

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Financial Statements
(With Independent Auditors' Report)

December 31, 2019 and 2018

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
December 31, 2019 and 2018

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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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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. 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 auditors' 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, 2019, 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.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2018 financial statements and our report dated August 23, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 13 to the financial statements, on January 10, 2020, the Organization purchased the building housing their Williston location at 329 Harvest Lane for a purchase price of \$6,160,000. The purchase was financed with loans of \$5,730,000 from the U.S. Department of Agriculture and \$500,000 from the seller, Allen Brook Development Incorporated.

South Burlington, Vermont
September 15, 2020
VT Reg. No. 92-349

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 515,541	\$ 345,389
Accounts receivable, net of allowance	119,887	92,247
Grants receivable	195,891	126,110
Pledges receivable, net of allowance	146,486	179,002
Inventory	184,227	161,232
Prepaid expenses	32,056	24,611
Total current assets	1,194,088	928,591
Property and equipment		
Land	84,592	84,592
Machinery and equipment	315,618	295,032
Leasehold improvements	270,639	259,009
Vehicles	365,093	405,753
Buildings and building renovations	1,771,730	1,771,730
Website	14,000	11,200
	2,821,672	2,827,316
Less accumulated depreciation and amortization	(1,014,934)	(922,291)
Total property and equipment	1,806,738	1,905,025
Other Assets		
Pledges receivable, net of allowance	68,100	59,076
Security deposits	43,349	43,349
Total other assets	111,449	102,425
Total assets	\$ 3,112,275	\$ 2,936,041
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 75,994	\$ 56,806
Current portion of long-term debt	133,310	124,696
Line of credit	160,000	-
Deferred revenue	10,000	33,159
Accrued wages and other payroll liabilities	205,828	212,775
Other accrued liabilities	18,331	60,962
Total current liabilities	603,463	488,398
Long-term debt, net of current portion	717,782	774,767
Total liabilities	1,321,245	1,263,165
Net assets:		
Without donor restrictions	1,236,987	1,252,179
With donor restrictions	554,043	420,697
Total net assets	1,791,030	1,672,876
Total liabilities and net assets	\$ 3,112,275	\$ 2,936,041

See accompanying notes to the financial statements.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
 Statements of Activities
 For the Year Ended December 31, 2019
 (With Summarized Comparative Totals for the Year Ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Sales				
Sales, net of returns and allowances	\$ 2,039,397	\$ -	\$ 2,039,397	\$ 1,740,407
Less cost of goods sold	(855,507)	-	(855,507)	(716,955)
Less parts, fuel, and disposal	(160,960)	-	(160,960)	(169,916)
 Total net sales	 <u>1,022,930</u>	 <u>-</u>	 <u>1,022,930</u>	 <u>853,536</u>
 Operating Revenue				
Contributions	272,091	757,423	1,029,514	1,193,151
Donated goods	867,632	-	867,632	716,531
Donated facilities and services	25,050	-	25,050	31,667
Grants	797,785	-	797,785	903,627
Training fees	643,154	-	643,154	734,403
Rent income	6,600	-	6,600	5,500
Miscellaneous income	120,745	-	120,745	136,643
Net assets released from restrictions	624,077	(624,077)	-	-
 Subtotal - support and revenue	 <u>3,357,134</u>	 <u>133,346</u>	 <u>3,490,480</u>	 <u>3,721,522</u>
 Total sales and operating revenue	 <u>4,380,064</u>	 <u>133,346</u>	 <u>4,513,410</u>	 <u>4,575,058</u>
 Expenses				
Program services	3,405,695	-	3,405,695	3,286,071
Support expenses:				
General and administrative expenses	727,685	-	727,685	755,956
Development	261,876	-	261,876	274,527
 Total support expense	 <u>989,561</u>	 <u>-</u>	 <u>989,561</u>	 <u>1,030,483</u>
 Total expenses	 <u>4,395,256</u>	 <u>-</u>	 <u>4,395,256</u>	 <u>4,316,554</u>
 Total change in net assets	 <u>(15,192)</u>	 <u>133,346</u>	 <u>118,154</u>	 <u>258,504</u>
 Net assets, beginning of year	 <u>1,252,179</u>	 <u>420,697</u>	 <u>1,672,876</u>	 <u>1,414,372</u>
 Net assets, end of year	 <u>\$ 1,236,987</u>	 <u>\$ 554,043</u>	 <u>\$ 1,791,030</u>	 <u>\$ 1,672,876</u>

