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The Houston Community ToolBank
Financial Statements
For the Years Ended December 31, 2021 and 2020
with Independent Accountants' Review Report

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

INDEPENDENT ACCOUNTANTS' 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, 2021 and December 31, 2020, 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
August 29, 2022

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 393,190	\$ 390,331
Pledge receivable	902	-
Prepaid expenses and other assets	3,425	5,655
Fixed assets, net	<u>248,137</u>	<u>259,359</u>
 Total assets	 <u>\$ 645,654</u>	 <u>\$ 655,345</u>
 Liabilities and net assets:		
Accounts payable and accrued expenses	\$ 5,042	\$ 8,715
Deferred revenue	-	3,478
Loan payable	<u>-</u>	<u>63,280</u>
Total liabilities	5,042	75,473
 Without donor restrictions (Note 3)	575,821	529,872
With donor restrictions (Note 3)	<u>64,791</u>	<u>50,000</u>
Total net assets	<u>640,612</u>	<u>579,872</u>
 Total liabilities and net assets	 <u>\$ 645,654</u>	 <u>\$ 655,345</u>

See notes to financial statements and Independent Accountants' Review Report.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 151,101	\$ 64,791	\$ 215,892
In-kind contributions	132,029	-	132,029
Tool handling fees	32,812	-	32,812
Special events	63,791	-	63,791
Gain from extinguishment of debt	126,182	-	126,182
Interest income	85	-	85
Other income	12,035	-	12,035
	<u>518,035</u>	<u>64,791</u>	<u>582,826</u>
Total revenues and other support			-
Expenses:			-
Program services	344,258	50,000	394,258
Management and general	55,037	-	55,037
Fundraising	72,791	-	72,791
Total expenses	<u>472,086</u>	<u>50,000</u>	<u>522,086</u>
Change in net assets	45,949	14,791	60,740
Net assets at beginning of year	<u>529,872</u>	<u>50,000</u>	<u>579,872</u>
Net assets at end of year	<u>\$ 575,821</u>	<u>\$ 64,791</u>	<u>\$ 640,612</u>

See notes to financial statements and Independent Accountants' Review Report.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 263,808	\$ 50,000	\$ 313,808
In-kind contributions	292,101	-	292,101
Tool handling fees	29,100	-	29,100
Special events	44,195	-	44,195
Interest income	1,775	-	1,775
Other income	18,967	-	18,967
	<u>649,946</u>	<u>50,000</u>	<u>699,946</u>
Total revenues and other support			
Expenses:			
Program services	371,311	191,850	563,161
Management and general	75,587	-	75,587
Fundraising	71,761	-	71,761
Total expenses	<u>518,659</u>	<u>191,850</u>	<u>710,509</u>
Change in accounting policy	<u>22,917</u>	<u>-</u>	<u>22,917</u>
Change in net assets	108,370	(141,850)	(33,480)
Net assets at beginning of year	<u>421,502</u>	<u>191,850</u>	<u>613,352</u>
Net assets at end of year	<u>\$ 529,872</u>	<u>\$ 50,000</u>	<u>\$ 579,872</u>

See notes to financial statements and Independent Accountants' Review Report..

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total Functional Expenses
Expenses:				
Advertising	\$ 986	\$ -	\$ 986	\$ 1,972
Bank fees and services	-	1,380	-	1,380
Computers and software	2,493	2,493	-	4,986
Conferences and meetings	-	1,111	278	1,389
Contributions to others	28,361	-	-	28,361
Depreciation	65,665	7,296	-	72,961
Dues and subscriptions	-	2,536	-	2,536
Fixed asset write-off	19,332	-	-	19,332
Fuel and delivery	760	-	-	760
Insurance	6,037	2,077	754	8,868
Independent contractors	16,650	1,581	1,581	19,812
Legal, accounting and consulting	7,500	7,302	-	14,802
Office expenses	10,442	655	655	11,752
Other employee benefits	3,931	842	842	5,615
Payroll and taxes	164,267	24,588	52,598	241,453
Rent	22,080	2,760	2,760	27,600
Repairs and maintenance	2,300	-	-	2,300
Special events	-	-	12,020	12,020
Tools	33,881	-	-	33,881
Travel	-	99	-	99
Utilities	2,536	317	317	3,170
Warehouse supplies and consumables	7,037	-	-	7,037
Total functional expenses	<u>\$ 394,258</u>	<u>\$ 55,037</u>	<u>\$ 72,791</u>	<u>\$ 522,086</u>

See notes to financial statements and Independent Accountants' Review Report.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total Functional Expenses
Expenses:				
Advertising	\$ 3,175	\$ -	\$ 3,175	\$ 6,350
Bank fees and services	253	129	969	1,351
Charitable contributions	37,142	-	-	37,142
Computers and software	8,673	8,673	-	17,346
Depreciation	64,362	7,151	-	71,513
Dues and subscriptions	-	761	-	761
Insurance	7,036	1,759	-	8,795
Legal, accounting and consulting	-	26,042	-	26,042
Office related	16,764	4,464	1,341	22,569
Occupancy	25,445	2,827	-	28,272
Payroll and benefits	156,118	23,751	52,039	231,908
Repairs and maintenance	1,332	-	-	1,332
Special events	-	-	14,237	14,237
Tools	232,154	-	-	232,154
Travel	-	30	-	30
Warehouse supplies and consumables	10,707	-	-	10,707
Total functional expenses	<u>\$ 563,161</u>	<u>\$ 75,587</u>	<u>\$ 71,761</u>	<u>\$ 710,509</u>

See notes to financial statements and Independent Accountants' Review Report.

