

The Furniture Bank of Metro Atlanta, Inc.

Audit of Financial Statements

September 30, 2019 & 2018

Independent Auditor's Report

To the Board of Directors of
Furniture Bank of Metro Atlanta, Inc.

I have audited the accompanying financial statements of Furniture Bank of Metro Atlanta, Inc. (FBMA) (a nonprofit organization), which comprise the statements of financial position and cash flows as of and for the years ended September 30, 2019 and 2018, and the related statements of activities and functional expenses the years ended September 30, 2019, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the FBMA's financial statements for the year ended September 30, 2018 and in my report dated April 18, 2019 I expressed an unqualified opinion thereon.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluation of the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Furniture Bank of Metro Atlanta, Inc. as of September 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

J. Lunsford CPA

January 28, 2020

Furniture Bank of Metro Atlanta, Inc.

Statements of Financial Position At September 30, 2019 and 2018

The Accompanying Notes are an Integral Part of These Financial Statements

| | <u>2019</u> | <u>2018</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 275,165 | \$ 235,798 |
| Grants and other receivables | 44,699 | 148,948 |
| Prepaid Expense | 40,321 | - |
| Inventory | 22,417 | 10,910 |
| Property and equipment - net of accumulated depreciation | 917,060 | 951,371 |
| Deposits | 700 | 700 |
| Total Assets | <u>1,300,362</u> | <u>1,347,727</u> |
| <hr/> | | |
| Liabilities | | |
| Accounts payable | \$ 30,946 | \$ 23,318 |
| Accrued vacation and sick pay | 60,201 | 38,863 |
| Accrued expenses | 8,534 | 11,254 |
| Total Liabilities | <u>99,681</u> | <u>73,435</u> |
| <hr/> | | |
| Net Assets | | |
| Without donor restrictions | 1,060,514 | 1,144,005 |
| With donor restrictions | 140,167 | 130,287 |
| Total Net Assets | <u>1,200,681</u> | <u>1,274,292</u> |
| Total Liabilities and Net Assets | <u>\$ 1,300,362</u> | <u>\$ 1,347,727</u> |

Furniture Bank of Metro Atlanta, Inc.

Statement of Activities For the Year Ended September 30, 2019 with Comparative Information for September 30, 2018

The Accompanying Notes are an Integral Part of These Financial Statements

| | Without Donor Restrictions | With Donor Restrictions | Total | 2018 |
|--|----------------------------------|----------------------------|------------------|------------------|
| Revenues, Gains and Other Support | | | | |
| Support | | | | |
| Government financial assistance | \$ 94,583 | \$ - | \$ 94,583 | \$ 237,975 |
| Individuals, organizations and foundations | 353,207 | 47,500 | 400,707 | 338,231 |
| Capital campaign | - | 55,000 | 55,000 | 65,000 |
| Total Support | 447,790 | 102,500 | 550,290 | 641,206 |
| Special events | 171,607 | - | 171,607 | 165,316 |
| Program service fees | 485,459 | - | 485,459 | 508,124 |
| Non-cash donations | 513,479 | - | 513,479 | 465,469 |
| Other Revenues and Gains | 1,170,545 | - | 1,170,545 | 1,138,909 |
| Support Provided by Expiring Time and Purpose Restrictions | 92,620 | (92,620) | - | - |
| Total Revenues, Gains and Other Support | 1,710,955 | 9,880 | 1,720,835 | 1,780,115 |
| Expenses | | | | |
| Program Services | 1,560,695 | - | 1,560,695 | 1,501,464 |
| Total Program Services | 1,560,695 | - | 1,560,695 | 1,501,464 |
| Management and General | 119,782 | - | 119,782 | 83,428 |
| Fundraising | 113,969 | - | 113,969 | 117,533 |
| Total Expenses | 1,794,446 | - | 1,794,446 | 1,702,425 |
| Change in Net Assets | (83,491) | 9,880 | (73,611) | 77,690 |

Furniture Bank of Metro Atlanta, Inc.