See accompanying notes to the financial statements.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Summarized Comparative Totals for the Year Ended December 31, 2018)

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Development</u>	<u>Total 2019</u>	<u>Total 2018</u>
Salaries	\$ 2,005,222	\$ 284,091	180,475	\$ 2,469,788	\$ 2,445,912
Payroll taxes	168,878	37,244	10,210	216,332	231,399
Employee benefits	<u>178,570</u>	<u>184</u>	<u>11,085</u>	<u>189,839</u>	<u>279,232</u>
Subtotal - personnel costs	<u>2,352,670</u>	<u>321,519</u>	<u>201,770</u>	<u>2,875,959</u>	<u>2,956,543</u>
Occupancy	379,207	274,861	15,553	669,621	532,799
Professional services	81,363	47,603	10,130	139,096	152,474
Supplies and services	143,605	24,827	4,025	172,457	124,112
Depreciation and amortization	138,184	13,597	595	152,376	138,706
Essential goods program	52,249	-	-	52,249	83,731
Trainee stipends and support	83,720	987	-	84,707	72,118
Insurance	46,771	2,408	2,673	51,852	40,201
Vehicle expense	37,664	6,317	-	43,981	59,368
Property taxes	-	-	-	-	20
Advertising and printing	2,897	2,425	25,473	30,795	27,483
Other expenses	15,303	10,331	344	25,978	37,048
Interest	16,276	14,752	-	31,028	35,844
Office expense	24,326	3,193	954	28,473	33,091
Staff education and training	20,977	4,530	-	25,507	11,652
Travel	<u>10,483</u>	<u>335</u>	<u>359</u>	<u>11,177</u>	<u>11,364</u>
Subtotal - other expenses	<u>1,053,025</u>	<u>406,166</u>	<u>60,106</u>	<u>1,519,297</u>	<u>1,360,011</u>
Total expenses	<u>\$ 3,405,695</u>	<u>\$ 727,685</u>	<u>\$ 261,876</u>	<u>\$ 4,395,256</u>	<u>\$ 4,316,554</u>

See accompanying notes to the financial statements.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 118,154	\$ 258,504
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	152,376	138,706
Change in the allowances	(3,293)	(3,118)
(Increase) decrease in :		
Accounts receivable	(27,778)	(44,758)
Grants receivable	(66,108)	73,375
Pledges receivable	23,250	(20,086)
Inventory	(22,995)	425
Prepaid expenses	(7,445)	43,955
Security deposits	-	(25,911)
Increase (decrease) in:		
Accounts payable	19,188	(51,627)
Deferred revenue	(23,159)	33,159
Accrued wages and other payroll liabilities	(6,947)	11,645
Other accrued liabilities	(42,631)	41,104
Total adjustments	<u>(5,542)</u>	<u>196,869</u>
Net cash provided by operating activities	<u>112,612</u>	<u>455,373</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	<u>(54,089)</u>	<u>(277,269)</u>
Cash Flows from Financing Activities:		
Borrowings on line of credit	160,000	-
Payments on line of credit	-	(205,000)
Borrowings on long-term debt	28,638	119,410
Payments on long-term debt	<u>(77,009)</u>	<u>(66,496)</u>
Net cash provided by (used in) financing activities	<u>111,629</u>	<u>(152,086)</u>
Increase in cash	170,152	26,018
Beginning cash	<u>345,389</u>	<u>319,371</u>
Ending cash	<u>\$ 515,541</u>	<u>\$ 345,389</u>

See accompanying notes to the financial statements.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(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 and given away to homeless and disadvantaged individuals. The Organization also incorporates salvage and reuse of building materials into each of its reuse stores. Training programs are offered in office administration, retail sales, appliance and computer systems repair, and construction/carpentry. The Organization has operations in Burlington, Williston, Hyde Park, and Barre, Vermont. Sources of revenue includes sales, federal, state and foundation grants, services, and individual contributions.

(b) Programs and Activities

The Organization’s mission is to empower individuals and strengthen Vermont communities through workforce development, poverty relief, and environmental stewardship. 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.
- The Organization trains 300 individuals annually through seven 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 experiential 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.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Summary of Operations and Significant Accounting Policies (continued)

- 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.

(c) 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, 2016.

(d) Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting.

(e) Financial Statement Presentation

The Organization is required to report its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

(f) Contributions

The Organization reports contributions as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions.

