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The Houston Community ToolBank
Financial Statements
For the Years Ended December 31, 2017 and 2016
with Independent Accountants' Review Report

THE HOUSTON COMMUNITY TOOLBANK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

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



Wrinkle, Gardner & Company, P.C.
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
The Houston Community ToolBank

We have reviewed the accompanying financial statements of The Houston Community ToolBank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and December 31, 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Wrinkle, Gardner & Company, P.C.

Wrinkle, Gardner & Company, P.C.
Friendswood, Texas
January 30, 2019

THE HOUSTON COMMUNITY TOOLBANK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 226,916	\$ 112,568
Prepaid expenses and other assets	2,200	11,700
Tools held for donation	206,468	-
Fixed assets, net	<u>159,236</u>	<u>107,703</u>
TOTAL ASSETS	<u>\$ 594,820</u>	<u>\$ 231,971</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,352	\$ 9,767
Net Assets		
Unrestricted net assets	592,468	195,804
Temporarily restricted net assets	<u>-</u>	<u>26,400</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 594,820</u>	<u>\$ 231,971</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Contributions	\$ 283,177	\$ -	\$ -	\$ 283,177
In-kind contributions	990,846	-	-	990,846
Tool handling fees	35,476	-	-	35,476
Special events	10,500	-	-	10,500
Special capital projects	10,000	-	-	10,000
Interest income	109	-	-	109
Other income	<u>3,553</u>	<u>-</u>	<u>-</u>	<u>3,553</u>
Total unrestricted revenues and public support	1,333,661	-	-	1,333,661
Net assets released from restrictions	<u>26,400</u>	<u>(26,400)</u>	<u>-</u>	<u>-</u>
Total revenues and public support	1,360,061	(26,400)	-	1,333,661
Functional expenses				
Program services	838,303	-	-	838,303
Management and general	91,707	-	-	91,707
Fundraising costs	<u>33,387</u>	<u>-</u>	<u>-</u>	<u>33,387</u>
Total expenses	<u>963,397</u>	<u>-</u>	<u>-</u>	<u>963,397</u>
Change in net assets	396,664	(26,400)	-	370,264
Net assets, beginning of year	<u>195,804</u>	<u>26,400</u>	<u>-</u>	<u>222,204</u>
NET ASSETS, END OF YEAR	<u>\$ 592,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,468</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
Special events	40,207	-	-	40,207
Special capital projects	-	26,400	-	26,400
Interest income	153	-	-	153
Loss on disposal of tools	(225,297)	-	-	(225,297)
Other income	1,609	-	-	1,609
Total unrestricted revenues and public support	(116,069)	26,400	-	(89,669)
Net assets released from restricti	-	-	-	-
Total revenues and public support	(116,069)	26,400	-	(89,669)
Functional expenses				
Program services	89,822	-	-	89,822
Management and general	97,330	-	-	97,330
Fundraising costs	31,735	-	-	31,735
Total expenses	218,887	-	-	218,887
Change in unrestricted net assets	(334,956)	26,400	-	(308,556)
Net assets, beginning of year	530,760	-	-	530,760
NET ASSETS, END OF YEAR	<u>\$ 195,804</u>	<u>\$ 26,400</u>	<u>\$ -</u>	<u>\$ 222,204</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, 2017

Expenses	Program Services	Management and General	Fundraising	Total Functional Expenses
Advertising	\$ 334	\$ -	\$ 334	\$ 668
Bank fees and services	2,498	-	833	3,331
Depreciation	45,543	5,060	-	50,603
Dues and subscriptions	-	1,275	-	1,275
Insurance	3,995	999	-	4,994
Legal and professional	-	5,225	-	5,225
Office related	5,635	5,635	-	11,270
Occupancy	25,356	2,817	-	28,173
Payroll and benefits	38,459	65,276	27,732	131,467
Promotional materials	758	-	1,539	2,297
Repairs and maintenance	-	-	-	-
Special events	-	-	2,348	2,348
Tools equipment expense	708,156	-	-	708,156
Travel	-	5,420	601	6,021
Warehouse supplies and consumables	<u>7,569</u>	<u>-</u>	<u>-</u>	<u>7,569</u>
Total functional expenses	<u>\$ 838,303</u>	<u>\$ 91,707</u>	<u>\$ 33,387</u>	<u>\$ 963,397</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, 2016

