

THE CONFLICT CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THE CONFLICT CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

October 10, 2019

Independent Auditors' Report

Board of Directors
The Conflict Center
Denver, Colorado

We have audited the accompanying financial statements of **The Conflict Center** (a Colorado nonprofit corporation), which comprise the statement of financial position as of June 30, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Conflict Center as of June 30, 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 Conflict Center's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THE CONFLICT CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FROM 2018)

	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 198,902	\$ 93,742
Cash held for others (Note 3)	9,130	3,571
Contracts and other receivables	13,981	4,374
Grant receivable	35,000	32,000
Prepaid expenses	2,594	3,553
Program development costs, net (Note 4)	15,341	30,557
Property and equipment, net (Note 5)	728,657	757,649
Investments (Note 6)	298,410	270,867
Beneficial interest in assets held by others (Note 7)	202,160	201,769
	<u>\$ 1,504,175</u>	<u>\$ 1,398,082</u>
 <u>Liabilities and net assets</u>		
Accounts payable	\$ 4,660	\$ 6,124
Payroll and tax liabilities	22,068	14,634
Fiscal agent liabilities (Note 3)	9,130	3,571
Tenant security deposits and other	16,862	5,488
Capital lease obligation (Note 8)	10,216	-
	<u>62,936</u>	<u>29,817</u>
 Net assets		
Without donor restrictions		
Undesignated	208,762	102,480
Board designated reserve (Note 9)	298,410	270,867
Net investment in fixed assets	718,441	757,649
	<u>1,225,613</u>	<u>1,130,996</u>
With donor restrictions		
Donor purpose restrictions (Note 10)	13,466	35,500
Endowment (Note 7)	202,160	201,769
	<u>215,626</u>	<u>237,269</u>
	<u>1,441,239</u>	<u>1,368,265</u>
	<u>\$ 1,504,175</u>	<u>\$ 1,398,082</u>

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018	
	Without Donor Restrictions	With Donor Restrictions		Total	Total
		Donor Specific Purpose	Endowment		
<u>Revenue and other support</u>					
Foundation awards	\$ 63,015	\$ 114,279	\$ 163	177,457	\$ 116,742
Fees for services - government	140,833	-	-	140,833	140,384
Fees for services - general public	138,206	-	-	138,206	72,426
Rent and expense reimbursements	114,594	-	-	114,594	79,519
Donations	84,422	-	250	84,672	63,825
Religious organization grants	35,000	4,992	-	39,992	66,200
Investment income	27,681	-	8,513	36,194	39,798
Special events, net (Note 11)	19,310	-	-	19,310	7,369
Bequests	2,625	-	-	2,625	8,807
Other income	57	-	-	57	492
In-kind (Note 12)	10,910	-	-	10,910	10,556
Net assets released from restrictions (Note 13)	149,840	(141,305)	(8,535)	-	-
Total revenue and other support	786,493	(22,034)	391	764,850	606,118
<u>Expense</u>					
Program	522,485	-	-	522,485	487,523
Supporting services					
Management and general	104,344	-	-	104,344	70,403
Fund-raising	65,047	-	-	65,047	45,816
Total expense	691,876	-	-	691,876	603,742
Change in net assets	94,617	(22,034)	391	72,974	2,376
Net assets, beginning of year	1,130,996	35,500	201,769	1,368,265	1,365,889
Net assets, end of year	<u>\$ 1,225,613</u>	<u>\$ 13,466</u>	<u>\$ 202,160</u>	<u>\$1,441,239</u>	<u>\$1,368,265</u>

