

Community Thread

Financial Statements with
Independent Auditor's Report

December 31, 2020

Community Thread
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Thread

We have audited the accompanying financial statements of Community Thread (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 Community Thread as of December 31, 2020, 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.

Schutz CPA, Ltd.

July 15, 2021

Community Thread
Statement of Financial Position
December 31, 2020

Assets

Current Assets

Cash	\$ 258,216
Contributions Receivable	79,201
Prepaid Expenses	1,219
Total Current Assets	338,636

Property and Equipment

Land	75,000
Building and Improvements	695,920
Furniture and Equipment	23,024
Total Property and Equipment	793,944
Accumulated Depreciation	(355,904)
Net Property and Equipment	438,040

Other Assets

Assets Held By Community Foundation	24,629
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Total Assets	\$ 801,305
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Liabilities

Current

Accounts Payable	6,540
Accrued PTO	53,088
PPP Loan	79,600
Total Current Liabilities	139,228

Total Liabilities	139,228
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Net Assets

Net Assets Without Donor Restrictions	655,897
Net Assets With Donor Restrictions	6,180
Total Net Assets	662,077

Total Liabilities and Net Assets	\$ 801,305
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Community Thread
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Grants and Contributions	\$ 675,317		\$ 675,317
Government Grants	38,493		38,493
In Kind Support	184,477		184,477
Program Fees	12,114		12,114
Rental Income	6,828		6,828
Fundraising	6,188		6,188
Investment Income	3,055		3,055
Other	997		997
Released from Restrictions	1,820	\$ (1,820)	
Total Support and Revenue	929,289	(1,820)	927,469
Expenses			
Program	703,635		703,635
Management and General	140,639		140,639
Fundraising	58,042		58,042
Total Expenses	902,316		902,316
Change in Net Assets	26,973	(1,820)	25,153
Net Assets - Beginning of Year	628,924	8,000	636,924
Net Assets - End of Year	\$ 655,897	\$ 6,180	\$ 662,077

Community Thread
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Management and General	Fund Raising	Total
Advertising	\$ 4,701	\$ 1,405	\$ 21	\$ 6,127
Communications	4,959	1,935	546	7,440
Contracted Services	19,940	248		20,188
Depreciation	23,558	2,618		26,176
Dues and Subscriptions	425	865		1,290
Education and Training	743	2,771	298	3,812
Employee Benefits	253	3,350	3,631	7,234
Insurance	3,273	4,487		7,760
Office Expense	11,159	3,942		15,101
Other	284	1,863		2,147
Payroll Tax Expense	25,824	6,000	3,625	35,449
Postage and Delivery	1,236	2,036		3,272
Printing and Duplicating	8,654	6,170	579	15,403
Professional Fees	40	7,812		7,852
Program Supplies	201,182	29		201,211
Rent	43,991			43,991
Repair and Maintenance	12,252	3,514		15,766
Salaries	322,005	85,388	48,700	456,093
Supplies	1,080	200	576	1,856
Technology	10,095	3,887	66	14,048
Travel and Auto	1,797			1,797
Utilities	6,184	2,119		8,303
Total Expenses	\$ 703,635	\$ 140,639	\$58,042	\$ 902,316

Community Thread
Statement of Cash Flows
Years Ended December 31, 2020

Cash Flows from (to) Operating Activities	
Change in Net Assets	\$ 25,153
Adjustments to Reconcile:	
Depreciation	26,176
(Gain) on Investment	(2,729)
(Increase) Decrease in Current Assets:	
Contributions Receivable	(67,013)
Prepaid Expenses	12,675
Increase (Decrease) in Current Liabilities:	
Accounts Payable	3,880
Accrued Expenses	(11,558)
Net Cash (to) Operating Activities	<u>(13,416)</u>

Cash Flows from Financing Activities	
Proceeds from PPP Loan	79,600
Net Increase in Cash	<u>66,184</u>
Cash, Beginning of Year	192,032
Cash, End of Year	<u><u>\$ 258,216</u></u>

Community Thread
Notes to Financial Statements
December 31, 2020

Note 1: Nature of the Organization

Community Thread (the Organization) is a Minnesota nonprofit corporation organized for the purpose of maximizing resources and volunteers to improve the quality of life for adults and their families in the local community.

The Organization currently provides the following programs and services:

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.

Chore Services and Transportation Program: The Chore Services Program was established to assist seniors and individuals with disabilities living in the Stillwater Area. By engaging volunteers, Chore Services helps fill requests for basic home maintenance assistance, such as window washing, gardening, minor indoor repairs, and cleaning, with the goal of making it easier for individuals to remain living at home. The Transportation Program engages volunteer drivers who take people to and from needed medical or other wellness appointments. This service is available to all eligible residents of Stillwater School District 834. The Transportation Program also provides referrals and connections to alternative transportation resources for those who have other transportation needs.

Services to Support Volunteerism:

Volunteer Center and Holiday Hope: 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. In addition, 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.

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Cash: The Organization holds cash at financial institutions. At times, such accounts may be in excess of the FDIC limit.

