

TOOLBANK USA, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Tax Solutions, LLC
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TOOLBANK USA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ToolBank USA, Inc.

We have audited the accompanying financial statements of ToolBank USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 ToolBank USA, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note K to the financial statements, the Organization's net assets as previously stated in the audit report dated June 13, 2016 has been restated on the statement of activities. Our opinion is not modified with respect to this matter.

Tax Solutions, LLC

Tax Solutions, LLC
Atlanta, Georgia
October 5, 2017



TOOLBANK USA, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

ASSETS

Cash	\$ 475,662
Pledges Receivable	335,739
Prepays	18,913
Inventory	368,435
Fixed Assets, Net	<u>99,736</u>
Total Assets	<u>\$ 1,298,485</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 6,640
Accrued Compensated Absences	<u>57,417</u>
Total Liabilities	64,057

NET ASSETS

Unrestricted	1,034,428
Temporarily Restricted	<u>200,000</u>
Total Net Assets	1,234,428

Total Liabilities & Net Assets	<u>\$ 1,298,485</u>
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See auditors' report and accompanying notes

TOOLBANK USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR DECEMBER 31, 2016

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
SUPPORT AND REVENUE			
Contributions	\$ 111,391	\$ 331,826	\$ 443,217
In-Kind Contributions	586,579	-	586,579
Interest Income	33,438	-	33,438
Total Support and Revenues	<u>731,408</u>	<u>331,826</u>	<u>1,063,234</u>
Net Assets Released from Restriction	<u>814,734</u>	<u>(814,734)</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restriction	<u>1,546,142</u>	<u>(482,908)</u>	<u>1,063,234</u>
EXPENSES			
Program	868,096	-	865,156
General and Administrative	342,925	-	346,122
Fundraising	69,275	-	69,018
Total Expenses	<u>1,280,296</u>	<u>-</u>	<u>1,280,296</u>
Increase (Decrease) in Net Assets	265,846	(482,908)	(217,062)
Net Assets, Beginning of Year			
Net Assets, as Previously Stated	476,021	682,908	1,158,929
Prior Period Adjustment	292,561	-	292,561
Net Assets, as Adjusted	<u>768,582</u>	<u>682,908</u>	<u>1,451,490</u>
Net Assets, End of Year	<u>\$ 1,034,428</u>	<u>\$ 200,000</u>	<u>\$ 1,234,428</u>

See auditors' report and accompanying notes

TOOLBANK USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program	General and Administrative	Fundraising
Advertising and Promotion	\$ -	\$ -	\$ 1,307
Bank Service Charges	-	521	-
Depreciation	-	135,319	-
Direct Program Costs	383,542	-	-
Dues and Subscriptions	15,325	6,995	-
Insurance	2,940	3,410	257
Office Expenses	1,000	1,177	525
Office Rent	153,094	28,762	22,226
Payroll and Benefits	281,349	111,724	40,847
Professional Services	-	51,925	-
Travel	27,663	-	471
Utilities	3,183	3,092	3,642
Total Expenses	\$ 868,096	\$ 342,925	\$ 69,275

See auditors' report and accompanying notes

TOOLBANK USA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	(\$ 217,062)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities;	
Depreciation	135,319
Decrease in Pledges Receivable	302,376
Increase in Due from Affiliates	(11,669)
Decrease in Prepaid	39,408
Increase in Inventory	(75,874)
Increase in Accounts Payable	3,238
Increase in Accrued Compensated Absences	<u>34,168</u>
Total Adjustments	<u>426,966</u>
Net Cash Provided by Operating Activities	<u>209,904</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Fixed Assets	<u>(13,030)</u>
Net Cash Used in Investing Activities	<u>(13,030)</u>
Increase in Cash	196,874
Cash, Beginning of Year	<u>278,788</u>
Cash, End of Year	<u><u>\$ 475,662</u></u>
 Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ 183
Cash paid during the year for taxes	\$ -

See auditors' report and accompanying notes

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note A - Summary of Significant Accounting Policies

Nature of Operations:

ToolBank USA, Inc. (the "Organization") is a nonprofit organization with a mission to strengthen local communities through the collaborative establishment of nine ToolBank affiliates across the United States, and the provision of infrastructure to promote consistency and excellence for all ToolBank affiliates. ToolBank affiliates are premier tool lending resources, serving all charitable organizations in their metropolitan areas. ToolBank affiliates are stand-alone entities not consolidated with the Organization, separately incorporated and with group exemption from taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code in the United States. The Organization was established as a nonprofit organization on March 27, 2008, in the State of Georgia.

A summary of significant accounting policies follows:

Basis of Accounting:

The financial statements of the Organization 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:

Financial statement presentation is in accordance with accounting standards regarding the reporting of net assets. 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.

Contributions:

The Organization reports conditional pledges as contribution revenue when the conditions stipulated by the donor are met. There are no conditional pledges as of December 31, 2016.

The Organization has not recorded an allowance for doubtful accounts as of December 31, 2016, as management believes all outstanding pledges receivable are fully collectible.

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note A - Summary of Significant Accounting Policies (cont.):

Contributions (cont.):

All contributions are considered available for the program services of the Organization, unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted contributions.

The Organization holds restricted monetary gifts received that are specifically earmarked until such time as the restriction is met. When a donor restriction is met, a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same fiscal period as the contributions are received are reflected as net assets released from restrictions in the accompanying statement of activities.

Pledges Receivable:

The Organization reports unconditional pledges as contributions, unless otherwise restricted by the donor. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates approximating a U.S. prime rate during the year approximating 3.75% for 2016. Amortization of pledge discounts is included in contribution revenue.

