

TOOLBANK USA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2013

TOOLBANK USA, INC.

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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2013, and the related statements of activity, cash flows, and functional expenses 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read 'H. A. W. & W. P.', is written over a horizontal line.

Atlanta, Georgia

March 31, 2014

TOOLBANK USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

| | |
|---------------------|-----------------------|
| Cash | \$ 214,349 |
| Pledges receivable | 200,000 |
| Due from affiliates | 1,313 |
| Other receivables | 41,455 |
| Inventory | 210,459 |
| Fixed assets, net | <u>329,067</u> |
| Total assets | \$ <u>996,643</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | |
|------------------|-----------------|
| Accounts payable | \$ <u>4,528</u> |
|------------------|-----------------|

Net assets

| | |
|--------------------------------------|------------------------------|
| Unrestricted | 792,115 |
| Temporarily restricted | <u>200,000</u> |
| Total net assets | <u>992,115</u> |
| Total liabilities and net assets | \$ <u><u>996,643</u></u> |

See auditors' report and accompanying notes

TOOLBANK USA, INC.
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2013

| | <u>Unrestricted Net Assets</u> | <u>Temporarily Restricted Net Assets</u> | <u>Total Net Assets</u> |
|--|------------------------------------|--|-----------------------------|
| <u>Support and revenue:</u> | | | |
| Contributions | \$ 963,628 | 246,475 | \$ 1,210,103 |
| Interest income | <u>143</u> | <u>-</u> | <u>143</u> |
| Total support and revenues | 963,771 | 246,475 | 1,210,246 |
| Net assets released from restriction | <u>622,031</u> | <u>(622,031)</u> | <u>-</u> |
| Total support, revenue and net assets released from restriction | <u>1,585,802</u> | <u>(375,556)</u> | <u>1,210,246</u> |
| <u>Expenses:</u> | | | |
| Program | 1,154,578 | - | 1,154,578 |
| General and administrative | 97,117 | - | 97,117 |
| Fundraising | <u>64,497</u> | <u>-</u> | <u>64,497</u> |
| Total expenses | <u>1,316,192</u> | <u>-</u> | <u>1,316,192</u> |
| Increase (decrease) in net assets | 269,610 | (375,556) | (105,946) |
| Net assets, beginning of year | <u>522,505</u> | <u>575,556</u> | <u>1,098,061</u> |
| Net assets, end of year | <u>\$ 792,115</u> | <u>\$ 200,000</u> | <u>\$ 992,115</u> |

See auditors' report and accompanying notes

TOOLBANK USA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

| | |
|---|-------------------|
| <u>Cash flows from operating activities:</u> | |
| Decrease in net assets | \$ (105,946) |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: | |
| Depreciation | 202,776 |
| In-kind donations of inventory | (206,688) |
| In-kind donations of fixed assets | (176,125) |
| Changes in operating assets and liabilities: | |
| Pledges receivable | 195,122 |
| Due from affiliates | 2,155 |
| Other receivables | (23,101) |
| Inventory | (3,771) |
| Accounts payable | <u>(860)</u> |
| Total adjustments | <u>(10,492)</u> |
| Net cash used in operating activities | (116,438) |
| <u>Cash flows from investing activities:</u> | |
| Purchases of fixed assets | <u>(16,862)</u> |
| Decrease in cash | (133,300) |
| Cash, beginning of year | <u>347,649</u> |
| Cash, end of year | <u>\$ 214,349</u> |

See auditors' report and accompanying notes

TOOLBANK USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

| | <u>Program</u> | <u>General and Administrative</u> | <u>Fundraising</u> |
|---------------------------------|---------------------|---------------------------------------|--------------------|
| Advertising and promotion | \$ - | \$ 535 | \$ - |
| Bank service charges | - | 593 | - |
| Board expenses | - | 508 | - |
| Computer equipment and software | 7,500 | - | 7,500 |
| Depreciation | 202,432 | 344 | - |
| Direct program costs | 586,691 | - | - |
| Dues and subscriptions | - | 1,966 | - |
| Insurance | - | 3,638 | - |
| Miscellaneous administrative | - | 3,024 | - |
| Office rent | 4,810 | 1,690 | 1,300 |
| Office expenses | - | 3,233 | - |
| Payroll and benefits | 297,773 | 72,316 | 55,300 |
| Professional services | 22,701 | 8,754 | - |
| Training | 708 | - | - |
| Travel | 30,495 | - | - |
| Utilities | <u>1,468</u> | <u>516</u> | <u>397</u> |
| Total expenses | <u>\$ 1,154,578</u> | <u>\$ 97,117</u> | <u>\$ 64,497</u> |

See auditors' report and accompanying notes

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note A
Summary of Significant Accounting Policies

Nature of Operations:

ToolBank USA, Inc. (the "Company") is a nonprofit organization with a mission to strengthen local communities through the collaborative establishment of ToolBanks across the United States, and the provision of infrastructure to promote consistency and excellence for all ToolBanks. ToolBanks are premier tool lending resources, serving all charitable organizations in their metropolitan areas. ToolBank USA, Inc., was established as a nonprofit organization on March 27, 2008, in the State of Georgia.

Basis of Accounting:

The financial statements of ToolBank USA, Inc. 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 Company 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 Company records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Pledges Receivable:

Contributions are recognized when the donor makes a pledge to the Company that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Company 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 Company has determined that any allowance would be immaterial.

Inventory:

Inventory is valued using a standard costing system which approximates the lower of cost or market method. Cost of donated inventory is its estimated fair value.

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note A
Summary of Significant Accounting Policies (Continued)

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. Donations of fixed assets are recorded as support at their estimated fair values. Such donations 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 Company reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Company reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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 |

Donated Materials and Services:

Donated fixed assets 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.

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.

Federal Income Tax Status:

The Company applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 Income Taxes. The Company 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 Company is no longer subject to income tax examinations for years up to and including 2009.

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note A
Summary of Significant Accounting Policies (Continued)

Functional Expenses:

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

Note B
Credit Risk

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

Note C
Pledges Receivable

As of December 31, 2013, pledges receivable in less than one year total \$200,000.

Note D
Fixed Assets

Fixed assets consist of the following:

| | |
|--------------------------------|-------------------|
| Vehicles | \$ 53,242 |
| Equipment | 1,907 |
| Software | <u>725,983</u> |
| Subtotal | 781,132 |
| Less: accumulated depreciation | <u>(452,065)</u> |
| | <u>\$ 329,067</u> |

Depreciation expense was \$202,776 for the year ended December 31, 2013.

Note E
Net Asset Restrictions

Temporarily restricted net assets as of December 31, 2013, consist of pledges receivable with time restrictions.

TOOLBANK USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note F
Related Party Transactions

The balance of due from affiliates is derived from directors and officers insurance paid on behalf of affiliated organizations that had not been reimbursed as of December 31, 2013.

Included in support and revenues on the statement of activity is contribution revenue in the amount of \$24,308 received from officers and board members of the Company.

Note G
Effects of Current Economic Conditions on Contributions

The Company depends heavily on contributions and grants for its public support. The ability of certain contributors and grantors of the Company to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Company's board of directors believes the Company 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.

Note H
Concentrations

A major contributor is defined as a contributor from which the Company derives at least 10% of its revenues. During the year ended December 31, 2013, revenues from two major contributors represented approximately 30% of the Company's revenues and as of December 31, 2013, none of these contributions are outstanding.

Note I
Subsequent Events

Management considered all events through March 31, 2014, 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.