RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Financial Statements and Single Audit Report
(With Independent Auditors' Report)

December 31, 2017 and 2016

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
December 31, 2017

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McSOLEY McCOY & CO.
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ReSOURCE: A Nonprofit Community Enterprise, Inc.
Williston, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of ReSOURCE: A Nonprofit Community Enterprise, Inc. ("the Organization"), which comprise the statement of financial position as of December 31, 2017, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2016 were audited by another auditor whose report dated July 25, 2017, expressed an unmodified opinion on those statements. These financial statements were presented as summarized comparative information as of and for the year ended December 31, 2016, and is consistent, in all material respects, with the audited financial statements from which it has been derived.

McSoley McCoy & Co.

South Burlington, Vermont
September 18, 2018
VT Reg. No. 92-349

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 319,371	$ 279,617
Accounts receivable, net of allowance	47,489	75,647
Grants receivable	199,485	229,155
Pledges receivable, net of allowance	152,216	30,000
Inventory	161,657	148,932
Prepaid expenses	68,566	56,996
Total current assets	948,784	820,347
Property and equipment		
Land	84,592	32,500
Machinery and equipment	214,015	217,076
Leasehold improvements	264,544	264,544
Vehicles	345,887	336,109
Buildings and building renovations	1,771,730	1,733,069
Website	14,000	-
	2,694,768	2,583,298
Less accumulated depreciation	(932,168)	(841,607)
Total property and equipment	1,762,600	1,741,691
Other Assets		
Pledges receivable, net of allowance	65,776	18,000
Security deposits	17,438	15,038
Total other assets	83,214	33,038
Total assets	$ 2,794,598	$ 2,595,076
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 108,433	$ 82,175
Current portion of long-term debt	61,948	74,000
Line of credit	205,000	154,870
Deferred revenue	-	19,000
Accrued wages and other payroll liabilities	201,130	183,569
Other accrued liabilities	19,858	19,590
Total current liabilities	596,369	533,204
Long-term debt, net of current portion	783,857	814,779
Total liabilities	1,380,226	1,347,983
Net assets:		
Unrestricted	1,118,262	1,123,316
Temporarily restricted	296,110	123,777
Total net assets	1,414,372	1,247,093
Total liabilities and net assets	$ 2,794,598	$ 2,595,076

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

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017	2016
Changes in Unrestricted Net Assets		
Sales:		
Sales, net of returns and allowances	$ 1,816,343	$ 1,935,708
Less cost of goods sold	(745,187)	(791,137)
Less parts, fuel, and disposal	(163,229)	(176,938)
Total net sales	907,927	967,633
Operating Revenue		
Contributions	573,549	245,289
Donated goods	759,431	785,547
Donated facilities and services	25,000	25,162
Grants	1,268,997	962,982
Training fees	459,643	462,656
Miscellaneous income	70,188	56,252
Subtotal - support and revenue	3,156,808	2,537,888
Net assets released from restrictions	174,439	605,719
Total operating revenue	3,331,247	3,143,607
Total sales and operating revenue	4,239,174	4,111,240
Expenses		
Program services	3,453,181	3,459,951
Support expenses:		
General and administrative expenses	594,148	611,188
Development	196,899	137,138
Total support expense	791,047	748,326
Total expenses	4,244,228	4,208,277
Total change in unrestricted net assets	(5,054)	(97,037)
Change in Temporarily Restricted Net Assets		
Support and Revenue		
Contributions	346,772	535,238
Net assets released from restrictions	(174,439)	(605,719)
Change in temporarily restricted net assets	172,333	(70,481)
Total change in net assets	$ 167,279	$ (167,518)

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

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2017

(With Comparative Totals for 2016)

