COMMON THREADS

Financial Statements
as of and for the Years Ended
December 31, 2014 and 2013, with
Independent Auditors' Report

MAXWELL & LOCKE & RITTER

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Common Threads:

We have audited the accompanying financial statements of Common Threads (the "Organization") (nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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.

Auditors' 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 auditors' 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 the Organization as of December 31, 2014, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended December 31, 2013, were audited by other auditors whose report dated July 1, 2014, expressed an unmodified opinion on those statements.

Maxwell Locke + Ritter LLP

Austin, Texas
October 1, 2015

COMMON THREADS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,222,686	$ 2,473,010
Pledges receivable	155,000	168,000
Prepaid expenses and other assets	21,931	16,236
Total current assets	2,399,617	2,657,246
FIXED ASSETS, net	131,150	11,371
TOTAL ASSETS	$ 2,530,767	$ 2,668,617
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 35,191	$ 35,449
Accrued liabilities and other	30,476	19,999
Total liabilities	65,667	55,448
NET ASSETS:		
Unrestricted	1,605,496	1,417,109
Temporarily restricted	859,604	1,196,060
Total net assets	2,465,100	2,613,169
TOTAL LIABILITIES AND NET ASSETS	$ 2,530,767	$ 2,668,617

See notes to financial statements.

COMMON THREADS

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014
(with summarized comparative totals for the year ended December 31, 2013)

	2014			
	Unrestricted	Temporarily Restricted	Total	2013 Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions	$ 981,640	1,150,000	2,131,640	1,831,546
In-kind donations	264,975	-	264,975	214,528
Program service fees	94,363	-	94,363	62,389
Special event revenue	50,025	-	50,025	188,736
Investment income	2,289	-	2,289	2,080
Gain on sale of fixed assets	-	-	-	85,914
Net assets released from restrictions	1,486,456	(1,486,456)	-	-
Total revenues and net assets released from restrictions	2,879,748	(336,456)	2,543,292	2,385,193
EXPENSES:				
Program services	1,915,066	-	1,915,066	1,092,753
Management and general	382,909	-	382,909	419,163
Fundraising and communications	393,386	-	393,386	606,809
Total expenses	2,691,361	-	2,691,361	2,118,725
CHANGE IN NET ASSETS	188,387	(336,456)	(148,069)	266,468
NET ASSETS, beginning of year	1,417,109	1,196,060	2,613,169	2,346,701
NET ASSETS, end of year	$ 1,605,496	859,604	2,465,100	2,613,169

See notes to financial statements.

COMMON THREADS

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013
(with summarized comparative totals for the year ended December 31, 2012)

	2013			
	Unrestricted	Temporarily Restricted	Total	2012 Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:				
Contributions	$ 613,046	1,218,500	1,831,546	1,413,425
In-kind donations	214,528	-	214,528	50,676
Program service fees	62,389	-	62,389	20,250
Special event revenue	188,736	-	188,736	146,351
Investment income	2,080	-	2,080	4,957
Gain on sale of fixed assets	85,914	-	85,914	-
Net assets released from restrictions	756,748	(756,748)	-	-
Total revenues and net assets released from restrictions	1,923,441	461,752	2,385,193	1,635,659
EXPENSES:				
Program	1,092,753	-	1,092,753	659,857
Management and general	419,163	-	419,163	456,627
Fundraising and communications	606,809	-	606,809	494,418
Total expenses	2,118,725	-	2,118,725	1,610,902
CHANGE IN NET ASSETS	(195,284)	461,752	266,468	24,757
NET ASSETS, beginning of year	1,612,393	734,308	2,346,701	2,321,944
NET ASSETS, end of year	$ 1,417,109	1,196,060	2,613,169	2,346,701

See notes to financial statements.

COMMON THREADS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014
(with summarized comparative totals for the year ended December 31, 2013)

