



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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2015

**JMIM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2015

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

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VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ReSOURCE: A Nonprofit Community Enterprise, Inc. and subsidiary, d/b/a ReSOURCE, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, cash flows, and net assets for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ReSOURCE: A Nonprofit Community Enterprise, Inc. and subsidiary, d/b/a ReSOURCE as of December 31, 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 - 28 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited ReSOURCE's 2014 financial statements, and our report dated September 1, 2015 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, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jmm & Associates

November 16, 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

A S S E T S

| | 2015 | 2014 |
|---------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 211,147 | \$ 208,006 |
| Accounts receivable, net of allowance | 173,864 | 136,752 |
| Grants receivable | 169,464 | 243,779 |
| Pledges receivable, current | 11,000 | 18,000 |
| Inventory | 163,055 | 98,309 |
| Prepaid expenses | 48,391 | 62,375 |
| | | |
| TOTAL CURRENT ASSETS | 776,921 | 767,221 |
| | | |
| PROPERTY AND EQUIPMENT | | |
| Land | 32,500 | 32,500 |
| Machinery and equipment | 186,388 | 184,434 |
| Leasehold improvements | 271,572 | 251,590 |
| Vehicles | 263,721 | 283,868 |
| Building | 302,059 | 302,059 |
| Building renovation | 1,431,010 | 1,431,010 |
| | 2,487,250 | 2,485,461 |
| Less accumulated depreciation | (762,561) | (759,711) |
| | | |
| TOTAL PROPERTY AND EQUIPMENT | 1,724,689 | 1,725,750 |
| | | |
| OTHER ASSETS | | |
| Pledges receivable - noncurrent, net | 25,175 | 42,566 |
| Security deposits | 19,350 | 6,339 |
| | | |
| TOTAL OTHER ASSETS | 44,525 | 48,905 |
| | | |
| TOTAL ASSETS | \$ 2,546,135 | \$ 2,541,876 |

See accompanying notes.

LIABILITIES AND NET ASSETS

| | 2015 | 2014 |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 35,205 | \$ 75,930 |
| Current portion of long-term debt | 42,000 | 26,000 |
| Note payable - line of credit | 90,507 | - |
| Deferred revenue | 12,901 | 8,324 |
| Accrued wages and payroll liabilities | 87,249 | 64,245 |
| Accrued vacation | 82,132 | 67,475 |
| Sales tax payable | 6,550 | 6,155 |
| Store credits | 11,155 | 10,737 |
| | 367,699 | 258,866 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, net of current portion | 763,825 | 770,030 |
| | 763,825 | 770,030 |
| TOTAL LIABILITIES | 1,131,524 | 1,028,896 |
| NET ASSETS AND MEMBERS' EQUITY | | |
| Net assets: | | |
| Unrestricted | 1,009,413 | 1,179,392 |
| Temporarily restricted | 194,258 | 122,315 |
| Total net assets | 1,203,671 | 1,301,707 |
| Members' equity - noncontrolling interest | 210,940 | 211,273 |
| | 1,414,611 | 1,512,980 |
| TOTAL LIABILITIES AND NET ASSETS/MEMBERS' EQUITY | \$ 2,546,135 | \$ 2,541,876 |