Expenses	Program Services	Management and General	Fundraising	Total Functional Expenses
Advertising	\$ -	\$ -	\$ -	\$ -
Bank fees and services	812	-	812	1,624
Depreciation	39,185	6,915	-	46,100
Dues and subscriptions	-	130	-	130
Insurance	-	7,377	-	7,377
Legal and professional	-	-	-	-
Office related	-	3,241	-	3,241
Occupany	-	29,272	-	29,272
Payroll and benefits	47,687	47,688	23,844	119,219
Promotional materials	1,023	-	2,077	3,100
Special events	-	-	4,524	4,524
Travel	-	2,707	478	3,185
Warehouse supplies and consumable	<u>1,115</u>	<u>-</u>	<u>-</u>	<u>1,115</u>
Total functional expenses	<u>\$ 89,822</u>	<u>\$ 97,330</u>	<u>\$ 31,735</u>	<u>\$ 218,887</u>

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 370,264	\$ (308,556)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	50,603	46,100
Loss on the disposal of tools held for resale	-	225,297
In-kind donation of tools	(79,768)	-
In-kind donation of tools to be donated	(206,468)	-
Changes in operating assets and liabilities:		
Pledge receivable	-	1,500
Prepaid expenses and other assets	9,500	(5,626)
Accounts payable and accrued expenses	(7,415)	(6,818)
Net cash from operating activities	<u>136,716</u>	<u>(48,103)</u>
Cash flows from investing activities		
Proceeds from the sale of tools	-	-
Purchases of tools and equipment	<u>(22,368)</u>	<u>(6,473)</u>
Net cash from investing activities	<u>(22,368)</u>	<u>(6,473)</u>
Net change in cash and cash equivalents	114,348	(54,576)
Cash and cash equivalents, beginning of year	<u>112,568</u>	<u>167,144</u>
Cash and cash equivalents, end of year	<u>\$ 226,916</u>	<u>\$ 112,568</u>
Supplemental non-cash activities:		
Transfer of tools held for resale to property and equipment	\$ -	\$ 25,000

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 corporations, foundations, individuals 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.

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.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Donated Assets – The Organization recognizes all donated assets received, including contributions and gifts of long-lived assets, at fair market value and records 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. During 2017 one donor made in-kind contributions totaling \$592,267 (45% of total revenue and other support). The contributed items were utilized during 2017 and expensed.

Fixed Assets – Fixed Assets are recorded at cost when purchased, or if donated, at its estimated fair market value at the date of donation. All acquisitions of fixed assets in excess of \$500 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 <u>in months</u>
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 fixed assets, the value of in-kind services received, and the allocation of functional expenses.

Recent Accounting Pronouncements – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 sets forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance, and cash flows. ASU 2016-14 is effective for the Organization’s annual financial statements for the year ending December 31, 2018. Application to interim financial statements is permitted but not required in the initial year of application, but is required starting January 1, 2019. The Organization is currently evaluating the impact of this pronouncement on the Organization’s financial statements.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

NOTE 2 – FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Tools	\$ 258,974	\$ 177,665
Warehouse equipment	17,621	6,794
Trailer	10,000	-
Banners and signage	6,277	6,277
Computer and office equipment	2,887	2,887
Leasehold improvements	<u>2,385</u>	<u>2,385</u>
	298,144	196,008
Less: accumulated depreciation	<u>(138,908)</u>	<u>(88,305)</u>
Fixed assets, net	<u>\$ 159,236</u>	<u>\$ 107,703</u>

Depreciation expense totaled \$50,603 and \$46,100 for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 – TOOLS HELD FOR RESALE OR DONATION

In 2017, the Organization received \$206,468 (15% of total revenue and other support) of donated tools and supplies from two donors with the intention that they would be donated to other charities and not-for-profit organizations.

From time to time, the Organization will receive tools as in-kind donations. In 2016, after not finding an appropriate buyer, the Organization recorded a loss on the disposal of certain tools held for resale of \$225,297 and donated the tools to other organizations.

NOTE 4 – NET ASSET RESTRICTIONS

In 2016, the Organization received a contribution restricted for the purposes of purchasing a trailer, truck and necessary disaster focused tools. On December 31, 2016, the Organization maintained the \$26,400 in temporarily restricted contributions. During 2017, the Organization was provided with a truck by ToolBank USA, a related party. Accordingly, the Organization contacted the donor and the restriction was modified such that the contribution could be used for trailer accessories and tools for its tool lending program. In 2017, the Organization purchased various trailer accessories and tools such that the asset was released from restriction. At December 31, 2017, there were no restrictions on net assets.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 – RELATED PARTY TRANSACTIONS

The Organization is committed under an affiliate agreement with ToolBank USA. The terms of the agreement required annual affiliate fees of \$2,500 and \$1,000 for 2017 and 2016, respectively. ToolBank USA waived 50% of the affiliate fees for 2017 and all affiliate fees for 2016.

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 July 2018, to extend their lease through July 2019. The monthly rent expense under the current and amended lease agreement is \$2,300 and \$2,356, respectively.

Lease expenses for 2017 and 2016 totaled \$28,173 and \$27,100, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 30, 2019, which is the date that the financial statements were available for issuance.