

COMMUNITY THREAD

FINANCIAL REPORT

DECEMBER 31, 2016

COMMUNITY THREAD

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Thread
Stillwater, Minnesota

We have audited the accompanying financial statements of Community Thread which comprise the statement of financial position as of December 31, 2016, and 2015 and the related statements of activities, cash flows and functional expenses for the years then ended and the related notes to 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Thread as of December 31, 2016, and 2015 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

March 9, 2017

COMMUNITY THREAD

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	ASSETS	
	2016	2015
ASSETS		
Cash		
Checking accounts, non-interest bearing	\$ 191,029	\$ 78,825
Money market account	15,485	60,392
Accounts receivable	1,067	1,185
Pledges receivable	20,000	-
Prepaid expenses	4,261	4,071
Property and equipment, at cost		
less accumulated depreciation of \$399,927 and \$377,963 respectively	481,245	373,618
Total assets	\$ 713,087	\$ 518,091
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 8,432	\$ 4,072
Accrued expenses	12,488	25,808
Total liabilities	20,920	29,880
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Unrestricted		
Undesignated	610,247	488,211
Total unrestricted	610,247	488,211
Temporarily restricted	81,920	-
Total net assets	692,167	488,211
	\$ 713,087	\$ 518,091

See Notes to Financial Statements

COMMUNITY THREAD
STATEMENTS OF ACTIVITIES
Years ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support						
Public contributions	\$ 180,231	\$ 36,210	\$ 216,441	\$ 174,739	\$ 27,960	\$ 202,699
Private contributions	238,206	259,895	478,101	138,978	184,475	323,453
Total support	<u>418,437</u>	<u>296,105</u>	<u>714,542</u>	<u>313,717</u>	<u>212,435</u>	<u>526,152</u>
Revenue						
Interest	95	-	95	45	-	45
Purchase of services	9,299	-	9,299	11,417	-	11,417
Sales and other	39,300	-	39,300	35,899	-	35,899
Total revenue	<u>48,694</u>	<u>-</u>	<u>48,694</u>	<u>47,361</u>	<u>-</u>	<u>47,361</u>
Net assets released from restrictions	<u>214,185</u>	<u>(214,185)</u>	<u>-</u>	<u>548,171</u>	<u>(548,171)</u>	<u>-</u>
Total support and revenue	<u>681,316</u>	<u>81,920</u>	<u>763,236</u>	<u>909,249</u>	<u>(335,736)</u>	<u>573,513</u>
EXPENSES						
Program services	429,209	-	429,209	623,179	-	623,179
Management and general	67,954	-	67,954	55,926	-	55,926
Fundraising	62,117	-	62,117	54,990	-	54,990
Total expenses	<u>559,280</u>	<u>-</u>	<u>559,280</u>	<u>734,095</u>	<u>-</u>	<u>734,095</u>
(Decrease) increase in net assets	<u>122,036</u>	<u>81,920</u>	<u>203,956</u>	<u>175,154</u>	<u>(335,736)</u>	<u>(160,582)</u>
Net assets, beginning of year	<u>488,211</u>	<u>-</u>	<u>488,211</u>	<u>313,057</u>	<u>335,736</u>	<u>648,793</u>
Net assets, end of year	<u>\$ 610,247</u>	<u>\$ 81,920</u>	<u>\$ 692,167</u>	<u>\$ 488,211</u>	<u>\$ -</u>	<u>\$ 488,211</u>

See Notes to Financial Statements

COMMUNITY THREAD

STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 203,956	\$ (160,582)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,964	165,509
Decrease in accounts receivable	118	3,382
(Increase) in pledges receivable	(20,000)	-
(Increase) decrease in prepaid expenses	(190)	(766)
Increase in accounts payable	4,360	2,338
(Decrease) increase in accrued expenses	(13,320)	6,602
Net cash provided by operating activities	196,888	16,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(129,591)	(5,910)
Net cash used in investing activities	(129,591)	(5,910)
NET INCREASE IN CASH	67,297	10,573
CASH, beginning of year	139,217	128,644
CASH, end of year	\$ 206,514	\$ 139,217

