

# **COMMON THREADS**

**Financial Statements  
as of and for the Years Ended  
December 31, 2018 and 2017 and  
Independent Auditors' Report**

# COMMON THREADS

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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") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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.

### **Auditors' 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 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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, 2018 and 2017, and the changes 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.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.



Austin, Texas  
June 18, 2019

## COMMON THREADS

### STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,851,557	\$ 1,419,411
Investments	100,000	100,000
Accounts receivable	180,693	122,612
Pledges receivable	82,438	260,601
Prepaid expenses and other assets	<u>53,113</u>	<u>66,609</u>
Total current assets	2,267,801	1,969,233
<b>FIXED ASSETS, net</b>	<u>26,201</u>	<u>81,261</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,294,002</u></u>	<u><u>\$ 2,050,494</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 22,545	\$ 39,297
Accrued liabilities	<u>89,633</u>	<u>107,505</u>
Total current liabilities	112,178	146,802
<b>NET ASSETS:</b>		
Without donor restrictions	837,621	930,672
With donor restrictions	<u>1,344,203</u>	<u>973,020</u>
Total net assets	<u>2,181,824</u>	<u>1,903,692</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,294,002</u></u>	<u><u>\$ 2,050,494</u></u>

See notes to financial statements.

## COMMON THREADS

### STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

(with summarized comparative totals for the year ended December 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUES AND NET ASSETS</b>				
<b>RELEASED FROM RESTRICTIONS:</b>				
Contributions and private grants	\$ 990,769	1,916,196	2,906,965	3,158,769
Governmental grants	756,639	-	756,639	154,431
In-kind contributions	537,663	-	537,663	563,609
Program service fees	227,864	-	227,864	217,209
Special events, net of costs of direct benefits to donors	59,767	-	59,767	203,148
Investment income	630	-	630	593
Other income	5,655	-	5,655	25,434
Net assets released from restrictions	<u>1,545,013</u>	<u>(1,545,013)</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	4,124,000	371,183	4,495,183	4,323,193
<b>EXPENSES:</b>				
Program services	3,560,072	-	3,560,072	3,348,712
Fundraising and communications	392,138	-	392,138	653,566
Management and general	264,841	-	264,841	356,028
Total expenses	<u>4,217,051</u>	<u>-</u>	<u>4,217,051</u>	<u>4,358,306</u>
<b>CHANGE IN NET ASSETS</b>	(93,051)	371,183	278,132	(35,113)
<b>NET ASSETS, beginning of year</b>	<u>930,672</u>	<u>973,020</u>	<u>1,903,692</u>	<u>1,938,805</u>
<b>NET ASSETS, end of year</b>	<u>\$ 837,621</u>	<u>1,344,203</u>	<u>2,181,824</u>	<u>1,903,692</u>

See notes to financial statements.

## COMMON THREADS

### STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

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	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND NET ASSETS</b>			
<b>RELEASED FROM RESTRICTIONS:</b>			
Contributions and private grants	\$ 1,223,119	1,935,650	3,158,769
Governmental grants	154,431	-	154,431
In-kind contributions	563,609	-	563,609
Program service fees	217,209	-	217,209
Special events, net of costs of direct benefits to donors	203,148	-	203,148
Investment income	593	-	593
Other income	25,434	-	25,434
Net assets released from restrictions	<u>1,846,071</u>	<u>(1,846,071)</u>	<u>-</u>
 Total revenues and net assets released from restrictions	 4,233,614	 89,579	 4,323,193
<b>EXPENSES:</b>			
Program services	3,348,712	-	3,348,712
Fundraising and communications	653,566	-	653,566
Management and general	<u>356,028</u>	<u>-</u>	<u>356,028</u>
 Total expenses	 <u>4,358,306</u>	 <u>-</u>	 <u>4,358,306</u>
<b>CHANGE IN NET ASSETS</b>	(124,692)	89,579	(35,113)
<b>NET ASSETS, beginning of year</b>	<u>1,055,364</u>	<u>883,441</u>	<u>1,938,805</u>
<b>NET ASSETS, end of year</b>	<u>\$ 930,672</u>	<u>973,020</u>	<u>1,903,692</u>

See notes to financial statements.