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, Burlington property to approximate the fair value of the donated facility.

(g) Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Summary of Operations and Significant Accounting Policies (continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(h) Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but does not include the nature of the 2018 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, 2018, from which the summarized information was derived.

(i) 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.

(j) 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.

(k) Cash and Cash Equivalents / Credit Risk

For purposes of the Statements 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, 2019 and 2018.

(l) Advertising

Advertising costs are charged to expense when incurred. Advertising expense was \$30,795 and \$27,483 for the years ended December 31, 2019 and 2018, respectively.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Summary of Operations and Significant Accounting Policies (continued)

(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) 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.

(o) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis as a separate statement in the financial statements. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, development, and general and administrative departments of the Organization.

The financial statements report certain categories of expenses that are attributed more than one program or supporting function. Therefore, expense require allocation on a reasonable basis that is consistently applied. Expenses that are allocated on the basis of predetermined percentages include wages and benefits, insurance, interest, property taxes, and professional services.

(p) Recently Issued Accounting Standards

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for both contributions received and made to assist all entities in evaluating whether a transaction should be accounted for as a contribution or exchange transaction. This standard should be accounted for as a contribution or exchange transaction. This standard should be applied on a modified perspective basis. Retrospective application is permitted.

The new standard is effective for the Organization for fiscal years beginning after December 15, 2019, with early adoption permitted.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months.

Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for the Organization for fiscal years beginning after December 15, 2021, with early adoption permitted.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Summary of Operations and Significant Accounting Policies (continued)

(q) Subsequent Events

The Organization has evaluated events through September 15, 2020, the date the financial statements were available to be issued.

(2) Accounts Receivable

Accounts receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 125,247	\$ 97,745
Less: allowance for doubtful accounts	<u>(5,360)</u>	<u>(5,498)</u>
	<u>\$ 119,887</u>	<u>\$ 92,247</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 \$6,253 and \$23,693 for 2019 and 2018, respectively.

(3) Grants Receivable

Grants receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Grants receivable	\$ 206,201	\$ 132,747
Less: allowance for doubtful accounts	<u>(10,310)</u>	<u>(6,637)</u>
	<u>\$ 195,891</u>	<u>\$ 126,110</u>

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

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(4) Pledges Receivable

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

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 229,464	\$ 253,198
Less allowance for doubtful accounts	<u>(14,878)</u>	<u>(15,120)</u>
Pledges receivable, net of allowance	<u>\$ 214,586</u>	<u>\$ 238,078</u>

Pledges receivable as of December 31, 2019 are expected to be collected as follows:

Receivable in less than one year	\$ 161,364
Receivable in one to five years	<u>68,100</u>
	229,464
Less allowance for uncollectible pledges	<u>(14,878)</u>
Pledges receivable, net allowance	<u>\$ 214,586</u>

(5) Inventory

Inventory consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Household goods	\$ 107,065	\$ 69,158
Building materials	44,423	67,951
Appliances	12,981	1,665
Computers, electronics	1,450	4,150
Solar systems	<u>18,308</u>	<u>18,308</u>
Total inventory	<u>\$ 184,227</u>	<u>\$ 161,232</u>

(6) Leases

The Organization has various operating leases for building space. Below are the significant operating leases in place during 2019 and 2018.

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.

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Leases (continued)

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 2019 and 2018, 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, 2019 and 2018 was \$0 and \$22,740, respectively. In early 2018, the Organization vacated this property and moved to 329 Harvest Lane.

329 Harvest Lane: In 2018, the Organization entered into a 3 year lease agreement for this facility. The lease provides the Organization an option to purchase the property for \$6,160,000 after the initial lease period. The Organization purchased the property subsequent to year end on January 10, 2020. Rent expense for 2019 and 2018 totaled \$467,660 and \$285,885, respectively.

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 2018 began using it for household goods and building material overflow storage. The Organization gave three month notice showing intent to vacate the property and end the lease in December 2017. The Organization has negotiated to continue renting a portion of the warehouse on a month-to-month basis of \$1,200. Rent expense for 2019 and 2018 totaled \$14,400 and \$15,000, respectively.

Green Mountain Drive Appliance Shop: In 2015, the Organization moved its appliance repair operation to South Burlington and signed a three-year lease. Rent expense for the South Burlington appliance repair facility was approximately \$0 and \$3,200 in 2019 and 2018, respectively. The Organization terminated 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 expired at the end of 2018. The Organization renewed the lease during 2018, which expires December 31, 2021. Rent expense for this lease for the years ended December 31, 2019 and 2018 were \$61,438 and \$42,372, respectively.