See Notes to Financial Statements

COMMUNITY THREAD
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Program Services						Supporting Services			Total Expenses
	Senior Center	Bayport Sr. Center	Transportation	Holiday Hope	Volunteer Center	Medical Reserve Corps	Management and General	Fund Raising	Total	
Personnel										
Staff salaries and expenses	\$ 67,960	\$ 48,484	\$ 38,476	\$ 40,354	\$ 100,807	\$ -	\$ 24,399	\$ 58,697	\$ 83,096	\$ 379,177
Volunteer expense	-	-	2,659	-	918	-	564	-	564	4,141
Reimbursements	-	-	-	-	-	-	-	-	-	-
Occupancy	-	45,790	-	-	-	-	-	-	-	45,790
Rent	-	2,162	2,989	2,395	2,069	-	8,528	117	8,645	24,220
Utilities and maintenance	5,960	-	-	-	-	-	-	-	-	-
Operations	-	-	-	-	-	-	-	-	-	-
Communications	3,443	2,470	2,019	1,736	4,541	-	17,570	2,560	20,130	34,539
Supplies and equipment	7,670	1,587	107	697	10,829	-	6,683	743	7,426	28,316
Other administrative expense	6,523	915	1,662	820	832	-	8,166	-	8,166	18,918
Direct program expenses	-	-	-	2,415	-	-	-	-	-	2,415
Total expenses before depreciation	91,556	101,408	47,912	48,417	119,996	-	65,910	62,117	128,027	537,316
Depreciation of furniture, equipment, improvements	16,813	1,414	443	443	807	-	2,044	-	2,044	21,964
Total Expenses	\$ 108,369	\$ 102,822	\$ 48,355	\$ 48,860	\$ 120,803	\$ -	\$ 67,954	\$ 62,117	\$ 130,071	\$ 559,280

See Notes to Financial Statements
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COMMUNITY THREAD
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program Services						Supporting Services			Total Expenses		
	Senior Center	Bayport Sr. Center	Trans- portation	Holiday Hope	Volunteer Center	Medical Reserve Corps	Total	Management and General	Fund Raising		Total	
Personnel												
Staff salaries and expenses	\$ 59,515	\$ 71,445	\$ 37,470	\$ -	\$ 37,501	\$ 96,291	\$ 32,775	\$ 334,997	\$ 31,059	\$ 51,755	\$ 82,814	\$ 417,811
Volunteer expense reimbursements	-	1,318	2,203	-	-	803	-	4,324	419	-	419	4,743
Occupancy	-	40,446	-	-	-	-	-	40,446	-	-	-	40,446
Rent	-	5,219	3,175	2,498	2,624	1,443	-	21,431	4,904	382	5,286	26,717
Utilities and maintenance	6,472	-	-	-	-	-	-	40,446	-	-	-	40,446
Communications	4,661	11,738	2,849	2,644	4,645	1,312	27,849	8,190	1,690	9,880	37,729	
Supplies and equipment	4,009	7,177	242	561	3,735	105	15,829	2,996	1,163	4,159	19,988	
Other administrative expense	7,102	2,366	1,637	797	798	427	13,127	6,315	-	6,315	19,442	
Direct program expenses	-	-	-	1,710	-	-	1,710	-	-	-	1,710	1,710
Total expenses before depreciation	81,759	139,709	47,576	45,711	108,896	36,062	459,713	53,883	54,990	108,873	568,586	
Depreciation of furniture, equipment, improvements	16,813	144,517	443	443	807	443	163,466	2,043	-	2,043	165,509	
Total Expenses	\$ 98,572	\$ 284,226	\$ 48,019	\$ 46,154	\$ 109,703	\$ 36,505	\$ 623,179	\$ 55,926	\$ 54,990	\$ 110,916	\$ 734,095	

See Notes to Financial Statements
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COMMUNITY THREAD

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities:

Community Thread is a Minnesota nonprofit corporation organized for the purpose of promoting and supporting volunteerism by serving organizations and individuals, meeting community needs through volunteer resources. The Organization is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

A summary of the Organization's significant programs is as follows:

Services for Seniors, Families, and Individuals:

Senior Centers – Stillwater and Bayport. The Senior Centers serve as a hub of senior activity in the St. Croix Valley Area. They provide a focal point for high quality programs and activities, which enhance the well being of older adults. The Centers' support services enable seniors to remain independent in their own homes, as well as providing a place for socialization, education, information and referral, direct senior services, and senior advocacy. The Senior Centers also offer free income tax preparation assistance.

Transportation Program. The Transportation Program engages volunteer drivers who take people to and from needed medical or other wellness appointments, at a nominal charge. This service is available to all eligible residents of Washington County. The Transportation Program also provides referrals and connections to alternative transportation resources for those who have other transportation needs.

Holiday Hope. For over 40 years Community Thread has been providing help during the holidays through the Holiday Hope program (formerly Holiday Bureau). The program registers those in need-families, people with disabilities, and low-income seniors-and recruits sponsors to provide a unique community connection, a happy holiday filled with individually chosen gifts and a holiday meal. Individuals and families residing in the Stillwater school district are served.

Services to support Volunteerism:

Volunteer Center. The Volunteer Center serves individuals and organizations through four primary functions: connecting people to opportunities to serve through a searchable database of volunteer opportunities, building capacity for local volunteering by providing training and support in volunteer management to local nonprofit organizations; promoting volunteerism in the community; and providing special community wide service initiatives.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Medical Reserve Corps. Commenced in 2004, the MRC is a pool of medical professionals and other support volunteers who will be called upon by county and state officials to provide emergency staffing and support services to respond to public health emergencies. The Organization discontinued this program in 2015.