	Program Services	General and Administrative	Development	Total 2017	Total 2016
Salaries	$ 2,047,783	$ 252,888	$ 141,166	$ 2,441,837	$2,379,355
Payroll taxes	156,878	100,044	7,553	264,475	212,923
Employee benefits	247,846	40,224	8,450	296,520	352,602
Subtotal - personnel costs	2,452,507	393,156	157,169	3,002,832	2,944,880
Occupancy	302,358	17,915	-	320,273	317,561
Professional services	52,888	120,941	5,839	179,668	172,936
Supplies and services	104,910	19,502	11,366	135,778	130,901
Depreciation	96,469	6,072	546	103,087	111,572
Essential goods program	94,304	-	-	94,304	104,314
Trainee stipends and support	122,508	530	-	123,038	101,458
Insurance	42,345	13,035	1,041	56,421	54,803
Vehicle expense	59,376	1,169	-	60,545	50,733
Property taxes	25,871	1,819	-	27,690	50,155
Advertising and printing	3,760	2,262	5,923	11,945	39,222
Other expenses	24,202	2,798	13,181	40,181	36,392
Interest	25,050	8,334	-	33,384	31,673
Office expense	23,800	3,869	520	28,189	29,731
Staff education and training	10,373	845	975	12,193	23,915
Travel	12,460	1,901	339	14,700	8,031
Subtotal - other expenses	1,000,674	200,992	39,730	1,241,396	1,263,397
Total expenses	$ 3,453,181	$ 594,148	$ 196,899	$ 4,244,228	$4,208,277

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

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 167,279	$ (167,518)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	103,086	111,572
Change in the allowances	18,500	-
(Increase) decrease in :		
Accounts receivable	28,158	98,217
Grants receivable	29,670	(59,691)
Pledges receivable	(169,992)	(18,825)
Inventory	(12,725)	14,123
Prepaid expenses	(11,570)	(8,605)
Security deposits	(2,400)	4,312
Increase (decrease) in:		
Accounts payable	26,258	46,970
Deferred revenue	(19,000)	6,099
Accrued wages and other payroll liabilities	17,561	14,188
Other accrued liabilities	268	1,885
Total adjustments	7,814	210,245
Net cash provided by operating activities	175,093	42,727
Cash Flows from Investing Activities		
Purchases of property and equipment	(143,239)	(128,574)
Cash Flows from Financing Activities		
Borrowings on line of credit	95,000	64,363
Payments on line of credit	(44,870)	
Capital campaign contributions	-	7,000
Borrowings on long-term debt	45,000	125,322
Payments on long-term debt	(87,230)	(42,368)
Net cash provided by financing activities	7,900	154,317
Increase in cash	39,754	68,470
Beginning cash	279,617	211,147
Ending cash	$ 319,371	$ 279,617

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

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Statements of Net Assets

For the Years Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	Total
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
Change in net assets	(5,054)	172,333	167,279
Ending Balance - December 31, 2017	$ 1,118,262	$ 296,110	$ 1,414,372

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

(1) Summary of Operations and Significant Accounting Policies

(a) Operations

ReSOURCE: A Nonprofit Community Enterprise, Inc. ("the Organization") is a private, nonprofit corporation dedicated to conservation, job skills training and poverty relief. The Organization integrates conservation and training by collecting used appliances and other household items which are refurbished and offered for sale to homeless and disadvantaged individuals. The Organization 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. The Organization has operations in Burlington, South Burlington, Hyde Park, and Barre Vermont. Sources of revenue includes sales, federal, state and foundation grants, services, and individual contributions.

(b) Reporting entity

In 2009, the Organization 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 the Organization.

On October 20, 2011, 28 Granite Street LLC converted from a single-member LLC to a two-member LLC in which the Organization, the managing member, became a .01% member of the LLC and Community National Bank became a 99.99% member. Effective December 31, 2016, Community National Bank assigned its non-controlling interest in 28 Granite Street LLC to the Organization, and 28 Granite Street LLC was dissolved.

(c) Programs and activities

The Organization's mission is to meet community and individual needs through (1) education and job skills training, (2) environmental stewardship, (3) economic opportunities. The Organization is dedicated to extending its impact, changing more lives, providing relief, retraining, rebuilding, repairing, and restoring.

The significant programs of the Organization 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.