Statement of Functional Expense For the Year Ended September 30, 2019 with Comparative Information for September 30, 2018

The Accompanying Notes are an Integral Part of These Financial Statements

| | Program Services | Management & General | Fundraising | Total | 2018 |
|--------------------------------|---------------------|-------------------------|-------------------|---------------------|---------------------|
| Salaries | \$ 378,025 | \$ 47,253 | \$ 47,253 | \$ 472,531 | \$ 411,128 |
| Payroll taxes & benefits | 63,011 | 7,876 | 7,876 | 78,763 | 80,653 |
| Capital Campaign | 8,224 | - | - | 8,224 | 10,889 |
| Communication | 8,663 | 2,310 | 578 | 11,551 | 8,304 |
| Contract labor | 33,311 | - | - | 33,311 | 10,565 |
| Donated furniture distribution | 513,479 | - | - | 513,479 | 465,469 |
| Furniture distribution | 70,711 | - | - | 70,711 | 57,839 |
| Insurance | 34,047 | 1,677 | - | 35,724 | 69,485 |
| Intern programs | 21,250 | - | - | 21,250 | 14,750 |
| Occupancy | 14,246 | 3,799 | 950 | 18,995 | 19,008 |
| Office expense | 9,499 | 25,781 | 9,951 | 45,231 | 36,841 |
| Professional development | 3,883 | - | - | 3,883 | 3,983 |
| Professional fees | - | 5,785 | - | 5,785 | 5,785 |
| Promotion | 2,086 | 25,301 | - | 27,387 | 19,200 |
| Purchases | 135,501 | - | - | 135,501 | 132,807 |
| Special events | - | - | 47,361 | 47,361 | 42,534 |
| Strategic Plan Development | - | - | - | - | 14,500 |
| Veteran employment program | 100,440 | - | - | 100,440 | 178,711 |
| Warehouse & truck | 83,848 | - | - | 83,848 | 48,762 |
| Bad debt | 660 | - | - | 660 | - |
| Depreciation | 79,811 | - | - | 79,811 | 71,212 |
| | \$ 1,560,695 | \$ 119,782 | \$ 113,969 | \$ 1,794,446 | \$ 1,702,425 |

Furniture Bank of Metro Atlanta, Inc.

Statement of Cash Flows For the Years Ended September 30, 2019 and 2018

The Accompanying Notes are an Integral Part of These Financial Statements

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Operating Activities: | | |
| Cash Inflows for Operations: | | |
| Government financial assistance | \$ 94,583 | \$ 237,975 |
| Individuals, organizations and foundations | 356,008 | 287,060 |
| Capital campaign | 55,000 | 65,000 |
| Special events | 171,607 | 165,316 |
| Program service fees | 485,459 | 508,124 |
| Cash Outflows for Operations: | | |
| Payments for Salaries, Benefits, and Payroll Taxes | (551,294) | (491,781) |
| Payments to Vendors | (526,496) | (662,332) |
| Net Cash Provided by Operating Activities | 84,867 | 109,362 |
| Investing Activities: | | |
| Purchase of Fixed Assets | (45,500) | (74,653) |
| Net Cash Used by Investing Activities | (45,500) | (74,653) |
| Change in Cash and Cash Equivalents | 39,367 | 34,709 |
| Cash and Cash Equivalents at Beginning of Year | 235,798 | 201,089 |
| Cash and Cash Equivalents at End of Year | \$ 275,165 | \$ 235,798 |

Furniture Bank of Metro Atlanta, Inc.

Notes to Financial Statements September 30, 2019 and 2018

Note 1: Organization and Nature of Activities

Furniture Bank of Metro Atlanta, Inc. (FBMA) was incorporated in the state of Georgia in September 1988 as a nonprofit organization. FBMA was founded in response to the lack of furniture for families moving out of homelessness and partners with over 200 non-profit agencies that screen and refer clients. FBMA is the only agency in the Atlanta metropolitan area whose mission is to provide free furniture to people in need.

Note 2: Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use, that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets 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.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Functional Expenses

The costs of providing the various programs and events are shown on the statement of activities under expenses. Accordingly, certain costs, as shown on the statement of functional expenses have been allocated among the programs and events benefited. Management charges costs related directly to programs conducted by FBMA directly to those programs. Management reviews other indirect costs such as occupancy, office expense and other expenses required to run the programs or events and allocates the appropriate share of these costs accordingly.

