ToolBank USA, Inc.

(a Not-for-Profit Organization)

Financial Statements

As of and for the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

ToolBank USA, Inc.

Atlanta, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of ToolBank USA, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 (U.S. GAAP); 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 (U.S. GAAS). 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 ToolBank USA, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.

Tax Solutions, LLC

Tax Solutions, LLC
Atlanta, Georgia
December 12, 2018

Statement of Financial Position
As of December 31, 2017

Assets		
Cash and cash equivalents	$	412,001
Promises to give		145,100
Inventory		731,575
Prepaid expenses and other assets		4,682
Property and equipment, net		151,004
Total assets	$	1,444,362
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	47,138
Total liabilities		47,138
Net assets:		
Without donor restrictions:		
Undesignated		1,150,645
		1,150,645
With donor restrictions:		
Purpose restrictions		101,479
Time restrictions		145,100
		246,579
Total net assets		1,397,224
Total liabilities and net assets	$	1,444,362

ToolBank USA, Inc.

Statement of Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions and grants	$ 385,771	$ 165,088	$ 550,859
In-kind contributions	730,350	-	730,350
Other revenue and gains	12,345	-	12,345
Net assets released from restrictions	335,917	(335,917)	-
Total revenues, support and gains	1,464,383	(170,829)	1,293,554
Expenses:			
Program activities	810,036	-	810,036
Supporting activities:			
Management and general	234,230	-	234,230
Fundraising and development	86,492	-	86,492
Total support activities	320,722	-	320,722
Total expenses	1,130,758	-	1,130,758
Changes in net assets	333,625	(170,829)	162,796
Net assets, beginning of year	817,020	417,408	1,234,428
Net assets, end of year	$ 1,150,645	$ 246,579	$ 1,397,224

ToolBank USA, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Activities	Supporting Activities			
	Total	Management and general	Fundraising and development	Total	Total expenses by nature
Compensation and benefits	$ 283,554	$ 112,608	$ 41,151	$ 153,760	$ 437,314
Fees for services	38,371	30,696	7,674	38,371	76,741
Advertising and promotion	-	-	1,189	1,189	1,189
Office expense	2,424	2,854	1,274	4,127	6,551
Information technology	51,221	19,147	15,000	34,147	85,368
Occupancy	166,583	25,091	8,367	33,458	200,041
Travel	62,934	-	1,069	1,069	64,003
Contributions and payments to affiliates	58,391	-	-	-	58,391
Insurance	6,394	7,415	559	7,974	14,368
Dues and subscriptions	18,356	8,378	-	8,378	26,734
Postage and shipping	7,443	7,230	8,514	15,744	23,187
Printing	386	375	442	817	1,203
Telephone	1,096	1,064	1,253	2,317	3,413
Bank charges	-	609	-	609	609
Training	7,040	-	-	-	7,040
Direct project costs	43,262	-	-	-	43,262
Other expenses	-	3,116	-	3,116	3,116
Depreciation and amortization	62,582	15,646	-	15,646	78,228
Total expenses by function	$ 810,036	$ 234,230	$ 86,492	$ 320,722	$ 1,130,758

See accompanying notes to financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities	
Cash provided by operating activities:	
Cash received from donors and grantors	$ 753,167
Cash received from other sources	12,345
Cash used by operating activities:	
Cash paid to employees	(494,731)
Cash paid to affiliates	(41,880)
Cash paid to service providers and vendors	(163,066)
Net cash provided by operating activities	65,835
Cash flows from investing activities	
Cash purchases of property and equipment	(129,496)
Net cash used by investing activities	(129,496)
Net decrease in cash and cash equivalents	(63,661)
Cash and cash equivalents, beginning of year	475,662
Cash and cash equivalents, end of year	$ 412,001
Reconciliation of change in net assets to net cash provided by operating activities:	
Changes in net assets	$ 162,796
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation and amortization	78,228
In-kind inventory donations	(382,666)
Inventory donated to affiliates	16,511
Scrapped inventory items	3,015
Noncash change in accrued compensated absenses	(57,417)
Changes in assets and liabilities:	
Promises to give	202,308
Other assets	2,562
Accounts payable	40,498
Net cash provided by operating activities	$ 65,835

