

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

FINANCIAL STATEMENTS

DECEMBER 31, 2019

**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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Beisvenu & Company, P.C.

August 28, 2020

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 85,651	\$ 33,212	\$ 118,863	\$ 120,976
Pledges and accounts receivable	5,643	30,000	35,643	32,840
Prepaid expenses	9,207	-	9,207	10,313
Furniture supplies	52,095	-	52,095	56,970
Total Current Assets	<u>152,596</u>	<u>63,212</u>	<u>215,808</u>	<u>221,099</u>
Non-current Assets				
Security deposits	1,900	-	1,900	1,250
Property and equipment - net	<u>222,496</u>	<u>-</u>	<u>222,496</u>	<u>282,247</u>
Total Non-current Assets	<u>224,396</u>	<u>-</u>	<u>224,396</u>	<u>283,497</u>
TOTAL ASSETS	<u>\$ 376,992</u>	<u>\$ 63,212</u>	<u>\$ 440,204</u>	<u>\$ 504,596</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 7,259	\$ -	\$ 7,259	\$ 9,325
Accrued expenses	16,389	-	16,389	13,232
Deferred revenue	<u>370</u>	<u>-</u>	<u>370</u>	<u>6,595</u>
Total Liabilities	<u>24,018</u>	<u>-</u>	<u>24,018</u>	<u>29,152</u>
Net Assets				
Without donor restrictions	352,974	-	352,974	429,119
With donor restrictions	<u>-</u>	<u>63,212</u>	<u>63,212</u>	<u>46,325</u>
Total Net Assets	<u>352,974</u>	<u>63,212</u>	<u>416,186</u>	<u>475,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 376,992</u>	<u>\$ 63,212</u>	<u>\$ 440,204</u>	<u>\$ 504,596</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, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
SUPPORT AND REVENUE				
United Way allocations and designations	\$ 1,605	\$ 50,000	\$ 51,605	\$ 57,540
Donated furniture	809,803	-	809,803	556,043
Contributions	128,426	52,140	180,566	214,347
Governmental contract revenue	15,816	-	15,816	19,816
Program and other income	333,735	-	333,735	263,146
Special events - net	112,166	-	112,166	104,663
(Loss) gain on sale of assets	(13,448)	-	(13,448)	4,000
	<u>1,388,103</u>	<u>102,140</u>	<u>1,490,243</u>	<u>1,219,555</u>
Net assets released from restrictions	85,253	(85,253)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,473,356</u>	<u>16,887</u>	<u>1,490,243</u>	<u>1,219,555</u>
EXPENSES				
Program services	1,421,697	-	1,421,697	1,105,748
Management and general	36,742	-	36,742	34,345
Fund raising	91,907	-	91,907	86,725
TOTAL EXPENSES	<u>1,550,346</u>	<u>-</u>	<u>1,550,346</u>	<u>1,226,818</u>
(DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS	(76,990)	16,887	(60,103)	(7,263)
OTHER CHANGES				
Adjustment to furniture supplies	845	-	845	9,039
CHANGE IN NET ASSETS	(76,145)	16,887	(59,258)	1,776
NET ASSETS, beginning of year	<u>429,119</u>	<u>46,325</u>	<u>475,444</u>	<u>473,668</u>
NET ASSETS, end of year	<u>\$ 352,974</u>	<u>\$ 63,212</u>	<u>\$ 416,186</u>	<u>\$ 475,444</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, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Program Services	Management and General	Fund Raising	Total 2019	Total 2018
Salaries	\$ 329,513	\$ 28,950	\$ 65,402	\$ 423,865	\$ 361,139
Payroll taxes	26,879	2,362	5,335	34,576	28,741
Employee benefits	13,756	1,209	2,730	17,695	7,408
Contract labor	14,972	1,315	11,873	28,160	24,545
Donated furniture	811,492	-	-	811,492	574,121
Program activities and materials	78,950	-	-	78,950	86,981
Occupancy	37,863	284	643	38,790	39,160
Telephone	3,477	306	690	4,473	4,388
Office supplies and expenses	7,773	683	1,543	9,999	14,062
Printing, publications and promotion	12,151	1,067	2,412	15,630	7,220
Equipment rental and maintenance	1,311	115	260	1,686	1,998
Vehicle	56,316	-	-	56,316	56,568
Insurance	3,236	54	121	3,411	3,236
Total Functional Expenses					
Before Depreciation	1,397,689	36,345	91,009	1,525,043	1,209,567
Depreciation	24,008	397	898	25,303	17,251
Total Functional Expenses	\$ 1,421,697	\$ 36,742	\$ 91,907	\$ 1,550,346	\$ 1,226,818