See accompanying notes.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

| | 2015 | 2014 |
|---|------------------|------------------|
| CHANGE IN UNRESTRICTED NET ASSETS | | |
| SALES | | |
| Sales, net of returns and allowances | \$ 2,149,117 | \$ 2,200,843 |
| Less cost of goods sold | (748,483) | (705,182) |
| Less parts, fuel and disposal | (237,282) | (315,548) |
| TOTAL NET SALES | 1,163,352 | 1,180,113 |
| OPERATING REVENUE | | |
| Contributions | 160,211 | 237,380 |
| Donated goods | 787,531 | 712,883 |
| Donated facilities and services | 32,794 | 39,350 |
| Grants | 527,228 | 552,203 |
| Training fees | 300,744 | 297,218 |
| Rental income | 6,600 | 7,200 |
| Miscellaneous income | 16,447 | 22,941 |
| Subtotal - support and revenue | 1,831,555 | 1,869,175 |
| Net assets released from restrictions - programs | 552,724 | 659,647 |
| TOTAL OPERATING REVENUE | 2,384,279 | 2,528,822 |
| TOTAL SALES AND OPERATING REVENUE | 3,547,631 | 3,708,935 |
| EXPENSES | | |
| Program services | 2,915,152 | 2,750,790 |
| Support expenses: | | |
| General and administrative expenses - ReSOURCE | 564,621 | 553,153 |
| General and administrative expenses - 28 Granite Street LLC | 111,286 | 110,900 |
| Development | 132,578 | 122,247 |
| Total support expenses | 808,485 | 786,300 |
| TOTAL EXPENSES | 3,723,637 | 3,537,090 |
| OPERATING GAIN (LOSS) | (176,006) | 171,845 |
| NONOPERATING INCOME | | |
| Net assets released from restrictions - capital | - | 4,000 |
| TOTAL NONOPERATING INCOME | - | 4,000 |
| TOTAL CHANGE IN UNRESTRICTED NET ASSETS | (176,006) | 175,845 |
| LESS CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTEREST | (6,027) | (34,352) |
| CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO RESOURCE | (169,979) | 210,197 |

See accompanying notes.

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

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

| | 2015 | 2014 |
|--|--------------------|------------------|
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUE | | |
| Contributions - program | \$ 624,667 | \$ 495,288 |
| Capital campaign contributions | - | 4,000 |
| Subtotal - support and revenue | 624,667 | 499,288 |
| Net assets released from restrictions - programs | (552,724) | (659,647) |
| Net assets released from restrictions - capital | - | (4,000) |
| TOTAL SUPPORT AND REVENUE | 71,943 | (164,359) |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | 71,943 | (164,359) |
| TOTAL CHANGE IN NET ASSETS | (104,063) | 11,486 |
| LESS CHANGE IN NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTEREST | (6,027) | (34,352) |
| CHANGE IN NET ASSETS ATTRIBUTABLE TO RESOURCE | \$ (98,036) | \$ 45,838 |

See accompanying notes.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

| | Program Services | General and Administrative | | | Total 2015 | Total 2014 |
|------------------------------|----------------------------|----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| | | ReSOURCE | 28 Granite Street LLC | Development | | |
| Salaries | \$ 1,765,213 | \$ 258,834 | \$ - | \$ 94,447 | \$ 2,118,494 | \$ 1,979,658 |
| Payroll taxes | 137,392 | 46,741 | - | 4,482 | 188,615 | 152,289 |
| Employee benefits | 143,260 | 152,775 | - | 1,225 | 297,260 | 299,126 |
| Subtotal - personnel costs | <u>2,045,865</u> | <u>458,350</u> | <u>-</u> | <u>100,154</u> | <u>2,604,369</u> | <u>2,431,073</u> |
| Occupancy | 279,950 | 18,217 | - | 4,461 | 302,628 | 294,349 |
| Supplies and services | 131,940 | 16,886 | - | 8,629 | 157,455 | 171,284 |
| Essential goods program | 137,853 | - | - | - | 137,853 | 133,020 |
| Depreciation | 53,672 | 2,764 | 37,911 | - | 94,347 | 90,491 |
| Trainee stipends and support | 78,877 | 247 | - | - | 79,124 | 68,669 |
| Professional services | 34,961 | 23,715 | - | 4,250 | 62,926 | 55,917 |
| Other expenses | 24,141 | 23,959 | 345 | 2,420 | 50,865 | 32,509 |
| Property taxes | - | - | 48,033 | - | 48,033 | 39,731 |
| Vehicle expense | 43,695 | 4,051 | - | 247 | 47,993 | 92,790 |
| Insurance | 28,553 | 5,593 | 7,292 | 828 | 42,266 | 35,432 |
| Interest | 1,262 | 5,874 | 17,705 | - | 24,841 | 19,190 |
| Office expense | 21,524 | 1,708 | - | 404 | 23,636 | 21,978 |
| Advertising and printing | 8,719 | 1,139 | - | 10,419 | 20,277 | 32,720 |
| Staff education and training | 17,270 | 856 | - | 766 | 18,892 | 8,927 |
| Travel | 6,870 | 1,262 | - | - | 8,132 | 9,010 |
| Subtotal - other expenses | <u>869,287</u> | <u>106,271</u> | <u>111,286</u> | <u>32,424</u> | <u>1,119,268</u> | <u>1,106,017</u> |
| TOTAL EXPENSES | <u><u>\$ 2,915,152</u></u> | <u><u>\$ 564,621</u></u> | <u><u>\$ 111,286</u></u> | <u><u>\$ 132,578</u></u> | <u><u>\$ 3,723,637</u></u> | <u><u>\$ 3,537,090</u></u> |