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018	
	<u>Supporting Services</u>				
		Management and			
	<u>Program</u>	<u>General</u>	<u>Fund- raising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 262,040	\$ 27,443	\$ 54,052	\$ 343,535	\$ 302,046
Payroll taxes and benefits	37,632	5,515	4,668	47,815	38,700
Special projects	44,785	-	-	44,785	52,360
Facility costs	27,362	9,817	-	37,179	25,016
Contract labor	22,075	1,369	-	23,444	8,995
Utilities	14,787	3,820	-	18,607	14,510
Property taxes	13,032	3,056	-	16,088	24,024
Promotion	7,896	2,528	313	10,737	3,400
Legal services	55	10,426	-	10,481	9,306
Audit fees	-	8,025	-	8,025	4,703
Telecommunications	3,822	4,010	-	7,832	8,446
Supplies	6,133	1,263	-	7,396	4,951
Printing and production	6,126	589	-	6,715	7,197
Accounting fees	-	6,551	-	6,551	4,181
Insurance	5,266	1,156	-	6,422	6,036
Fundraising	-	-	5,735	5,735	3,798
Staff and volunteer development	3,515	2,122	-	5,637	10,368
Dues and subscriptions	3,120	1,547	-	4,667	2,586
Board	1,695	2,062	-	3,757	1,445
Travel	2,743	762	100	3,605	2,015
Bank and transaction fees	2,321	248	79	2,648	2,269
Equipment	782	1,495	-	2,277	6,421
Personnel	1,798	269	-	2,067	600
Volunteer program	1,043	538	-	1,581	766
Postage	234	772	100	1,106	641
Interest expense	134	85	-	219	-
Repairs and maintenance	-	15	-	15	317
Other	-	328	-	328	30
	<u>468,396</u>	<u>95,811</u>	<u>65,047</u>	<u>629,254</u>	<u>545,127</u>
Depreciation	38,872	8,533	-	47,405	44,442
Amortization	15,217	-	-	15,217	14,173
Total	<u><u>\$ 522,485</u></u>	<u><u>\$ 104,344</u></u>	<u><u>\$ 65,047</u></u>	<u><u>\$ 691,876</u></u>	<u><u>\$ 603,742</u></u>

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 72,974	\$ 2,376
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	62,622	58,615
Donated stock	(20,028)	(8,513)
Loss on disposal of property and equipment	220	482
Reinvested gains and earnings on investments and endowment, net	(36,056)	(39,633)
Contributions to endowment	(413)	(475)
<u>Changes in operating assets and liabilities</u>		
Decrease(increase) in contracts and other receivables	(9,607)	30,039
Decrease(increase) in grant receivable	(3,000)	(32,000)
Decrease(increase) in prepaid expenses	959	(1,288)
(Decrease)increase in accounts payable	(1,464)	(10,481)
(Decrease)increase in payroll and tax liabilities	7,434	14,172
(Decrease)increase in fiscal agent liabilities	5,559	1,465
(Decrease)increase in tenant security deposits and other	11,374	1,238
Net cash provided by operating activities	<u>90,574</u>	<u>15,997</u>
<u>Cash flows from investing activities</u>		
Program development costs	-	(12,525)
(Purchases) of property and equipment	(8,710)	(68,124)
Insurance reimbursements on property and equipment	851	-
Proceeds from sale of donated stock	20,028	8,402
Investment of contributions to endowment	(413)	(475)
Distribution from investments	-	30,000
Net cash provided (used) by investing activities	<u>11,756</u>	<u>(42,722)</u>
<u>Cash flows from financing activities</u>		
Distribution from endowment	8,534	9,181
Payments on capital lease obligation	(558)	-
Investment in endowment	413	475
Net cash provided by financing activities	<u>8,389</u>	<u>9,656</u>
Net decrease in cash and cash equivalents	110,719	(17,069)
Cash and cash equivalents, beginning of year	<u>97,313</u>	<u>114,382</u>
Cash and cash equivalents, end of year	<u>\$ 208,032</u>	<u>\$ 97,313</u>
Supplemental disclosure		
Cash paid during the period for interest	<u>\$ 219</u>	<u>\$ -</u>
Property acquired under capital lease arrangement	<u>\$ 10,774</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

THE CONFLICT CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - NATURE OF ACTIVITIES

The Conflict Center (the Organization) is a nonprofit corporation incorporated under the laws of the State of Colorado. The Organization's mission is to equip people with practical skills to navigate, transform and embrace everyday conflict." For over 30 years, The Conflict Center accomplishes this mission through education and training programs in the Denver-metro area and throughout Colorado.

