

The Houston Community ToolBank
Financial Statements
For the Years Ended December 31, 2016 and 2015
with Independent Accountants' Review Report

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THE HOUSTON COMMUNITY TOOLBANK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 112,568	\$ 167,144
Pledge receivable, net	-	1,500
Prepaid expenses and other assets	11,700	6,074
Tools held for resale	250,297	255,385
Tools and equipment, net	<u>116,586</u>	<u>117,242</u>
TOTAL ASSETS	<u>\$ 491,151</u>	<u>\$ 547,345</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 9,767	\$ 16,585
Net Assets		
Unrestricted net assets	454,984	530,760
Temporarily restricted net assets	<u>26,400</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 491,151</u>	<u>\$ 547,345</u>

The accompanying notes are an integral part of these financial statements.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Contributions	\$ 48,850	\$ -	\$ -	\$ 48,850
In-kind contributions	-	-	-	-
Tool handling fees	18,409	-	-	18,409
Tools and equipment, net	35,683	-	-	35,683
Special capital projects	-	26,400	-	26,400
Interest income	153	-	-	153
Other income	1,609	-	-	1,609
Total unrestricted revenues and public support	104,704	26,400	-	131,104
Net assets released from restrictions	-	-	-	-
Total revenues and public support	104,704	26,400	-	131,104
Functional expenses				
Program services	61,022	-	-	61,022
Management and general	92,247	-	-	92,247
Fundraising costs	27,211	-	-	27,211
Total expenses	180,480	-	-	180,480
Change in unrestricted net assets	(75,776)	26,400	-	(49,376)
Net assets, beginning of year	530,760	-	-	530,760
NET ASSETS, END OF YEAR	<u>\$ 454,984</u>	<u>\$ 26,400</u>	<u>\$ -</u>	<u>\$ 481,384</u>

The accompanying notes are an integral part of these financial statements.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Contributions	\$ 85,871	\$ -	\$ -	\$ 85,871
In-kind contributions	305,630	-	-	305,630
Tool handling fees	9,939	-	-	9,939
Tools and equipment, net	34,745	-	-	34,745
Interest income	233	-	-	233
Other income (loss)	<u>(2,402)</u>	<u>-</u>	<u>-</u>	<u>(2,402)</u>
Total unrestricted revenues and public support	434,016	-	-	434,016
 Net assets released from restrictions	<u>19,955</u>	<u>(19,955)</u>	<u>-</u>	<u>-</u>
 Total revenues and public support	453,971	(19,955)	-	434,016
 Functional expenses				
Program services	68,282	-	-	68,282
Management and general	122,444	-	-	122,444
Fundraising costs	<u>21,926</u>	<u>-</u>	<u>-</u>	<u>21,926</u>
Total expenses	<u>212,652</u>	<u>-</u>	<u>-</u>	<u>212,652</u>
 Change in unrestricted net assets	241,319	(19,955)	-	221,364
 Net assets, beginning of year	<u>289,441</u>	<u>19,955</u>	<u>-</u>	<u>309,396</u>
 NET ASSETS, END OF YEAR	<u>\$ 530,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,760</u>

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THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Expenses	Program Services	Management and General	Fundraising	Total Functional Expenses
Advertising	\$ -	\$ -	\$ -	\$ -
Bank fees and services	812	-	812	1,624
Charitable contributions	-	-	-	-
Depreciation	10,384	1,833	-	12,217
Dues and subscriptions	-	130	-	130
Insurance	-	7,377	-	7,377
Office expenses	-	5,413	-	5,413
Office rent	-	27,100	-	27,100
Payroll and benefits	47,688	47,688	23,844	119,219
Promotional materials	1,023	-	2,077	3,100
Repairs and maintenance	1,115	-	-	1,115
Travel	-	2,707	478	3,185
Total functional expenses	<u>\$ 61,022</u>	<u>\$ 92,247</u>	<u>\$ 27,211</u>	<u>\$ 180,480</u>

The accompanying notes are an integral part of these financial statements.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Expenses	Program Services	Management and General	Fundraising	Total Functional Expenses
Advertising	\$ 76	\$ -	\$ -	\$ 76
Bank fees and services	640	-	563	1,203
Charitable contributions	-	24,252	-	24,252
Depreciation	26,884	5,502	-	32,386
Dues and subscriptions	-	141	-	141
Insurance	-	6,993	-	6,993
Office expenses	-	14,666	-	14,666
Office rent	-	26,400	-	26,400
Payroll and benefits	39,501	39,501	19,751	98,753
Promotional materials	414	-	851	1,265
Repairs and maintenance	767	-	-	767
Travel	-	4,989	761	5,750
Total functional expenses	\$ 68,282	\$ 122,444	\$ 21,926	\$ 212,652

The accompanying notes are an integral part of these financial statements.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (49,376)	\$ 221,364
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	12,217	32,386
In-kind donation of tools	-	(255,385)
Changes in operating assets and liabilities:		
Pledge receivable	1,500	(250)
Prepaid expenses and other assets	(5,626)	141
Accounts payable and accrued expenses	<u>(6,818)</u>	<u>1,052</u>
Net cash from operating activities	<u>(48,103)</u>	<u>(692)</u>
Cash flows from investing activities		
Purchases of tools and equipment	<u>(6,473)</u>	<u>(33,407)</u>
Net cash from investing activities	<u>(6,473)</u>	<u>(33,407)</u>
Net change in cash and cash equivalents	(54,576)	(34,099)
Cash and cash equivalents, beginning of year	<u>167,144</u>	<u>201,243</u>
Cash and cash equivalents, end of year	<u>\$ 112,568</u>	<u>\$ 167,144</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Houston Community ToolBank (the Organization) is a nonprofit tool lending program that provides fellow not-for-profit organizations with year-round access to an inventory of tools for use in volunteer projects and facility and grounds maintenance. The Organization provides tools to enhance the charitable sector's capacity to serve, facilitating hand-on volunteerism in the greater Houston area.