The Organization uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. The Organization has determined that any allowance would be immaterial.

Fixed Assets:

Expenditures for fixed assets are capitalized and recorded at cost. Expenditures for minor purchases of equipment and software are charged to expense when incurred.

Fixed assets are depreciated over the estimated useful lives of the respective assets using the straight-line method.

Vehicles	7 years
Equipment	5 years
Software	3 years

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note A - Summary of Significant Accounting Policies (cont.):

Donated Materials and Services:

Donated fixed assets and services are reflected as contributions in the accompanying statements at their estimated fair values on the date of receipt. The value of donated services is recorded in the financial statements if the services create or enhance non-financial assets or require specialized skills that would typically need to be purchased if not donated. Donated goods in new condition are recognized at fair value in a hierarchy by reliability; most reliable are quoted prices of identical assets in active markets, followed by other observable market data of like-kind assets, and lastly the fair value as identified by the donor.

Accrued Compensated Absences:

The employees of the Organization are entitled to compensated absences after 90 days of employment. The employees can carry forward up to five days of the unutilized accumulating compensated absences and utilize it in the following two years or receive cash at retirement or termination of employment. The Organization records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Organization measures the expected cost of compensated absences as the additional amount that the Organization expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The Organization recognizes accumulated compensated absences based on the value of each employee's current compensation for the period reported. Non-accumulating compensated absences are recognized in the period in which the absences occur.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note A - Summary of Significant Accounting Policies (cont.):

Federal Income Tax Status:

The Organization applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 Income Taxes. The Organization has been classified as an exempt organization under the Internal Revenue Code Section 501(c)(3), and as such, no provision for income taxes has been provided.

The Organization is no longer subject to income tax examinations for years up to and including 2012.

Functional Expenses:

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

New Accounting Pronouncements:

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*,” which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending December 31, 2018. The significant changes are:

- Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”
- All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative, and fund raising).
- Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long-lived assets purchased with donor-restricted funds.

The Organization currently presents a statement of functional expenses and has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note B - Credit Risk

The Organization maintains cash deposits in a commercial bank that at times may exceed federally insured limits. The Organization believes that there is no significant credit risk with respect to these deposits.

Note C - Pledges Receivable

As of December 31, 2016, pledges receivable in less than one year total \$335,739.

Note D - Fixed Assets

Fixed assets consist of the following:

Vehicles	\$ 53,242
Equipment	1,907
Software	840,626
Subtotal	<u>895,775</u>
Less: Accumulated depreciation	<u>(796,039)</u>
Total	<u>\$ 99,736</u>

Depreciation expense was \$135,319 for the year ended December 31, 2016.

Note E - Net Asset Restrictions

Temporarily restricted net assets as of December 31, 2016, consist of pledges receivable restricted by purpose in the amount of \$100,000 to support ToolBank Disaster Services and \$100,000 for the expansion of the national ToolBank network.

Note F - Related Party Transactions

Included in support and revenues on the statement of activities is contribution revenue in the amount of \$21,849 received from officers and board members of the Organization.

Note G - Effects of Current Economic Conditions on Contributions

The Organization depends heavily on contributions and grants for its public support. The ability of certain contributors and grantors of the Organization to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Organization's board of directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent upon the above factors.

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note H - Concentrations

A major contributor is defined as a contributor from which the Organization derives at least 10% of its revenues. During the year ended December 31, 2016, revenues from four major contributors represented approximately 71% of the Organization's revenues. A loss in these accounts would have a material impact on the Organization. Management carefully monitors its donor relationships and does not expect deterioration.

Note I - Retirement Plan

The Organization has established a Savings Incentive Matching Plan (a "Simple IRA"), in which the Organization is to match contributions made by employees up to a maximum of 3% of their annual salary. Eligible employees are those who have earned or would have earned \$5,000 in the calendar year, and eligible employees are immediately and fully vested in the match. The Organization has recognized plan benefit expense of \$9,371 for the year ended December 31, 2016.

Note J - Commitments and Contingencies

The Organization is a lease guarantor for office space on its affiliate in Phoenix, Arizona, that terminates June 2020. For the year ended December 31, 2016, the Organization did not recognize any expense on this guaranty. Management continues to evaluate the operations and financial viability of the Phoenix affiliate and does not believe the affiliate will default on its lease commitment. The future minimum obligations of the Phoenix affiliate are as follows:

Year	Payment
2017	\$ 86,688
2018	92,423
2019	95,339
2020	48,810
Total	<u>\$ 323,260</u>

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note K – Net Assets, Beginning of Year Adjustment

During 2016, the Organization determined that it should have recognized the value of donated tools as inventory in its previously issued financial statements. The audit report dated June 13, 2016 for the period of December 31, 2015 included a Qualified Opinion for not disclosing the inventory on the statement of financial position, which is a departure from U.S. GAAP. The effects of the prior period adjustment are as follows:

	<u>Inventory</u>	<u>Program Expenses</u>	<u>Contributions, Support and Revenue</u>	<u>Net Assets</u>
	<i>Not Available</i>	<i>Not Available</i>		
December 31, 2014			\$ 80,589	\$ 80,589
December 31, 2015	\$ 292,561	\$ 428	212,400	211,972
December 31, 2016	-	-	-	-
Total	<u>\$ 292,561</u>	<u>\$ 428</u>	<u>\$ 292,989</u>	<u>\$ 292,561</u>

Note L - Subsequent Events

Management considered all events through October 5, 2017, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. Management is not aware of any significant events that occurred subsequent to the balance sheet date, but prior to the filing of this report that would have a material impact on the audited financial statements.