Through youth and adult skill building classes and conflict management workshops, individuals are empowered to see and use conflict as an opportunity to grow, learn, and create positive change in their lives. The Conflict Center applies this lens to a partnership with the Denver District Attorney's office to provide a community-based restorative justice model as an alternative to the traditional criminal justice system. Through school partnerships, the Organization partners with schools to foster a community of inclusion, where students feel safe to be themselves and nurtured to build positive relationships. In addition, the Organization is committed to implementing Restorative Practices in schools, holding students accountable within the school community rather than through exclusionary, punitive discipline.

The Organization is supported primarily through foundation awards, fees for services, and rent and expense reimbursements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

4. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

5. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

6. Estimates

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

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

8. Functional Reporting of Expenses

For the year ended June 30, 2019, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses attributable to program services or a supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses that are allocated are salaries and payroll taxes and benefits which are allocated based on time and effort. Other expenses are allocated based upon the program or supporting service benefited.

9. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

10. Reclassifications

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

11. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

12. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, information about liquidity and available resources, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

13. Subsequent Events

Management has evaluated subsequent events through October 10, 2019, the date the financial statements were available to be issued.

NOTE 3 - FISCAL AGENT

The Organization serves as fiscal agent for Conflict Resolution Month which organizes and manages Conflict Resolution month activities in Colorado. At year-end, the Organization held \$9,130 for Conflict Resolution Month.

NOTE 4 - PROGRAM DEVELOPMENT COSTS

The Organization capitalized certain costs associated with the Restorative Practices program. The costs are being amortized over three years. Capitalized program development costs of \$33,125 are reflected net of accumulated amortization of \$17,784.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<u>Description</u>	<u>Amount</u>
Building and improvements	\$ 1,348,186
Furniture and equipment	86,757
Leased equipment	10,774
Land	<u>9,000</u>
Total	1,454,717
Less: accumulated depreciation	<u>(726,060)</u>
Net property and equipment	<u>\$ 728,657</u>

Depreciation expense, including amortization of the leased equipment, for the year was \$47,405.

NOTE 6 - INVESTMENTS

Investments held by the Organization are valued using Level 1 inputs and consist of the following at June 30, 2019:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Stock mutual fund	\$ 142,486	\$ 208,593	\$ 66,107
Bond index mutual fund	89,329	89,817	488
Total	<u>\$ 231,815</u>	<u>\$ 298,410</u>	<u>\$ 66,595</u>

NOTE 6 - INVESTMENTS (Continued)

Investment income and account activity is summarized as follows:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	<u>\$ 270,867</u>
Interest and dividend income	5,680
Unrealized gains and losses, net	<u>21,863</u>
Total investment return	<u>27,543</u>
Withdrawals	<u>-</u>
Balance, end of year	<u>\$ 298,410</u>

Additionally, the Organization earned interest income of \$138 on operating cash accounts and an investment return of \$8,513 on an endowment fund as described in Note 7.

NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has established an endowment fund through Community First Foundation (the Foundation) to provide ongoing support for the Organization. Under the terms of the endowment, the Organization may take an annual distribution of up to 4.5% of the average of the net fair market value of the assets of the endowment fund on the last business day of each of the three calendar years preceding the year for which the distribution is being made. The Organization's right to a distribution for any calendar year shall not be cumulative. If the Organization receives less than the previously described annual distribution on a calendar basis, then the Organization shall not be entitled to request a distribution of such undistributed amount in any subsequent year.

The assets in the endowment fund are managed by the Foundation and invested in accordance with the Foundation's asset allocation. The investment returns are based upon the Foundation's returns for commingled investments.