Summary of Operations and Significant Accounting Policies (continued)

- The Organization trains 300 individuals annually through even distinct training programs. These include workforce development programs that lead directly to employment (Apprentice-Style Training, Career Path, SEO, YouthBuild) and Work Experience Training (Career Start, LEAP, ReachUp). Participants are trained for occupations in construction, weatherization, appliance repair, computer repair, networking, and retail sales. Each training program offers a unique combination of hands-on experimental and classroom-based learning. In addition to the personal and professional developmental 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 services 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.

- The Organization 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 the Organization 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 the Organization’s Barre and Burlington YouthBuild programs.

(d) Income taxes

The Organization 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). The Organization does not believe that there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Organization is no longer subject to federal and state income tax examinations by tax authorities for years before the tax year ended December 31, 2014.

(e) Financial statement presentation

The Organization 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.

(f) Contributions

The Organization 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.

Summary of Operations and Significant Accounting Policies (continued)

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. The Organization records an in-kind donation and related facility expense for the 339 Pine Street property to approximate the fair value of the donated facility.

(g) Comparative financial information

The financial statements include certain prior year summarized comparative information in total but does not include the nature of the 2016 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, 2016, from which the summarized information was derived.

(h) 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. Useful lives of the Organization’s property and equipment range from 3 to 40 years.

(i) Inventory

The Organization’s inventory consists of in-kind donations including household goods, furniture, building materials, appliances, electronics and computers. Inventory also consists of some purchased goods related to solar hot water systems. Inventory is valued based on the nature of the item. All appliances and computers are valued at a pre-determined unit value. All other inventory items are valued at year end based on their average current year sales information.

(j) Reclassifications

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

(k) Cash and cash equivalents / credit risk

For purposes of the Statement of Cash Flows, the Organization 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, 2017 and 2016.

Summary of Operations and Significant Accounting Policies (continued)

(l) Advertising

Advertising costs are charged to expense when incurred. Advertising expense was $11,945 and $39,222 for the years ended December 31, 2017 and 2016, respectively.

(m) 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.

(n) Functional allocation of expenses

The cost 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.

(o) Sales tax

The Organization 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.

(p) Subsequent events

In 2018, the Organization entered into a 3 year lease agreement for a facility. The lease provides the Organization an option to purchase the property for $6,160,000 after the initial lease period. The option must be exercised between January 1, 2020 and June 30, 2021. The Organization has evaluated events and transactions for potential recognition or disclosure through September 18, 2018 the date the financial statements were available to be issued.

(2) Accounts Receivable

Accounts receivable consist of the following at December 31:

	2017	2016
Accounts receivable	$ 54,989	$ 101,647
Less: allowance for doubtful accounts	(7,500)	(26,000)
	$ 47,489	$ 75,647

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 $399 and $11,041 for 2017 and 2016, respectively.

(3) Grants Receivable

Grants receivable consist 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.

(4) Pledges Receivable

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

	2017	2016
Unrestricted pledges	$ -	$ 20,000
Capital campaign	227,992	38,000
	227,992	58,000
Less allowance for doubtful accounts	(10,000)	(10,000)
Pledges receivable, net of allowance	$ 217,992	$ 48,000

Pledges receivable as of December 31, 2017 are expected to be collected as follows:

Receivable in less than one year	$ 152,216
Receivable in one to five years	75,776
	227,992
Less allowance for uncollectible pledges	(10,000)
Pledges receivable, net allowance	$ 217,992

(5) Inventory

Inventory consists of the following at December 31:

	2017	2016
Household goods	$ 55,094	$ 36,388
Building materials	80,935	60,915
Appliances	2,790	20,145
Computers, electronics	4,530	-
Solar systems	18,308	18,308
Other	-	13,176
Total inventory	$ 161,657	$ 148,932