1. NATURE OF ACTIVITIES

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

Adoption of Recent Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which is intended to improve how a not-for-profit (NFP) entity classifies its net assets, as well as the information it presents in its financial statements about its (1) liquidity and availability of resources, (2) expenses and investment return, and (3) cash flows. ASU 2016-14 is effective for the Organization for reporting periods beginning after December 15, 2017; however, NFPs may, under certain conditions, early adopt ASU 2016-14. The Organization has chosen to early adopt ASU 2016-14 by adjusting the presentation in these financial statements, which required no restatements, but did require a reclassification of $217,408 from without donor restrictions to donor restrictions.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which is intended to provide clarifying guidance on accounting for grants and contracts of NFPs as they relate to the new revenue standard (ASU 2014-09 *Revenue from Contracts with Customers*), and aims to minimize diversity in the classification of grants and contracts that exists under current guidance. ASU 2018-08 is effective for the Organization for reporting periods beginning after December 15, 2018; however, NFPs may early adopt ASU 2018-08. The Organization has chosen to early adopt ASU 2018-08 as of January 1, 2017, for both contributions and exchange transactions received and made. As of the date of adoption, there were no incomplete agreements; accordingly, ASU 2018-18 was applied prospectively to all agreements entered into after that date.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash, checking and savings accounts, and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using the present value of estimated future cash flows. The discounts on those amounts are computed using the average rate the Organization is earning on its investments or its idle cash applicable to the years in which the pledges are received. Amortization of the discounts would be included in contributions in the accompanying statement of activities.

A valuation allowance for uncollectible promises to give is recorded based on an assessment of historical experience, current creditworthiness, economic conditions and subsequent collections. Payments due in future periods on promises to give are restricted for time until collected. Promises to give are written off when deemed uncollectible. At December 31, 2017, management has determined that no allowance for uncollectible promises to give is required.

Management has received or anticipates receipt of all of the recorded promises to give within one year; accordingly, an allowance or discount on the pledges has not been recorded in the statement of financial position.

Inventory

Inventory, which consists of tools, equipment, and supplies, is valued at cost for items purchased and fair value for items donated.

Inventory is typically received as in-kind donations as both new and used tools, and is either kept or donated to an affiliate organization in need. The inventory value is reduced, as needed, by expensing the donated or scrapped inventory. Management believes that no reserve for probable inventory losses is required as the scrapped inventory is expensed as incurred; accordingly, no reserve has been provided at December 31, 2017.

Property and Equipment

The Organization's capitalization policy is to capitalize property and equipment with a purchase price, or donation value, in excess of $1,000 and which has a useful life greater than one year. Property and equipment purchased are recorded at cost, or fair value at the date of donation, if donated.

Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Property items retired, or otherwise disposed of, are removed from the asset and accumulated depreciation accounts and any resulting gain or loss is reflected in the statement of activities.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method as follows:

Furniture and equipment	5 Years
Software	3 Years
Vehicles and equipment	7 Years

Leasehold improvements are amortized using the straight-line method over the lesser of the useful lives of the improvements or the term of the lease.

Impairment

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If a long-lived asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no indicators of asset impairment at December 31, 2017.

Accrued Compensated Absences

During 2017, the Organization revised its personal time off (PTO) policy. Previously, employees were allowed to carry forward and be compensated for PTO upon their separation from the Organization. In 2017, the Organization changed to an unlimited PTO policy, thus removing the PTO accrual. The prior year PTO accrual of $57,417 was written off during 2017.

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, amounts reported in the financial statements are classified in two self-balancing net asset categories as follows:

- Net assets without donor restrictions are resources currently available for use in general operations, including internal limits imposed by board decisions.

- Net assets with donor restrictions are resources whose use is limited by donor / grantor-imposed restrictions for specific purpose, passage of time, or perpetual donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization.

Recognition of Revenue

Unconditional Contributions

Contributions are reported when made, which is generally when cash (or notification of a beneficial interest) is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Organization.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities as net assets released from restrictions.

In certain cases, contributions are solicited for support and project accounts that have been previously funded by unrestricted resources in anticipation of receiving donor restricted contributions. Such contributions are immediately recognized as reclassifications to unrestricted support in the period received since the donor-imposed restrictions have already been satisfied.

Contributions to Acquire Long-Term Assets

Contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the acquired long-term assets are placed into service.

Conditional Contributions

Conditional contributions received are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional. There were no conditional contributions at December 31, 2017.

Donated Goods and Services

Unconditional contributions of goods are recorded at fair value at the date of donation. Conditional contributions of goods are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the asset is recognized as unconditional. There were no conditional contributions of goods at December 31, 2017.

Contributions of long-term assets, such as property and equipment, are recorded as unrestricted support unless explicit donor stipulations specify how the long-term asset must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used are recognized as restricted support when received and are released from restrictions when the donated assets are placed into service.

Donated professional services that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as contributions at their estimated fair values when the services are rendered.

Volunteers contribute significant amounts of time to our program and supporting activities. No value has been assigned to this volunteer time.

Advertising Costs

Advertising costs, which are reflected as advertising and promotion, consist primarily of direct advertisements and are expensed as incurred. During 2017, advertising costs totaled $1,189.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Except for depreciation all expenses are allocated based on an estimate of where time and efforts are made and benefits are received. Depreciation is allocated based on estimated usage.

