

**Community Thread**

Financial Statements with  
Independent Auditor's Report

December 31, 2021

**Community Thread**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Community Thread

**Opinion**

We have audited the accompanying financial statements of Community Thread (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Thread and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Thread's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Community Thread's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Thread's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited Community Thread's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Schultz CPA, Ltd.*

May 12, 2022

**Community Thread**  
Statement of Financial Position  
December 31, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>Assets</b>		
<u>Current Assets</u>		
Cash	\$ 534,839	\$ 258,216
Contributions Receivable	21,007	79,201
Prepaid Expenses	1,220	1,219
Total Current Assets	557,066	338,636
<u>Property and Equipment</u>		
Land	75,000	75,000
Building and Improvements	695,920	695,920
Furniture and Equipment	23,024	23,024
Total Property and Equipment	793,944	793,944
Accumulated Depreciation	(382,079)	(355,904)
Net Property and Equipment	411,865	438,040
<u>Other Assets</u>		
Assets Held By Community Foundation	27,692	24,629
Total Assets	\$ 996,623	\$ 801,305
<b>Liabilities</b>		
<u>Current</u>		
Accounts Payable	1,500	6,540
Deferred Revenue	3,000	
Accrued PTO	55,444	53,088
PPP Loan		79,600
Total Current Liabilities	59,944	139,228
Total Liabilities	59,944	139,228
<b>Net Assets</b>		
Net Assets Without Donor Restrictions	835,499	618,897
Net Assets With Donor Restrictions	101,180	43,180
Total Net Assets	936,679	662,077
Total Liabilities and Net Assets	\$ 996,623	\$ 801,305

**Community Thread**  
Statement of Activities  
Year Ended December 31, 2021  
(With Comparative Amounts for 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
<b>Support and Revenue</b>				
Grants and Contributions	\$ 690,155	\$ 58,000	\$ 748,155	\$ 675,317
Government Grants	37,980		37,980	38,493
In Kind Support	214,135		214,135	184,477
Program Fees	8,797		8,797	12,114
Rental Income	7,840		7,840	6,828
Fundraising	45,126		45,126	6,188
Investment Income	3,436		3,436	3,055
PPP Loan Forgiveness	160,078		160,078	
Other	1,426		1,426	997
Total Support and Revenue	1,168,973	58,000	1,226,973	927,469
<b>Expenses</b>				
Program	737,775		737,775	703,635
Management and General	134,951		134,951	140,639
Fundraising	79,645		79,645	58,042
Total Expenses	952,371		952,371	902,316
Change in Net Assets	216,602	58,000	274,602	25,153
Net Assets - Beginning of Year	618,897	43,180	662,077	636,924
Net Assets - End of Year	\$ 835,499	\$ 101,180	\$ 936,679	\$ 662,077

**Community Thread**  
Statement of Functional Expenses  
Year Ended December 31, 2021  
(With Comparative Totals for 2020)

	2021			2020 Total	
	Program Services	Management and General	Fund Raising		Total
Advertising	\$ 1,885	\$ 1,188	\$ 1,741	\$ 4,814	\$ 6,127
Communications	5,619	2,153	704	8,476	7,440
Contracted Services	11,670	2,038		13,708	20,188
Depreciation	23,558	2,618		26,176	26,176
Dues and Subscriptions	1,014	1,160		2,174	1,290
Education and Training	1,345	1,510	410	3,265	3,812
Employee Benefits	253	3,533	2,463	6,249	7,234
Insurance	4,055	2,912		6,967	7,760
Office Expense	3,374	1,386	196	4,956	15,101
Other	1,170	1,700		2,870	2,147
Payroll Tax Expense	24,425	5,688	3,346	33,459	35,449
Postage and Delivery	1,464	3,317		4,781	3,272
Printing and Duplicating	4,889	869	8,245	14,003	15,403
Professional Fees	40	11,700		11,740	7,852
Program Supplies	252,846			252,846	201,211
Rent	47,710			47,710	43,991
Repair and Maintenance	14,045	5,171		19,216	15,766
Salaries	316,868	80,182	45,806	442,856	456,093
Supplies	4,022	1,413	16,691	22,126	1,856
Technology	7,434	4,369	43	11,846	14,048
Travel and Auto	2,357			2,357	1,797
Utilities	7,732	2,044		9,776	8,303
<b>Total Expenses</b>	<b>\$ 737,775</b>	<b>\$ 134,951</b>	<b>\$ 79,645</b>	<b>\$ 952,371</b>	<b>\$ 902,316</b>

