Property and equipment

Property and equipment are carried at cost when acquired by purchase, and at estimated fair market value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Organization's policy is to capitalize all acquisitions over \$1,500. Depreciation expense was \$111,572 and \$94,347 for the years ended December 31, 2016 and 2015, respectively.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

ReSOURCE's inventory consists of in-kind donations including household goods, appliances, electronics,

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, ReSOURCE considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Amounts on deposit are insured by the FDIC up to \$250,000, per insured bank, per depositor. There were no amounts on deposit in excess of the amount insured by the FDIC as of December 31, 2016 or 2015.

Advertising

Advertising costs are charged to expense when incurred. Advertising expense was \$39,222 and \$20,277 for the years ended December 31, 2016 and 2015, respectively.

Estimates

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

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Sales tax

ReSOURCE collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the amount owed to the taxing authority for amounts collected but not yet remitted.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

2) ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|------------------|-------------------|
| Accounts receivable | \$ 101,647 | \$ 209,864 |
| Less allowance for doubtful accounts | <u>(26,000)</u> | <u>(36,000)</u> |
| | <u>\$ 75,647</u> | <u>\$ 173,864</u> |

The allowance is based on experience and other circumstances that may affect the ability of clients to meet their obligations. The Organization charges off uncollectible accounts receivable when management deems the receivable will not be collected.

Bad debt expense was \$11,041 and \$16,869 for 2016 and 2015, respectively.

3) GRANTS RECEIVABLE

Grants receivable consists of funds due primarily from federal, state and local governments. Due to their current nature, management deems the amounts to be fully collectible, and no allowance for uncollectible accounts is necessary.

At December 31, 2016 and 2015, 22% and 69%, respectively, of total grants receivable were due from a single funding source.

4) PLEDGES RECEIVABLE

Pledges receivable includes both unrestricted pledges and capital campaign pledges. Pledges receivable consists of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|------------------|------------------|
| Unrestricted pledges | \$ 20,000 | \$ 1,175 |
| Capital campaign | 38,000 | 45,000 |
| | <u>58,000</u> | <u>46,175</u> |
| Less allowance for doubtful accounts | <u>(10,000)</u> | <u>(10,000)</u> |
| | <u>\$ 48,000</u> | <u>\$ 36,175</u> |

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

4) PLEDGES RECEIVABLE (continued)

Amounts reported in the Statement of Financial Position at December 31 are as follows:

| | 2016 | 2015 |
|------------|-----------|-----------|
| Current | \$ 30,000 | \$ 11,000 |
| Noncurrent | 18,000 | 25,175 |
| | \$ 48,000 | \$ 36,175 |

Pledges receivable consists of several promises to give. Pledges receivable consists of the following at December 31, 2016:

| | |
|--|-----------|
| Receivable in less than one year | \$ 30,000 |
| Receivable in one to five years | 28,000 |
| | 58,000 |
| Less allowance for uncollectible pledges | (10,000) |
| | \$ 48,000 |

5) INVENTORY

Inventory consists of the following at December 31:

| | 2016 | 2015 |
|--------------------|------------|------------|
| Household goods | \$ 36,388 | \$ 44,498 |
| Building materials | 60,915 | 85,901 |
| Appliances | 20,145 | 22,583 |
| Other | 31,484 | 10,073 |
| | \$ 148,932 | \$ 163,055 |

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

6) LONG-TERM DEBT

Long-term debt consists of the following at December 31:

| | 2016 | 2015 |
|--|------------|------------|
| City of Barre - VCDP loan: | | |
| Mortgage loan at 0% interest, collateralized by real estate, principal deferred until property sold | \$ 294,820 | \$ 294,820 |
| USDA - Rural Development: | | |
| Facility loan at 3.75% interest rate, monthly payments of \$3,220, due October 2031, collateralized by inventory, equipment and Barre property | 439,089 | 460,832 |
| VSECU: | | |
| Vehicle loan at 3.5% interest rate, monthly payments of \$517, due April 2018, collateralized by van | 8,064 | 13,872 |
| VSECU: | | |
| Vehicle loan at 3.5% interest rate, monthly payments of \$765, due March 2019, collateralized by vehicle | 19,827 | - |
| Daimler Financial Corporation: | | |
| Vehicle loan at 1.9% interest rate, monthly payments of \$1,343, due April 2018, collateralized by truck | 21,484 | 36,301 |
| Daimler Financial Corporation: | | |
| Vehicle loan at 2.835% interest rate, monthly payments of \$932, due July 2021, collateralized by truck | 53,849 | - |
| Toyota Credit: | | |
| Equipment loan, 0% interest, monthly payments of \$823, due March 2017, collateralized by equipment | 1,646 | - |
| Gibney Family Foundation | | |
| Program investment loan bearing interest at 1%, monthly payments of \$855, due December 2021, uncollateralized. | 50,000 | - |
| | 888,779 | 805,825 |
| Less current portion | (74,000) | (42,000) |
| | \$ 814,779 | \$ 763,825 |

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

6) LONG-TERM DEBT (continued)

Future maturities of long-term debt are as follows for the years ending December 31:

| | |
|------------|-------------------|
| 2017 | \$ 74,000 |
| 2018 | 58,000 |
| 2019 | 49,000 |
| 2020 | 35,000 |
| 2021 | 36,000 |
| Thereafter | <u>636,779</u> |
| | <u>\$ 888,779</u> |

In 2009, ReSOURCE purchased a building in Barre, Vermont that was later contributed to 28 Granite Street LLC. The purchase was funded through the Vermont Community Development Program (VCDP) using federal Community Development Block Grant (CDBG) funds. The VCDP loan, totaling \$294,820, bears interest at 0% and was passed through from the City of Barre. Loan repayment is deferred until sale of the property. The balance of the loan at December 31, 2016 and 2015 was \$294,820.

