THE FURNITURE RESOURCE CENTER

FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(with comparative totals for December 31, 2022)

THE FURNITURE RESOURCE CENTER

Schlaupitz Madhavan
AUDIT | TAX | ADVISORS

Independent Auditor's Report

To Management and the Board of Directors of
The Furniture Resource Center

Opinion

We have audited the accompanying financial statements of The Furniture Resource Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Furniture Resource Center as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Furniture Resource Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Furniture Resource Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Furniture Resource Center internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Furniture Resource Center ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Furniture Resource Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schlaupitz Madhavan, P.C.

July 8, 2024

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	$ 286,035	$ 316,087
Accounts and other promises receivable	27,205	32,980
Furniture inventory	51,002	54,022
Prepaid expenses	11,018	3,704
Total current assets	375,260	406,793
Property and equipment, net	251,094	242,293
Security deposit	1,900	1,900
Total assets	**$ 628,254**	**$ 650,986**

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Current portion of long-term debt	$ 10,046	$ 9,677
Accounts payable	3,578	7,460
Accrued expenses	12,555	17,962
Deferred revenue	15,015	15,015
Total current liabilities	41,194	50,114
Long-term debt, net of current portion	22,177	32,223
Net assets		
Without donor restrictions	539,883	503,479
With donor restrictions	25,000	65,170
Total net assets	564,883	568,649
Total liabilities and net assets	**$ 628,254**	**$ 650,986**

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(with comparative totals for the year ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
United Way allocations and designations	$ 1,342	$ 50,000	$ 51,342	$ 61,385
Donated furniture	1,021,885	-	1,021,885	855,196
Contributions	262,155	-	262,155	240,635
Governmental grants	19,816	-	19,816	19,816
Program and other income	651,326	-	651,326	575,868
Special events - net	70,522	-	70,522	28,475
Total support and revenue before releases	2,027,046	50,000	2,077,046	1,781,375
Net assets released from restrictions	90,170	(90,170)	-	-
Total support and revenue	2,117,216	(40,170)	2,077,046	1,781,375
Expenses				
Program services	1,900,539	-	1,900,539	1,692,446
Management and general	79,814	-	79,814	78,241
Fundraising	100,459	-	100,459	96,800
Total expenses	2,080,812	-	2,080,812	1,867,487
Changes in net assets from operating activities	36,404	(40,170)	(3,766)	(86,112)
Net assets, beginning of year	503,479	65,170	568,649	654,761
Net assets, end of year	$ 539,883	$ 25,000	$ 564,883	$ 568,649

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(with comparative totals for the year ended December 31, 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total Functional Expenses	Total Functional Expenses
Payroll Expenses:					
Compensation	$ 492,932	$ 43,458	$ 71,417	$ 607,807	$ 565,244
Employment taxes and benefits	53,269	4,697	7,718	65,684	63,583
Total payroll expenses	546,201	48,155	79,135	673,491	628,827
Other Expenses:					
Contract labor	-	22,932	16,002	38,934	41,965
Donated furniture	1,026,439	-	-	1,026,439	846,922
Program activities and materials	97,124	-	-	97,124	75,600
Occupancy	58,483	478	837	59,798	63,759
Telephone	6,676	589	967	8,232	5,818
Office supplies and expenses	11,579	1,021	1,678	14,278	18,433
Printing, publications and promotion	7,873	6,213	1,142	15,228	14,206
Equipment rental and maintenance	1,136	100	165	1,401	3,325
Vehicle expense	124,755	-	-	124,755	149,713
Interest expense	1,406	-	-	1,406	1,648
Insurance	6,930	120	196	7,246	4,084
Depreciation	11,937	206	337	12,480	13,187
Total functional expenses	$ 1,900,539	$ 79,814	$ 100,459	$ 2,080,812	$ 1,867,487

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (3,766)	$ (86,112)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	27,263	25,829
Noncash donations to clients of furniture and beds	1,026,439	846,922
Noncash contributions of furniture and beds	(1,021,885)	(855,196)
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts and other promises receivable	5,775	11,284
Furniture inventory - purchased	(1,534)	(817)
Prepaid expenses	(7,314)	4,033
Increase (decrease) in		
Accounts payable and accrued expenses	(9,289)	13,599
Net cash provided by (used in) operating activities	15,689	(40,458)
Cash flow from investing activities:		
Purchase of truck	(36,064)	(68,958)
Cash flows used in financing activities:		
Borrowings on long-term note	-	50,458
Repayments of long-term note	(9,677)	(8,558)
Net cash provided by (used in) financing activities	(9,677)	41,900
Net decrease in cash and cash equivalents	(30,052)	(67,516)
Cash and cash equivalents, beginning of year	316,087	383,603
Cash and cash equivalents, end of year	**$ 286,035**	**$ 316,087**
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 1,406**	**$ 1,648**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Furniture Resource Center, doing business as Furniture Bank of Southeastern Michigan (the "Organization") is a Michigan not-for-profit serving Metropolitan Detroit by providing families with a properly furnished home so that every child is getting a healthy start in life by sleeping in a warm bed or crib and that all useable furniture helps those who are most vulnerable live with dignity.

The Organization receives the majority of its support and revenue from programs service fees, contributions (cash and in-kind), and grants from local governmental agencies and foundations.

Basis of Presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions.

Net assets, revenues, support, expenses and gains or losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless restricted by the donor or law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Organization's operating revenue in excess of operating expense includes all operating revenues and expenses that are an integral part of its programs and supporting activities and the assets released from donor restrictions to support operating expenditures.