See accompanying notes.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributions | \$ 792,132 | \$ 735,477 |
| Cash received from grants | 606,120 | 501,762 |
| Cash received from training fees | 263,632 | 305,218 |
| Cash received from sales | 1,886,950 | 1,737,615 |
| Cash received from rental and miscellaneous income | 23,047 | 30,141 |
| Cash paid for personnel | (2,566,708) | (2,459,660) |
| Cash paid for goods and services | (1,024,740) | (778,769) |
| Cash paid for interest | (7,136) | (19,190) |
| | <u>(26,703)</u> | <u>52,594</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | (87,594) | (130,253) |
| | <u>(87,594)</u> | <u>(130,253)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in line of credit | 90,507 | - |
| Capital campaign contributions | 17,137 | 4,000 |
| Proceeds from long-term debt | 45,951 | 19,443 |
| Payments on long-term debt | (36,157) | (20,103) |
| | <u>117,438</u> | <u>3,340</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | |
| INCREASE (DECREASE) IN CASH | 3,141 | (74,319) |
| BEGINNING CASH | <u>208,006</u> | <u>282,325</u> |
| ENDING CASH | <u>\$ 211,147</u> | <u>\$ 208,006</u> |

See accompanying notes.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

| | 2015 | 2014 |
|---|--------------------|------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ (104,063) | \$ 11,486 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 94,347 | 90,491 |
| Capital campaign contributions | - | (4,000) |
| (Increase) decrease in: | | |
| Accounts receivable | (76,161) | (16,267) |
| Grants receivable | 74,315 | (46,538) |
| Pledges receivable | 7,254 | 2,809 |
| Inventory | (25,698) | (7,655) |
| Prepaid expenses | 13,984 | (10,776) |
| Security deposits | (13,010) | - |
| Increase (decrease) in: | | |
| Accounts payable | (40,722) | 33,897 |
| Accrued wages and payroll liabilities | 23,004 | 11,880 |
| Accrued vacation | 14,657 | (1,825) |
| Sales tax payable | 395 | (4,026) |
| Store credits | 418 | (2,979) |
| Deferred revenue | 4,577 | (3,903) |
| Total adjustments | 77,360 | 41,108 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ (26,703) | \$ 52,594 |

See accompanying notes.

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

CONSOLIDATED STATEMENT OF NET ASSETS

**FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| BEGINNING BALANCE - JANUARY 1, 2014 | \$ 969,195 | \$ 286,674 | \$ 1,255,869 |
| Change in net assets | <u>210,197</u> | <u>(164,359)</u> | <u>45,838</u> |
| ENDING BALANCE - DECEMBER 31, 2014 | <u>1,179,392</u> | <u>122,315</u> | <u>1,301,707</u> |
| BEGINNING BALANCE - JANUARY 1, 2015 | 1,179,392 | 122,315 | 1,301,707 |
| Change in net assets | <u>(169,979)</u> | <u>71,943</u> | <u>(98,036)</u> |
| ENDING BALANCE - DECEMBER 31, 2015 | <u>\$ 1,009,413</u> | <u>\$ 194,258</u> | <u>\$ 1,203,671</u> |

See accompanying notes.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

ReSOURCE: A Nonprofit Community Enterprise, Inc. and subsidiary, 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 houses are deconstructed and materials 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.

Principles of consolidation

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. The consolidated financial statements include the accounts of ReSOURCE and 28 Granite Street LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

On October 20, 2011, 28 Granite Street 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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

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

Programs and activities (continued)

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 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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

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

Comparative financial information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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.

