

**THE FURNITURE RESOURCE CENTER
D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

**BOISVENU & COMPANY, P.C.
Certified Public Accountants
Bingham Farms, Michigan**

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Furniture Resource Center
d/b/a Furniture Bank of Southeastern Michigan

We have audited the accompanying financial statements of The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan (a nonprofit 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; 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 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 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 organization'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 organization'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 The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Beisvenu & Company, P.C.

April 26, 2018

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 185,041	\$ 4,500	\$ 189,541	\$ 223,462
Pledges and accounts receivable	4,380	27,500	31,880	53,720
Prepaid expenses	8,622	-	8,622	5,843
Furniture supplies	62,322	-	62,322	44,980
Total Current Assets	<u>260,365</u>	<u>32,000</u>	<u>292,365</u>	<u>328,005</u>
Non-current Assets				
Security deposits	1,250	-	1,250	1,250
Property and equipment - net	212,148	-	212,148	223,478
Total Non-current Assets	<u>213,398</u>	<u>-</u>	<u>213,398</u>	<u>224,728</u>
TOTAL ASSETS	<u>\$ 473,763</u>	<u>\$ 32,000</u>	<u>\$ 505,763</u>	<u>\$ 552,733</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 13,519	\$ -	\$ 13,519	\$ 2,118
Accrued expenses	12,856	-	12,856	13,731
Deferred revenue	5,720	-	5,720	3,500
Total Liabilities	<u>32,095</u>	<u>-</u>	<u>32,095</u>	<u>19,349</u>
Net Assets				
Unrestricted	441,668	-	\$ 441,668	\$ 455,407
Temporarily restricted	-	32,000	32,000	77,977
Total Net Assets	<u>441,668</u>	<u>32,000</u>	<u>473,668</u>	<u>533,384</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 473,763</u>	<u>\$ 32,000</u>	<u>\$ 505,763</u>	<u>\$ 552,733</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
SUPPORT AND REVENUE				
United Way allocations and designations	\$ 2,704	\$ 38,333	\$ 41,037	\$ 73,319
Donated furniture	556,917	-	556,917	617,472
Contributions	73,971	83,983	157,954	164,273
Governmental contract revenue	19,816	-	19,816	19,816
Program and other income	245,445	-	245,445	278,890
Special events - net	<u>69,983</u>	<u>-</u>	<u>69,983</u>	<u>63,152</u>
	968,836	122,316	1,091,152	1,216,922
Net assets released from restrictions	<u>168,293</u>	<u>(168,293)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,137,129</u>	<u>(45,977)</u>	<u>1,091,152</u>	<u>1,216,922</u>
EXPENSES				
Program services	1,041,103	-	1,041,103	1,091,267
Management and general	43,659	-	43,659	27,290
Fund raising	<u>84,514</u>	<u>-</u>	<u>84,514</u>	<u>62,718</u>
TOTAL EXPENSES	<u>1,169,276</u>	<u>-</u>	<u>1,169,276</u>	<u>1,181,275</u>
(DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS	(32,147)	(45,977)	(78,124)	35,647
OTHER CHANGES				
Adjustment to furniture supplies	<u>18,408</u>	<u>-</u>	<u>18,408</u>	<u>(6,611)</u>
CHANGE IN NET ASSETS	(13,739)	(45,977)	(59,716)	29,036
NET ASSETS, beginning of year	<u>455,407</u>	<u>77,977</u>	<u>533,384</u>	<u>504,348</u>
NET ASSETS, end of year	<u>\$ 441,668</u>	<u>\$ 32,000</u>	<u>\$ 473,668</u>	<u>\$ 533,384</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Program Services	Management and General	Fund Raising	Total 2017	Total 2016
Salaries	\$ 239,335	\$ 35,583	\$ 58,882	\$ 333,800	\$ 301,795
Payroll taxes	19,697	2,928	4,846	27,471	25,605
Employee benefits	2,990	444	736	4,170	3,518
Contract labor	11,164	1,660	14,949	27,773	31,163
Donated furniture	556,917	-	-	556,917	617,472
Program activities and materials	84,777	-	-	84,777	83,399
Occupancy	36,278	368	642	37,288	33,854
Telephone	2,799	416	688	3,903	3,974
Office supplies and expenses	6,361	946	1,565	8,872	6,281
Printing, publications and promotion	5,192	772	1,277	7,241	11,623
Equipment rental and maintenance	1,291	192	318	1,801	2,533
Vehicle	54,051	-	-	54,051	36,993
Insurance	6,399	111	193	6,703	8,829
Total Functional Expenses					
Before Depreciation	1,027,251	43,420	84,096	1,154,767	1,167,039
Depreciation	13,852	239	418	14,509	14,236
Total Functional Expenses	<u>\$ 1,041,103</u>	<u>\$ 43,659</u>	<u>\$ 84,514</u>	<u>\$ 1,169,276</u>	<u>\$ 1,181,275</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE TOTALS FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (59,716)	\$ 29,036
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	14,509	14,236
Change in donated furniture	(18,408)	6,611
(Increase) decrease in operating assets		
Pledges and accounts receivable	21,840	(39,725)
Prepaid expenses	(2,779)	3,153
Supplies	1,066	(28)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	10,526	(237)
Deferred revenue	<u>2,220</u>	<u>3,500</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(30,742)</u>	<u>16,546</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(3,179)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,179)</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(33,921)	16,546
CASH AND CASH EQUIVALENTS, beginning of year	<u>223,462</u>	<u>206,916</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 189,541</u>	<u>\$ 223,462</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan (the Organization) is a Michigan nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation.