(6) Long-Term Debt

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

	2017	2016
Mortage loan at 0% interest, collateralized by real estate, principle deferred until property sold	$ 294,820	$ 294,820
Facility loan at 3.75% interest rate, monthly Payments of $3,220, Due October 2031, collateralized by inventory, equipment and Barre property	416,517	439,089
Vehicle loan at 2.5% interest rate, monthly payments of $517, due April 2018 collaterized by van	2,049	8,064
Vehicle loan at 3.5% interest rate, monthly payments of $765, due March 2019, collateralized by vehicle	11,194	19,827
Vehicle Loan at 1.9% interest rate, monthly payments of $1,343, due April 2018, collaterized by truck	3,996	21,484
Vehicle loan at 2.835% interest rate, monthly payments of $932, due July 2021, collaterized by truck	37,229	53,849
Equipment Loan, 0% interest, monthly payments of $823, due March 2017, collaterized by equipment	-	1,646
Land loan,, at 0% interest located in Barre, VT. Payable in nine (9) annual installments of $5,000. Uncollateralized	40,000	-
Program investment loan bearing interest at 1%, monthly payments of $865, due December 2021, uncollateralized	40,000	50,000
Total long-term debt outstanding	845,805	888,779
Less current portion	(61,948)	(74,000)
Long-term debt, net of current portion	$ 783,857	$ 814,779

Long-Term Debt (continued)

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

2018	$	61,948
2019		52,047
2020		51,006
2021		46,771
2022		32,132
Thereafter		601,901
	$	845,805

In 2009, the Organization purchased a building in Barre, 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 the sale of the property. The balance of the loan at December 31, 2017 and 2016 was $294,820.

In October 2011, the Organization refinanced a construction loan for $343,020 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, 2017 and 2016 were $416,517 and $439,089, respectively.

(7) Line of Credit

On October 21, 2016, the Organization 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, 2017 and 2016 was 6.50% and 5.75%, respectively. Amounts outstanding under this agreement were $205,000 and $154,870 at December 31, 2017 and 2016, respectively.

(8) Commitments and Contingencies

The Organization participates in federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representative. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

(9) Temporarily Restricted Net Assets

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

	2017	2016
Support for various programs in next year	$ -	$ 53,781
YouthBuild program	-	40,052
New facilities	-	20,000
LEAP	-	9,944
Capital Campaign	296,110	-
Temporarily restricted net assets	$ 296,110	$ 123,777

(10) Retirement Plan

The Organization 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. The Organization did not make and contributions to the plan in 2017 and 2016.

(11) Leases

The Organization has various operating leases for building space. Below are the significant operating leases in place during 2017 and 2016.

339 Pine Street Burlington: the Organization uses space at 339 Pine Street provided for free of charge by the City of Burlington for the Organization's reuse operations, South End Joinery woodworking training facility, and YouthBuild construction training programs. The Organization utilizes approximately 10,740 square feet of space, consisting of garage bays and a fenced in yard. The Organization signed a three-year lease renewal in January 2014 which expired in 2017 and renewed for another three-year agreement, through 2020 with the same terms. In 2017 and 2016, ReSOURCE recorded an in-kind donation and related facility expense of $25,000 to approximate the fair value of the donated facility.

266 Pine Street Burlington: In 2014, the Organization executed a three-year extension of its lease agreement with a company owned by a member of the Organization's board of directors through December 2018. Rent expense for this location for the years ended December 31, 2017 and 2016 was $136,440 and $129,948, respectively. In early 2018, the Organization vacated this property and moved to 329 Harvest Lane. See subsequent events for more information.

Williston Warehouse: The Organization signed a three-year lease for 6,000 square feet of warehouse space on Dorset Lane in Williston in June 2017. The Organization had previously used this warehouse for appliance repair and metal recycling but in June began using it for household goods and building material overflow storage. Rent expense in 2017 for the final seven months of the year was $19,600. The Organization gave three month notice showing intent to vacate the property and end the lease in December 2017.

Leases (continued)

Green Mountain Drive Appliance Shop: In 2015, the Organization moved its appliance repair operation to South Burlington and singed a three-year lease. Rent expense for the South Burlington appliance repair facility was approximately $16,800 and $18,100 in 2017 and 2016, respectively. The Organization gave six month notice in December 2017 to terminate the lease at the end of May 2018.

Hyde Park: In December 2015, the Organization signed a 3 year lease for a facility near Hyde Park, Vermont, which expires in 2018. Rent expense for this lease for the years ended December 31, 2017 and 2016 were $42,372 and $61,320, respectively.

