

COMMUNITY THREAD

FINANCIAL REPORT

DECEMBER 31, 2012

COMMUNITY THREAD

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Statement of functional expenses-year ended December 31, 2012	5
Statement of functional expenses-year ended December 31, 2011	6
Notes to financial statements	7



LEO C. NEUMAN, LTD.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

LEO C. NEUMAN, CPA

JANE E. NEUMAN, CPA

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Community Thread
Stillwater, Minnesota**

We have audited the accompanying statements of financial position of Community Thread as of December 31, 2012 and 2011 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and 2011 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.

A large, stylized handwritten signature in black ink that reads "Leo C. Neuman, Ltd." The signature is written in a cursive, flowing style.

February 20, 2013

COMMUNITY THREAD

STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	ASSETS	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash		
Checking accounts, non interest bearing	\$ 113,827	\$ 45,815
Money market account	3,488	144,915
Accounts receivable	8,554	4,161
Prepaid expenses	3,436	785
Property and equipment, at cost		
less accumulated depreciation of \$320,661 and \$290,214 respectively	<u>577,728</u>	<u>604,287</u>
Total assets	<u><u>\$ 707,033</u></u>	<u><u>\$ 799,963</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 5,505	\$ 49,431
Accrued expenses	22,402	18,720
Note payable	<u>309</u>	<u>1,505</u>
Total liabilities	<u><u>28,216</u></u>	<u><u>69,656</u></u>
COMMITMENT AND CONTINGENCIES		
NET ASSETS		
Unrestricted		
Undesignated	331,663	382,849
Designated	<u>23,137</u>	<u>23,137</u>
Total unrestricted	<u>354,800</u>	<u>405,986</u>
Temporarily restricted	<u>324,017</u>	<u>324,321</u>
Total net assets	<u><u>678,817</u></u>	<u><u>730,307</u></u>
	<u><u>\$ 707,033</u></u>	<u><u>\$ 799,963</u></u>

See Notes to Financial Statements

COMMUNITY THREAD

STATEMENTS OF ACTIVITIES
Years ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support						
Public contributions	\$ 158,483	\$ 54,807	\$ 213,290	\$ 155,907	\$ 54,986	\$ 210,893
Private contributions	118,000	141,750	259,750	113,000	345,112	458,112
Total support	<u>276,483</u>	<u>196,557</u>	<u>473,040</u>	<u>268,907</u>	<u>400,098</u>	<u>669,005</u>
Revenue						
Interest	98	-	98	251	-	251
Purchase of services	14,466	-	14,466	12,193	-	12,193
Sales and other	39,615	-	39,615	44,099	-	44,099
Total revenue	<u>54,179</u>	<u>-</u>	<u>54,179</u>	<u>56,543</u>	<u>-</u>	<u>56,543</u>
Net assets released from restrictions	<u>195,315</u>	<u>(195,315)</u>	<u>-</u>	<u>388,312</u>	<u>(388,312)</u>	<u>-</u>
Total support and revenue	<u>525,977</u>	<u>1,242</u>	<u>527,219</u>	<u>713,762</u>	<u>11,786</u>	<u>725,548</u>
EXPENSES						
Program services	465,944	1,546	467,490	463,567	-	463,567
Management and general	48,723	-	48,723	41,107	-	41,107
Fundraising	62,496	-	62,496	56,389	-	56,389
Total expenses	<u>577,163</u>	<u>1,546</u>	<u>578,709</u>	<u>561,063</u>	<u>-</u>	<u>561,063</u>
(Decrease) increase in net assets	(51,186)	(304)	(51,490)	152,699	11,786	164,485
Net assets, beginning of year	<u>405,986</u>	<u>324,321</u>	<u>730,307</u>	<u>253,287</u>	<u>312,535</u>	<u>565,822</u>
Net assets, end of year	<u>\$ 354,800</u>	<u>\$ 324,017</u>	<u>\$ 678,817</u>	<u>\$ 405,986</u>	<u>\$ 324,321</u>	<u>\$ 730,307</u>