28 Granite Street, LLC is subject to a minimum state income tax of \$300 per year, and is taxed as a partnership.

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 \$94,347 and \$90,491 for the years ended December 31, 2015 and 2014, respectively.

Inventory

ReSOURCE's inventory consists of in-kind donations including household goods, appliances, electronics, computers, and building materials. The Organization maintains inventory for appliances, electronics and computers valued at over \$10. Appliances and electronics are recognized as \$10 of contribution income with an equal amount as cost of goods sold. Computers are treated in the same manner with a \$50 value. For all other items, ReSOURCE recognizes in-kind contribution income and cost of goods sold at 50% of the value of reuse sales for the month, as that is deemed the most practical estimate of the goods' value at the time of the donation. It is the Organization's policy to perform an inventory count at the end of each year. Donated inventory is recorded as contributions and as inventory in the period received in order to properly reflect the cost of goods sold during the year and inventory on hand at year end.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

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

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 Consolidated Statement of Cash Flows, ReSOURCE considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. As of January 1, 2013, cash equivalents 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, 2015 or 2014.

Advertising

Advertising costs are charged to expense when incurred. Advertising expense was \$20,277 and \$32,720 for the years ended December 31, 2015 and 2014, 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 Consolidated 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. AND SUBSIDIARY
D/B/A ReSOURCE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

2) ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------------|-------------------|
| Accounts receivable | \$ 209,864 | \$ 172,752 |
| Less allowance for doubtful accounts | <u>(36,000)</u> | <u>(36,000)</u> |
| | <u>\$ 173,864</u> | <u>\$ 136,752</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 \$16,869 and \$5,433 for 2015 and 2014, 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, 2015 and 2014, 69% and 54%, 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>2015</u> | <u>2014</u> |
|--------------------------------------|------------------|------------------|
| Unrestricted pledges | \$ 1,175 | \$ 8,429 |
| Capital campaign | 45,000 | 62,137 |
| | <u>46,175</u> | <u>70,566</u> |
| Less allowance for doubtful accounts | <u>(10,000)</u> | <u>(10,000)</u> |
| | <u>\$ 36,175</u> | <u>\$ 60,566</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

4) PLEDGES RECEIVABLE (continued)

Amounts reported in the Consolidated Statement of Financial Position at December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|------------|-------------|-------------|
| Current | \$ 11,000 | \$ 18,000 |
| Noncurrent | 25,175 | 42,566 |
| | \$ 36,175 | \$ 60,566 |

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

| | |
|--|-----------|
| Receivable in less than one year | \$ 11,000 |
| Receivable in one to five years | 38,175 |
| | 49,175 |
| Less allowance for uncollectible pledges | (10,000) |
| Less discount to present value | (3,000) |
| | \$ 36,175 |

Pledges receivable in more than one year are discounted at 4%.

5) INVENTORY

Inventory consists of the following at December 31:

| | 2015 | 2014 |
|--------------------|-------------|-------------|
| Household goods | \$ 44,498 | \$ 37,956 |
| Building materials | 85,901 | 32,367 |
| Appliances | 22,583 | 21,719 |
| Other | 10,073 | 6,267 |
| | \$ 163,055 | \$ 98,309 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

6) LONG-TERM DEBT

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

| | 2015 | 2014 |
|--|------------|------------|
| 28 Granite Street: | | |
| 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 | 460,832 | 481,767 |
| VSECU: | | |
| Vehicle loan at 3.5% interest rate, monthly payments of \$517, due April 2018, collateralized by van | 13,872 | 19,443 |
| Daimler Financial Corporation: | | |
| Vehicle loan at 1.9% interest rate, monthly payments of \$1,343, due April 2018, collateralized by truck | 36,301 | - |
| | 805,825 | 796,030 |
| Less current portion | (42,000) | (26,000) |
| | \$ 763,825 | \$ 770,030 |

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

| | |
|------------|------------|
| 2016 | \$ 42,000 |
| 2017 | 44,000 |
| 2018 | 30,000 |
| 2019 | 24,000 |
| 2020 | 25,000 |
| Thereafter | 640,825 |
| | \$ 805,825 |

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, 2015 and 2014 was \$294,820.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

6) LONG-TERM DEBT (continued)

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, 2015 and 2014 were \$460,832 and \$481,767, respectively.