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

2018	$ 536,027
2019	840,827
2020	383,481
2021	393,068
2022	402,895
2023	412,967
2024	423,291
2025	178,182

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Department of Housing and Urban Development				
Passed through Community Economic Development Office				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	ENT17	$ -	$ 77,592
Department of Labor				
Received directly for U.S. Department of Labor, Employment and Training Administration.				
YouthBuild	17.274		-	390,061
Passed through State of Vermont, Department of Labor				
WIOA Youth Activities	17.259	1733SEO03	-	72,914
Total Department of Labor			-	462,975
Corporation for National and Community Service				
Passed through YouthBuild USA				
AmeriCorps	94.006	YouthBuild USA 17/18	-	23,503
AmeriCorps	94.006	YouthBuild USA 16/17	-	94,516
			-	118,019
Passed through State of Vermont, Agency of Human Services				
AmeriCorps State	94.006	03400-13AFH-ReSource-FY17	-	41,537
AmeriCorps State	94.006	03400-16AFH-ReSource-FY18	-	58,479
			-	100,016
Total Corporation for National and Community Service			-	218,035
Total Expenditures of Federal Awards			$ -	$ 758,602

See accompanying notes to schedule of expenditures of federal awards.

(1) Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Basis of Accounting

Expenditure reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Federal Debt Outstanding

The Organization financed a construction loan for $343,020 through a United States Department of Agriculture Rural Development Facility Loan. The loan was used to finance the construction of the new Barre building in prior years. The balance of this loan as of December 31, 2017 is $416,517.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors of
ReSOURCE: A Nonprofit Community Enterprise, Inc.
Williston, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ReSOURCE: A Nonprofit Community Enterprise, Inc.("the Organization"), which comprise the statement of financial position as of December 31, 2017, 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, and have issued our report thereon dated September 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express and opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs, that we consider to be significant deficiencies as items 2017-001, 2017-002, 2017-003, 2017-004 and 2017-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

ReSOURCE: A Nonprofit Community Enterprise, Inc.'s Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McSoley McCoy & Co.

South Burlington, Vermont
September 18, 2018
Vermont Reg. No. 92-349

Independent Auditors' Report on Compliance for the Major Programs and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
ReSOURCE: A Nonprofit Community Enterprise, Inc.
Williston, Vermont

Report on Compliance for the Major Federal Programs

We have audited ReSOURCE: A Nonprofit Community Enterprise, Inc.'s ("the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance Require that we plan and perform the audit to obtain a reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-006 and 2017-007 to be significant deficiencies.

The Organization's response to these internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

MCSOLEY MCCOY & CO.
Certified Public Accountants and Business Advisors

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McSoley McCoy & Co.

South Burlington, Vermont
September 18, 2018
Vermont Reg. No. 92-349

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
Schedule of Findings and Questioned Costs
December 31, 2017

1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	_______	yes	___X___	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___X___	yes	_______	no
Noncompliance material to the financial statements noted?	_______	yes	___X___	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	_______	yes	___X___	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___X___	yes	_______	no
Type of auditors' report issued on compliance for the major program:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with §200.516(a)(vii)?	___X___	yes	_______	no

Identification of Major Programs

Name of federal program or cluster	CFDA #
YouthBuild	17.274
AmeriCorps	94.006

Dollar threshold used to distinguish between type A and type B programs, as those terms are defined in the OMB Uniform Guidance:	$750,000			
Auditee qualified as low-risk auditee?	_______	yes	___X___	no

2) Finding Relating to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

See pages 26-34

3) Findings and Questioned Costs For Federal Awards

See pages 35-38 for findings and questions costs relating to Federal Awards.

Finding Relating to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

Finding No.: 2017-001

Criteria

An Organization should have a comprehensive and accurate cash reconciliation process performed in a systematic and timely manner to ensure all cash received is properly accounted for.

An entity should have an internal control environment that requires key processes and transactions have sufficient controls and monitoring to ensure all transactions are properly executed, reviewed, and are accurate.