See Notes to Financial Statements

COMMUNITY THREAD

STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (51,490)	\$ 164,485
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,449	22,837
(Increase) decrease in accounts receivable	(4,393)	(3,170)
(Increase) decrease in prepaid expenses	(2,651)	3,321
(Decrease) increase in accounts payable	(43,926)	46,214
Increase (decrease) in accrued expenses	3,682	(856)
Net cash (used in) provided by operating activities	(68,329)	232,831
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,890)	(182,823)
Net cash used in investing activities	(3,890)	(182,823)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowing	15,000	3,212
Debt reduction	(16,196)	(1,707)
Net cash (used in) provided by financing activities	(1,196)	1,505
NET (DECREASE) INCREASE IN CASH	(73,415)	51,513
CASH, beginning of year	190,730	139,217
CASH, end of year	\$ 117,315	\$ 190,730
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 38	\$ 143

See Notes to Financial Statements

COMMUNITY THREAD
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Program Services							Supporting Services			Total Expenses
	Senior Center	Bayport Sr. Center	Trans-potation	Holiday Bureau	Volunteer Center	Neighborhood Service Exch.	Medical Reserve Corps	Management and General	Fund Raising	Total	
Personal											
Staff salaries and expenses	\$ 55,591	\$ 59,982	\$ 36,911	\$ 19,783	\$ 86,076	\$ 32,711	\$ 38,948	\$ 29,695	\$ 56,451	\$ 86,146	\$ 416,148
Volunteer expense reimbursements	45	-	7,459	-	281	-	-	1,066	-	1,066	8,851
Occupancy	-	36,000	-	-	-	-	-	-	-	-	36,000
Rent	3,874	691	2,353	2,422	2,320	2,330	2,329	2,945	400	3,345	19,664
Utilities and maintenance	-	-	-	-	-	-	-	-	-	-	-
Operations	3,139	3,119	2,032	2,748	6,185	2,004	2,824	4,098	4,899	8,997	31,048
Communications	7,058	2,744	130	-	782	130	140	2,226	746	2,972	13,956
Supplies and equipment	2,426	3,590	1,045	768	1,043	1,045	1,045	4,692	-	4,692	15,654
Other administrative expense	-	-	-	6,939	-	-	-	-	-	-	6,939
Direct program expenses	72,133	106,126	49,930	32,660	96,687	38,220	45,286	44,722	62,496	107,218	548,260
Total expenses before depreciation	15,813	8,054	443	443	809	443	443	4,001	-	4,001	30,449
Depreciation of furniture, equipment, improvements	\$ 87,946	\$ 114,180	\$ 50,373	\$ 33,103	\$ 97,496	\$ 38,663	\$ 45,729	\$ 48,723	\$ 62,496	\$ 111,219	\$ 578,709
Total Expenses											