Contributions Receivable: Contributions receivable that are expected to be received within one year are recorded at net realizable value. Expected amounts for future years are at discounted rates. Allowance for uncollectible promises to give is based on historical experience and management's judgement. Accounts that are determined to be uncollectible are written off against the allowance account. No allowance was considered necessary for 2020.

Property and Equipment: The Organization capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at the estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from 5 to 40 years.

Community Thread
Notes to Financial Statements
December 31, 2020

Note 2: Summary of Significant Accounting Policies (Continued)

Beneficial Interest in Assets Held by Community Foundation: During 2001, the Organization established the Community Thread Fund with the St. Croix Valley Community Foundation. The funds are part of a pooled growth portfolio with the overall investment recorded at fair market value and changes in value are allocated to the Organization based on investment balances. The agreement requires the community foundation to pay the net income or principal or both, as determined by the distribution policy adopted by the community foundation. Although the community foundation has variance powers to redirect the funds, the Organization retains future economic benefit in the transferred assets

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

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: Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or passage of time or are required by donor-stipulations that they be maintained by the Organization, that neither expire by passage of time nor can be fulfilled or otherwise removed by the action of the Organization. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue and Revenue Recognition: The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The adoption of this new standard did not result in a material impact to the Organization's financial statements.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Revenue is recognized when earned. Program fees and rental income are deferred to the applicable period in which related services are performed. Special event revenue is recorded equal to the fair value of direct benefits to the donors and contributions income for the excess received when the event takes place.

Donated Services and In-Kind Contributions: Volunteer contribute significant amounts of time to the Organization however, the financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by generally accepted accounting principles. Contributed services are recognized for those services that improve or enhance property and equipment or for those that require specialized skills. Donated supplies are valued at estimated fair market value at the date of donation.

Advertising Costs: Advertising costs are expensed under operations as incurred.

Functional Allocation of Expenses: The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services based on time and effort and usage of facilities and equipment.

Estimates: The preparation of financial statements in accordance 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.

Community Thread
Notes to Financial Statements
December 31, 2020

Note 2: Summary of Significant Accounting Policies (Continued)

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Note 3: Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date, are as follows:

Cash	\$252,036
Contributions Receivable	<u>79,201</u>
Total	\$331,237

As part of the Organization's liquidity management, the financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. In addition, the \$100,000 line of credit could be utilized if necessary.

Note 4: Investments at Fair Market Value

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs generally are based on indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active. Level 3 inputs, which are the most subjective, are generally based on the organization's own assumptions on how knowledgeable parties would price assets and are developed using the best information available in the circumstances. Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of investments.

The summarized valuation of the Organization's investments by fair value hierarchy at December 31, 2020 was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets Held by Community Foundation			\$24,629	\$24,629

The activity of the Level 3 investments was as follows:

Level 3 Investments	
Beginning Balance Investments	\$21,901
Income	466
Change in Value	2,581
Fees	<u>(319)</u>
Ending Balance Investments	\$24,629

The Organization reinvests the proceeds available to grant, \$844 in 2020, back into the fund. Unrealized changes in fair value for investments and realized gains and losses from sales are recorded in investment income.

Note 5: Line of Credit

The Organization has a line of credit arrangement with a bank which allows the Organization to borrow up to \$100,000. Interest is payable at variable rates. Any outstanding principal balance is secured by property. There was no outstanding balance at December 31, 2020.

Community Thread
Notes to Financial Statements
December 31, 2020

Note 6: PPP Loan

On April 16, 2020, the Organization received loan proceeds in the amount of \$79,600 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount was to be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The Organization recorded a note payable upon receipt of the proceeds and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020. The expected amount of the loan forgiveness is classified as a current liability at year end. The Organization used all of the PPP loan proceeds for purposes consistent with PPP and was awarded forgiveness on January 19, 2021 for the entire amount.

The Organization received a second PPP Loan on February 19, 2021 for \$79,600. Forgiveness has not yet been applied for or granted on this second amount.

Note 7: Net Assets with Donor Restrictions

The Organization’s net assets with donor restrictions consist of amounts for improvement to the building’s fire suppression system.

Note 8: 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. No contributions were made to the Plan by the Organization for the year ended December 31, 2020.

Note 9: Commitments

The organization leases space for the Bayport Senior Center under a ten-year lease which ends on June 30, 2025. Minimum monthly rental payments are \$3,741 with annual increases equal to the consumer price index. Minimum rent under this lease is approximately \$45,250 per year. During 2020, rent of \$31,910 was paid and three months of rent were waived.

The Organization also leases various office equipment.

Note 10: Subsequent Events

The Organization has evaluated subsequent events through July 15, 2021, which was the date the financial statements were available to be issued. Operations of the Organization were affected by the recent and ongoing outbreak of COVID-19, which was declared a global pandemic by the World Health Organization in March 2020. In addition, the Minnesota Governor ordered the closure of the physical locations of every “non-life sustaining” business and the Department of Health Services further limited the operation of the Organization in 2020.

The extent of the future impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s consumers, employees, customers, and vendors, all of which at present, cannot be determined. Future potential impacts may include disruptions or restrictions on operations with the effects unknown.