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The Houston Community ToolBank
Financial Statements
For the Years Ended December 31, 2023 and 2022
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, 2023 and December 31, 2022, 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 7, 2024

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 99,450	\$ 102,229
Investments	393,502	269,581
Prepaid expenses and other assets	13,758	3,100
Fixed assets, net	<u>277,248</u>	<u>236,275</u>
 Total assets	 <u>\$ 783,958</u>	 <u>\$ 611,185</u>
Liabilities and net assets:		
Accounts payable and accrued expenses	<u>\$ 168</u>	<u>\$ 7,753</u>
Total current liabilities	168	7,753
 Without donor restrictions (Note 3)	 783,790	 603,432
With donor restrictions (Note 3)	<u>-</u>	<u>-</u>
Total net assets	<u>783,790</u>	<u>603,432</u>
 Total liabilities and net assets	 <u>\$ 783,958</u>	 <u>\$ 611,185</u>

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

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 548,139	\$ -	\$ 548,139
In-kind contributions	762,214	-	762,214
Tool handling fees	55,613	-	55,613
Special events	66,525	-	66,525
Net investment return	12,959	-	12,959
Other income	<u>19,098</u>	<u>-</u>	<u>19,098</u>
Total revenues and other support	<u>1,464,548</u>	<u>-</u>	<u>1,464,548</u>
Expenses:			
Program services	1,101,349	-	1,101,349
Management and general	73,702	-	73,702
Fundraising	<u>109,139</u>	<u>-</u>	<u>109,139</u>
Total expenses	<u>1,284,190</u>	<u>-</u>	<u>1,284,190</u>
Change in net assets	180,358	-	180,358
Net assets at beginning of year	<u>603,432</u>	<u>-</u>	<u>603,432</u>
Net assets at end of year	<u><u>\$ 783,790</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 783,790</u></u>

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

THE HOUSTON COMMUNITY TOOLBANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 264,237	\$ -	\$ 264,237
In-kind contributions	409,164	-	409,164
Tool handling fees	36,987	-	36,987
Special events	39,939	-	39,939
Net investment return	3,139	-	3,139
Other income	83,708	-	83,708
	<u>837,174</u>	<u>-</u>	<u>837,174</u>
Total revenues and other support			
Expenses:			
Program services	696,542	33,896	730,438
Management and general	36,745	30,895	67,640
Fundraising	76,276	-	76,276
Total expenses	<u>809,563</u>	<u>64,791</u>	<u>874,354</u>
Change in net assets	27,611	(64,791)	(37,180)
Net assets at beginning of year	<u>575,821</u>	<u>64,791</u>	<u>640,612</u>
Net assets at end of year	<u>\$ 603,432</u>	<u>\$ -</u>	<u>\$ 603,432</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, 2023

	Program Services	Management and General	Fundraising	Total Functional Expenses
Expenses:				
Advertising	\$ 2,535	\$ -	\$ 2,535	\$ 5,070
Bank and credit card fees	-	3,253	-	3,253
Computers and software	1,679	1,679	-	3,358
Conferences and meetings	-	4,963	1,241	6,204
Contributions to others	488,108	-	-	488,108
Cost of goods sold	19,098	-	-	19,098
Depreciation	65,862	7,318	-	73,180
Dues and subscriptions	-	2,279	-	2,279
Fuel and delivery	4,614	-	-	4,614
Loss on disposal of assets	5,123	-	-	5,123
Insurance	2,628	8,593	328	11,549
Independent contractors	43,178	226	735	44,139
Legal, accounting and consulting	-	4,635	-	4,635
Office related	13,780	11,023	2,756	27,559
Other employee benefits	2,237	480	480	3,197
Payroll and taxes	205,577	23,485	67,059	296,121
Rent	22,618	2,827	2,827	28,272
Repairs and maintenance	10,649	-	-	10,649
Special events	-	-	30,776	30,776
Tools	110,776	-	-	110,776
Travel	-	2,539	-	2,539
Utilities	3,216	402	402	4,020
Warehouse supplies and consumables	99,671	-	-	99,671
Total functional expenses	<u>\$ 1,101,349</u>	<u>\$ 73,702</u>	<u>\$ 109,139</u>	<u>\$ 1,284,190</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, 2022

	Program Services	Management and General	Fundraising	Total Functional Expenses
Expenses:				
Advertising	\$ 5,402	\$ -	\$ 5,402	\$ 10,804
Bank and credit card fees	-	2,242	-	2,242
Computers and software	2,035	2,035	-	4,070
Conferences and meetings	-	7,762	1,941	9,703
Contributions to others	247,895	-	-	247,895
Cost of goods sold	48,981	-	-	48,981
Depreciation	65,336	7,260	-	72,596
Dues and subscriptions	500	1,714	-	2,214
Fuel and delivery	3,613	-	-	3,613
Insurance	5,716	8,573	-	14,289
Independent contractors	36,820	3,674	984	41,478
Legal, accounting and consulting	-	5,497	-	5,497
Office expenses	1,266	773	773	2,812
Other employee benefits	212	46	46	304
Payroll and taxes	152,162	21,815	48,677	222,654
Rent	22,080	2,760	2,760	27,600
Repairs and maintenance	1,465	-	-	1,465
Special events	-	-	14,189	14,189
Tools	108,284	-	-	108,284
Travel	-	1,985	-	1,985
Utilities and security costs	12,028	1,504	1,504	15,036
Warehouse supplies and consumables	16,643	-	-	16,643
Total functional expenses	<u>\$ 730,438</u>	<u>\$ 67,640</u>	<u>\$ 76,276</u>	<u>\$ 874,354</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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 180,358	\$ (37,180)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	73,180	72,596
Loss due to write-off of fixed assets	5,123	-
Net realized and unrealized gain on investments	(522)	(258)
In-kind donation of tools	(38,165)	(45,356)
Changes in operating assets and liabilities:		
Pledge receivable	-	902
Prepaid expenses and other assets	(10,658)	325
Accounts payable and accrued expenses	(7,585)	2,711
Net cash provided by (used in) operating activities	<u>201,731</u>	<u>(6,260)</u>
Cash flows from investing activities		
Purchase/reinvestments of investments	(702,346)	(269,323)
Sale of investments	578,947	-
Purchases of fixed assets	(81,111)	(15,378)
Net cash used in investing activities	<u>(204,510)</u>	<u>(284,701)</u>
Net change in cash and cash equivalents	(2,779)	(290,961)
Cash and cash equivalents, beginning of year	<u>102,229</u>	<u>393,190</u>
Cash and cash equivalents, end of year	<u>\$ 99,450</u>	<u>\$ 102,229</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 2023 and 2022, one donor made contributions totaling \$152,610 and \$89,590, respectively (10% and 11%, 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.

