

COMMUNITY STOREHOUSE, INC.

Financial Statements &
Independent Auditor's Report
Year Ended December 31, 2007

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

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O'Neil, L.L.P.**
Certified Public Accountants

6300 Ridglea Place, Suite 119
Fort Worth, TX 76116
Tele. 817-377-1700
Fax 817-377-1870

August 12, 2008

Independent Auditor's Report

Board of Directors
Community Storehouse, Inc.

We have audited the accompanying statement of financial position of Community Storehouse, Inc., a nonprofit organization, as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2008 on our consideration of Community Storehouse, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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* and should be considered in assessing the results of our audit.

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

COMMUNITY STOREHOUSE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006
<u>ASSETS:</u>		
Cash and cash equivalents - unrestricted	\$ 201,702	\$ 115,587
Cash and cash equivalents - temporarily restricted	110,263	-
Contributions receivable - grants and fundraising events	10,884	14,000
Prepaid expenses	1,000	4,000
Inventory - food pantry, clothing and supplies	25,000	25,000
Property and equipment, net	36,002	15,216
TOTAL ASSETS	\$ 384,851	\$ 173,803
<u>LIABILITIES:</u>		
Accounts payable and accrued liabilities	3,178	949
Accrued salaries and payroll taxes	15,521	17,605
TOTAL LIABILITIES	18,699	18,554
<u>NET ASSETS:</u>		
Unrestricted	255,889	155,249
Temporarily restricted	110,263	-
Permanently restricted	-	-
TOTAL NET ASSETS	366,152	155,249
 TOTAL LIABILITIES & NET ASSETS	 \$ 384,851	 \$ 173,803

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

COMMUNITY STOREHOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
<u>CHANGES IN UNRESTRICTED NET ASSETS:</u>		
<i>Revenues:</i>		
Contributions - unrestricted	\$ 144,490	\$ 168,476
Contributions - in-kind	387,466	435,034
Federal grant	9,460	9,600
Private grants	216,114	99,155
Resale shop sales, net of direct expenses of \$67,733 for 2007 and \$52,828 for 2006	68,194	95,491
Special events, net of direct expenses of \$30,907 for 2007 and \$8,300 for 2006	88,409	54,288
Interest income	1,065	1,329
Net assets released from restrictions	38,450	-
TOTAL UNRESTRICTED REVENUES	953,648	863,373
<i>Expenses:</i>		
Program	754,131	794,445
Management and General	63,525	64,148
Fundraising and Development	35,352	48,257
TOTAL EXPENSES	853,008	906,850
<u>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</u>	100,640	(43,477)
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>		
Contributions and grants - temporarily restricted	148,713	-
Net assets released from restrictions	(38,450)	-
<u>INCREASE (DECREASE) IN TEMP. RESTRICTED NET ASSETS</u>	110,263	-
<u>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</u>	-	-
INCREASE (DECREASE) IN NET ASSETS	210,903	(43,477)
NET ASSETS, at beginning of year	155,249	198,726
NET ASSETS, at end of year	\$ 366,152	\$ 155,249

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

COMMUNITY STOREHOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Program	Management and General	Fundraising and Development	2007 Totals	2006 Totals
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 13,589
Bank charges	-	1,453	-	1,453	650
Building, rent and utilities	53,302	9,741	-	63,043	92,095
Client assistance - food and clothing	387,466	-	-	387,466	433,107
Client assistance - other	57,267	-	-	57,267	28,016
Computer & technical expenses	1,662	416	-	2,078	2,575
Depreciation	5,198	1,299	-	6,497	9,960
Dues and meetings	3,489	872	-	4,361	3,288
Equipment repairs and maintenance	2,919	729	-	3,648	5,786
Fundraising expenses	-	-	2,731	2,731	5,447
Insurance	6,317	1,579	-	7,896	5,072
Miscellaneous expenses	36	5,360	-	5,396	-
Office supplies and postage	5,764	710	-	6,474	9,011
Professional fees	-	7,501	-	7,501	5,147
Salaries, payroll taxes, and benefits	173,723	32,778	32,621	239,122	239,994
Sort center expenses	50,614	-	-	50,614	49,864
Telephone and utilities	4,677	852	-	5,529	2,404
Travel and meals	1,228	118	-	1,346	-
Volunteer appreciation	469	117	-	586	845
Totals	<u>\$ 754,131</u>	<u>\$ 63,525</u>	<u>\$ 35,352</u>	<u>\$ 853,008</u>	<u>\$ 906,850</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, 2007 AND 2006