	Program Services	Management and General	Fundraising	2014 Total	2013 Total
Salaries and wages	$ 970,854	228,173	248,149	1,447,176	1,179,732
Employee benefits and payroll taxes	63,603	15,149	38,916	117,668	96,132
Total salaries and related expenses	1,034,457	243,322	287,065	1,564,844	1,275,864
Professional fees	301,205	61,629	1,463	364,297	67,085
Food and supplies	160,594	15,077	4,096	179,767	180,825
Occupancy	52,009	12,223	13,294	77,526	74,046
Travel and transportation	38,101	16,388	7,299	61,788	48,954
Special events	-	-	45,339	45,339	111,743
Telephone and internet	21,818	5,128	5,577	32,523	21,491
Printing and postage	14,448	3,395	3,693	21,536	29,143
Advertising	12,596	2,943	3,205	18,744	685
Insurance	10,316	2,424	2,637	15,377	23,947
Miscellaneous other	5,853	5,381	3,406	14,640	37,032
Interest	-	-	-	-	7,225
Total operational expenses	616,940	124,588	90,009	831,537	602,176
Total expenses before depreciation and amortization	1,651,397	367,910	377,074	2,396,381	1,878,040
Depreciation and amortization	20,130	4,731	5,145	30,006	26,157
Total expenses including depreciation and amortization	1,671,527	372,641	382,219	2,426,387	1,904,197
Donated goods and services	243,539	10,268	11,167	264,974	214,528
TOTAL EXPENSES	$ 1,915,066	382,909	393,386	2,691,361	2,118,725

COMMON THREADS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013
(with summarized comparative totals for the year ended December 31, 2012)

	Program Services	Management and General	Fundraising	2013 Total	2012 Total
Salaries and wages	$ 672,807	163,465	343,460	1,179,732	769,505
Employee benefits and payroll taxes	36,913	29,947	29,272	96,132	77,123
Total salaries and related expenses	709,720	193,412	372,732	1,275,864	846,628
Advertising	-	421	264	685	17,658
Food and supplies	166,993	5,675	8,157	180,825	137,155
Insurance	14,911	1,704	7,332	23,947	24,670
Interest	-	7,225	-	7,225	25,472
Occupancy	40,477	16,625	16,944	74,046	72,056
Printing and postage	4,218	13,864	11,061	29,143	10,278
Professional fees	7,444	59,641	-	67,085	257,722
Telephone and internet	1,476	18,321	1,694	21,491	17,552
Travel and transportation	22,972	17,415	8,567	48,954	51,062
Special events	13	-	111,730	111,743	63,953
Miscellaneous other	11,629	23,503	1,900	37,032	27,938
Total operational expenses	270,133	164,394	167,649	602,176	705,516
Total expenses before depreciation and amortization	979,853	357,806	540,381	1,878,040	1,552,144
Depreciation and amortization	-	26,157	-	26,157	13,281
Total expenses including depreciation and amortization	979,853	383,963	540,381	1,904,197	1,565,425
Donated goods and services	112,900	35,200	66,428	214,528	45,477
TOTAL EXPENSES	$ 1,092,753	419,163	606,809	2,118,725	1,610,902

COMMON THREADS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (148,069)	$ 266,468
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	30,006	26,157
Expenses paid with funds received from sale of fixed asset	-	17,579
Gain on sale of fixed asset	-	(85,914)
Changes in operating assets and liabilities that provided (used) cash:		
Pledges receivable	13,000	(168,000)
Prepaid expenses and other assets	(5,695)	(10,252)
Accounts payable	(258)	22,922
Accrued liabilities and other	10,477	1,783
Net cash (used in) provided by operating activities	(100,539)	70,743
CASH FLOWS FROM INVESTING ACTIVITES:		
Purchases of fixed assets	(149,785)	(3,161)
Proceeds from sale of fixed asset	-	663,615
Net cash (used in) provided by investing activities	(149,785)	660,454
CASH FLOWS FROM FINANCING ACTIVITES-		
Repayments of mortgage loan payable	-	(12,326)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(250,324)	718,871
CASH AND CASH EQUIVALENTS, beginning of year	2,473,010	1,754,139
CASH AND CASH EQUIVALENTS, end of year	$ 2,222,686	$ 2,473,010

See notes to financial statements.

1. NATURE OF OPERATIONS

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 it believes that through its hands-on cooking classes it 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 15,000 children, ages 8 to 12, and over 6,000 adults at 113 partner schools in Chicago, Miami, Washington DC, Los Angeles, and New York City. This includes preparing over 172,000 healthy meals and snacks, training more than 300 teachers and teaching more than 170,000 hours of nutrition and cooking classes. 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.
- 39 percent are African-American; 52 percent are Hispanic; 1 percent are Asian; 7 percent are Caucasian; and 1 percent did not report.
- 57 percent are female and 43 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board Accounting Standards Codification ("ASC").

Classification of Net Assets - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

> Unrestricted net assets **-** Net assets not subject to donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.
>
> Temporarily restricted net assets **-** Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time or the occurrence of a specific event.
>
> Permanently restricted net assets **-** Net assets whose amounts are not currently available for use in the operations of the Foundation and whose limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has not received any permanently restricted donations.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents - Cash equivalents are considered highly liquid with original maturities of three months or less.

