

COMMUNITY STOREHOUSE, INC.

Financial Statements &
Independent Auditor's Report
Year Ended December 31, 2017

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

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July 23, 2018

Unmodified Opinion on Financial Statements Accompanied by Other Information

Independent Auditor's Report

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

Report on the Financial Statements

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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Storehouse, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

COMMUNITY STOREHOUSE, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS:</u>		
Cash and cash equivalents - unrestricted	\$ 103,409	\$ 203,593
Cash and cash equivalents - temporarily restricted	47,432	49,787
Grants and contributions receivable	13,922	7,902
Prepaid expenses	53,204	14,464
Inventory - food pantry, clothing and household items	90,000	80,000
Rent security deposits	6,200	5,200
Property and equipment, net	226,869	86,744
TOTAL ASSETS	<u>\$ 541,036</u>	<u>\$ 447,690</u>
<u>LIABILITIES:</u>		
Accounts payable and accrued liabilities	29,703	16,241
Accrued salaries and payroll taxes	3,687	2,481
Line of Credit advances	9,938	12,840
TOTAL LIABILITIES	<u>43,328</u>	<u>31,562</u>
<u>NET ASSETS:</u>		
Unrestricted	450,276	366,341
Temporarily restricted	47,432	49,787
Permanently restricted	-	-
TOTAL NET ASSETS	<u>497,708</u>	<u>416,128</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 541,036</u>	<u>\$ 447,690</u>

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

COMMUNITY STOREHOUSE, INC.

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CHANGES IN UNRESTRICTED NET ASSETS:</u>		
<i>Revenues:</i>		
Contributions and grants - unrestricted	\$ 555,484	\$ 364,230
Contributions - in-kind	2,017,543	1,685,675
Federal (EFS) grant	18,390	10,890
Resale shop sales, net of direct expenses of \$459,694 for 2017 and \$413,418 for 2016	55,226	43,212
Special events, net of direct expenses of \$155,421 for 2017 and \$127,293 for 2016	211,199	248,896
Interest income	181	170
Gain (loss) on sale or disposition of assets	-	-
Net assets released from restrictions	49,787	71,621
TOTAL UNRESTRICTED REVENUES	<u>2,907,810</u>	<u>2,424,694</u>
<i>Expenses:</i>		
Program	2,646,638	2,220,800
Management and General	96,918	88,241
Fundraising and Development	80,319	69,967
TOTAL EXPENSES	<u>2,823,875</u>	<u>2,379,008</u>
<u>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</u>	<u>83,935</u>	<u>45,686</u>
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>		
Other contributions and grants - temporarily restricted	47,432	42,022
Net assets released from restrictions	<u>(49,787)</u>	<u>(71,621)</u>
<u>INCREASE (DECREASE) IN TEMP. RESTRICTED NET ASSETS</u>	<u>(2,355)</u>	<u>(29,599)</u>
<u>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	81,580	16,087
NET ASSETS, at beginning of year	416,128	400,041
NET ASSETS, at end of year	<u>\$ 497,708</u>	<u>\$ 416,128</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, 2017

	Program	Management and General	Fundraising and Development	2017 Totals
Advertising and printing	\$ 29,656	\$ 2,069	\$ 2,759	34,484
Bank and credit card fees	15,203	1,061	1,414	17,678
Building rent	70,422	4,913	6,551	81,886
Client outlays	6,710	-	-	6,710
Conferences and seminars	4,849	338	451	5,638
Depreciation	27,137	1,893	2,524	31,554
Donated goods (in-kind)	1,994,621	-	-	1,994,621
Donor/volunteer relations	5,882	410	547	6,839
Dues and publications	10,715	748	997	12,460
Employee benefits	11,502	2,363	1,891	15,756
Employee development & training	1,194	83	111	1,388
Insurance	9,699	677	902	11,278
Interest	1,055	74	98	1,227
Locally purchased goods	13,704	-	-	13,704
Miscellaneous expenses	4,939	345	460	5,744
Moving expense	10,267	716	955	11,938
Postage and shipping	1,581	110	147	1,838
Professional fees	21,700	8,500	-	30,200
Repairs and maintenance	10,623	741	988	12,352
Salaries and payroll taxes	331,363	68,088	54,471	453,922
Supplies	19,796	1,381	1,842	23,019
Technology	9,658	674	898	11,230
Telephone and utilities	20,416	1,424	1,899	23,739
Travel and meals	4,446	310	414	5,170
Transportation expense	9,500	-	-	9,500
Totals	<u>\$ 2,646,638</u>	<u>\$ 96,918</u>	<u>\$ 80,319</u>	<u>\$ 2,823,875</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, 2016

