

COMMUNITY STOREHOUSE, INC.

Financial Statements &
Independent Auditor's Report
Year Ended December 31, 2021

Wood, Stephens & O'Neil, L.L.P.
Certified Public Accountants

November 3, 2022

Independent Auditor's Report

To the Management and Board of Directors
Community Storehouse, Inc.

Opinion

We have audited the accompanying financial statements of Community Storehouse, Inc., a not-for-profit organization, which comprise the statement of financial position as of December 31, 2021 and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Storehouse, Inc. as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an

audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude based on the audit evidence obtained and in our judgment, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wood, Stephens & O'Neil, L.L.P.

COMMUNITY STOREHOUSE, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 1,003,140	\$ 705,528
Grants and contributions receivable	24,181	39,870
Prepaid expenses	133,791	131,401
Inventory - food pantry, clothing and household items, gift cards	160,647	155,261
Rent security deposits	12,200	12,200
Property and equipment, net	323,506	222,236
TOTAL ASSETS	<u>\$ 1,657,465</u>	<u>\$ 1,266,496</u>
<u>LIABILITIES:</u>		
Accounts payable and accrued liabilities	67,211	18,758
Accrued salaries and payroll taxes	23,000	15,929
Note payable - PPP loan	-	164,715
TOTAL LIABILITIES	<u>90,211</u>	<u>199,402</u>
<u>NET ASSETS:</u>		
Without donor restrictions	1,437,424	1,012,264
With donor restrictions	129,830	54,830
TOTAL NET ASSETS	<u>1,567,254</u>	<u>1,067,094</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,657,465</u>	<u>\$ 1,266,496</u>

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

COMMUNITY STOREHOUSE, INC.

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
<i>Revenues:</i>		
Contributions and grants	485,577	\$ 1,098,611
Contributions - in-kind food, clothing and household items	1,786,880	1,712,764
Contributions - in-kind other (vehicles)	5,000	7,372
Government grants	-	52,352
PPP loan forgiveness	164,715	-
Resale shop sales, including bulk clothing proceeds, net of direct expenses of \$781,787 for 2021 and \$541,656 for 2020	324,019	219,710
Special events, net of direct expenses of \$210,791 for 2021 and \$232,746 for 2020	279,665	61,212
Gain (loss) on disposition of assets	3,000	(50)
Interest income	1,060	438
Net assets released from restrictions	311,068	46,917
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	3,360,984	3,199,326
<i>Expenses:</i>		
Program	2,690,045	2,479,717
Management and General	134,320	111,213
Fundraising and Development	111,459	89,975
TOTAL EXPENSES	2,935,824	2,680,905
<u>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	425,160	518,421
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Contributions and grants	386,068	74,450
Net assets released from restrictions	(311,068)	(46,917)
<u>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</u>	75,000	27,533
INCREASE (DECREASE) IN NET ASSETS	500,160	545,954
NET ASSETS, at beginning of year	1,067,094	521,140
NET ASSETS, at end of year	\$ 1,567,254	\$ 1,067,094

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

COMMUNITY STOREHOUSE, INC.

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

	Program	Management and General	Fundraising and Development	2021 Totals
Advertising and printing	\$ 13,122	\$ 916	\$ 1,221	15,259
Bank and credit card fees	19,535	1,363	1,817	22,715
Building rent	83,194	5,804	7,739	96,737
Client outlays	27,808	-	-	27,808
Conferences and seminars	1,533	107	143	1,783
Depreciation	50,247	3,506	4,674	58,427
Donated goods (in-kind)	1,776,763	-	-	1,776,763
Donor/volunteer relations	7,579	529	705	8,813
Dues and publications	15,712	1,096	1,462	18,270
Employee benefits	16,383	3,366	2,693	22,442
Employee development & training	3,643	254	339	4,236
Insurance	50,421	3,518	4,690	58,629
Interest	64	5	6	75
Locally purchased goods	12,197	-	-	12,197
Miscellaneous expenses	11,538	805	1,073	13,416
Postage and shipping	2,870	200	267	3,337
Professional fees	41,196	11,500	-	52,696
Repairs and maintenance	33,457	2,334	3,112	38,903
Salaries and payroll taxes	460,853	94,696	75,757	631,306
Supplies	21,114	1,473	1,964	24,551
Technology	15,338	1,070	1,427	17,835
Telephone and utilities	25,478	1,778	2,370	29,626
Totals	<u>\$ 2,690,045</u>	<u>\$ 134,320</u>	<u>\$ 111,459</u>	<u>\$ 2,935,824</u>

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

COMMUNITY STOREHOUSE, INC.