Tax Exempt Status

The Organization has been organized as a Georgia nonprofit corporation, recognized by the IRS as exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and determined not to be a private foundation.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization had no unrelated business income during 2017 and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization only recognizes the tax benefit from an uncertain tax position taken or to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where the Organization operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2017.

The Organization is subject to federal and state examinations, generally three years from the date that the returns are filed; currently there are no examinations in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2014.

Pending Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* which defers the effective date of ASU 2014-09 one year making it effective for the Organization for reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Adoption of this standard is expected to result in the Organization's recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. This ASU is effective for the Organization for reporting periods beginning after December 15, 2019.

Management has not yet determined the impact of these pending accounting pronouncements on the Organization's financial statements.

3. INVENTORY

A summary of inventory activity for the year ended December 31, 2017 follows:

Beginning inventory balance	**$ 368,435**
In-kind donations	**382,666**
Contributions to affiliates	**(16,511)**
Scrapped inventory items	**(3,015)**
Ending inventory balance	**$ 731,575**

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2017 follows:

Furniture and equipment	$	**12,759**
Software		**840,627**
Vehicles and equipment		**171,885**
		1,025,271
Less accumulated depreciation and amortization		**874,267**
Net property and equipment	$	**151,004**

Depreciation and amortization expense totaled $78,228 for 2017.

5. COMMITMENTS

Guarantor Obligation

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, 2017, 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:

For the year ended December 31,		
2018	$	**92,423**
2019		**95,339**
2020		**48,810**
Total	$	**236,572**

Operating Leases

The Organization's former facilities which were donated, ended in April 2017. The estimated fair value of the donated facility use for these facilities totaled $167,290 for 2017 (See Note 9).

In April 2017, the Organization relocated to a new facility and entered into an operating lease with a commencement date of May 1, 2017. No security deposit was required, and the lease term was set for three years. Rent expense under this operating lease totaled $19,667 for 2017.

At December 31, 2017, minimum annual lease payments under the facility lease agreement were as follows:

For the year ended December 31,		
2018	$	**30,090**
2019		**30,993**
2020		**10,432**

6. NET ASSETS WITH DONOR RESTRICTIONS

A summary of net assets with donor restrictions at December 31, 2017 were as follows:

Subject to expenditure for specific purpose:		
Program activities	$	**22,536**
Capital activities		**78,943**
		101,479
Subject to the passage of time:		
For periods after December 31, 2017		**145,100**
Total net assets with donor restrictions	$	**246,579**

During 2017, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors were as follows:

Purpose restrictions accomplished:		
Program activities	$	**3,966**
Capital activities		**129,643**
Expiration of time restriction		**202,308**
Net assets released from donor restrictions	$	**335,917**

7. LIQUIDITY AND AVAILABILITY DISCLOSURES

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Periodic meetings are held by the Finance Committee to review internal financial statements and budget to actual comparisons. The Organization does not commit to expenditures if cash is not available to pay the expenditures immediately.

Following is a schedule, as of December 31, 2017, reflected the financial assets available to meet cash needs for general expenditures within one year:

Financial assets, at year end:		
Cash and cash equivalents	$	412,001
Promises to give expected to be collected within one year		145,100
		557,101
Less:		
Donor-imposed restrictions likely to be met by expenditure within one year making financial assets unavailable for general expenditure		(101,479)
Board designated liquidity reserve		-
Financial assets available to meet cash needs for general expenditures within one year	$	455,622

8. RELATED PARTY TRANSACTIONS

A summary of related party activity for the year ended December 31, 2017 follows:

Nature of service:		
Contributions from board members, employees, and affiliates	$	27,076
In-kind contributions from board members (See Note 9)		199,283
Payments to affiliates		41,880
Inventory contributed to affiliates		16,511

9. DONATED GOODS AND SERVICES

A summary of donated goods and services received during 2017 follows:

	Program Activities	Supporting Activities			
	Total	Management and general	Fundraising and development	Total	Totals by type
In-kind expenses:					
Information technology	$ 51,221	$ 19,147	$ 15,000	$ 34,147	$ 85,368
Travel	39,332	-	668	668	40,000
Postage and shipping	7,394	7,182	8,458	15,639	23,033
	97,946	26,329	24,126	50,455	148,401
Related parties:					
Occupancy	133,832	25,094	8,365	33,458	167,290
Fees for services	-	31,993	-	31,993	31,993
	133,832	57,087	8,365	65,451	199,283
	$ 231,778	$ 83,415	$ 32,490	$ 115,906	347,684
In-kind capitalized expenditures:					
Inventory In-kind contributions					382,666
Total in-kind contributions					$ 730,350

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2018, the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated. Management has not identified any items requiring recognition or disclosure.

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