	Program	Management and General	Fundraising and Development	2016 Totals
Advertising and printing	\$ 20,578	\$ 1,436	\$ 1,914	23,928
Bank and credit card fees	14,055	981	1,307	16,343
Building rent	25,808	1,801	2,401	30,010
Client outlays	6,924	-	-	6,924
Conferences and seminars	6,485	452	603	7,540
Depreciation	24,560	1,714	2,285	28,559
Donated goods (in-kind)	1,680,675	-	-	1,680,675
Donor/volunteer relations	3,852	269	358	4,479
Dues and publications	4,991	348	464	5,803
Employee benefits	8,854	1,820	1,456	12,130
Employee development & training	1,319	92	123	1,534
Insurance	6,784	473	631	7,888
Interest	996	69	93	1,158
Locally purchased goods	4,576	-	-	4,576
Miscellaneous expenses	750	52	70	872
Postage and shipping	1,317	92	123	1,532
Professional fees	21,000	8,500	-	29,500
Repairs and maintenance	5,998	419	558	6,975
Salaries and payroll taxes	322,891	66,347	53,078	442,316
Supplies	16,873	1,177	1,570	19,620
Technology	11,274	787	1,049	13,109
Telephone and utilities	15,716	1,096	1,462	18,274
Travel and meals	4,531	316	422	5,269
Transportation expense	9,993	-	-	9,993
Totals	<u>\$ 2,220,800</u>	<u>\$ 88,241</u>	<u>\$ 69,967</u>	<u>\$ 2,379,008</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 81,580	\$ 16,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,555	28,559
(Gain) Loss on sale or disposition of assets	-	-
(Increase) decrease in receivables	(6,020)	(5,723)
(Increase) decrease in prepaid expenses and deposits	(39,740)	(2,745)
(Increase) decrease in inventory	(10,000)	(5,000)
Increase (decrease) in accounts payable and accrued liabilities	14,668	6,144
Net Cash Provided (Used) By Operating Activities	<u>72,043</u>	<u>37,322</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of capitalized assets	(171,679)	-
Proceeds from sale or disposition of assets	-	-
Net Cash (Used For) Investing Activities	<u>(171,679)</u>	<u>-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
"Net" bank line of credit activity	(2,902)	(2,528)
Net Cash (Used For) Financing Activities	<u>(2,902)</u>	<u>(2,528)</u>
Net increase (decrease) in cash and cash equivalents	(102,538)	34,794
Cash and cash equivalents, beginning of year	253,379	218,585
Cash and cash equivalents, end of year	<u>\$ 150,841</u>	<u>\$ 253,379</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, 2017 AND 2016

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 and Northwest 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 two resale shops, selling various in-kind contributions of clothing, household items and furniture received from donors.

General

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, is required to report 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. These classes of net assets are based upon the existence or absence of restrictions on use that are placed by its donors. In addition, the Organization is required to present a statement of cash flows.

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 assistance programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain direct and indirect costs have been allocated among the programs and supporting services benefited, based on allocation percentages determined by the Organization's management.

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 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. For these contributions 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 future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized as contributions until the conditions are substantially met.

Contributions and Recognition of Donor-Imposed Restrictions

Contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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 \$2,017,543 and \$1,685,675 were recorded on the books for 2017 and 2016, 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 shops, 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 on the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500.

Fair Value of Financial Instruments

At December 31, 2017, 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.

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 July 23, 2018 the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment, at December 31, 2017 consisted of the following:

Furniture, computers and equipment	\$ 44,516
Delivery trucks	55,305
Leasehold improvements	<u>242,575</u>
	\$ 342,396
Less: accumulated depreciation	<u>115,527</u>
	<u>\$ 226,869</u>

Property and equipment, at December 31, 2016 consisted of the following:

Furniture, computers and equipment	\$ 106,803
Delivery trucks	53,968
Leasehold improvements	<u>98,910</u>
	\$ 259,681
Less: accumulated depreciation	<u>172,937</u>
	<u>\$ 86,744</u>

Depreciation expense of \$31,555 and \$28,559 was recorded for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2017 consisted of funds given for the 2018 fundraising dinner event, the 2018 Summer Reading program, the 2018 Education

Express event and for 2018 operations. Temporarily restricted net assets at December 31, 2016 consisted of funds given for the 2017 fundraising dinner event, the 2017 Summer Reading program, and the website and other technology improvements. At December 31, 2017 and 2016, there were no assets which were permanently restricted.

NOTE 4 - LEASE COMMITMENTS

The Organization leases office, retail and warehouse space under two operating lease agreements. The lease for the Upscale Resale Shop expires on August 31, 2020. The lease for the new location commenced on May 1, 2017 and expires April 30, 2027. The approximate future minimum lease payments under these leases are as follows: 2018 - \$166,410; 2019 - \$169,512; 2020 - \$143,168; 2021 - \$87,504; and later years - \$466,688.

NOTE 5 - LINE-OF-CREDIT

The Organization has a \$50,000 line-of-credit with a local financial institution. The line-of-credit bears an interest rate at 7.75% and is secured by the cash accounts held at the lending institution. The outstanding balance under this line-of-credit as of December 31, 2017 was \$9,938.

NOTE 6 - FEDERAL GRANT

During 2017 and 2016, the Organization received grant funding under the Federal Emergency Food and Shelter Program (EFS) (CFDA #97.024). The revenue and expenses from this grant have been recorded on the books as unrestricted.

July 23, 2018

Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Community Storehouse, Inc., a nonprofit organization, which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 23, 2018.

Internal Control Over Financial Reporting

The Organization's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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