

# **Common Threads**

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**Financial Report  
December 31, 2013**

# Common Threads

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## Independent Auditor's Report

To the Board of Directors  
Common Threads

We have audited the accompanying financial statements of Common Threads (the "Organization"), which comprise the statement of financial position as of December 31, 2013 and 2012 and the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Common Threads as of December 31, 2013 and 2012 and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

July 1, 2014

## Common Threads

### Statement of Financial Position

	December 31, 2013	December 31, 2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 2,473,010	\$ 1,754,139
Pledges receivable	168,000	-
Prepaid expenses and other current assets	16,236	5,984
Total current assets	2,657,246	1,760,123
Assets Held for Resale (Note 3)	-	879,850
Property and Equipment - Net (Note 3)	11,371	16,353
Total assets	<u>\$ 2,668,617</u>	<u>\$ 2,656,326</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 35,449	\$ 12,527
Current portion of long-term debt	-	16,605
Accrued liabilities and other	19,999	18,216
Total current liabilities	55,448	47,348
Long-term Debt - Net of current portion (Note 5)	-	262,277
Total liabilities	55,448	309,625
<b>Net Assets</b>		
Unrestricted	1,417,109	1,612,393
Temporarily restricted (Note 7)	1,196,060	734,308
Total net assets	2,613,169	2,346,701
Total liabilities and net assets	<u>\$ 2,668,617</u>	<u>\$ 2,656,326</u>

# Common Threads

## Statement of Activities and Changes in Net Assets

	Year Ended							
	December 31, 2013			December 31, 2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>								
Contributions	\$ 613,046	\$ 1,218,500	\$ -	\$ 1,831,546	\$ 694,117	\$ 719,308	\$ -	\$ 1,413,425
In-Kind donations	214,528	-	-	214,528	50,676	-	-	50,676
Program service fees	62,389	-	-	62,389	20,250	-	-	20,250
Special event revenue	188,736	-	-	188,736	146,351	-	-	146,351
Investment income	2,080	-	-	2,080	4,957	-	-	4,957
Gain on sale of fixed assets (Note 3)	85,914	-	-	85,914	-	-	-	-
Total revenue and support	1,166,693	1,218,500	-	2,385,193	916,351	719,308	-	1,635,659
Net assets released from restrictions	756,748	(756,748)	-	-	402,650	(402,650)	-	-
Total revenue, support, and net assets released from restrictions	1,923,441	461,752	-	2,385,193	1,319,001	316,658	-	1,635,659
<b>Expenses</b>								
Program services	1,092,753	-	-	1,092,753	659,857	-	-	659,857
Support services:								
Management and general	419,163	-	-	419,163	456,627	-	-	456,627
Fundraising	606,809	-	-	606,809	494,418	-	-	494,418
Total supporting services	1,025,972	-	-	1,025,972	951,045	-	-	951,045
Total expenses	2,118,725	-	-	2,118,725	1,610,902	-	-	1,610,902
(Decrease) Increase in Net Assets	(195,284)	461,752	-	266,468	(291,901)	316,658	-	24,757
Net Assets - Beginning of year	1,612,393	734,308	-	2,346,701	1,904,294	417,650	-	2,321,944
Net Assets - End of year	\$ 1,417,109	\$ 1,196,060	\$ -	\$ 2,613,169	\$ 1,612,393	\$ 734,308	\$ -	\$ 2,346,701

See Notes to Financial Statements.

## Common Threads

### Statement of Functional Expenses Year Ended December 31, 2013

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 672,807	\$ 163,465	\$ 343,460	\$ 1,179,732
Employee benefits and payroll taxes	36,913	29,947	29,272	96,132
Total salaries and related expenses	709,720	193,412	372,732	1,275,864
Advertising	-	421	264	685
Depreciation and amortization	-	26,157	-	26,157
Food and supplies	166,993	5,675	8,157	180,825
Insurance	14,911	1,704	7,332	23,947
Interest	-	7,225	-	7,225
In-kind occupancy	112,900	-	-	112,900
Occupancy	40,477	16,625	16,944	74,046
Printing and postage	4,218	13,864	11,061	29,143
In-kind professional fees	-	35,200	-	35,200
Professional fees	7,444	59,641	-	67,085
Telephone and internet	1,476	18,321	1,694	21,491
Travel and transportation	22,972	17,415	8,567	48,954
In-kind special events	-	-	66,428	66,428
Special events	13	-	111,730	111,743
Miscellaneous other	11,629	23,503	1,900	37,032
Total functional expenses	<u>\$ 1,092,753</u>	<u>\$ 419,163</u>	<u>\$ 606,809</u>	<u>\$ 2,118,725</u>