## COMMON THREADS

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

(with summarized comparative totals for the year ended December 31, 2017)

	Program Services	Fundraising and Communications	Management and General	2018 Total	2017 Total
Salaries and wages	\$ 1,660,199	223,191	99,377	1,982,767	2,342,131
Employee benefits and payroll taxes	203,178	34,707	15,454	253,339	248,545
Total salaries and related expenses	1,863,377	257,898	114,831	2,236,106	2,590,676
Program and evaluation costs	769,367	-	-	769,367	592,159
Professional fees	144,791	84,983	103,809	333,583	171,198
Occupancy	136,025	23,236	10,346	169,607	177,215
Travel and transportation	33,793	5,773	2,570	42,136	95,738
Staff	13,100	2,238	7,238	22,576	50,865
Insurance	14,151	2,417	1,076	17,644	9,765
Advertising	3,950	3,207	-	7,157	12,091
Miscellaneous	9,248	4,582	21,496	35,326	26,065
Total operational expenses	1,124,425	126,436	146,535	1,397,396	1,135,096
Total expenses before depreciation and amortization	2,987,802	384,334	261,366	3,633,502	3,725,772
Depreciation and amortization	36,800	6,287	2,799	45,886	68,256
Total expenses before donated goods and services	3,024,602	390,621	264,165	3,679,388	3,794,028
Donated goods and services	535,470	1,517	676	537,663	564,278
Total expenses before costs of direct benefits to donors	3,560,072	392,138	264,841	4,217,051	4,358,306
Costs of direct benefits to donors	-	-	-	60,098	162,528
Total expenses	\$ 3,560,072	392,138	264,841	4,277,149	4,520,834

See notes to financial statements.



## COMMON THREADS

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017

	Program Services	Fundraising and Communications	Management and General	Total
Salaries and wages	\$ 1,854,625	336,211	151,295	2,342,131
Employee benefits and payroll taxes	176,467	49,709	22,369	248,545
Total salaries and related expenses	2,031,092	385,920	173,664	2,590,676
Program and evaluation costs	591,899	260	-	592,159
Professional fees	109,367	33,925	27,906	171,198
Occupancy	125,823	35,443	15,949	177,215
Travel and transportation	76,671	5,485	13,582	95,738
Staff	16,346	4,551	29,968	50,865
Insurance	6,933	1,953	879	9,765
Advertising	2,809	-	9,282	12,091
Miscellaneous	80	2,843	23,142	26,065
Total operational expenses	929,928	84,460	120,708	1,135,096
Total expenses before depreciation and amortization	2,961,020	470,380	294,372	3,725,772
Depreciation and amortization	48,462	13,651	6,143	68,256
Total expenses before donated goods and services	3,009,482	484,031	300,515	3,794,028
Donated goods and services	339,230	169,535	55,513	564,278
Total expenses before costs of direct benefits to donors	3,348,712	653,566	356,028	4,358,306
Costs of direct benefits to donors	-	-	-	162,528
Total expenses	\$ 3,348,712	653,566	356,028	4,520,834

See notes to financial statements.

## COMMON THREADS

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 278,132	\$ (35,113)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	45,886	68,256
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(58,081)	(88,038)
Pledges receivable	178,163	(114,351)
Prepaid expenses and other assets	13,496	(38,575)
Accounts payable	(16,752)	5,706
Accrued liabilities	(17,872)	12,472
	<u>422,972</u>	<u>(189,643)</u>
Net cash provided by (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(3,475)	(55,488)
Proceeds from sale of fixed assets	12,649	-
Purchases of investments	-	(100,000)
	<u>9,174</u>	<u>(155,488)</u>
Net cash provided by (used in) investing activities		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	432,146	(345,131)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,419,411</u>	<u>1,764,542</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,851,557</u>	<u>\$ 1,419,411</u>

See notes to financial statements.

