

COMMUNITY STOREHOUSE, INC.

Financial Statements &
Independent Auditor's Report
Year Ended December 31, 2020

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

October 14, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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 October 14, 2021 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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 705,528	\$ 123,677
Grants and contributions receivable	39,870	24,919
Prepaid expenses	131,401	41,816
Inventory - food pantry, clothing and household items, gift cards	155,261	125,888
Rent security deposits	12,200	6,200
Property and equipment, net	222,236	243,122
TOTAL ASSETS	<u>\$ 1,266,496</u>	<u>\$ 565,622</u>
<u>LIABILITIES:</u>		
Accounts payable and accrued liabilities	18,758	32,046
Accrued salaries and payroll taxes	15,929	12,436
Note payable	164,715	-
TOTAL LIABILITIES	<u>199,402</u>	<u>44,482</u>
<u>NET ASSETS:</u>		
Without donor restrictions	1,012,264	493,843
With donor restrictions	54,830	27,297
TOTAL NET ASSETS	<u>1,067,094</u>	<u>521,140</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 1,266,496</u>	 <u>\$ 565,622</u>

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

COMMUNITY STOREHOUSE, INC.

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
<i>Revenues:</i>		
Contributions and grants	\$ 1,098,611	\$ 530,161
Contributions - in-kind food, clothing and household items	1,712,764	1,811,679
Contributions - in-kind other (vehicles)	7,372	-
Government grants	52,352	3,000
Resale shop sales, including bulk clothing proceeds, net of direct expenses of \$541,656 for 2020 and \$486,646 for 2019	219,710	113,690
Special events, net of direct expenses of \$232,746 for 2020 and \$200,632 for 2019	61,212	214,017
Gain (loss) on disposition of assets	(50)	1,750
Interest income	438	163
Net assets released from restrictions	46,917	47,236
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS	3,199,326	2,721,696
<i>Expenses:</i>		
Program	2,479,717	2,523,112
Management and General	111,213	110,720
Fundraising and Development	89,975	89,670
TOTAL EXPENSES	2,680,905	2,723,502
<u>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	518,421	(1,806)
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Contributions and grants	74,450	33,579
Net assets released from restrictions	(46,917)	(47,236)
<u>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</u>	27,533	(13,657)
INCREASE (DECREASE) IN NET ASSETS	545,954	(15,463)
NET ASSETS, at beginning of year	521,140	536,603
NET ASSETS, at end of year	\$ 1,067,094	\$ 521,140

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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program	Management and General	Fundraising and Development	2019 Totals
Advertising and printing	\$ 15,864	\$ 1,107	\$ 1,476	18,447
Bank and credit card fees	17,748	1,238	1,651	20,637
Building rent	77,961	5,439	7,252	90,652
Client outlays	7,430	-	-	7,430
Conferences and seminars	4,245	296	395	4,936
Depreciation	46,222	3,225	4,300	53,747
Donated goods (in-kind)	1,780,790	-	-	1,780,790
Donor/volunteer relations	4,685	327	436	5,448
Dues and publications	8,440	589	785	9,814
Employee benefits	24,447	5,023	4,019	33,489
Employee development & training	715	50	66	831
Insurance	19,192	1,339	1,785	22,316
Interest	811	57	76	944
Locally purchased goods	38,464	-	-	38,464
Miscellaneous expenses	3,491	244	325	4,060
Postage and shipping	1,527	107	142	1,776
Professional fees	22,356	11,500	-	33,856
Repairs and maintenance	19,162	1,337	1,783	22,282
Salaries and payroll taxes	364,488	74,895	59,916	499,299
Supplies	25,314	1,766	2,355	29,435
Technology	7,566	528	704	8,798
Telephone and utilities	23,694	1,653	2,204	27,551
Transportation expense	8,500	-	-	8,500
Totals	<u>\$ 2,523,112</u>	<u>\$ 110,720</u>	<u>\$ 89,670</u>	<u>\$ 2,723,502</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 545,954	\$ (15,463)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,017	53,747
(Increase) decrease in receivables	(14,951)	(8,763)
(Increase) decrease in prepaid expenses and deposits	(95,585)	(16,066)
(Increase) decrease in inventory	(29,373)	(15,888)
Increase (decrease) in accounts payable and accrued liabilities	(9,795)	(581)
Net Cash Provided (Used) By Operating Activities	<u>449,267</u>	<u>(3,014)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of capitalized assets	(33,381)	(60,294)
Proceeds from sale or disposition of assets	1,250	5,000
Net Cash (Used For) Investing Activities	<u>(32,131)</u>	<u>(55,294)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
"Net" bank line of credit activity	-	(5,071)
PPP loan proceeds received during the year	164,715	-
Net Cash (Used For) Financing Activities	<u>164,715</u>	<u>(5,071)</u>
Net increase (decrease) in cash and cash equivalents	581,851	(63,379)
Cash and cash equivalents, beginning of year	123,677	187,056
Cash and cash equivalents, end of year	<u>\$ 705,528</u>	<u>\$ 123,677</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, 2020 AND 2019

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 \$1,720,136 and \$1,811,679 were recorded on the books for 2020 and 2019, 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, 2020 and 2019, 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, 2020, \$655,881 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 October 14, 2021, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

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><u>222,236</u></u>

Property and equipment, at December 31, 2019 consisted of the following:

Furniture, computers and equipment	\$	43,816
Delivery trucks		120,849
Leasehold improvements		<u>290,440</u>
	\$	455,105
Less: accumulated depreciation		<u>211,983</u>
	\$	<u><u>243,122</u></u>

Depreciation expense of \$53,017 and \$53,747 was recorded for the years ended December 31, 2020 and 2019, respectively.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

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 Fort Worth Upscale Resale and for 2021 operations. At December 31, 2019, net assets with donor restrictions consisted of \$27,297 of funds specifically designated to be used for the 2020 fundraising dinner event, the 2020 Summer Reading program, technology and for 2020 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: 2021 - \$207,575; 2022 - \$235,512; 2023 - \$242,952; 2024 - \$242,952 and later years - \$486,648.

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. There was no balance outstanding under this line-of-credit as of December 31, 2020.

NOTE 6 - GOVERNMENT GRANTS

During 2020 and 2019, the Organization received grant funding under the Federal Emergency Food and Shelter Program (EFS). The revenue and expenses from this grant have been recorded on the books as unrestricted.

During 2020, the Organization also received Federal subrecipient grant funding from Tarrant County and the City of Fort Worth under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. These grant funds, which were used for eligible food and housing assistance payments made on behalf of eligible persons totaled \$44,852 for

the year. The revenues and expenses from these grants have been recorded as unrestricted support and expenses.

NOTE 7 - NOTE PAYABLE

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, matures on April 16, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on October 16, 2020. 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 are eligible for forgiveness if they are used for qualifying expenses, as described in the CARES Act. The Organization used all 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.

October 14, 2021

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, 2020 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 October 14, 2021.

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.