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, 2019, WITH COMPARATIVE TOTALS FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (59,258)	\$ 1,776
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	25,303	17,251
Loss (gain) on disposal of asset	13,448	(4,000)
Change in donated furniture	845	9,039
(Increase) decrease in operating assets		
Pledges and accounts receivable	(2,803)	(960)
Prepaid expenses	1,106	(1,691)
Supplies	4,030	(3,687)
Security deposits	(650)	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	1,091	(3,818)
Deferred revenue	(6,225)	875
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(23,113)	14,785
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(87,350)
Proceeds from disposal of asset	21,000	4,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	21,000	(83,350)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,113)	(68,565)
CASH AND CASH EQUIVALENTS, beginning of year	120,976	189,541
CASH AND CASH EQUIVALENTS, end of year	\$ 118,863	\$ 120,976

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 beds, furniture and other 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.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

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)

Basis of Presentation (continued)

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

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, 2019; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

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 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. The Organization's policy is to capitalize acquisitions of \$500 or more. 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.

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)

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 reports gifts of property and equipment as support without donor restrictions 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 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.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to the associated program and supporting services. Certain indirect costs have been allocated among the programs and supporting services benefitted. Personnel and related costs are allocated based on estimates of time and effort. Other costs, such as occupancy, are allocated on a square footage basis.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2012.

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, 2019, 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	\$ 154,506
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>(63,212)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 91,294</u>

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

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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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) and 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Furniture supplies	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,095</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, 2019:

	Furniture Supplies
Balance at December 31, 2018	\$ 56,970
Change in supplies	(4,875)
Balance at December 31, 2019	\$ 52,095

4. PROPERTY AND EQUIPMENT

At December 31, 2019, property and equipment consist of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Warehouse and office building	382,983	-	-	382,983
Land improvements	31,377	-	-	31,377
Office equipment and software	34,659	-	-	34,659
Vehicles	64,450	-	64,450	-
	\$ 529,469	\$ -	\$ 64,450	465,019
Less accumulated depreciation				242,523
				\$ 222,496

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

5. LEASE COMMITMENTS

The Organization leases office equipment under a lease agreement expiring September 2024. The Organization also leases warehouse and office space and vehicles which expire on various dates through December 2023.

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

	Office Equipment	Warehouse	Vehicles
2020	\$ 1,164	\$ 23,150	\$ 29,775
2021	1,164	23,750	29,775
2022	1,164	10,000	29,775
2023	1,164	-	27,293
2024	<u>776</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,432</u>	<u>\$ 56,900</u>	<u>\$ 116,618</u>

For the year ended December 31, 2019, rental expense for office equipment, warehouse and vehicles was approximately \$1,600, \$13,300 and \$2,500, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, 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:	
Furniture for families	\$ 12,501
Beds for kids	11,125
Materials to build furniture	9,160
Bedding	426
Subject to the passage of time:	
United Way for Southeastern Michigan	<u>30,000</u>
	<u>\$ 63,212</u>

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NOTES TO FINANCIAL STATEMENTS

7. SPECIAL EVENTS

Revenue from special events was \$147,200 with related expenses of \$35,000 for the year ended December 31, 2019.

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:	
Furniture for families	\$ 16,500
Beds for kids	8,977
Trucking costs	7,500
Pack 'n plays	2,251
Bedding	<u>25</u>
Subject to the passage of time:	
United Way for Southeastern Michigan	<u>50,000</u>
	<u><u>\$ 85,253</u></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, 2019, the cash balances are fully insured.

10. CONTINGENCY

In the normal course of operations, there could be outstanding contingent liabilities resulting from lawsuits, governmental agency assessments, etc., which are not known to the Organization and therefore have not been reflected in the accompanying financial statements. The Organization's management is of the opinion that such liabilities, if any, will be either immaterial or the Organization's insurance coverage is adequate to cover any potential losses.

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

11. 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, 2018, from which the summarized information was derived.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 28, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which could affect the Organization's operations both directly and indirectly through its impact on funding sources, vendors and contracted services. The financial effects on the Organization are not readily determinable. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Also, in May 2020, the Organization applied for and received a Paycheck Protection Program (PPP) loan in the amount of \$98,700. The Organization intends to apply for loan forgiveness for the entire loan balance.