# COMMON THREADS

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

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### 1. NATURE OF OPERATIONS

Common Threads (the “Organization”), headquartered in Austin, Texas, is a nonprofit corporation whose sources of revenue are derived principally from public contributions and foundation grants. The Organization was created to bring health and wellness to children, families, and communities through cooking and nutrition education. By integrating preventative health programs into school districts and community organizations, the Organization not only helps combat the rising number of diet-related diseases, but also cultivates a culture that embraces a healthier lifestyle and celebrates diversity through food. The Organization envisions a community of learners that embraces healthy cooking, healthy eating, and healthy living as both a lifestyle and a human right.

The Organization served approximately 67,500 students and 13,500 adults at 680 partner schools and program sites during 2018. This includes preparing over 562,000 healthy meals and snacks, training more than 2,000 teachers and teaching more than 830,000 hours of nutrition and cooking classes. Programming includes after-school family and child cooking classes, in-school and after-school nutrition classes, gardening classes, healthy teacher trainings, grocery store tours, special events and activities.

The composition of the Organization’s student population is as follows:

- 26% are African-American; 24% are Hispanic; 3% are Asian/Pacific Asian; 8% are Caucasian; 4% American Indian or Alaskan Native; and 35% are other or multi-ethnicities.
- 57% are female and 43% 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, neighbors, and their world in bite-sized lessons.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Net Asset Classification** - Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Organization, or at the discretion of the Board of Directors (the “Board”) for the Organization’s use.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. The Organization has not received any permanently restricted contributions.

**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 those estimates.

**Reclassifications** - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets are unchanged due to these reclassifications.

**Cash and Cash Equivalents** - The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Fair Value Measurements** - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Investments** - Investments consisted of a certificate of deposit with an original maturity over three months which was measured at fair value using the market approach and inputs were considered Level 1 under the fair value hierarchy. Any changes in fair value are recorded as unrealized gains or losses. Unrealized gains or losses and interest income are reported as investment income in the statements of activities.

**Accounts Receivable** - Accounts receivable are recorded at the value of the revenue earned and expected to be collected, and typically require payment within 30 days. Delinquent invoices do not accrue interest. The Organization continually monitors each customer's credit worthiness and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Organization regularly adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. As of December 31, 2018 and 2017, there was no allowance for doubtful accounts as management deemed all outstanding balances to be collectible.

**Pledges Receivable** - Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases in liabilities or expenses depending on the form of the benefits received. 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All pledges were due for collection within one year as of December 31, 2018 and 2017. Management has determined that all pledges receivable are fully collectible; therefore, no allowance for uncollectible contributions was considered necessary as of December 31, 2018 and 2017.

**Fixed Assets** - Acquisitions of fixed assets in excess of \$500 are capitalized. Purchased fixed assets are recorded at cost. Donated fixed assets are recorded at fair market value on the date of the donation. Depreciation of furniture, fixtures, and equipment is calculated over the estimated useful lives of the respective assets, ranging from 3-7 years, using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the asset or the related lease term. 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 that 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.

**Contributions, Private Grants and Special Events Revenue** - The Organization considers revenues from special events to be contributions. All contributions are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received.

**Governmental Grants Revenue** - Revenue from grants received from federal, state, and local governments is earned based on the Organization incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided.

**In-kind Contributions** - Contributed services are recognized in the statements of activities if the services received (a) create or enhance non-financial assets and (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.

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 6,168 and 18,800 volunteer hours for classes during the years ended December 31, 2018 and 2017, respectively.

**Program Service Fees Revenue** - The Organization provides program services to organizations that pay directly for the cooking programs. Revenue is recognized as the services are provided.

**Expense Allocation** - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the programs and supporting services using a variety of cost allocation techniques, such as time and effort.

**Federal Income Taxes** - The Organization is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Organization did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2018 and 2017. The Organization files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

**Recently Adopted Accounting Pronouncement** - In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The guidance requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the previously required three classes of net assets, unrestricted, temporarily restricted, and permanently restricted. Entities are also required to provide enhanced disclosures about liquidity, Board-designed amounts, and expense by both their natural and functional classification. The standard is effective for fiscal years beginning after December 15, 2017. During the year ended December 31, 2018, management implemented the new standard, the effect of which is reflected in the financial statements and within the footnotes.