## Common Threads

### Statement of Functional Expenses Year Ended December 31, 2012

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 302,121	\$ 185,625	\$ 281,759	\$ 769,505
Employee benefits and payroll taxes	34,950	20,192	21,981	77,123
Total salaries and related expenses	337,071	205,817	303,740	846,628
Advertising	2,550	4,044	11,064	17,658
Depreciation	-	13,281	-	13,281
Food and supplies	110,133	20,587	6,435	137,155
Insurance	-	24,670	-	24,670
Interest	-	25,472	-	25,472
In-kind occupancy	45,477	-	-	45,477
Occupancy	-	72,056	-	72,056
Printing and postage	4,555	3,414	2,309	10,278
Professional fees	136,113	46,818	74,791	257,722
Telephone and internet	1,934	15,339	279	17,552
Travel and transportation	20,445	5,800	24,817	51,062
Special events	-	437	63,516	63,953
Miscellaneous other	1,579	18,892	7,467	27,938
Total functional expenses	<u>\$ 659,857</u>	<u>\$ 456,627</u>	<u>\$ 494,418</u>	<u>\$ 1,610,902</u>

## Common Threads

### Statement of Cash Flows

	Year Ended	
	December 31, 2013	December 31, 2012
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 266,468	\$ 24,757
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	26,157	13,281
Expenses paid with funds received from sale of asset	17,579	-
Gain on sale of asset	(85,914)	-
Changes in operating assets and liabilities which (used) provided cash:		
Pledges receivable	(168,000)	344,777
Prepaid expenses	(10,252)	7,146
Accounts payable	22,922	(48,584)
Accrued expenses	1,783	5,750
Net cash provided by operating activities	70,743	347,127
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(3,161)	-
Proceeds from sale of asset	663,615	-
Net cash provided by investing activities	660,454	-
<b>Cash Flows from Financing Activities</b>		
Repayments of mortgage loan payable	(12,326)	(15,924)
Repayments of line of credit	-	(615,000)
Net cash used in financing activities	(12,326)	(630,924)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	718,871	(283,797)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,754,139	2,037,936
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,473,010</u>	<u>\$ 1,754,139</u>



## Common Threads

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### Notes to Financial Statements December 31, 2013 and 2012

#### Note 1 - Nature of Activities and Significant Accounting Policies

**Nature of Organization** - Common Threads (the "Organization") is a not-for-profit corporation whose sources of revenue are derived principally from public contributions and foundation grants. The Organization provides education to children on the importance of nutrition and physical well-being and to foster an appreciation of cultural diversity through cooking. The Organization teaches low-income children to cook wholesome and affordable meals because the Organization believes that through its hands-on cooking classes, the Organization can help prevent childhood obesity and reverse the trend of generations of noncookers, while celebrating cultural differences and things people all over the world have in common.

The Organization currently serves over 10,000 children, ages 8 to 12, and over 5,000 adults at 56 partner schools in Chicago, 25 partner schools in Miami, eight partner schools in Washington DC, one partner school in Los Angeles, and one partner school in Palo Alto. Programming includes after-school family and child cooking classes, in-school nutrition and gardening classes, a summer camp, and special events and activities. The composition of the Organization's student population is as follows:

- 92 percent of current students are from low-income households.
- 50 percent are African-American; 38 percent are Hispanic; 2 percent are Asian; 6 percent are Caucasian; and 4 percent are other.
- 65 percent are female and 35 percent are male.

As they prepare and share nutritious, ethnically diverse meals, children who participate in the Organization's programs learn to connect with their bodies, their neighbors, and their world in bite-sized lessons.