THE HOUSTON COMMUNITY TOOLBANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 60,740	\$ (33,480)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain from extinguishment of debt	(126,182)	-
Depreciation	72,961	71,513
Loss due to change in accounting policy	-	22,917
Loss due to write-off of fixed assets	19,332	-
Tools held for donation or resale	-	11,447
In-kind donation of tools	(67,262)	(22,714)
Changes in operating assets and liabilities:		
Due from affiliates	-	2,150
Pledge receivable	(902)	
Prepaid expenses and other assets	2,230	(3,455)
Accounts payable and accrued expenses	(3,673)	3,211
Due to affiliates	-	(1,750)
Deferred revenue	(3,478)	3,478
Net cash (used in) provided by operating activities	<u>(46,234)</u>	<u>53,317</u>
Cash flows from investing activities		
Purchases of fixed assets	<u>(13,809)</u>	<u>(127,702)</u>
Net cash used in investing activities	<u>(13,809)</u>	<u>(127,702)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program	<u>62,902</u>	<u>63,280</u>
Net cash provided by financing activities	<u>62,902</u>	<u>63,280</u>
Net change in cash and cash equivalents	2,859	(11,105)
Cash and cash equivalents, beginning of year	<u>390,331</u>	<u>401,436</u>
Cash and cash equivalents, end of year	<u>\$ 393,190</u>	<u>\$ 390,331</u>

See notes to financial statements and Independent Accountants' Review Report.

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 2021 and 2020, one donor made contributions totaling \$64,791 and \$100,000, respectively (12% and 14%, respectively, of total revenues 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, 2021 AND 2020

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. With the exception of tools, all acquisitions of fixed assets 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. Acquisition of tools greater than \$100 with useful lives greater than one year are capitalized.

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	84
Leasehold improvements	36
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 2021 and 2020 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, 2021 AND 2020

NOTE 2 – FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Tools	\$ 363,119	\$ 291,681
Warehouse equipment	101,040	115,059
Vehicles and trailers	101,527	101,527
Banners and signage	6,954	6,954
Computer and office equipment	10,295	9,212
Leasehold improvements	<u>29,644</u>	<u>27,894</u>
	612,579	552,327
Less: accumulated depreciation	<u>(364,442)</u>	<u>(292,968)</u>
Fixed assets, net	<u><u>\$ 248,137</u></u>	<u><u>\$ 259,359</u></u>

Depreciation expense totaled \$72,961 and \$71,513 for the years ended December 31, 2021 and 2020, respectively.

NOTE 3 – 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>2021</u>	<u>2020</u>
Financial assets, at year-end	\$ 393,190	\$ 390,331
Less those unavailable for general expenditures within one year, due to contractual or donor time or purpose restrictions	<u>(64,791)</u>	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 328,399</u></u>	<u><u>\$ 340,331</u></u>

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2021 AND 2020

For the years ended December 31, 2021 and 2020, restrictions on net assets include \$64,791 and \$50,000, respectively, for general operating expenses.

The Organization's governing board has not designated any restrictions on net assets as of December 31, 2021 and December 31, 2020.

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

NOTE 4 – RELATED PARTY TRANSACTIONS

The Organization is committed under an affiliate agreement with ToolBank USA. The terms of the agreement require annual affiliate fees of \$1,500. In 2020, ToolBank USA waived these fees. The fee is included in Dues and Subscriptions in the Statement of Functional Expenses.

In 2021, ToolBank USA donated \$148 of branded merchandise, \$46 of prizes for a special event and \$975 of database / software services. These items were recorded in Other Employee Benefits, Special Events and Computers and Software in the Statement of Functional Expenses, respectively, and as In-Kind Contributions in the Statement of Activities.

In 2020, ToolBank USA donated \$3,370 of materials, \$2,693 of teleconferencing / security services and \$14,533 of database / software services. These items were recorded in Tools, Office Related and Computers and Software in the Statement of Functional Expenses, respectively, and as In-Kind Contributions in the Statement of Activities.

NOTE 5 – 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 2021 to extend their lease through July 2024. The monthly rent expense under the lease agreement is \$2,356 which includes rent of \$2,300 and a waste disposal charge of \$56. Lease expense for 2021 and 2020 totaled \$28,272 each year, and is included in both Occupancy (the rent portion) and Office Related (the waste portion) in the Statement of Functional Expenses.

NOTE 6 – SUBSEQUENT EVENTS

On March 11, 2020 the World Health Organization (WHO) declared Coronavirus (or "COVID-19") an international pandemic. 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, 2021 AND 2020

This situation may depress donations during fiscal year 2022 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 and May 4, 2021, the Organization received \$63,280 and \$62,902, respectively under the Paycheck Protection Program. These loans were forgiven by the Small Business Administration in May 2021 and November 2021, respectively, and were recorded as a Gain on the Extinguishment of Debt in the Statement of Activities.

Management has evaluated subsequent events through August 22, 2022, which is the date that the financial statements were available for issuance.