As of December 31, 2017, reclassifications driven by the adoption of ASU 2016-14 consisted of amounts previously reported as unrestricted and temporarily restricted net assets, which are now presented as net assets without donor restrictions and with donor restrictions, respectively.

**Recently Issued Accounting Pronouncements** - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede 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 retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

### 3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash and cash equivalents, investments 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. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. The Organization does not maintain collateral for its receivables.

During the year ended December 31, 2018 and 2017, respectively, one grantor comprised 90% and 89% of total governmental grants revenue. As of December 31, 2018 and 2017, respectively, one donor accounted for 60% and three donors accounted for 58% of total pledge receivables. During the year ended December 31, 2018, one donor accounted for 47% of total contribution revenues. During the year ended December 31, 2017, two donors accounted for 35% of total contribution revenues.

### 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of December 31, 2018, the Organization's financial assets available to management for general expenditure within one year were as follows:

Cash and cash equivalents	\$ 1,851,557
Investments	100,000
Accounts receivable	180,693
Pledges receivable	<u>82,438</u>
Total financial assets available within one year	2,214,688
Less amounts unavailable for general expenditure within one year, due to-	
Certificate of deposit held as collateral for line of credit	<u>(100,000)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 2,114,688</u>

The Organization manages its liquidity by investing operating funds in the following instruments:

- Interest bearing checking or savings accounts
- Certificates of deposit at insured commercial banking operations

The Organization's finance committee reviews financial statements monthly and the Organization's management and finance committee works under the guidelines that operating cash reserves should not fall below 90 days of average operations. Additionally, the Organization has an available line of credit of \$95,000 as of December 31, 2018 (Note 7).



## 5. FIXED ASSETS

Fixed assets consisted of the following as of December 31:

	2018	2017
Software	\$ 163,524	\$ 163,524
Furniture and fixtures	108,349	117,523
Leasehold improvements	17,152	17,152
	289,025	298,199
Less accumulated depreciation and amortization	(262,824)	(216,938)
Fixed assets, net	<u>\$ 26,201</u>	<u>\$ 81,261</u>

## 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of December 31:

	2018	2017
Program and evaluation	\$ 1,219,200	\$ 793,020
Time restriction	75,003	-
Program location	50,000	180,000
	<u>\$ 1,344,203</u>	<u>\$ 973,020</u>

## 7. LINE OF CREDIT

The Organization has a revolving line of credit agreement for \$95,000 with a financial institution renewable annually. The line is collateralized by a certificate of deposit and bears interest at an annual variable rate of prime (5.250% as of December 31, 2018). The line matures on November 3, 2019. There were no draws or outstanding balances on the line of credit during the years ended December 31, 2018 and 2017.

## 8. EMPLOYEE RETIREMENT PLAN

The Organization sponsors a 401(k) Retirement Plan (the "Plan"). Full-time employees who have completed more than 1,000 hours of service become eligible to participate in the Plan.

In addition, the Organization will match 3% of an employee's salary deferral, which becomes 100% vested to the employee upon reaching three years of service from his or her initial hire date. The Organization made contributions to the Plan of \$11,980 and \$14,766 during the years ended December 31, 2018 and 2017, respectively.

## 9. RELATED PARTY TRANSACTIONS

Members of the Board contributed \$35,191 and \$30,731 during the years ended December 31, 2018 and 2017, respectively.

## 10. COMMITMENTS AND CONTINGENCIES

**Lease Agreements** - The Organization leases office space and equipment under operating leases which mature at various dates. Rent expense under these agreements totaled \$101,999 and \$96,622 during the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments under the leases as of December 31, 2018 were as follows:

2019	\$ 93,726
2020	<u>36,004</u>
Total	<u>\$ 129,730</u>

**Contracts with Grantors** - The Organization receives government grants for specific purposes that are subject to review and audit by government agencies. The Organization is also funded by grants and contracts that are subject to review and audit by the grantor agencies. These contracts have certain compliance requirements and, should audits by the government or grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs.

## 11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 18, 2019 (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.

**SUPPLEMENTARY INFORMATION**



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**INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Common Threads:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Common Threads (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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This firm is not a CPA firm*

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Austin, Texas  
June 18, 2019