Conditions Found

During our audit procedures over cash, we noted the Organization's process for accounting for daily deposits utilizes a temporary holding account. This account is credited when deposits are made and debited when sales are posted. During 2017, this account reports a year end balance that was not considered in the bank reconciliations. In addition, we noted deposits in transit that were not included in the year end bank reconciliation.

Effect

The effect of the condition is that internal controls over cash are not sufficient to ensure all cash collected by the Organization are reflected in the accounting records for the period ended December 31, 2017.

The conditions found appear to be systemic in nature and is considered to be a significant deficiency in internal controls.

Cause

The Organization has some oversights in the internal control process over cash management.

Recommendation

We recommend the Organization review their current practice of accounting for daily sales and monthly bank reconciliations and design an internal control process to ensure all information is properly accounted for and reviewed in a timely manner.

Views of Responsible Officials

ReSOURCE agrees with this finding. During the first quarter of 2018 following the departure of the Finance Manager in charge of cash reconciliations during all of 2017, ReSOURCE's Executive Director worked with a database consultant to make improvements to the cash reconciliation and cash drawer management process. Structural improvements to the point of sale system and cash drawer management software were made. These changes in combination with hiring of a highly skilled Finance Director combined with training for retail staff and managers have significantly improved cash management. These changes are ensuring that cash received from reuse store sales is properly accounted for and that there are sufficient controls and monitoring to ensure all transactions are properly executed, reviewed, and are accurate.

Finding Relating to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

Finding No.: 2017-002

This finding was also noted in the Findings and Questioned Costs For Federal Awards section under Finding No. 2017-006.

Criteria

2 CFR part 230.OMB Circular A-122 (A-122) establishes cost principles for determining costs of grants, contracts, and other agreements with non-profit organizations. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law.

Standards for documentation of personnel expenses must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The process must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Conditions Found

During our audit procedures over payroll expenses allocated to the federal programs, we noted the Organization's allocation process is not performed in a timely manner. Our test work indicated job cost reports, used to allocate wages to federal programs, were sometimes completed several months after the work was performed. In addition, we noted many of the job cost reports did not document review and approval.

Effect

The effect of the conditions is that internal controls over payroll costs charged to the Federal grant are not sufficient to ensure the expenditures are appropriate for the period ended December 31, 2017.

The conditions found appear to be systemic in nature and is considered to be a significant deficiency in internal controls over compliance.

Questioned Costs

None.

Cause

The Organization has some oversights in the internal control process in their payroll procedures.

Recommendation

We recommend the Organization review its current process over payroll and how the costs are allocated to the grant. The Organization should establish an internal control structure that would ensure only allowable program costs are funded from the Federal grant and all costs are properly supported and approved in a timely manner.

Views of Responsible Officials

ReSOURCE agrees with the finding that job cost reports were not always printed and signed in a timely fashion. We do **not** believe there was any impact on proper allocation as payroll costs were reviewed regularly and payroll allocations examined in detail electronically. Where ReSOURCE's systems were incomplete, was in obtaining signed time approvals due to logistical challenges related with distributing signed reports to staff at multiple locations. Nonetheless, ReSOURCE has re-assigned responsibility for distributing and collecting signed time reports and we are developing a fully electronic review and approval process that will greatly improve the timeliness and efficiency of getting payroll allocations reviewed and approved by employee and supervisor.

Finding Relating to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

Finding No.: 2017-003

Criteria

An Organization should have an accounting policy over on their allowance for doubtful accounts. This policy should provide guidelines for reviewing, monitoring, and evaluating the appropriateness of a reserve on the balance sheet. The policy will ensure a consistent unbiased approach is utilized to establish the reserve.

Conditions Found

The Organization does not have an allowance policy to assist with the valuation of accounts and pledges receivable.

Effect

Without this policy, there is an increased risk that receivable balances could be accrued beyond their reasonable collectability period, thus overstating the reported value of accounts receivable.

The conditions found appear to be systemic in nature and is considered to be a significant deficiency in internal controls.

Questioned Costs

None.