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

2020	\$ 388,677
2021	398,342
2022	408,248
2023	418,401
2024	428,807
Thereafter	<u>178,182</u>
Total	<u>2,220,657</u>

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(7) Long-Term Debt

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

	<u>2019</u>	<u>2018</u>
Mortgage loan at 0% interest, collateralized by real estate, principle deferred until property sold. See further information below.	\$ 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. See further information below.	368,433	392,761
Land loan, at 0% interest rate, located in Barre, VT. Payable in nine (9) annual installments of \$5,000, uncollateralized.	30,000	35,000
Fit-up loan at 8% interest rate, monthly payments of \$526, due May 2025, uncollateralized.	27,652	31,575
Vehicle loan at 2.5% interest rate, monthly payments of \$394, due November 2023, collateralized by truck.	16,661	20,381
Program investment loan at 1% interest rate, monthly payments of \$865, due December 2021, uncollateralized.	20,000	30,000
Vehicle loan at 2.835% interest rate, monthly payments \$932, due July 2021, collateralized by a van.	17,297	27,834
Facility loan at 6.25% interest rate, monthly payments \$1,249.96 due May 2024, collateralized by facilities.	57,820	64,810
Vehicle loan at 3.5% interest rate, monthly payments \$765, due March 2019, collateralized by vehicle.	-	2,282
Equipment loan with 36 monthly payments of \$323 due December 2021, collateralized by equipment.	7,753	-
Equipment loan with 36 monthly payments of \$444 due December 2021, collateralized by equipment.	<u>10,656</u>	<u>-</u>
Total long-term debt outstanding	851,092	899,463
Less: current portion	<u>(133,310)</u>	<u>(124,696)</u>
Long-term debt, net of current portion	<u>\$ 717,782</u>	<u>\$ 774,767</u>

RESOURCE: A NONPROFIT COMMUNITY ENTERPRISE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Long-Term Debt (continued)

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

2020	\$ 80,203
2021	77,220
2022	54,829
2023	56,950
Thereafter	<u>581,890</u>
	<u>\$ 851,092</u>

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, 2019 and 2018 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, 2019 and 2018 were \$368,433 and \$392,761, respectively.

(8) Line of Credit

On October 21, 2016, the Organization signed an agreement with Community National Bank for a \$225,000 line of credit which matured on November 1, 2018. At maturity, the agreement was extended until November 1, 2020. 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, 2018 and 2019 was 6.75%. As of December 31, 2019, the amount outstanding was \$160,000. The Organization did not have borrowings outstanding under the line of credit at December 31, 2018.

(9) 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.

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Notes to Financial Statements

December 31, 2019 and 2018

(10) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 460,382	\$ 162,770
Accounts receivable	119,887	92,247
Grants receivable	<u>195,891</u>	<u>126,110</u>
	<u>\$ 776,160</u>	<u>\$ 381,127</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has several source of liquidity at its disposal, including cash, accounts receivable and grants receivable.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Organization strives to maintain liquid cash reserves sufficient to cover 45 days of general expenditures. General expenditures include administrative, fundraising and operating expenses.

(11) Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Support for various programs in next year	\$ 25,543	\$ 22,773
Capital campaign	<u>528,500</u>	<u>397,924</u>
	<u>\$ 554,043</u>	<u>\$ 420,697</u>

(12) 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 any contributions to the plan in 2019 and 2018.

(13) Subsequent Events

In March 2020, a worldwide pandemic was declared due to the spread of COVID-19. The ultimate impact of this event on the Organization's operations and financial statements is unknown as of the date of the auditors' report.

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Notes to Financial Statements

December 31, 2019 and 2018

Subsequent Events (continued)

On January 10, 2020, the Organization purchased the building housing their Williston location at 329 Harvest Lane for a purchase price of \$6,160,000. The purchase was financed with loans of \$5,730,000 from the U.S. Department of Agriculture and \$500,000 from the seller, Allen Brook Development Incorporated. The USDA Mortgage is at the rate of 2.75% with monthly payments of \$23,436 having a maturity date of 2050. The Landlord loan from Allen Brook Development Incorporated is at the rate of 8% with a maturity date of 2023 and is secured by a second mortgage on the conveyed property.