

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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

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

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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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Beisvenu & Company, P.C.

April 29, 2019

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018, WITH COMPARATIVE TOTALS FOR 2017

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 104,651	\$ 16,325	\$ 120,976	\$ 189,541
Pledges and accounts receivable	2,840	30,000	32,840	31,880
Prepaid expenses	10,313	-	10,313	8,622
Furniture supplies	56,970	-	56,970	62,322
Total Current Assets	<u>174,774</u>	<u>46,325</u>	<u>221,099</u>	<u>292,365</u>
Non-current Assets				
Security deposits	1,250	-	1,250	1,250
Property and equipment - net	282,247	-	282,247	212,148
Total Non-current Assets	<u>283,497</u>	<u>-</u>	<u>283,497</u>	<u>213,398</u>
TOTAL ASSETS	<u>\$ 458,271</u>	<u>\$ 46,325</u>	<u>\$ 504,596</u>	<u>\$ 505,763</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 9,325	\$ -	\$ 9,325	\$ 13,519
Accrued expenses	13,232	-	13,232	12,856
Deferred revenue	6,595	-	6,595	5,720
Total Liabilities	<u>29,152</u>	<u>-</u>	<u>29,152</u>	<u>32,095</u>
Net Assets				
Without donor restrictions	429,119	-	429,119	441,668
With donor restrictions	-	46,325	46,325	32,000
Total Net Assets	<u>429,119</u>	<u>46,325</u>	<u>475,444</u>	<u>473,668</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 458,271</u>	<u>\$ 46,325</u>	<u>\$ 504,596</u>	<u>\$ 505,763</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, 2018, WITH COMPARATIVE TOTALS FOR 2017

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
SUPPORT AND REVENUE				
United Way allocations and designations	\$ 2,540	\$ 55,000	\$ 57,540	\$ 41,037
Donated furniture	556,043	-	556,043	556,917
Contributions	58,952	155,395	214,347	157,954
Governmental contract revenue	19,816	-	19,816	19,816
Program and other income	263,146	-	263,146	245,445
Special events - net	104,663	-	104,663	69,983
Gain on sale of assets	4,000	-	4,000	-
	<u>1,009,160</u>	<u>210,395</u>	<u>1,219,555</u>	<u>1,091,152</u>
Net assets released from restrictions	<u>196,070</u>	<u>(196,070)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,205,230</u>	<u>14,325</u>	<u>1,219,555</u>	<u>1,091,152</u>
EXPENSES				
Program services	1,105,748	-	1,105,748	1,041,103
Management and general	34,345	-	34,345	43,659
Fund raising	86,725	-	86,725	84,514
TOTAL EXPENSES	<u>1,226,818</u>	<u>-</u>	<u>1,226,818</u>	<u>1,169,276</u>
(DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS	(21,588)	14,325	(7,263)	(78,124)
OTHER CHANGES				
Adjustment to furniture supplies	9,039	-	9,039	18,408
CHANGE IN NET ASSETS	(12,549)	14,325	1,776	(59,716)
NET ASSETS, beginning of year	<u>441,668</u>	<u>32,000</u>	<u>473,668</u>	<u>533,384</u>
NET ASSETS, end of year	<u>\$ 429,119</u>	<u>\$ 46,325</u>	<u>\$ 475,444</u>	<u>\$ 473,668</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018, WITH COMPARATIVE TOTALS FOR 2017