7) LINE OF CREDIT

ReSOURCE has a \$200,000 revolving line of credit with an expiration date of October 1, 2016 with Community National Bank, secured by the business assets of the Organization. The agreement bears interest at a variable rate of the Wall Street Journal Prime plus 1%, with a floor of 4.25%. The interest rate on December 31, 2015 and 2014 was 5.25%. Amounts outstanding under this agreement were \$90,507 and \$0 at December 31, 2015 and 2014, respectively.

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. 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 2015 and 2014, the Organization recorded an in-kind donation and related facility expense of \$25,000 to approximate the fair value of the donated facility.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

9) TEMPORARILY RESTRICTED NET ASSETS

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

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Support for various programs in next year | \$ 40,794 | \$ 35,545 |
| Workforce development | 99,636 | 30,454 |
| YouthBuild program | 53,828 | 56,316 |
| | \$ 194,258 | \$ 122,315 |

10) 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, 2015 and 2014 was \$123,759 and \$122,825, respectively.

In 2015 and 2014, 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 2015 and 2014.

ReSOURCE's three-year lease for a commercial warehouse located in Williston, Vermont expired in May of 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 \$6,600 and \$7,200 in sublease income in 2015 and 2014, 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 \$59,300 and \$55,300 in 2015 and 2014, 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 \$17,000 and \$12,000 for the years ended December 31, 2015 and 2014, respectively.

In 2010, ReSOURCE entered into a lease agreement with 28 Granite Street, LLC for the Barre location for a term of 20 years. Rent expense was \$105,253 and \$76,545 for the years ending December 31, 2015 and 2014, respectively. This intercompany rent is eliminated on the consolidated financial reports.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

10) LEASES (continued)

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

| | <u>28 Granite</u> | <u>Other Rentals</u> |
|------------|---------------------|--------------------------|
| 2016 | \$ 80,000 | \$ 79,000 |
| 2017 | 81,000 | 82,000 |
| 2018 | 82,000 | 82,000 |
| 2019 | 85,000 | - |
| 2020 | 86,000 | - |
| Thereafter | <u>1,043,000</u> | <u>-</u> |
| | <u>\$ 1,457,000</u> | <u>\$ 243,000</u> |

11) 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 2015 and 2014. In addition, all employees are eligible to participate in a voluntary tax-deferred supplemental retirement plan.

12) SUBSEQUENT EVENTS

ReSOURCE has evaluated events and transactions for potential recognition or disclosure through November 16, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2015

A S S E T S

| | <u>ReSOURCE</u> | <u>28 Granite Street LLC</u> | <u>Eliminations</u> | <u>Total</u> |
|---------------------------------------|---------------------|----------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | | | |
| Cash | \$ 209,286 | \$ 1,861 | \$ - | \$ 211,147 |
| Accounts receivable, net of allowance | 173,864 | - | - | 173,864 |
| Grants receivable | 169,464 | - | - | 169,464 |
| Pledges receivable, current | 11,000 | - | - | 11,000 |
| Inventory | 163,055 | - | - | 163,055 |
| Prepaid expenses | 42,896 | 5,495 | - | 48,391 |
| TOTAL CURRENT ASSETS | <u>769,565</u> | <u>7,356</u> | <u>-</u> | <u>776,921</u> |
| PROPERTY AND EQUIPMENT | | | | |
| Land | - | 32,500 | - | 32,500 |
| Machinery and equipment | 186,388 | - | - | 186,388 |
| Leasehold improvements | 271,572 | - | - | 271,572 |
| Vehicles | 263,721 | - | - | 263,721 |
| Buildings | - | 302,059 | - | 302,059 |
| Building renovations | - | 1,431,010 | - | 1,431,010 |
| | 721,681 | 1,765,569 | - | 2,487,250 |
| Less accumulated depreciation | <u>(567,937)</u> | <u>(194,624)</u> | <u>-</u> | <u>(762,561)</u> |
| TOTAL PROPERTY AND EQUIPMENT | <u>153,744</u> | <u>1,570,945</u> | <u>-</u> | <u>1,724,689</u> |
| OTHER ASSETS | | | | |
| Investment in subsidiary | 611,709 | - | (611,709) | - |
| Pledges receivable - noncurrent, net | 25,175 | - | - | 25,175 |
| Security deposits | 19,350 | - | - | 19,350 |
| TOTAL OTHER ASSETS | <u>656,234</u> | <u>-</u> | <u>(611,709)</u> | <u>44,525</u> |
| TOTAL ASSETS | <u>\$ 1,579,543</u> | <u>\$ 1,578,301</u> | <u>\$ (611,709)</u> | <u>\$ 2,546,135</u> |