	2007	2006
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 210,903	\$ (43,477)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,497	9,960
(Increase) decrease in contributions receivable	3,116	(14,000)
(Increase) decrease in prepaid expenses	3,000	(4,000)
(Increase) decrease in inventory	-	(25,000)
Increase (decrease) in accounts payable and accrued liabilities	144	11,769
Net Cash Provided (Used) By Operating Activities	223,660	(64,748)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of capitalized assets	(27,282)	-
Net Cash (Used For) Investing Activities	(27,282)	-
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net Cash (Used For) Financing Activities	-	-
Net increase (decrease) in cash and cash equivalents	196,378	(64,748)
Cash and cash equivalents, beginning of year	115,587	180,335
Cash and cash equivalents, end of year	\$ 311,965	\$ 115,587
 <u>SUPPLEMENTAL DISCLOSURES</u>		
None applicable	-	-

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

COMMUNITY STOREHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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 operates a resale shop, 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 policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*". Under SFAS No. 117, the Organization 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. 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. Actual results could vary from the estimates that are used.

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 supplies, are stated at the lower of cost or market, as determined by the first-in, first-out method.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions-in-Kind and Contributed Services

The Organization records the value of donated in-kind goods (i.e. food, clothing, household items, furniture, equipment, etc.) when there is an objective basis available to measure their value. Donated goods of \$387,466 and \$435,034 were recorded for 2007 and 2006 respectively, as shown in the accompanying statements, based on their estimated fair values. These donated goods were distributed to clients, were sold or were held for sale at year-end in the Organization's resale shop. 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.

Contributions and Recognition of Donor Restrictions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. 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.

Cash and Cash Equivalents

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

Property and equipment

Property and equipment is stated 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, 2007, 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.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment, at December 31, 2007 consisted of the following:

Furniture, computers and equipment	\$	60,771
Delivery truck		21,211
Less: accumulated depreciation		<u>45,980</u>
	\$	<u><u>36,002</u></u>

Depreciation expense of \$6,497 and \$9,960 was recorded for the years ended December 31, 2007 and 2006, respectively.

NOTE 3 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2007 consisted of private foundation grants which have stipulated these funds be used by the Organization for specific expenditures or used to fund specific programs in 2008.

At December 31, 2007 there were no assets which were permanently restricted.

NOTE 4 - LEASE COMMITMENTS

The Organization leases office space under two operating lease agreements. The Keller office lease expires on July 31, 2010. The Roanoke office lease expires on February 28, 2009. The approximate future minimum lease payments under these leases at December 31, 2007 are as follows: 2008 - \$53,400, 2009 - \$21,900, 2010 - \$9,100, 2011 - \$-0-, and 2012 - \$-0-.

NOTE 5 - FEDERAL GRANT

During 2007 and 2006, the Organization received \$9,460 and \$9,600 of grant funding under the Emergency Food and Shelter National Board Program (CFDA #97.024). The revenues and expenses from this grant have been recorded as unrestricted support and expenses.

August 12, 2008

Independent Auditor's 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

Board of Directors
Community Storehouse, Inc.

We have audited the financial statements of Community Storehouse, Inc., a nonprofit organization, as of and for the year ended December 31, 2007, and have issued our report thereon dated August 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the Organization's Board, management, others within the Organization, and the applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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