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The Houston Community ToolBank
Financial Statements
For the Years Ended December 31, 2019 and 2018
with Independent Accountants' Review Report

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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, 2019 and December 31, 2018, and the related statements of activities, functional expenses 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
October 7, 2020

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 401,436	\$ 277,201
Due from related parties	2,150	-
Prepaid expenses and other assets	2,200	2,200
Tools held for donation or resale	11,447	11,447
Fixed assets, net (Note 2)	<u>203,373</u>	<u>187,693</u>
 Total assets	 <u>\$ 620,606</u>	 <u>\$ 478,541</u>
Liabilities and net assets:		
Accounts payable and accrued expenses	\$ 5,504	\$ 1,993
Due to related parties	<u>1,750</u>	<u>-</u>
Total liabilities	7,254	1,993
 Without donor restrictions (Note 4)	 421,502	 415,748
With donor restrictions (Note 4)	<u>191,850</u>	<u>60,800</u>
Total net assets	<u>613,352</u>	<u>476,548</u>
 Total liabilities and net assets	 <u>\$ 620,606</u>	 <u>\$ 478,541</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 415,358	\$ 131,050	\$ 546,408
In-kind contributions	77,846	-	77,846
Tool handling fees	41,261	-	41,261
Special events	63,679	-	63,679
Interest income	255	-	255
	<hr/>	<hr/>	<hr/>
Total revenues and other support	598,399	131,050	729,449
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	324,120	-	324,120
Management and general	170,823	-	170,823
Fundraising	97,702	-	97,702
Total expenses	<hr/> 592,645	<hr/> -	<hr/> 592,645
Change in net assets	5,754	131,050	136,804
Net assets at beginning of year	<hr/> 415,748	<hr/> 60,800	<hr/> 476,548
Net assets at end of year	<hr/> <u>\$ 421,502</u>	<hr/> <u>\$ 191,850</u>	<hr/> <u>\$ 613,352</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 403,095	\$ 60,800	\$ 463,895
In-kind contributions	116,251	-	116,251
Tool handling fees	52,651	-	52,651
Special events	52,554	-	52,554
Interest income	465	-	465
	<hr/>	<hr/>	<hr/>
Total revenues and other support	625,016	60,800	685,816
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	585,627	-	585,627
Management and general	153,426	-	153,426
Fundraising	62,683	-	62,683
	<hr/>	<hr/>	<hr/>
Total expenses	801,736	-	801,736
	<hr/>	<hr/>	<hr/>
Change in net assets	(176,720)	60,800	(115,920)
	<hr/>	<hr/>	<hr/>
Net assets at beginning of year	592,468	-	592,468
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ 415,748</u>	<u>\$ 60,800</u>	<u>\$ 476,548</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, 2019

	Program Services	Management and General	Fundraising	Total Functional Expenses
Expenses:				
Advertising	\$ 2,669	\$ -	\$ 2,669	\$ 5,338
Bank fees and services	1,823	-	607	2,430
Charitable contributions	5,675	-	-	5,675
Depreciation	59,607	6,623	-	66,230
Dues and subscriptions	-	1,959	-	1,959
Insurance	7,245	1,811	-	9,056
Legal and professional	-	6,338	-	6,338
Office related	32,013	32,013	7,113	71,139
Occupancy	26,910	2,990	-	29,900
Payroll and benefits	167,271	117,129	54,262	338,662
Repairs and maintenance	1,439	-	-	1,439
Special events	-	-	32,725	32,725
Tools	14,409	-	-	14,409
Travel	980	1,960	326	3,266
Warehouse supplies and consumables	4,079	-	-	4,079
Total functional expenses	<u>\$ 324,120</u>	<u>\$ 170,823</u>	<u>\$ 97,702</u>	<u>\$ 592,645</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, 2018

	Program Services	Management and General	Fundraising	Total Functional Expenses
Expenses:				
Advertising	\$ 3,368	\$ -	\$ 3,368	\$ 6,736
Bank fees and services	1,949	-	650	2,599
Charitable contributions	293,118	-	-	293,118
Depreciation	48,992	5,444	-	54,436
Dues and subscriptions	-	1,484	-	1,484
Insurance	6,127	1,532	-	7,659
Legal and professional	-	4,917	-	4,917
Office related	26,914	26,914	5,981	59,809
Occupancy	24,840	2,760	-	27,600
Payroll and benefits	100,453	108,777	45,910	255,140
Repairs and maintenance	729	-	-	729
Special events	-	-	6,508	6,508
Tools	68,591	-	-	68,591
Travel	799	1,598	266	2,663
Warehouse supplies and consumables	9,747	-	-	9,747
Total functional expenses	<u>\$ 585,627</u>	<u>\$ 153,426</u>	<u>\$ 62,683</u>	<u>\$ 801,736</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 136,804	\$ (115,920)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	66,230	54,436
Tools held for donation or resale	-	195,021
In-kind donation of tools	(13,110)	(26,800)
Net book value of tool that were donated	-	23,096
Changes in operating assets and liabilities:		
Due from affiliates	(2,150)	-
Accounts payable and accrued expenses	3,511	(359)
Due to affiliates	<u>1,750</u>	<u>-</u>
Net cash provided by operating activities	<u>193,035</u>	<u>129,474</u>
Cash flows from investing activities		
Purchases of fixed assets	<u>(68,800)</u>	<u>(79,189)</u>
Net cash used in investing activities	<u>(68,800)</u>	<u>(79,189)</u>
Net change in cash and cash equivalents	124,235	50,285
Cash and cash equivalents, beginning of year	<u>277,201</u>	<u>226,916</u>
Cash and cash equivalents, end of year	<u>\$ 401,436</u>	<u>\$ 277,201</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 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 with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as assets with donor restrictions and then reclassified to assets without donor restrictions upon expiration of the restriction. During 2019 and 2018 one donor made contributions totaling \$311,400 and \$346,500, respectively (43% and 51%, respectively, of total revenue and other support).