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

	Program	Management and General	Fundraising and Development	2020 Totals
Advertising and printing	\$ 9,273	\$ 647	\$ 863	10,783
Bank and credit card fees	18,129	1,265	1,686	21,080
Building rent	78,466	5,474	7,299	91,239
Client outlays	35,605	-	-	35,605
Conferences and seminars	5,529	386	514	6,429
Depreciation	45,595	3,181	4,241	53,017
Donated goods (in-kind)	1,660,724	-	-	1,660,724
Donor/volunteer relations	4,055	283	377	4,715
Dues and publications	7,475	521	695	8,691
Employee benefits	13,624	2,799	2,239	18,662
Employee development & training	310	22	29	361
Insurance	39,587	2,762	3,683	46,032
Interest	234	16	22	272
Locally purchased goods	92,530	-	-	92,530
Miscellaneous expenses	4,707	328	438	5,473
Postage and shipping	2,055	143	191	2,389
Professional fees	24,461	11,500	-	35,961
Repairs and maintenance	17,302	1,207	1,610	20,119
Salaries and payroll taxes	378,546	77,783	62,227	518,556
Supplies	7,560	527	703	8,790
Technology	8,410	587	782	9,779
Telephone and utilities	25,540	1,782	2,376	29,698
Totals	<u>\$ 2,479,717</u>	<u>\$ 111,213</u>	<u>\$ 89,975</u>	<u>\$ 2,680,905</u>

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

COMMUNITY STOREHOUSE, INC.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 500,160	\$ 545,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,427	53,017
(Increase) decrease in receivables	15,689	(14,951)
(Increase) decrease in prepaid expenses and deposits	(2,390)	(95,585)
(Increase) decrease in inventory	(5,386)	(29,373)
Increase (decrease) in accounts payable and accrued liabilities	55,524	(9,795)
Net Cash Provided (Used) By Operating Activities	<u>622,024</u>	<u>449,267</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of capitalized assets	(162,697)	(33,381)
Proceeds from sale or disposition of assets	3,000	1,250
Net Cash (Used For) Investing Activities	<u>(159,697)</u>	<u>(32,131)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
PPP loan proceeds received (loan forgiveness) during the year	(164,715)	164,715
Net Cash (Used For) Financing Activities	<u>(164,715)</u>	<u>164,715</u>
Net increase (decrease) in cash and cash equivalents	297,612	581,851
Cash and cash equivalents, beginning of year	705,528	123,677
Cash and cash equivalents, end of year	<u>\$ 1,003,140</u>	<u>\$ 705,528</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
None applicable	-	-

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

COMMUNITY STOREHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Community Storehouse, Inc. (the Organization), was incorporated in 1987, under the nonprofit corporation laws of the State of Texas. The Organization is dedicated to improving the lives of children and their families in temporary crisis, by providing food, clothing, shoes, school supplies, household items, and emergency financial assistance for medical and dental needs. The Organization's eligible clients are children and their families located in the Keller, Northwest and Carroll Independent School Districts. The Organization relies on contributions and grants from individuals, businesses, churches, and civic organizations from the surrounding communities to carry out its mission. The Organization also operates a resale shop, selling various in-kind contributions of clothing, household items and furniture received from donors.

General

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The Organization implemented FASB ASU No. 2016-14 in 2018, applying the changes retrospectively. The Organization's financial statements have been prepared on the accrual basis of accounting. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

Financial Statement Presentation

The Organization, in accordance with not-for-profit accounting standards, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purpose specified in its corporate documents, its application for tax-exempt status, and any limits resulting from contractual agreements with creditors or others that are entered into in the course of its operations. Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; consequently, the organization must continue to use these resources in accordance with the donor's instructions. This class would also include any donor-restricted endowment funds and beneficial interests in a perpetual trust. When donor restrictions are satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying to net assets without donor restrictions. Any net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expense and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Management Estimates and Assumptions

Management uses estimates and assumptions in preparing statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Functional Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Management has determined these allocations based on personnel activity percentage breakdowns, and levels of effort analysis. Physical space percentage breakdowns are used to allocate certain occupancy and supporting expenses, as deemed appropriate. Whenever new space or programs are added, the cost allocation bases and methods are evaluated, as deemed necessary.