	Program Services	Management and General	Fund Raising	Total 2018	Total 2017
Salaries	\$ 271,504	\$ 27,627	\$ 62,008	\$ 361,139	\$ 333,800
Payroll taxes	21,608	2,198	4,935	28,741	27,471
Employee benefits	5,569	567	1,272	7,408	4,170
Contract labor	10,935	1,113	12,497	24,545	27,773
Donated furniture	574,121	-	-	574,121	556,917
Program activities and materials	86,981	-	-	86,981	84,777
Occupancy	38,102	385	673	39,160	37,288
Telephone	3,299	336	753	4,388	3,903
Office supplies and expenses	10,572	1,076	2,414	14,062	8,872
Printing, publications and promotion	5,428	552	1,240	7,220	7,241
Equipment rental and maintenance	1,502	153	343	1,998	1,801
Vehicle	56,568	-	-	56,568	54,051
Insurance	3,090	53	93	3,236	6,703
Total Functional Expenses					
Before Depreciation	1,089,279	34,060	86,228	1,209,567	1,154,767
Depreciation	16,469	285	497	17,251	14,509
Total Functional Expenses	<u>\$ 1,105,748</u>	<u>\$ 34,345</u>	<u>\$ 86,725</u>	<u>\$ 1,226,818</u>	<u>\$ 1,169,276</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, 2018, WITH COMPARATIVE TOTALS FOR 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,776	\$ (59,716)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	17,251	14,509
Gain on disposal of asset	(4,000)	-
Change in donated furniture	9,039	(18,408)
(Increase) decrease in operating assets		
Pledges and accounts receivable	(960)	21,840
Prepaid expenses	(1,691)	(2,779)
Supplies	(3,687)	1,066
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(3,818)	10,526
Deferred revenue	875	2,220
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>14,785</u>	<u>(30,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(87,350)	(3,179)
Proceeds from disposal of asset	4,000	-
NET CASH USED BY INVESTING ACTIVITIES	<u>(83,350)</u>	<u>(3,179)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(68,565)	(33,921)
CASH AND CASH EQUIVALENTS, beginning of year	<u>189,541</u>	<u>223,462</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 120,976</u>	<u>\$ 189,541</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.

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, 2018; 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
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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 net assets with donor restrictions or net assets without donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization receives donated services and supplies from various organizations and individuals in order to accomplish its program objectives. Contributions of donated services that create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donations are recorded at their fair values in the period received.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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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.

Tax Positions

The Organization is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2011.

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. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	\$ 153,816
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(46,325)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 107,491</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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NOTES TO FINANCIAL STATEMENTS

3. 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 other inputs such as interest rates and yield curves 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 that are not corroborated by market data.

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.

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Furniture supplies	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,970</u>

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NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the changes in the fair values for level 3 assets for the year ended December 31, 2018:

	Furniture Supplies
Balance at December 31, 2017	\$ 62,322
Change in supplies	5,352
Balance at December 31, 2018	\$ 56,970

4. PROPERTY AND EQUIPMENT

At December 31, 2018, property and equipment consist of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Warehouse and office building	337,333	45,650	-	382,983
Land improvements	31,377	-	-	31,377
Office equipment and software	34,659	-	-	34,659
Vehicles	86,188	41,700	63,438	64,450
	\$ 505,557	\$ 87,350	\$ 63,438	529,469
Less accumulated depreciation				247,222
				\$ 282,247

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NOTES TO FINANCIAL STATEMENTS

5. LEASE COMMITMENTS

The Organization leases office equipment under a lease agreement expiring May 2020. The warehouse and office lease expired December 31, 2018 and are being rented on a month-to-month basis.

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

	Office Equipment
2019	\$ 1,620
2020	<u>540</u>
	<u>\$ 2,160</u>

For the year ended December 31, 2018, office equipment rental expense was approximately \$1,600.

6. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions consist of cash and cash equivalents and pledges receivable and are available for the following:

Subject to expenditure for specified purpose:	
Beds for kids	\$ 9,488
Materials to build furniture	4,160
Pack 'n plays	2,251
Bedding	426
Subject to the passage of time:	
United Way for Southeastern Michigan	<u>30,000</u>
	<u>\$ 46,325</u>

7. SPECIAL EVENTS

Revenue from special events was \$143,810 with related expenses of \$39,147 for the year ended December 31, 2018.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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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:

Subject to expenditure for specified purpose:	
New roof	\$ 41,200
Purchase of truck	37,290
Trucking costs	19,816
Beds for kids	11,812
Bedding	10,763
Furniture for families	10,000
Cribs for kids	5,000
Pack 'n plays	2,749
Wayne County expansion	2,500
Materials to build furniture	1,640
Other	<u>800</u>
Subject to the passage of time:	
United Way for Southeastern Michigan	<u>52,500</u>
	<u>\$ 196,070</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, 2018, 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, 2017, from which the summarized information was derived.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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NOTES TO FINANCIAL STATEMENTS

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2019, the date the financial statements were available to be issued.