LIABILITIES AND NET ASSETS

| | ReSOURCE | 28 Granite Street LLC | Eliminations | Total |
|--|---------------------|--------------------------|---------------------|---------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 35,205 | \$ - | \$ - | \$ 35,205 |
| Current portion of long-term debt | 21,000 | 21,000 | - | 42,000 |
| Note payable - line of credit | 90,507 | - | - | 90,507 |
| Deferred revenue | 12,901 | - | - | 12,901 |
| Accrued wages and payroll liabilities | 87,249 | - | - | 87,249 |
| Accrued vacation | 82,132 | - | - | 82,132 |
| Sales tax payable | 6,550 | - | - | 6,550 |
| Store credits | 11,155 | - | - | 11,155 |
| TOTAL CURRENT LIABILITIES | 346,699 | 21,000 | - | 367,699 |
| LONG-TERM LIABILITIES | | | | |
| Long-term debt, net of current portion | 29,173 | 734,652 | - | 763,825 |
| TOTAL LONG-TERM LIABILITIES | 29,173 | 734,652 | - | 763,825 |
| TOTAL LIABILITIES | 375,872 | 755,652 | - | 1,131,524 |
| NET ASSETS AND MEMBERS' EQUITY | | | | |
| Unrestricted | 1,009,413 | - | - | 1,009,413 |
| Temporarily restricted | 194,258 | - | - | 194,258 |
| Members' equity - parent | - | 611,709 | (611,709) | - |
| | 1,203,671 | 611,709 | (611,709) | 1,203,671 |
| Members' equity - noncontrolling interest | - | 210,940 | - | 210,940 |
| TOTAL NET ASSETS AND EQUITY | 1,203,671 | 822,649 | (611,709) | 1,414,611 |
| TOTAL LIABILITIES AND NET ASSETS/ MEMBERS' EQUITY | \$ 1,579,543 | \$ 1,578,301 | \$ (611,709) | \$ 2,546,135 |