Changes in the endowment fund balances (Level 3 inputs) during year are as follows:

<u>Description</u>	<u>Amount</u>
Endowment assets, beginning of year	<u>\$ 201,769</u>
Contributions	<u>413</u>
Interest and dividend income	4,774
Realized/unrealized gains and losses, net	(1,462)
Unrealized gains and losses, net	7,177
Management fees	<u>(1,976)</u>
Total investment return	<u>8,513</u>
Distributions	<u>(8,535)</u>
Balance, end of year	<u>\$ 202,160</u>

NOTE 8 - LEASE OBLIGATIONS

The Organization acquired a copier machine under a capital leasing arrangement. Under the terms of the agreement, the Organization is responsible for the following future minimum lease payments:

<u>Year</u>	<u>Amount</u>
2020	\$ 2,520
2021	2,520
2022	2,520
2023	2,520
2024	<u>2,200</u>
Total payments	12,280
Less: amount representing interest	<u>(2,064)</u>
Present value of lease obligation	<u>\$ 10,216</u>

Additionally, the Organization entered into a copier lease agreement in a prior year. This lease agreement was treated as an operating lease. The future minimum lease payments under this lease are \$1,668 in 2020 and 2021.

NOTE 9 - BOARD DESIGNATED RESERVE

The Organization received a bequest in a prior year from the estate of a long-time supporter and friend of the Organization. The board established a reserve from the bequest. Under the terms of the operating reserve policy, the balance should not go below \$150,000 and distribution requests require the approval of a majority board of director vote. Distributions are to be used for purposes of generating additional revenue for the Organization and cannot be used to pay debt or other ongoing operational expenses. The composition of the investment of the bequest is further described in Note 6.

NOTE 10 - NET ASSETS WITH DONOR PURPOSE RESTRICTIONS

Net assets with donor purpose restrictions are available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Restorative practices – Jefferson County	\$ 10,000
Summer internship program	<u>3,466</u>
Total	<u>\$ 13,466</u>

NOTE 11 - SPECIAL EVENTS, NET

For the year, special events consisted of:

<u>Description</u>	<u>Amount</u>
Special events revenue	\$ 21,499
Less: direct costs	<u>(2,189)</u>
Total	<u>\$ 19,310</u>

NOTE 12 - IN-KIND CONTRIBUTIONS

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are reflected in the accompanying financial statements at their estimated value at date of receipt. The value of services included in the financial statements and the corresponding expenses for the year are as follows:

<u>Description</u>	<u>Amount</u>
Legal services	\$ 10,426
Supplies	390
Board recruitment expenses	<u>94</u>
Total	<u>\$ 10,910</u>

NOTE 13 - NET ASSETS RELEASED FROM DONOR PURPOSE RESTRICTIONS

Net assets were released from donor purpose restrictions by incurring expenses satisfying the following restricted program purposes:

<u>Description</u>	<u>Amount</u>
Restorative practices	\$ 134,794
Restorative practices – Jefferson County	5,492
Summer internship program	<u>1,019</u>
Total	<u>\$ 141,305</u>

NOTE 14 - LEASES

The Organization leases space to tenants at its facility. The future minimum lease payments to be received under the agreements are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 94,973
2021	53,451
2022	47,979
2023	<u>6,290</u>
Total	<u>\$ 202,693</u>

The future minimum lease payment schedule incorporates leases signed subsequent to year end.

NOTE 15 - RETIREMENT PLAN

During the year, the Organization adopted a 401(k) retirement plan (the Plan) to replace a 403(b) retirement plan. The Plan covers all eligible employees once they reach sixty days of service. The Plan has an automatic deferral election of five percent of compensation for eligible employees. Employees may elect out of the automatic deferral election or change the deferred contribution rates to the Plan. For participating employees who work over 20 hours per week, the Organization matches up to the first three percent of compensation contributed by each employee. Pension expense for the year was \$2,803.

NOTE 16 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at June 30, 2019:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 198,902
Contracts and other receivables	13,981
Grant receivable	35,000
Investments	<u>298,410</u>
Total financial assets	546,293
Less amounts not available to be used within one year:	
Board designated reserve	<u>(298,410)</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 247,883</u>

NOTE 16 - AVAILABILITY AND LIQUIDITY (Continued)

The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations and plans will be discharged.

Because of the board of director's designation, the board designated reserve is not available for general operating expenditures within the next year, however, the board of directors could make them available, if necessary. The anticipated upcoming general operating expenses are approximately \$625,000.