Summary of significant Accounting Policies:

Basis of Accounting:

The Organization maintains its books on the accrual basis of accounting. Support revenue and expenses are recognized during the period in which they are earned or incurred, respectively. In 1997, the Organization adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" and Statement of Financial Standards No. 117 "Financial Statements for Not-for Profit Organizations." Under these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and therein are classified and reported as follows:

Temporarily restricted net assets consist of contributions that are restricted by donor-imposed restrictions to be used primarily for special initiatives.

Unrestricted- undesignated net assets represent the portion of expendable funds that is available for support of the operations of the Organization that is not designated by the Board of Directors.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Property and Equipment:

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed using the straight-line method over estimated useful lives of five years to forty years.

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Land and improvements	\$ 197,458	\$ 79,911
Building	277,961	277,961
Office furniture and equipment	171,024	158,980
Leasehold improvements	-	-
Building improvements	234,729	234,729
	<u>881,172</u>	<u>751,581</u>
Less: accumulated depreciation	399,927	377,963
	<u>\$ 481,245</u>	<u>\$ 373,618</u>

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited, based upon the time devoted to each.

Note 2. Leases

The Organization leased space for the Bayport Senior Center during 2014 and through June 2015 under a month-to month lease at a monthly rent of \$3,000. As of July 1, 2015, the Organization moved to a new facility. In conjunction with that move, the Organization signed a ten-year lease until June 30, 2025 calling for minimum monthly rentals of \$3,741. Minimum annual rentals under this new lease are \$44,892 for each of the next five years.

Rent expense under these lease agreements was \$45,952 in 2016 and \$40,446 in 2015.

Note 3. Custodial Account

The Organization maintains custodial cash accounts for funds of Minnesota Volunteer Center Association, which are to be disbursed only for the benefit of, and upon the instructions of, Minnesota Volunteer Center Association. These funds are not assets of Community Thread, and, accordingly, are not included in the accompanying financial statements. The balances in these custodial accounts were \$4,022 and \$4,899 at December 31, 2016 and 2015 respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Bayport Senior Center Relocation

As previously disclosed in Note 2, the Bayport Senior Center relocated to a new facility in July 2015. Because of this relocation, certain leasehold improvements made at the prior location ceased to be assets to the Organization. Accordingly, depreciation and amortization expense for 2015 includes a charge of \$140,217, which represents the unamortized balance of the improvements made.

Note 5. Donated Staff Support

A substantial number of volunteers have donated significant amounts of their time to the Organization. These donated services are not reflected in the accompanying financial statements as expenditures or as income from donations, as such services are not considered to meet the definition of highly skilled labor as defined in SFAS No. 116.

Note 6. Retirement Plan

The Organization sponsors a retirement plan for its employees. Employees, at their option may defer a percentage of compensation. The Organization may make a discretionary contribution for eligible employees who participate in the plan. For the years ended December 31, 2016 and 2015, the Organization did not make a discretionary contribution.

Note 7. Community Thread Fund

During 2001, the Organization established the Community Thread Fund with the St. Croix Valley Community Foundation. Under the terms of the arrangement, the Community Foundation will distribute annually, income from the fund, after deducting expenses of administering and investing. The Board of Directors of the Organization may elect to add the annual income to the Fund's principal. Under the guidelines established in Statement of Financial Accounting Standards (SFAS) No. 136, the Community Foundation is considered the legal owner of the Fund. At December 31, 2016, the Fund's assets totaled \$17,649 and \$718 was distributable at that date.

Note 8. Comparative Amounts

Certain amounts in the December 31, 2015 financial statements were restated to conform to the 2016 financial statement presentation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. Line of Credit

In October 2012, The Organization entered a line of credit arrangement with MidwestOne Bank (formerly Central Bank). The arrangement allows the Organization to borrow up to \$100,000. Interest is payable at variable rates (4.25% at December 31, 2016) through October 4, 2017, when the outstanding principal balance is due. Any outstanding principal balance is secured by a mortgage on real property. There was no outstanding balance on this line of credit arrangement at December 31, 2016.

Note 10. Capital Campaign

During 2016, the Organization commenced a capital campaign, to raise support for various capital improvements. Through December 31, 2016, the Organization received \$169,500, (including a \$20,000 pledge) from foundations, and \$19,000 from individuals in response to the campaign. Capital expenditures through December 31, 2016 were \$113,500, leaving \$75,000 to be spent in 2017. The \$75,000 is included in Temporarily Restricted Assets at December 31, 2016.