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

CONSOLIDATING SCHEDULE OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>ReSOURCE</u> | <u>28 Granite Street LLC</u> | <u>Eliminations</u> | <u>Total</u> |
|--|------------------|----------------------------------|---------------------|------------------|
| CHANGE IN UNRESTRICTED NET ASSETS | | | | |
| SALES | | | | |
| Sales, net of returns and allowances | \$ 2,149,117 | \$ - | \$ - | \$ 2,149,117 |
| Less cost of goods sold | (748,483) | - | - | (748,483) |
| Less parts, fuel and disposal | (237,282) | - | - | (237,282) |
| TOTAL NET SALES | <u>1,163,352</u> | <u>-</u> | <u>-</u> | <u>1,163,352</u> |
| OPERATING REVENUE | | | | |
| Contributions | 160,211 | - | - | 160,211 |
| Donated goods | 787,531 | - | - | 787,531 |
| Donated facilities and services | 32,794 | - | - | 32,794 |
| Grants | 527,228 | - | - | 527,228 |
| Training fees | 300,744 | - | - | 300,744 |
| Rental income | 6,600 | 105,253 | (105,253) | 6,600 |
| Miscellaneous income | 16,447 | - | - | 16,447 |
| Subtotal - support and revenue | <u>1,831,555</u> | <u>105,253</u> | <u>(105,253)</u> | <u>1,831,555</u> |
| Net assets released from restrictions - programs | <u>552,724</u> | <u>-</u> | <u>-</u> | <u>552,724</u> |
| TOTAL OPERATING REVENUE | <u>2,384,279</u> | <u>105,253</u> | <u>(105,253)</u> | <u>2,384,279</u> |
| TOTAL SALES AND OPERATING REVENUE | <u>3,547,631</u> | <u>105,253</u> | <u>(105,253)</u> | <u>3,547,631</u> |
| EXPENSES | | | | |
| Program services | 3,020,405 | - | (105,253) | 2,915,152 |
| General and administrative expenses | 564,621 | 111,286 | - | 675,907 |
| Development | 132,578 | - | - | 132,578 |
| TOTAL EXPENSES | <u>3,717,604</u> | <u>111,286</u> | <u>(105,253)</u> | <u>3,723,637</u> |
| OPERATING LOSS | <u>(169,973)</u> | <u>(6,033)</u> | <u>-</u> | <u>(176,006)</u> |
| NONOPERATING INCOME (LOSS) | | | | |
| Income (loss) from subsidiary | <u>(6)</u> | <u>-</u> | <u>6</u> | <u>-</u> |
| TOTAL NONOPERATING INCOME (LOSS) | <u>(6)</u> | <u>-</u> | <u>6</u> | <u>-</u> |
| TOTAL CHANGE IN UNRESTRICTED NET ASSETS | <u>(169,979)</u> | <u>(6,033)</u> | <u>6</u> | <u>(176,006)</u> |
| LESS CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO TO NONCONTROLLING INTEREST | <u>-</u> | <u>(6,027)</u> | <u>-</u> | <u>(6,027)</u> |
| CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO RESOURCE | <u>(169,979)</u> | <u>(6)</u> | <u>6</u> | <u>(169,979)</u> |

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

CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>ReSOURCE</u> | <u>28 Granite Street LLC</u> | <u>Eliminations</u> | <u>Total</u> |
|--|--------------------|----------------------------------|---------------------|--------------------|
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | | | |
| SUPPORT AND REVENUE | | | | |
| Contributions - programs | \$ 624,667 | \$ - | \$ - | \$ 624,667 |
| Capital campaign contributions | - | - | - | - |
| Subtotal - support and revenue | <u>624,667</u> | <u>-</u> | <u>-</u> | <u>624,667</u> |
| Net assets released from restrictions - programs | <u>(552,724)</u> | <u>-</u> | <u>-</u> | <u>(552,724)</u> |
| TOTAL SUPPORT AND REVENUE | <u>71,943</u> | <u>-</u> | <u>-</u> | <u>71,943</u> |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | <u>71,943</u> | <u>-</u> | <u>-</u> | <u>71,943</u> |
| TOTAL CHANGE IN NET ASSETS | (98,036) | (6,033) | 6 | (104,063) |
| LESS CHANGE IN NET ASSETS ATTRIBUTABLE TO NON- CONTROLLING INTEREST | <u>-</u> | <u>(6,027)</u> | <u>-</u> | <u>(6,027)</u> |
| CHANGE IN NET ASSETS /NET INCOME ATTRIBUTABLE TO RESOURCE | <u>\$ (98,036)</u> | <u>\$ (6)</u> | <u>\$ 6</u> | <u>\$ (98,036)</u> |