Cause

The Organization has not established an accounting policy for collectability of receivables.

Recommendation

We recommend the Organization develop an allowance policy that establishes a systematic and consistent approach to evaluating the reserve for doubtful accounts.

Views of Responsible Officials

ReSOURCE agrees with this finding. We have evaluated past collection efforts and have added language to our Financial Policy manual defining a specific policy on reserves that conforms with ReSOURCE past experience and industry standards. We have also assigned clear ownership for account management and setup standard operating procedures allowing for periodic reviews of accounts receivable and other balance sheet accounts to ensure that balances have sufficient reserves and that reserves are adjusted to match the target amount established in the policy. Finally, we have developed improved systems whereby account managers who invoice for services can more easily be alerted to unpaid balances and can support collection efforts and more quickly discover erroneous billings.

Finding Relating to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

Finding No.: 2017-004

This finding was also noted in the Findings and Questioned Costs For Federal Awards section under Finding No. 2017-007.

Criteria

An Organization should have sufficient documentation to support all the transactions and balances reported within the general ledger.

Conditions Found

Our audit procedures identified many areas of the Organization's operations that retained insufficient supporting documentation to substantiate the activity reported within the general ledger. Areas where we identified insufficient support included time cards, rate of pay documentation, expense invoices, and grant reimbursement requests.

Effect

Without supporting documentation the Organization has an increased risk of accounting errors remaining undetected and misappropriation of assets.

The conditions found appear to be systemic in nature and is considered to be a significant deficiency in internal controls.

Questioned Costs

None.

Cause

The Organization had significant turnover in the accounting department and moved offices between year end and the audit.

Recommendation

We recommend the Organization review their current document retention processes and evaluate what improvements can be made.

Views of Responsible Officials

ReSOURCE accepts this finding but believes that the problems discovered in 2017 related to documentation of transactions reflect problems with specific personnel who have since left the organization combined with the relocation of our administrative office just prior to the start of the audit. Also, while ReSOURCE was unable to find some documentation immediately during audit field work, we were able to find and document all costs subsequently by finding files that had been incorrectly located following the move, locating electronic records related to the transaction, or by locating the transaction documentation in record copies kept with individual purchasing managers. ReSOURCE's new Finance Director hired in February 2018 is highly experienced and following the move to Williston has established clear and well documented filing systems for both electronic and paper records of transactions.

Finding Relating to the Financial Statements Required to be Reported in Accordance with *Government Auditing Standards*

Finding No.: 2017-005

Criteria

An Organization's year end inventory count procedures should be designed and executed to ensure all inventory items are complete and accurate.

Conditions Found

Our procedures over the year end inventory count detected inconsistencies in how the count was to be performed and the count results reported subsequently.

Effect

The effect of the conditions is that internal controls over inventory count procedures are not sufficient to ensure the inventory is complete and accurate for the year ended December 31, 2017.

The conditions found appear to be systemic in nature and is considered to be a significant deficiency in internal controls.

Questioned Costs

None.

Cause

The Organization had significant turnover in the accounting and utilizes volunteers to execute year end count procedures.

Recommendation

We recommend the Organization review their current inventory count procedures, train staff, and develop a systematic method to perform year end inventory counts.

Views of Responsible Officials

ReSOURCE accepts this finding but believes that the nature of the year-end inventory count is inherently challenging due to the nature and quantity of the items being inventoried. Inventory is composed of used and donated household items, furniture, appliances, computers, and building materials. There is a huge range in product values and inventory counts must be performed at five different locations where goods are stored. Many of the items that must be counted are in pallets of similar items that were received during peak donation periods when staff and volunteer resources could barely keep up with the incoming flow of donations. For this reason, it is common for there to be unidentified and unvalued pallet loads of goods on racks at each location. It is simply not necessary nor useful for ReSOURCE to assign staff resources at the level that would be necessary to complete a more accurate year-end inventory count. The non-cash changes in donated income or cost of donated goods sold that result from either an increase or decrease in inventory are simply not material nor significant to ReSOURCE's overall financial picture.