Financial Statement Presentation – The Organization follows the Financial Accounting Standards Board (FASB) 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.

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.

Donated Assets – The Organization recognizes all donated assets received, including contributions and gifts of long-lived assets, at fair market value and records income in the period received. All donated assets are reported as with donor restrictions or without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2019 AND 2018

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.

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 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 Functional Expenses. In this statement are certain categories of expenses that are attributable to more than one program or supporting function. These expenses were allocated consistently between 2018 and 2019 and were based on criteria such as square footage (i.e. occupancy and depreciation), approximate time and effort (i.e. payroll and benefits and travel) and management’s analysis of the expenditures.

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.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2019 AND 2018

NOTE 2 – FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Tools	\$ 325,221	\$ 284,957
Warehouse equipment	70,924	37,774
Trailer	30,510	28,310
Banners and signage	6,954	6,954
Computer and office equipment	9,212	9,212
Leasehold improvements	<u>19,117</u>	<u>12,821</u>
	461,938	380,028
Less: accumulated depreciation	<u>(258,565)</u>	<u>(192,335)</u>
Fixed assets, net	<u><u>\$ 203,373</u></u>	<u><u>\$ 187,693</u></u>

Depreciation expense totaled \$66,230 and \$54,436 for the years ended December 31, 2019 and 2018, respectively.

NOTE 3 – TOOLS HELD FOR DONATION OR RESALE

In 2017, the Organization received \$206,468 of donated tools and supplies from two donors with the intention that they would be donated to other charities and not-for-profit organizations. In 2018, the Organization donated \$195,021 of this amount and \$11,447 remains for future donation at December 31, 2019.

NOTE 4 – LIQUIDITY AND NET ASSET RESTRICTIONS

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2019</u>	<u>2018</u>
Financial assets, December 31	\$ 401,436	\$ 277,201
Less those unavailable for general expenditures within one year, due to contractual or donor time or purpose restrictions	<u>(191,850)</u>	<u>(60,800)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 209,586</u></u>	<u><u>\$ 216,401</u></u>

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2019 AND 2018

For the year ended December 31, 2019, restrictions on net assets include \$116,850 for the purchase of a box truck, renovating four shipping containers and staff salary, \$50,000 for general operating expenses and \$25,000 for the purchase of tools and equipment. For the year ended December 31, 2018, restrictions on net assets of \$60,800 was for staff salaries.

The Organization's governing board has not designated any restrictions on net assets as of December 31, 2018 and December 31, 2019

The Organization generally receives donations throughout the year and maintains sufficient cash on hand to cover expenses when due.

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 of \$3,500 in 2019 and \$2,500 in 2018, respectively. ToolBank USA waived 50% of the affiliate fees for both years. The fee is included in Dues and Subscriptions in the Statement of Functional Expenses.

In 2019, ToolBank USA donated \$434 of tools, \$5,541 of teleconferencing / security services and \$30,127 of database / software services. These items were recorded in Tools, Office Related and Office Related in the Statement of Functional Expenses, respectively, and as In-Kind Contributions in the Statement of Activities.

In 2018, ToolBank USA donated \$9,362 of materials, \$1,805 of teleconferencing / security services and \$26,176 of database / software services. These items were recorded in Tools, Office Related and Office Related in the Statement of Functional Expenses, respectively, and as In-Kind Contributions in the Statement of Activities.

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 2020 to extend their lease through July 2021. The monthly rent expense under both the current and amended lease agreement is \$2,356 which includes rent of \$2,300 and a waste disposal charge of \$56. Lease expense for 2019 and 2018 totaled \$30,572 and \$28,223, respectively, and is included in both Occupancy (the rent portion) and Office Related (the waste portion) in the Statement of Functional Expenses. Also included in 2019 rent is a payment of \$2,300 related to 2017.

NOTE 7 – SUBSEQUENT EVENTS

On March 11, 2020 the World Health Organization (WHO) declared Coronavirus (or "COVID-19") an international pandemic. As a result of COVID-19 in the United States, the outbreak may have a continued material adverse impact on economic conditions. The Organization's operations are heavily dependent on private and public donations from individuals, foundations, and corporations. Additionally, access to grants and contracts from federal, state, and local governments may decrease depending on appropriations.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2019 AND 2018

This situation may depress donations during fiscal year 2020 and beyond which may hinder the Organization's ability to advance its mission. While the disruption is currently expected to be temporary, the related financial impact and duration cannot be reasonably estimated at this time.

On May 4, 2020 the Organization received \$63,800 under the Paycheck Protection Program, the majority of which is expected to qualify for forgiveness.

Management has evaluated subsequent events through October 7, 2020, which is the date that the financial statements were available for issuance.