In 2009, 28 Granite Street LLC borrowed funds through a construction loan with Community National Bank to fund the renovation of a building in Barre, Vermont. The total amount available was \$543,000, and the amount outstanding as of December 31, 2010 was \$343,020. In October 2011, the loan was refinanced through a United States Department of Agriculture (USDA) Rural Development Facility Loan at a rate of 3.75% with monthly payments of \$3,220 having a maturity date of 2031. The loan is collateralized by inventory, equipment and the Barre property. The amounts outstanding on the loan as of December 31, 2016 and 2015 were \$439,089 and \$460,832, respectively.

All outstanding loans originally issued to 28 Granite Street LLC were assigned to ReSOURCE effective on December 31, 2016.

7) LINE OF CREDIT

ReSOURCE had a \$200,000 revolving line of credit with Community National Bank which expired on October 1, 2016. On October 21, 2016, ReSOURCE signed an agreement with Community National Bank for a \$225,000 line of credit which matures on November 1, 2018. The agreement bears interest at a variable rate of the Wall Street Journal Prime plus 2%, with a floor of 5.25%. The interest rate on December 31, 2016 and 2015 was 5.75% and 5.5%, respectively. Amounts outstanding under this agreement were \$154,870 and \$90,507 at December 31, 2016 and 2015, respectively.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

8) COMMITMENTS AND CONTINGENCIES

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that is a possibility, management deems the contingency remote.

ReSOURCE uses space at 339 Pine Street provided free of charge by the City of Burlington for the Organization's Building Material Center. ReSOURCE utilizes approximately 10,740 square feet of space, consisting of garage bays and a fenced-in yard. ReSOURCE signed a three-year lease renewal in January 2014 which expired in 2017. ReSOURCE and the City are in discussions about a lease renewal. Construction of the Pine Street extension (formerly called the Southern Connector) could impact the availability of this space as more yard space would be required for construction work, and the lease gives the City the right to terminate the lease with three months' notice. A Strategic Planning Committee is examining space alternatives in light of the threat of losing the Pine Street property. In 2016 and 2015, the Organization recorded an in-kind donation and related facility expense of \$25,000 to approximate the fair value of the donated facility.

9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows as of December 31:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Support for various programs in next year | \$ 53,781 | \$ 40,794 |
| YouthBuild program | 40,052 | 53,828 |
| New facilities | 20,000 | - |
| LEAP | 9,944 | - |
| Workforce development | - | 99,636 |
| | <u>\$ 123,777</u> | <u>\$ 194,258</u> |

10) RETIREMENT PLAN

ReSOURCE sponsors a 403(b) noncontributory, defined-contribution pension plan for all employees, and the board of directors has discretion over employer contributions to the plan. ReSOURCE did not make any contributions to the plan in 2016 and 2015. In addition, all employees are eligible to participate in a voluntary tax-deferred supplemental retirement plan.

ReSOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
D/B/A ReSOURCE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

11) LEASES

In 2014, ReSOURCE executed a three-year extension of its lease agreement with a company owned by a member of the Organization's board of directors. The lease covers ReSOURCE's storefront and office space in Burlington. Rent expense for the storefront and office space for the years ended December 31, 2016 and 2015 was \$129,948 and \$123,759, respectively.

In 2016 and 2015, ReSOURCE recognized a donation of facilities expense based on an estimate of the fair market value of the donated space. The amount of donated rent recognized for the space was \$25,000 in 2016 and 2015.

ReSOURCE's three-year lease for a commercial warehouse located in Williston, Vermont expired in May 2014 and shifted to a month-to-month lease. The warehouse was used for appliance repair and metal recycling. ReSOURCE was subleasing part of the property to a metal company on a month-to-month basis, and received \$0 and \$6,600 in sublease income in 2016 and 2015, respectively. In 2015, ReSource moved this operation to South Burlington and signed a new lease which expires in October 2018. Rent expense for the appliance repair facility was approximately \$18,100 and \$59,300 in 2016 and 2015, respectively.

In November 2012, ReSOURCE began leasing a building in Morrisville, Vermont. The lease expired in October 2015 and converted to a monthly basis. In December 2015, ReSource moved this operation to Hyde Park, Vermont and signed a three-year lease expiring in 2018. Rent expense for these leases was \$61,320 and \$17,000 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments are as follows for the years ending December 31:

| | |
|------|-------------------|
| 2017 | \$ 218,000 |
| 2018 | <u>224,000</u> |
| | <u>\$ 442,000</u> |

12) EQUITY TRANSFER

Effective December 31, 2016, the noncontrolling member in 28 Granite Street LLC transferred its ownership to ReSOURCE, at which time ReSOURCE dissolved 28 Granite Street LLC and merged all related accounts into ReSOURCE. The noncontrolling interest of \$210,940 was recorded as unrestricted net assets in 2016.

13) SUBSEQUENT EVENTS

ReSOURCE has evaluated events and transactions for potential recognition or disclosure through July 25, 2017, the date the financial statements were available to be issued.