**Community Thread**  
Statement of Cash Flows  
Years Ended December 31, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>Cash Flows from (to) Operating Activities</b>		
Change in Net Assets	\$ 274,602	\$ 25,153
Adjustments to Reconcile:		
Depreciation	26,176	26,176
Forgiven PPP Loans	(160,078)	
(Gain) on Investment	(2,186)	(2,729)
(Increase) Decrease in Current Assets:		
Contributions Receivable	58,194	(67,013)
Prepaid Expenses	(1)	12,675
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(5,040)	3,880
Deferred Revenue	3,000	
Accrued Expenses	2,356	(11,558)
Net Cash from (to) Operating Activities	197,023	(13,416)
<b>Cash Flows from Financing Activities</b>		
Proceeds from PPP Loan	79,600	79,600
Net Increase in Cash	276,623	66,184
Cash, Beginning of Year	258,216	192,032
Cash, End of Year	\$ 534,839	\$ 258,216



**Community Thread**  
Notes to Financial Statements  
December 31, 2021  
(With Comparative Amounts for 2020)

**Note 1: Nature of the Organization**

Community Thread (the Organization) is a Minnesota nonprofit corporation organized for the purpose of maximizing resources and engaging 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 families, people with disabilities, and seniors and recruits sponsors to provide an individually chosen gift and a holiday meal. The program passes through in-kind gifts to the recipients.

**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.

Prior Year Summarized Comparative Financial Information: The December 31, 2020 financial statements are presented as 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 December 31, 2020.

Cash and Cash Equivalents: The Organization's cash consists of cash held in accounts at financial institutions. Cash equivalents represent money market funds and a short-term certificate of deposit with an original maturity of three months or less from the date of purchase.

Concentration of Credit Risk: Cash and cash equivalents are held at financial institutions, which at times, may exceed federally insured limits. The Organization does not anticipate any losses with respect to these accounts.

**Community Thread**  
Notes to Financial Statements  
December 31, 2021  
(With Comparative Amounts for 2020)

**Note 2: Summary of Significant Accounting Policies (Continued)**

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 2021.

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.

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

Deferred Revenue: Amounts consist of fundraising event receipts received prior to the fundraising event.

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 that are not subject to donor-imposed restrictions and are available for use in general operations in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

*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:

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.

**Community Thread**  
Notes to Financial Statements  
December 31, 2021  
(With Comparative Amounts for 2020)

**Note 2: Summary of Significant Accounting Policies (Continued)**

In-Kind Contributions: Donated supplies and gift cards received are valued at the estimated fair market value at the date of donation.

Donated Services: 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.

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.

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:

	2021	2020
Cash and Cash Equivalents	\$543,839	\$252,036
Contributions Receivable	<u>21,007</u>	<u>79,201</u>
Total Financial Assets	\$564,846	\$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. Net assets with donor restrictions at year end have purpose and timing restrictions to be met in less than one year. Board designated funds are amounts held in an operating reserve and can be used in the event an operational expense arises that cannot be met from the main checking account.

Excess cash is invested in short-term investments including a money market account and certificate of deposit. The Organization also has a \$100,000 line of credit which 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.

**Community Thread**  
Notes to Financial Statements  
December 31, 2021  
(With Comparative Amounts for 2020)

**Note 4: Investments at Fair Market Value (Continued)**

The summarized valuation of the Organization's investments by fair value hierarchy at December 31, 2021, and 2020 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets Held by Community Foundation:				
2021			\$27,692	\$27,692
2020			24,629	24,629

The activity of the Level 3 investments was as follows:

	<u>2021</u>	<u>2020</u>
Level 3 Investments		
Beginning Balance Investments	\$24,629	\$21,901
Income	989	466
Change in Value	2,279	2,581
Fees	<u>(205)</u>	<u>(319)</u>
Ending Balance Investments	\$27,692	\$24,629

The Organization reinvests the proceeds available to grant, \$956 and \$844 in 2021 and 2020, respectively, 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, 2021 or 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 then end of the covered period.

The Organization received a second PPP Loan on February 19, 2021 for \$79,600.

The Organization recorded a current liability note payable upon receipt of the proceeds.

The Organization used all PPP loan proceeds for purposes consistent with PPP and was awarded full forgiveness on both loans in 2021. Forgiveness income has been recorded for the year ended December 31, 2021.

**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 of \$88,180, and amount restricted for time of \$13,000.

**Note 8: Board Designated Net Assets**

On September 21, 2021 the Board designated an Operating Reserve account in which three months of operating expenses (\$165,000) be set aside. Funds held in the Operating Reserve can be used in the event an operational expense arises that cannot be met from the main checking account.

**Community Thread**  
Notes to Financial Statements  
December 31, 2021  
(With Comparative Amounts for 2020)

**Note 9: 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 years ended December 31, 2021 and 2020.

**Note 10: 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. Rent expense for the year ended December 31, 2021 was \$47,710. During 2020, rent of \$31,910 was paid and three months of rent were waived.

The Organization also leases various office equipment.

**Note 11: Subsequent Events**

The Organization has evaluated subsequent events through May 12, 2022, which was the date the financial statements were available to be issued. The extent of any future impact of COVID-19, which was declared a global pandemic by the World Health Organization March 2020, cannot be determined.