See Notes to Financial Statements
5

COMMUNITY THREAD
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011

	Program Services										Supporting Services			Total Expenses
	Senior Center	Bayport Sr. Center	Transportation	Holiday Bureau	Volunteer Center	Neighborhood Service Exch.	Medical Reserve Corps	Total	Management and General	Fund Raising	Total			
Personnel	\$ 57,274	\$ 59,961	\$ 35,455	\$ 16,560	\$ 77,565	\$ 31,136	\$ 43,321	\$ 321,272	\$ 21,286	\$ 52,999	\$ 74,285	\$ 395,557		
Staff salaries and expenses	-	-	8,919	-	220	-	-	9,139	624	-	624	9,763		
Volunteer expense reimbursements	-	-	-	-	-	-	-	-	-	-	-	-		
Occupancy	-	39,120	-	-	-	-	-	39,120	-	-	-	39,120		
Rent	4,443	524	2,522	2,709	2,762	2,512	2,487	17,959	2,375	770	3,145	21,104		
Utilities and maintenance	-	-	-	-	-	-	-	-	-	-	-	-		
Operations	3,568	3,759	2,917	4,328	6,842	2,915	3,683	28,012	4,176	1,737	5,913	33,925		
Communications	1,743	3,081	264	-	5,877	264	264	11,493	3,775	883	4,658	16,151		
Supplies and equipment	2,491	3,998	1,000	811	1,066	1,066	1,067	11,499	5,758	-	5,758	17,257		
Other administrative expense	-	-	-	5,349	-	-	-	5,349	-	-	-	5,349		
Direct program expenses	69,519	110,443	51,077	29,757	94,332	37,893	50,822	443,843	37,994	56,389	94,383	538,226		
Total expenses before depreciation	15,813	1,332	443	443	807	443	443	19,724	3,113	-	3,113	22,837		
Depreciation of furniture, equipment, improvements	\$ 85,332	\$ 111,775	\$ 51,520	\$ 30,200	\$ 95,139	\$ 38,336	\$ 51,265	\$ 463,567	\$ 41,107	\$ 56,389	\$ 97,496	\$ 561,063		
Total Expenses														

See Notes to Financial Statements
6

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:

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.

Transportation Program. The Transportation Program engages volunteer drivers who take people to and from needed medical or other wellness appointments. This service is free 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 Bureau. The Holiday Bureau provides an opportunity in which the community can reach out to families and individuals during the holidays. Volunteers purchase and deliver food and gifts.

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.

Neighborhood Service Exchange. The NSE is a voluntary program, which promotes community service through neighbor-to-neighbor relationships. The program is based on the "time dollar" concept. One hour of service earns members one "credit" to be used for receiving service. The NSE has been successful in gaining members from ages 6 to 85.

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.

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-designated net assets occur when the Board of Directors of the Organization specifies a purpose where the donor has stated none. The Board has designated funds for the following purpose-

	December 31,	
	2012	2011
Senior Citizens	\$ 2,000	\$ 2,000
Holiday Bureau	1,000	1,000
General	7,000	7,000
Building Improvements	13,137	13,137
	<u>\$ 23,137</u>	<u>\$ 23,137</u>

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, 2012 and 2011 consisted of the following:

	2012	2011
Land and improvements	\$ 79,911	\$ 79,911
Building	277,961	277,961
Office furniture and equipment	140,381	136,493
Leasehold improvements	165,407	165,407
Building improvements	234,729	234,729
	898,389	894,501
Less: accumulated depreciation	320,661	290,214
	\$ 577,728	\$ 604,287

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 began leasing space for the Bayport Senior Center during 2000 under a one-year lease with annual one-year renewal options at a monthly rent of \$3,260, through December 31, 2011. In conjunction with leasehold improvements made during 2011, the Organization is currently negotiating a long-term lease with the landlord. Until the lease is finalized, the Organization will pay a monthly rent of \$3,000.

Rent expense under this lease agreement was \$36,000 in 2012 and \$39,120 in 2011.

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 \$6,914 and \$9,177 at December 31, 2012 and 2011 respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. 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 5. 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, 2012 and 2011, the Organization did not make a discretionary contribution.

Note 6. 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, 2012, the Fund's assets totaled \$13,743 and \$565 was distributable at that date.

Note 7. Comparative Amounts

Certain amounts in the December 31, 2012 financial statements were restated to conform to the 2011 financial statement presentation.

Note 8. Line of Credit

In October 2012, The Organization entered into a line of credit arrangement with Central Bank. The arrangement allows the Organization to borrow up to \$100,000. Interest is payable at variable rates (5.00% at December 31, 2012) through October 4, 2014, when the outstanding principal balance is due. Any outstanding principal balance is secured by a first mortgage on real property. There was no outstanding balance under this line of credit arrangement at December 31, 2012.