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (continued) - Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as deferred revenue. Consequently, at December 31, 2023 and 2022, contributions approximating $15,015 and $15,015, respectively, have not been recognized in the accompanying statements of activities because the condition on which they depend has not yet been met. These conditional contributions depend on the funds granted being used solely for the stated purpose and in accordance with the proposed budget.

Contributions of Nonfinancial Assets – The Organization receives various forms for in-kind contributions in the form of donated furniture and household items. In-kind contributions are reported at their estimated fair value on the date of receipt and reported as expense when utilized. Donated in-kind contributions are not sold and goods are only distributed for program use.

Cash and Cash Equivalents – The Organization considers all highly liquid investments purchased with original maturity of three months or less to be cash equivalents. The Organization maintains cash balances that at times throughout the year, may exceed federally insured limits. Management does not believe that Organization is exposed to any significant credit or other risk from such uninsured balances.

Accounts and Other Promises Receivable – Accounts and other promises receivable are recorded at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through an expense in the statement of activities and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account. No allowance was necessary at December 31, 2023 and 2022.

Furniture Inventory – The Organization maintains multiple warehouses of donated furniture to be distributed to clients as soon as practicable after they have been received. Inventory consists primarily of furniture, including mattresses and box springs, sofas, chairs, and tables contributed to the Organization. Inventory is stated at estimated fair value at the date of donation as determined by the average thrift store value of each item. Inventory that is purchased by the Organization consists of mattresses and bed frames. Purchased items are valued at the lower of cost or net realizable value.

Property and Equipment –Purchased property and equipment with a useful life in excess of one year is capitalized at cost. Major improvements are capitalized while ordinary maintenance and repairs are expensed. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment is depreciated using the straight-line method over the estimated useful lives.

Functional Expense – The Organization accumulates and reports its expenses by function as for program services, management and general activities, or fundraising purposes. Program services are activities that fulfill the purposes or mission of the Organization. Management and general activities include governance recordkeeping, budgeting and administration other than for direct conduct of program services.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fundraising and Cost Allocations – The Organization solicits funds for ongoing operations from a local foundation, community groups, and individuals. Such activities, however, do not include significant joint costs that qualify for allocation among the program services. Fundraising expenses are based on actual amounts paid and percentage of time allocated.

The financial statements also report certain categories of expenses that are attributable to more than one program or supporting services. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort. Depreciation, rent, insurance, postage and printing, professional fees, office supplies and telephone expenses are allocated between the programs and supporting services based on estimates such as salary allocations as determined by management.

Income Taxes – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from contributors. The Organization is not a private foundation. There were no temporary timing differences at December 31, 2023 and as such no deferred taxes have been recorded.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify any potential uncertain tax positions. The Organization treats interest and penalties attributed to income taxes, and reflects any changes for such, to the extent that they arise, as a component of its management and general expense.

The Organization concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2023, and it is not aware of any claims for such amounts by federal or state income tax authorities.

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 reported periods. Actual results could differ from those estimates.

Adoption of New Accounting Principles

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were the contributions receivables. The Organization adopted this standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Information – The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Management's Review of Subsequent Events – Events or transactions occurring after year-end through July 8, 2024, which is the date the financial statements were available to be issued, have been evaluated by management in the preparation of the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2023	2022	Depreciable Life - Years
Land	$ 16,000	$ 16,000	N/A
Warehouse and office building	385,584	385,584	5-39
Delivery truck	105,022	68,958	5
Land improvements	31,377	31,377	15
Office equipment and software	35,206	35,206	3-5
	573,189	537,125	
Accumulated depreciation	322,095	294,832	
	$ 251,094	**$ 242,293**	

Depreciation expense for the years ended December 31, 2023 and 2022 was $27,263 and $25,829, respectively.

NOTE 3 – DESCRIPTION OF LEASING ARRANGEMENTS

The Organization leases warehouse space for $2,100 per month on a one-year agreement that expired on May 31, 2024. The lease does not contain renewal options therefore a new lease was negotiated in 2024 and was set to begin on June 1, 2024 and expires on May 31, 2025 for $2,390 per month.

The Organization has a lease for office equipment that expires in August 2024 for $97 per month. In addition, the Organization leased two delivery trucks for $2,481 per month and the agreement expired in December 2023. The two leased delivery trucks were purchased in 2023 by the Organization.

At the inception of each lease arrangement, the Organization will determine whether a lease is a finance lease or operating lease and whether the lease should be classified as an right of use asset on the balance sheet with a corresponding liability.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 – NET ASSETS – WITH DONOR RESTRICTIONS

The Organization had assets subject to donor restrictions as listed below, for the year ended December 31:

	2023	2022
Subject to expenditures for specific purpose:		
Beds for Kids	$ -	$ 35,170
Subject to passage of time:		
United Way - future operations	25,000	30,000
Total net assets with donor restrictions	**$ 25,000**	**$ 65,170**

NOTE 5 – IN-KIND CONTRIBUTIONS

The Organization reported donated furniture as in-kind support revenue based on the estimated fair value at the date of donation as determined by the average thrift store value of each item. Total in-kind donations of furniture for the years ending December 31, 2023 and 2022 was $1,021,885 and $855,196, respectively.

The Organization records the fair value of contributed services in the financial statements if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by persons possessing those skills and would need to be purchased if they were not donated. For the year ended December 31, 2023 and 2022, the value of the contributed time is not reflected in these statements, since the recognition requirements have not been met.

NOTE 6 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets	
Cash and cash equivalents	$ 286,035
Receivables	27,205
Total financial assets held by the Organization	313,240
Less amounts with limits on usage	
Spendable net assets with donor purpose or time restrictions	25,000
Total financial assets available for general use within one year	**$ 288,240**