Management and general activities include the functions necessary to provide support for the Organization's program activities. This include activities that provide governance, oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program. Fundraising activities include publicizing and conducting ongoing fundraising campaigns, maintaining donor lists, planning special fundraising events, and other activities involved with soliciting contributions from donors.

Inventory

Inventory, consisting of the food pantry, clothing and household items, is recorded on the books based on the Organization's estimate of the food, clothing and household items on hand at year-end at their estimated fair values.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purposes.

Contributions and Grants Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. When deemed

necessary, the Organization uses an allowance method to determine the uncollectible portion, based on prior years' experience and management's analysis of the promises made. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Fair value is measured as the present value of the discounted future cash flows. The discounts on these contributions are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions-in-Kind and Contributed Services

The Organization records the value of donated in-kind goods (i.e. food, clothing, household items, etc.) when there is an objective basis available to measure their value. Donated goods of \$1,791,880 and \$1,720,136 were recorded on the books for 2021 and 2020, based on their estimated fair values. These donated goods were distributed to clients, were sold or held for sale at year-end in the Organization's resale shop and used for program operations. No amounts have been reflected in the accompanying statements for donated services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services during the year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted short-term highly liquid investments with initial maturities of three months or less to be cash equivalents.

Property and equipment

Property and equipment is reported at cost. Depreciation is computed using the straight-line method for financial reporting purposes over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as revenue for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Fair Value of Financial Instruments

At December 31, 2021 and 2020, the Organization's financial instruments consisted of cash and cash equivalents. The Organization's cash and cash equivalents consist of certain money market accounts. Unless otherwise indicated, the fair values of these financial instruments approximate their recorded values.

Liquidity and Availability

At December 31, 2021, \$807,280 of the financial assets of the Organization are available for general expenditure, that is, without donor restrictions limiting their use within one year.

Concentration of Credit and Market Risk

Financial instruments which potentially subject the Organization to concentration of credit and market risk consist principally of cash and cash equivalents. The Organization places its cash only with quality financial institutions and by policy limits the amount of credit exposure to any one institution.

Subsequent Events

Management has evaluated subsequent events through November 3, 2022, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment, at December 31, 2021 consisted of the following:

Furniture, computers and equipment	\$ 57,492
Delivery trucks	177,281
Leasehold improvements	<u>366,902</u>
	\$ 601,675
Less: accumulated depreciation	<u>278,169</u>
	<u>\$ 323,506</u>

Property and equipment, at December 31, 2020 consisted of the following:

Furniture, computers and equipment	\$ 43,987
Delivery trucks	137,593
Leasehold improvements	<u>290,440</u>
	\$ 472,020
Less: accumulated depreciation	<u>249,784</u>
	<u>\$ 222,236</u>

Depreciation expense of \$58,427 and \$53,017 was recorded for the years ended December 31, 2021 and 2020, respectively.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021, net assets with donor restrictions consisted of \$129,830 of funds specifically designated to be used for the 2022 fundraising dinner event, the 2022 Summer Reading program, and for 2022 operations. At December 31, 2020, net assets with donor restrictions consisted of \$54,830 of funds specifically designated to be used for the 2021 fundraising dinner event, the 2021 Summer Reading program, the new resale shop and for 2021 operations.

NOTE 4 - LEASE COMMITMENTS

The Organization leases office, retail and warehouse space under three operating lease agreements. The lease for the Keller upscale resale shop expires on August 31, 2025. The lease for the Fort Worth upscale resale shop expires on January 31, 2027. The lease for the operations center expires April 30, 2027. The approximate future minimum lease payments under these leases are as follows: 2022 - \$196,186; 2023 - \$215,324; 2024 - \$243,744; 2025 - \$214,400 and later years - \$190,564.

NOTE 5 - NOTE PAYABLE - PPP LOAN

In April, 2020, the Organization obtained a Paycheck Protection Program ("PPP") loan in the amount of \$164,715 from a local banking institution, through the Small Business Administration, as part of the CARES Act. The loan, which was in the form of a note dated April 16, 2020, was to mature on April 16, 2022. The funds from this loan were only to be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on any other debt obligations incurred before February 15, 2020. Under the terms of this PPP loan, certain amounts were eligible for forgiveness if they were used for such qualifying expenses. The Organization used all of these funds for such qualifying expenses. In January, 2021, the Organization received official notice that its use of the loan proceeds met the conditions for full forgiveness of the loan.