The Organization's program and supporting services are as follows:

Program Services

The purpose of the Organization is to service residents in need by collecting useable furniture and household items and distributing as needed. The main geographic area served is Southeastern Michigan.

Management and General

This includes the functions necessary to maintain an adequate working environment, provide proper administrative support of the Organization's programs, and manage the financial and budgeting responsibilities of the Organization.

Fund Raising

This provides the structure necessary to encourage and secure support from individuals, foundations and government agencies.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. Under ASC 958-205, 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.

Unrestricted Net Assets - net assets that are not subject to "donor-imposed" time or purpose restrictions.

Temporarily Restricted Net Assets - net assets subject to "donor-imposed" restrictions that may or will be met by actions of the Organization and/or the passage of time. Restrictions that expire with the passage of time or can be removed by accomplishing certain requirements are classified as temporarily restricted net assets.

Permanently Restricted Net Assets - net assets subject to "donor-imposed" restrictions that they be maintained in perpetuity. Restrictions that require an asset be invested and only allow the income to be used are classified as permanently restricted net assets. The Organization has no permanently restricted net assets at December 31, 2017.

Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

Pledges and Accounts Receivable

The Organization considers pledges and accounts receivable to be fully collectible at December 31, 2017; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value.

Property and Equipment

Property and equipment are carried at cost or, if donated, at fair market value at the time of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of 5 to 39 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue and Support

Revenue from governmental grant awards under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the grant, revenue and accounts receivable are recorded in the period during which the expenses are incurred. In cases where grants are received in advance of incurring the expenses, deferred revenue is recorded in the period during which the advance is received and recognized as income when the related expenses are incurred.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Classification of Expenses

Direct expenses which can be clearly defined as incurred for a specific program are charged to that program. Indirect expenses are allocated to program and supporting services based on time and use analysis by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Fair Value Disclosure

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, pledges and accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

2. FAIR VALUE MEASUREMENTS

Various inputs may be used in determining the fair value of the Organization's assets and liabilities measured on a recurring basis. These inputs are market-based measurements based on and determined by the assumptions that market participants would use in pricing an asset or a liability and are summarized into three levels:

- Level (1): Inputs to the valuation methodology are quoted prices for identical assets in active markets.
- Level (2): Inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the asset, either directly or indirectly.
- Level (3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the Organization's own assumptions in determining the fair value of an asset or a liability).

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about projections market participants would use in developing a price that would be received to sell an asset or paid to transfer a liability based on the best information available in the circumstances. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

2. FAIR VALUE MEASUREMENTS (continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following table summarizes the Organization's inputs used to determine their values on December 31, 2017:

	Level 1	Level 2	Level 3
Furniture supplies	\$ -	\$ -	\$ 62,322

The following table summarizes the changes in the fair values for level 3 assets for the year ended December 31, 2017:

	Furniture Supplies
Balance at December 31, 2016	\$ 44,980
Change in supplies	17,342
Balance at December 31, 2017	\$ 62,322

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

At December 31, 2017, property and equipment consist of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Land improvements	31,377	-	-	31,377
Warehouse and office building	334,733	2,600	-	337,333
Vehicles	86,188	-	-	86,188
Office equipment and software	34,080	579	-	34,659
	<u>\$ 502,378</u>	<u>\$ 3,179</u>	<u>\$ -</u>	505,557
Less accumulated depreciation				<u>293,409</u>
				<u>\$ 212,148</u>

4. LEASE COMMITMENTS

The Organization leases a warehouse and office equipment under lease agreements expiring through 2020.

Future minimum lease payments are as follows for the years ending December 31:

	Warehouse	Office Equipment
2018	\$ 15,900	\$ 1,620
2019	-	1,620
2020	-	540
	<u>\$ 15,900</u>	<u>\$ 3,780</u>

For the year ended December 31, 2017, warehouse rental expense was \$15,000 and office equipment rental expense was approximately \$1,600.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

5. LINE OF CREDIT

The Organization established a \$30,000 line of credit. Borrowings under this line of credit bear interest at 9.90 percent and are due on demand. Borrowings are secured by the assets of the Organization. At December 31, 2017, the Organization has the full line of credit available.

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017, temporarily restricted net assets consist of cash and cash equivalents and pledges receivable and are available for the following:

Purpose restriction	
Trucking Campaign	\$ 4,500
Time restriction	
United Way for Southeastern Michigan	<u>27,500</u>
	<u>\$ 32,000</u>

7. SPECIAL EVENTS

Revenue from special events was \$102,395 with related expenses of \$32,412 for the year ended December 31, 2017.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year are as follows:

Purpose restriction accomplished	
Wayne County expansion	\$ 32,458
Development department cost	25,000
Furniture for families	23,384
Cribs for kids	14,851
Truck costs	7,500
Database, server, and social media	4,267
Time restriction accomplished	
United Way for Southeastern Michigan	<u>60,833</u>
	<u>\$ 168,293</u>

9. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution in Michigan. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017, the cash balances are fully insured.

10. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2018, the date the financial statements were available to be issued.