Pledges Receivable - Pledges are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. All pledges were due for collection within a year, as of December 31, 2014 and 2013. Management has determined that all pledges receivable are fully collectible; therefore, no allowance for uncollectible contributions was considered necessary at December 31, 2014 or 2013.

Fixed Assets - The Organization capitalizes fixed assets at cost if purchased and at fair value at the date of receipt if donated. Depreciation of fixed assets is computed using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there was no impairment of long-lived assets as of December 31, 2014 or 2013.

Contributions Revenue - Contributions received including unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted support in the period pledged depending on the existence and nature of any donor restrictions. Contributions received with donor-imposed restrictions that are satisfied in the same reporting period are reported as unrestricted support. Conditional promises to give are recognized when the conditions on which they are dependent are substantially met.

In-kind Contribution Revenue - Contributed services are recognized by the Organization if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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.

Functional Allocation of Expenses - The costs of providing the programs and supporting services have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated based on estimates provided by management.

Income Tax Status - Common Threads is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes, except with respect to any unrelated business income. The Organization is subject to routine examinations of its returns; however, there are no examinations currently in progress. The December 31, 2011 and subsequent tax years remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective for fiscal years beginning after December 15, 2017, and is to be applied retrospectively, with early application permitted for fiscal years beginning after December 15, 2016. The Organization is in the process of evaluating the impact the new standard will have on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016, and due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash and cash equivalents and receivables. The Organization places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents.

The Organization does not maintain collateral for its receivables and does not believe significant risk exists at December 31, 2014 or 2013. The Organization received a pledge from one donor which accounted for approximately 96% of the pledge receivables at December 31, 2014 and 89% at December 31, 2013.

4. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	2014	2013
Furniture and fixtures	$ 155,697	$ 65,912
Software	60,000	-
Leasehold improvements	11,160	11,160
Total	226,857	77,072
Less accumulated depreciation and amortization	(95,707)	(65,701)
Fixed assets, net	$ 131,150	$ 11,371

5. LINE OF CREDIT

The Organization had a line of credit with a bank for $1,500,000 secured by a money market account with an interest rate equal to the prime rate that was closed during 2014. There were no draws or outstanding balances on the line of credit during the year ended December 31, 2013 or 2014.

During October 2013, the Organization made final payment on a mortgage loan held with a financial institution. There were no outstanding balances as of December 31, 2013.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2014	2013
Program and evaluation	$ 709,604	$ 825,300
Time restriction	150,000	17,000
2014 Summer camp	-	141,500
Website design and public relations	-	100,000
Fundraising and support services	-	97,260
World garden	-	15,000
	$ 859,604	$ 1,196,060

7. IN-KIND CONTRIBUTIONS

For the years ended December 31, 2014 and 2013, the Organization recorded contributions of donated goods and services totaling $264,974 and $214,528, respectively.

Many individuals volunteer their time to assist the Organization in performing program services. However, these services do not meet the recognition criteria. The Organization received the following volunteer hours for the years ended December 31:

	2014	2013
Classes	21,210	22,320
Summer camp	810	150
Total	22,020	22,470

8. EMPLOYEE RETIREMENT PLAN

The Organization sponsors a 401(k) Plan (“Plan”), which was originally made effective on October 1, 2007. The Plan was amended and the restated provisions became effective on January 1, 2009. 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 hire date. The maximum contribution for 2014 is $17,500 for employees under the age of 50. Employees who turn 50 within the year are 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 $3,208 and $3,193 for the years ended December 31, 2014 and 2013, respectively.

9. RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors contributed $45,550 and $40,375 during the years ended December 31, 2014 and 2013, respectively, with no outstanding contributions receivable at December 31, 2014 or 2013.

10. COMMITMENTS AND CONTINGENCIES

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. Rent expense under this agreement was $77,526 and $62,332 for the years ended December 31, 2014 and 2013, respectively. Future minimum lease payments under the lease at December 31, 2014 are as follows:

2015	$ 58,450
2016	9,811
Total	$ 68,261

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 1, 2015 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements except as noted below.

During 2015, the Organization moved their headquarters from Chicago, Illinois to Austin, Texas and entered into a lease for office space effective June 1, 2015, expiring on May 31, 2020. The Organization also terminated an existing office space lease in Chicago and entered into a new office space lease effective May 1, 2015, expiring on April 30, 2017.