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

CONSOLIDATING SCHEDULE OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>ReSOURCE</u> | <u>28 Granite Street LLC</u> | <u>Eliminations</u> | <u>Total</u> |
|---|-------------------|----------------------------------|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from contributions | \$ 792,132 | \$ - | \$ - | \$ 792,132 |
| Cash received from grants | 606,120 | - | - | 606,120 |
| Cash received from training fees | 263,632 | - | - | 263,632 |
| Cash received from sales | 1,886,950 | - | - | 1,886,950 |
| Rental and miscellaneous income | 23,047 | 105,253 | (105,253) | 23,047 |
| Cash paid for personnel | (2,566,708) | - | - | (2,566,708) |
| Cash paid for goods and services | (1,055,769) | (74,224) | 105,253 | (1,024,740) |
| Cash paid for interest | (7,136) | - | - | (7,136) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(57,732)</u> | <u>31,029</u> | <u>-</u> | <u>(26,703)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment in subsidiary | - | - | - | - |
| Purchases of fixed assets | (87,594) | - | - | (87,594) |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(87,594)</u> | <u>-</u> | <u>-</u> | <u>(87,594)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Net increase in line of credit | 90,507 | - | - | 90,507 |
| Capital gifts received | 17,137 | - | - | 17,137 |
| Member contributions | 11,247 | - | (11,247) | - |
| Member distributions | - | (11,247) | 11,247 | - |
| Proceeds from long-term debt | 45,951 | - | - | 45,951 |
| Payments on long-term debt | (15,221) | (20,936) | - | (36,157) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>149,621</u> | <u>(32,183)</u> | <u>-</u> | <u>117,438</u> |
| INCREASE (DECREASE) IN CASH | 4,295 | (1,154) | - | 3,141 |
| BEGINNING CASH | <u>204,991</u> | <u>3,015</u> | <u>-</u> | <u>208,006</u> |
| ENDING CASH | <u>\$ 209,286</u> | <u>\$ 1,861</u> | <u>\$ -</u> | <u>\$ 211,147</u> |

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

CONSOLIDATING SCHEDULE OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>ReSOURCE</u> | <u>28 Granite Street LLC</u> | <u>Eliminations</u> | <u>Total</u> |
|---|--------------------|----------------------------------|---------------------|--------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | |
| Change in net assets | \$ (98,036) | \$ (6,033) | \$ 6 | \$ (104,063) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | |
| Depreciation | 56,436 | 37,911 | - | 94,347 |
| Loss from subsidiary | 6 | - | (6) | - |
| (Increase) decrease in: | | | | |
| Accounts receivable | (76,161) | - | - | (76,161) |
| Grants receivable | 74,315 | - | - | 74,315 |
| Pledges receivable | 7,254 | - | - | 7,254 |
| Inventory | (25,698) | - | - | (25,698) |
| Prepaid expenses | 14,833 | (849) | - | 13,984 |
| Security deposits | (13,010) | - | - | (13,010) |
| Increase (decrease) in: | | | | |
| Accounts payable | (40,722) | - | - | (40,722) |
| Accrued wages and payroll liabilities | 23,004 | - | - | 23,004 |
| Accrued vacation | 14,657 | - | - | 14,657 |
| Sales tax payable | 395 | - | - | 395 |
| Store credits | 418 | - | - | 418 |
| Deferred revenue | 4,577 | - | - | 4,577 |
| Total adjustments | 40,304 | 37,062 | (6) | 77,360 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (57,732)</u> | <u>\$ 31,029</u> | <u>\$ -</u> | <u>\$ (26,703)</u> |

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

SCHEDULE OF CHANGES IN NET ASSETS - ReSOURCE

FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|---------------------|
| BEGINNING BALANCE - JANUARY 1, 2015 | \$ 1,179,392 | \$ 122,315 | \$ 1,301,707 |
| Change in net assets | <u>(169,979)</u> | <u>71,943</u> | <u>(98,036)</u> |
| ENDING BALANCE - DECEMBER 31, 2015 | <u>\$ 1,009,413</u> | <u>\$ 194,258</u> | <u>\$ 1,203,671</u> |

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

SCHEDULE OF MEMBERS' EQUITY - 28 GRANITE STREET LLC

FOR THE YEAR ENDED DECEMBER 31, 2015

| | Parent Interest - ReSOURCE | Non-Controlling Interest | Total |
|---|---------------------------------------|-------------------------------------|-------------------|
| BEGINNING BALANCE - JANUARY 1, 2015 | \$ 622,956 | \$ 211,273 | \$ 834,229 |
| Prior period adjustment - agree to tax return | 6 | 5,694 | 5,700 |
| Capital distribution | (11,247) | - | (11,247) |
| Net loss | (6) | (6,027) | (6,033) |
| ENDING BALANCE - DECEMBER 31, 2015 | \$ 611,709 | \$ 210,940 | \$ 822,649 |