ReSOURCE has made improvements to its inventory systems. While estimates will continue to be required to value pallet loads of materials on high shelves that will be sorted during the seasonal slow season, ReSOURCE will continue to make improvements to inventory count methods and will increasingly use computers and scanners to assist and simplify this effort as an increasing amount of inventory in each retail store is priced and labelled with barcode.

Findings and Questioned Costs For Federal Awards

Finding No.: 2017-006

Federal Agency:

- **Department of Labor**
- **Corporation for National and Community Service**

Federal Program Title:

- **YouthBuild (CFDA #17.274)**
- **AmeriCorps (CFDA #94.006)**

Criteria

2 CFR part 230.OMB Circular A-122 (A-122) establishes cost principles for determining costs of grants, contracts, and other agreements with non-profit organizations. The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law.

Standards for documentation of personnel expenses must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The process must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Conditions Found

During our audit procedures over payroll expenses allocated to the federal programs, we noted the Organization's allocation process is not performed in a timely manner. Our test work indicated job cost reports, used to allocate wages to federal programs, were sometimes completed several months after the work was performed. In addition, we noted many of the job cost reports did not document review and approval.

Effect

The effect of the conditions is that internal controls over payroll costs charged to the Federal grant are not sufficient to ensure the expenditures are appropriate for the period ended December 31, 2017.

The conditions found appear to be systemic in nature and is considered to be a significant deficiency in internal controls over compliance.

Questioned Costs

None.

Cause

The Organization has some oversights in the internal control process in their payroll procedures.

Recommendation

We recommend the Organization review its current process over payroll and how the costs are allocated to the grant. The Organization should establish an internal control structure that would ensure only allowable program costs are funded from the Federal grant and all costs are properly supported and approved in a timely manner.

Views of Responsible Officials

This response is the same as response to #2017-002: ReSOURCE agrees with the finding that job cost reports were not always printed and signed in a timely fashion. We do **not** believe there was any impact on proper allocation as payroll costs were reviewed regularly and payroll allocations examined in detail electronically. Where ReSOURCE's systems were incomplete, was in obtaining signed time approvals due to logistical challenges related with distributing signed reports to staff at multiple locations. Nonetheless, ReSOURCE has re-assigned responsibility for distributing and collecting signed time reports and we are developing a fully electronic review and approval process that will greatly improve the timeliness and efficiency of getting payroll allocations reviewed and approved by employee and supervisor.

Findings and Questioned Costs For Federal Awards

Finding No.: 2017-007

Federal Agency:
- **Department of Labor**
- **Corporation for National and Community Service**

Federal Program Title:
- **YouthBuild (CFDA #17.274)**
- **AmeriCorps (CFDA #94.006)**

Criteria

An Organization should have sufficient documentation to support all the transactions and balances reported within the general ledger.

Conditions Found

Our audit procedures identified many areas of the Organization's operations that retained insufficient supporting documentation to substantiate the activity reported within the general ledger. Areas where we identified insufficient support included time cards, rate of pay documentation, expense invoices, and grant reimbursement requests.

Effect

Without supporting documentation the Organization has an increased risk of accounting errors remaining undetected and misappropriation of assets.

The conditions found appear to be systemic in nature and is considered to be a significant deficiency in internal controls.

Questioned Costs

None.

Cause

The Organization had significant turnover in the accounting department and moved offices between year end and the audit.

Recommendation

We recommend the Organization review their current document retention processes and evaluate what improvements can be made.

Views of Responsible Officials

This response is the same as response to #2017-004: ReSOURCE accepts this finding but believes that the problems discovered in 2017 related to documentation of transactions reflect problems with specific personnel who have since left the organization combined with the relocation of our administrative office just prior to the start of the audit. Also, while ReSOURCE was unable to find some documentation immediately during audit field work, we were able to find and document all costs subsequently by finding files that had been incorrectly located following the move, locating electronic records related to the transaction, or by locating the transaction documentation in record copies kept with individual purchasing managers. ReSOURCE's new Finance Director hired in February 2018 is highly experienced and following the move to Williston has established clear and well documented filing systems for both electronic and paper records of transactions.