The Organization is an affiliate of ToolBank USA and began operations in 2014. The Organization's support comes from corporate and individual contributions and grant awards.

Basis of Presentation – The financial statements have been prepared in accordance with standards of the American Institute of Certified Public Accountants' Industry Audit Guide, *Not-for-Profit Organizations*, and in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization presents its financial statements on the accrual method of accounting in accordance with GAAP. Accounting principles and the methods of applying those principles which materially affect the determination of financial position, results of activities, cash flows, and changes in net assets are summarized below.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support that is not permanently restricted is reported as temporarily restricted support and then reclassified to unrestricted net assets upon expiration of the restriction.

Financial Statement Presentation – The Organization reports 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, as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations and are available to support all activities of the Organization. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use the investment return on the assets to provide scholarships.

Cash and Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers cash and cash equivalents to consist of petty cash, demand deposits and money market accounts, all of which are considered to be highly liquid and have original maturities of three months or less.

Pledges Receivable – Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due to the Organization in future periods are recorded as increases in temporarily restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible pledges. If necessary, an allowance is made for uncollectible pledges received based upon the Organization's analysis of past collection experience and other judgmental factors. No allowance for uncollectible pledges was recorded in 2016 and 2015.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Donated Assets – The Organization recognizes all donated assets received, including contributions and gifts of long-lived assets, at fair market value and recorded as income in the period received. All donated assets are reported as unrestricted or as temporarily restricted depending on the existence of donor stipulations that limit the use of the assets. When a donor-restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions – Donated materials, use of facilities and services are recorded at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial 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.

Tools and Equipment – Tools and Equipment are recorded at cost when purchased, or if donated, at its estimated fair market value at the date of donation. All acquisitions of furniture and equipment in excess of \$1,000 with useful lives greater than one year are capitalized, as are all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets.

Depreciation is recorded on a straight-line basis using the following useful lives:

	Useful lives in months
Tools	24-120
Computer and office equipment	36
Warehouse equipment	120
Leasehold improvements	19
Banners and signage	36

Functional Expenses – The costs of providing the Organization’s various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Federal Income Tax Status – The Organization is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used. Significant estimates include, but are not limited to, estimated useful life of property, the allowance for uncollectible pledges receivable, the value of in-kind services received, and the allocation of functional expenses.

Recent Accounting Pronouncements – The Organization has implemented all new applicable accounting pronouncements and does not believe that there are any other new pronouncements that have been issued that may have a material impact on the financial statements.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 – TOOLS AND EQUIPMENT

Tools and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Tools	\$ 152,665	\$ 143,088
Computer and office equipment	2,887	2,589
Warehouse equipment	6,794	6,503
Leasehold improvements	2,385	2,385
Banners and signage	<u>6,277</u>	<u>4,765</u>
	171,008	159,330
Less: accumulated depreciation	<u>(54,422)</u>	<u>(42,088)</u>
Total property and equipment, net	<u>\$ 116,586</u>	<u>\$ 117,242</u>

Depreciation expense totaled \$12,217 and \$32,386 for the years ended December 31, 2016 and 2015.

NOTE 3 – TOOLS HELD FOR RESALE

In 2015, the Organization received approximately \$280,000 (63% of total revenue and other support) of donated tools with the intention that they would be resold and the income generated could further the Organizations mission. Prior to year-end, the Organization donated \$24,252 of tools to other charities and not-for-profit organizations that could better utilize the tools provided. At December 31, 2017 and 2016, the Organization maintained \$250,297 and \$255,385, respectively, of tools that are held for resale.

Subsequent to year-end, all of the tools were sold.

NOTE 4 – NET ASSET RESTRICTIONS

In 2014, the Organization received a \$75,000 contribution for the acquisition of tools and the building of the warehouse space. At December 31, 2014, the remaining temporarily restricted net assets used for the acquisition of tools and warehouse build out totaled \$19,955. At December 31, 2015, the Organization had met all restrictions placed on contribution and other support received.

In 2016, the Organization received a contribution restricted for the purposes of purchasing a trailer. At December 31, 2016, the Organization maintained the \$1,400 in temporarily restricted contributions.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Organization is committed under an affiliate agreement with ToolBank USA. The terms of the agreement require annual affiliate fees in the amount of 5% of the total annual revenue generated in each calendar year through tool handling fees. ToolBank USA waived all affiliate fees for 2016 and 2015.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 – LEASES

In 2014, the Organization entered into a lease agreement for warehouse and office space under a noncancelable agreement. The Organization amended its existing lease agreement in May 2016, to extend their lease through May 2018. The monthly rent expense is \$2,300.

Lease expenses for 2016 and 2015 totaled \$27,100 and \$26,400, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November XX, 2017, which is the date that the financial statements were available for issuance.