**Cash and Cash Equivalents** - Cash and cash equivalents consists of checking accounts and money market accounts maintained at banks. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

**Revenue Recognition** - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

## Common Threads

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### Notes to Financial Statements December 31, 2013 and 2012

#### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

**Pledges Receivable** - The Organization's pledges receivable are comprised of contributions for use in the Organization's activities. Pledges receivable at December 31, 2013 are expected to be collected within one year. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

**Property and Equipment** - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

**Classification of Net Assets** - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity.

**Functional Allocation of Expenses** - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**Federal Income Taxes** - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the organization, and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2010.

## Common Threads

### Notes to Financial Statements December 31, 2013 and 2012

#### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including July 1, 2014 which is the date the financial statements were available to be issued.

#### Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2013	2012
Cash	\$ 1,538,018	\$ 794,976
Money market accounts	934,992	959,163
Total	<u>\$ 2,473,010</u>	<u>\$ 1,754,139</u>

#### Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2013	2012	Depreciable Life - Years
Furniture and fixtures	\$ 65,912	\$ 62,752	7
Leasehold improvements	11,160	11,160	7
Total cost	77,072	73,912	
Accumulated depreciation and amortization	65,701	57,559	
Net property and equipment	<u>\$ 11,371</u>	<u>\$ 16,353</u>	

Depreciation and amortization expense was \$26,157 and \$13,281 for 2013 and 2012, respectively.

The Organization determined that the building purchased in 2011 no longer met the needs of the Organization and in the second quarter of 2012 put the building up for sale. The building was sold in October 2013 for a gain of \$85,914.

## Common Threads

### Notes to Financial Statements December 31, 2013 and 2012

#### Note 4 - Short-term Borrowings - Bank

The Organization has available a \$1,500,000 line-of-credit demand note secured by a money market account with an interest rate equal to the prime rate. As of December 31, 2013 and 2012, the Organization had no borrowings under this line of credit.

#### Note 5 - Long-term Debt

The Organization had a mortgage loan with Citibank, payable in monthly installments of \$2,109, including interest at the bank's prime rate, which was 3.21 percent for both 2013 and 2012. The loan was paid off in October 2013 with funds received from the sale of the building.

#### Note 6 - In-kind Donations

Donated materials and other noncash donations, including kitchen space and supplies and realtor and legal fees, are recorded as contributions at their estimated fair values on the date received. For the years ended December 31, 2013 and 2012, the Organization recorded contributions totaling \$214,528 and \$50,676, respectively.

The Organization receives volunteer services that are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed as no objective basis is available to measure the value of such services.

#### Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are restricted for the following:

	2013	2012
Website design and public relations	\$ 100,000	\$ 100,000
World Garden	15,000	15,000
Small Bites in-School pilot program	-	75,000
Chicago programs	-	35,000
Chicago and Miami programs	-	509,308
2014 Summer Camp	141,500	-
Cooking Skills and World Cuisine	825,300	-
Fundraising and support services	97,260	-
Time restriction	17,000	-
Total temporarily restricted net assets	<u>\$ 1,196,060</u>	<u>\$ 734,308</u>

#### Note 8 - Operating Leases

The Organization entered into a lease for office space effective January 1, 2012, expiring in February 2016. Minimum rent is recognized over the term of the lease using the straight-line method.

## Common Threads

### Notes to Financial Statements December 31, 2013 and 2012

#### Note 8 - Operating Leases (Continued)

Future minimum rental commitments are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2014	\$ 55,945
2015	58,450
2016	<u>9,811</u>
Total	<u>\$ 124,206</u>

Total rent expense under this lease was \$62,332 and \$42,197 for the years ended December 31, 2013 and 2012, respectively.

#### Note 9 - Employee Benefit Plan

The Organization sponsors a 401(k) Plan (the "Plan"). Eligibility for the Plan for full-time employees working greater than 1,000 hours will be the first day of the next month that they complete one year of service from their date of hire. The maximum contribution for 2012 is \$17,000 for employees under the age of 50. Employees who turn 50 within the year will be eligible for a catch-up contribution of an additional \$5,500.

In addition, the Organization will match 3 percent of an employee's salary, which becomes 100 percent vested to the employee upon reaching three years of service from his or her initial hire date. Prior to that date, if an employee leaves the Organization, the match is retained by the Organization. The Organization made contributions of \$2,839 and \$3,245 for the years ended December 31, 2013 and 2012, respectively.