Investments – Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2023 AND 2022

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.

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. Except for 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:

	<u>Useful lives in months</u>
Tools	24-120
Computer and office equipment	36
Warehouse equipment	84
Vehicles and trailers	60
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 2023 and 2022 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 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, 2023 AND 2022

NOTE 2 – FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Tools	\$ 253,149	\$ 390,426
Warehouse equipment	143,527	107,840
Vehicles and trailers	155,702	128,154
Banners and signage	-	6,954
Computer and office equipment	3,581	10,295
Leasehold improvements	<u>9,259</u>	<u>29,644</u>
	565,218	673,313
Less: accumulated depreciation	<u>(287,970)</u>	<u>(437,038)</u>
Fixed assets, net	<u>\$ 277,248</u>	<u>\$ 236,275</u>

Depreciation expense totaled \$73,180 and \$72,596 for the years ended December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 99,450	\$ 102,229
Investments	393,502	269,581
Less those unavailable for general expenditures within one year, due to contractual or donor time or purpose restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 492,952</u>	<u>\$ 371,810</u>

THE HOUSTON COMMUNITY TOOLBANK
 NOTES TO FINANCIAL STATEMENTS-CONTINUED
 DECEMBER 31, 2023 AND 2022

For the years ended December 31, 2023 and 2022, restrictions on net assets were \$0.

The Organization's governing board has not designated any restrictions on net assets as of December 31, 2023 and December 31, 2022.

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

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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 measurement inputs at December 31, 2023 and 2022 are unadjusted quoted prices in active markets for identical assets that the Organization has the ability to access at the reporting date and therefore fall within Level 1 of the fair value hierarchy.

Assets measured at fair value as of December 31, 2023 are as follows:

	Cost	Gross Unrealized Gains	Fair Value
Mutual funds: Short-term bonds	\$ 393,241	\$ 261	\$ 393,502

Assets measured at fair value as of December 31, 2022 are as follows:

	Cost	Gross Unrealized Gains	Fair Value
Mutual funds: Short-term bonds	\$ 269,324	\$ 257	\$ 269,581

Mutual funds are valued at the reported net asset value of shares held. These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

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 \$1,500. The fee is included in Dues and Subscriptions in the Statement of Functional Expenses.

In 2023, ToolBank USA donated \$475 of database / software services. These items were recorded in Computers and Software in the Statement of Functional Expenses, respectively, and as In-Kind Contributions in the Statement of Activities.

In 2022, ToolBank USA donated \$975 of database / software services and paid for \$1,715 of travel expenses related to the Organization. These items were recorded in Computers and Software and Travel 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 2024 to extend their lease through June 2027. 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 2023 and 2022 totaled \$28,272 each year, and is included in the Statement of Functional Expenses in Rent in 2023 and both Rent (the rent portion) and Office Expenses (the waste portion) in 2022. On July 1, 2024 the monthly rent under the agreement increased to \$2,700.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 7, 2024, which is the date that the financial statements were available for issuance.

NOTE 8 - ADOPTION OF NEW ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), specifying the accounting for leases, which supersedes the leases requirements in Topic 840, Leases. The objective is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Lessees are permitted to make an accounting policy election to not recognize the right-of-use assets and lease liabilities on the balance sheet for leases with a term of twelve months or less. For lessors, this update modifies the classification criteria and the accounting for sales-type and direct financing leases. In addition, ASU 2016-02 expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes a number of practical expedients.

The Organization adopted this standard on January 1, 2022, using the modified retrospective transition approach. Additionally, the package of practical expedients was adopted, which permitted the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. The Organization applied Topic 842 to all leases as of January 1, 2022 with comparative periods continuing to be reported under Topic

THE HOUSTON COMMUNITY TOOLBANK
NOTES TO FINANCIAL STATEMENTS-CONTINUED
DECEMBER 31, 2023 AND 2022

840. In the adoption of Topic 842, the Organization carried forward the assessment from Topic 840 of whether its contracts contain or are leases, the classification of its leases, and remaining lease terms. The adoption of the standard did not have a significant effect on the Organization's financial position, results of operations or cash flows.

The Organization has elected not to recognize right of use assets and lease liabilities for short-term leases for all classes of underlying assets. Short-term leases are leases with terms greater than 1 month, but less than 12 months.

As discussed in Note 6 above, the Organization has one lease that expires in June 2027. As the Organization does not consider this lease material, no right of use asset or lease liability has been recorded.