

COMMUNITY STOREHOUSE, INC.

**Financial Statements &
Independent Auditor's Report
Year Ended December 31, 2018**

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

September 11, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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 September 11, 2019 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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 187,056	\$ 150,841
Grants and contributions receivable	16,156	13,922
Prepaid expenses	25,750	53,204
Inventory - food pantry, clothing and household items, gift cards	110,000	90,000
Rent security deposits	6,200	6,200
Property and equipment, net	<u>241,575</u>	<u>226,869</u>
TOTAL ASSETS	<u>\$ 586,737</u>	<u>\$ 541,036</u>
<u>LIABILITIES:</u>		
Accounts payable and accrued liabilities	34,536	29,703
Accrued salaries and payroll taxes	10,527	3,687
Line of Credit advances	<u>5,071</u>	<u>9,938</u>
TOTAL LIABILITIES	<u>50,134</u>	<u>43,328</u>
<u>NET ASSETS:</u>		
Without donor restrictions	495,649	450,276
With donor restrictions	<u>40,954</u>	<u>47,432</u>
TOTAL NET ASSETS	<u>536,603</u>	<u>497,708</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 586,737</u>	 <u>\$ 541,036</u>

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

COMMUNITY STOREHOUSE, INC.

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
<i>Revenues:</i>		
Contributions and grants	\$ 515,041	\$ 555,484
Contributions - in-kind food, clothing and household items	1,808,759	2,010,443
Contributions - in-kind other (vehicles)	20,400	7,100
Federal (EFS) grant	11,160	18,390
Resale shop sales, including bulk clothing proceeds, net of direct expenses of \$472,660 for 2018 and \$459,694 for 2017	77,552	55,226
Special events, net of direct expenses of \$163,986 for 2018 and \$155,421 for 2017	233,844	211,199
Interest income	144	181
Net assets released from restrictions	52,844	49,787
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	2,719,744	2,907,810
<i>Expenses:</i>		
Program	2,481,843	2,646,638
Management and General	106,864	96,918
Fundraising and Development	85,664	80,319
TOTAL EXPENSES	2,674,371	2,823,875
<u>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	45,373	83,935
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Contributions and grants	46,366	47,432
Net assets released from restrictions	(52,844)	(49,787)
<u>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</u>	(6,478)	(2,355)
INCREASE (DECREASE) IN NET ASSETS	38,895	81,580
NET ASSETS, at beginning of year	497,708	416,128
NET ASSETS, at end of year	\$ 536,603	\$ 497,708

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

COMMUNITY STOREHOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program	Management and General	Fundraising and Development	2018 Totals
Advertising and printing	\$ 14,033	\$ 979	\$ 1,305	16,317
Bank and credit card fees	14,235	993	1,324	16,552
Building rent	78,020	5,443	7,258	90,721
Client outlays	5,646	-	-	5,646
Conferences and seminars	4,713	329	438	5,480
Depreciation	38,837	2,709	3,613	45,159
Donated goods (in-kind)	1,788,759	-	-	1,788,759
Donor/volunteer relations	4,371	305	407	5,083
Dues and publications	9,632	672	896	11,200
Employee benefits	21,027	4,321	3,456	28,804
Employee development & training	1,610	112	150	1,872
Insurance	17,665	1,232	1,643	20,540
Interest	1,082	75	101	1,258
Locally purchased goods	29,175	-	-	29,175
Miscellaneous expenses	4,227	295	393	4,915
Postage and shipping	1,519	106	141	1,766
Professional fees	19,300	11,500	-	30,800
Repairs and maintenance	22,946	1,601	2,135	26,682
Salaries and payroll taxes	357,566	73,473	58,778	489,817
Supplies	19,212	1,340	1,787	22,339
Technology	8,244	575	767	9,586
Telephone and utilities	11,524	804	1,072	13,400
Transportation expense	8,500	-	-	8,500
Totals	<u>\$ 2,481,843</u>	<u>\$ 106,864</u>	<u>\$ 85,664</u>	<u>\$ 2,674,371</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 CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 38,895	\$ 81,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,159	31,555
(Increase) decrease in receivables	(2,234)	(6,020)
(Increase) decrease in prepaid expenses and deposits	27,454	(39,740)
(Increase) decrease in inventory	(20,000)	(10,000)
Increase (decrease) in accounts payable and accrued liabilities	11,673	14,668
Net Cash Provided (Used) By Operating Activities	<u>100,947</u>	<u>72,043</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of capitalized assets	(59,865)	(171,679)
Proceeds from sale or disposition of assets	-	-
Net Cash (Used For) Investing Activities	<u>(59,865)</u>	<u>(171,679)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
"Net" bank line of credit activity	(4,867)	(2,902)
Net Cash (Used For) Financing Activities	<u>(4,867)</u>	<u>(2,902)</u>
Net increase (decrease) in cash and cash equivalents	36,215	(102,538)
Cash and cash equivalents, beginning of year	150,841	253,379
Cash and cash equivalents, end of year	<u>\$ 187,056</u>	<u>\$ 150,841</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, 2018 AND 2017

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 has implemented FASB ASU No. 2016-14 in the current year, 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 from 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 Organizations management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organizations 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 are charged directly to that program. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Whenever new space or programs are added, the bases on which the costs are allocated are evaluated.

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 fundraising campaigns, maintaining donor lists, conducting 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 contribution 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 \$1,829,159 and \$2,017,543 were recorded on the books for 2018 and 2017, 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, 2018 and 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.

Liquidity and Availability

At December 31, 2018, \$157,874 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 September 11, 2019, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment, at December 31, 2018 consisted of the following:

Furniture, computers and equipment	\$	44,516
Delivery trucks		67,305
Leasehold improvements		<u>290,440</u>
	\$	402,261
Less: accumulated depreciation		<u>160,686</u>
	\$	<u><u>241,575</u></u>

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><u>226,869</u></u>

Depreciation expense of \$45,159 and \$31,555 was recorded for the years ended December 31, 2018 and 2017, respectively.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions consisted of \$40,954 of funds specifically designated to be used for the 2019 fundraising dinner event, the 2019 Summer Reading program, technology and 2019 operations. At December 31, 2017, net assets with donor restrictions consisted of funds given for the 2018 fundraising dinner event, the 2018 Summer Reading program, the 2018 Education Express event and for 2018 operations.

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, 2025. 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: 2019 - \$169,400; 2020 - \$169,716; 2021 - \$169,716; 2022 – \$169,716 and later years - \$680,628.

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, 2018 was \$5,071.

NOTE 6 - FEDERAL GRANT

During 2018 and 2017, 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.

September 11, 2019

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 Auditors 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, 2018 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 September 11, 2019.

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.