Furniture Bank of Metro Atlanta, Inc.

Notes to Financial Statements September 30, 2019 and 2018

Note 2: Summary of Significant Accounting Policies - continued

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Donated Assets and Services

Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These services are recorded at their estimated fair values in the period received.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalents may exceed federally insured amounts. FBMA believes that it mitigates risks by depositing cash and investing in cash equivalents with major financial institutions.

Property and Equipment

FBMA capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are recorded at cost or fair value for contributed property and equipment and depreciated over the estimated useful lives of three to thirty-nine years using the straight-line method. Depreciation expense for the years ended September 30, 2019 and 2018 amounted to \$79,811 and \$71,212, respectively.

Property and equipment September 30, 2019 and 2018 consists of the following:

| | 2019 | 2018 |
|-----------------------------------|-------------------|-------------------|
| Building and Improvements | \$ 970,664 | \$ 970,664 |
| Trucks | 392,074 | 346,574 |
| Furniture and Fixtures | 17,618 | 17,618 |
| Total | 1,380,356 | 1,334,856 |
| Less Accumulated Depreciation | (463,296) | (383,485) |
| Net Property and Equipment | \$ 917,060 | \$ 951,371 |

Revenue Recognition and Expenses

Contributions are recorded in the year they are received or pledged. Program services include expenses incurred in line with the purpose of FBMA.

FBMA depends heavily on contributions and grants for its public support. The ability of some of FBMA's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to FBMA.

Furniture Bank of Metro Atlanta, Inc.

Notes to Financial Statements September 30, 2019 and 2018

Note 2: Summary of Significant Accounting Policies - continued

Income Taxes

FBMA is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (the Code). FBMA had no significant unrelated business taxable income during FYE 09/30/2019. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements

FBMA applies the provisions of accounting standards for income taxes. These standards require that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. FBMA does not believe its financial statements include any material uncertain tax positions. FBMA is no longer subject to Federal or State income tax examination by tax authorities for years prior to FYE 09/30/ 2016.

Change in Accounting Principles

The organization implemented FASB ASU No. 2016-14 during the year ended September 30, 2019, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- * The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- * The unrestricted net asset class had been renamed net assets without donor restrictions.
- * The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for users of our financial statements.
- * The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at October 1, 2018:

| Net Asset Class | As Originally Presented | After Adoption of ASU 2016-14 |
|---------------------------------------|----------------------------|----------------------------------|
| Unrestricted net assets | \$ 1,144,005 | \$ - |
| Temporarily restricted net assets | 130,287 | |
| Permanently restricted | - | |
| Net assets without donor restrictions | | 1,144,005 |
| Net assets with donor restrictions | | 130,287 |
| Total net assets | \$ 1,274,292 | \$ 1,274,292 |

Note 3: Commitments, Contingencies and Subsequent Events

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of FBMA deems the contingency to be unlikely. The grants and contracts are subject to audit by the grantor. They have the authority to determine liabilities or limits or suspend participation in the various sponsored programs.

FBMA has evaluated subsequent events through January 28, 2020 which is the date the financial statements were prepared. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

Furniture Bank of Metro Atlanta, Inc.

Notes to Financial Statements September 30, 2019 and 2018

Note 4: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2019 and 2018 are:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 275,165 | \$ 235,798 |
| Grants and other receivables | 44,699 | 148,948 |
| Prepaid expense | 40,321 | - |
| Total financial assets | 360,185 | 384,746 |
| Less financial assets held to meet donor-imposed restrictions | (140,167) | (130,287) |
| Amount available for general expenditures within one year | \$ 220,018 | \$ 254,459 |

Note 5: Net Assets With Donor Restrictions

| Purpose/Donor | 2019 | 2018 |
|-------------------------------|-------------------|-------------------|
| Veteran Employment Program | \$ 12,961 | \$ 36,067 |
| Capital Campaign | 39,376 | 57,500 |
| Emergency Beds United Way | 23,385 | 26,625 |
| Home Again United Way Program | 22,545 | 10,095 |
| Million Matters | 19,400 | - |
| Foundation Funds Prepaid | 22,500 | - |
| | \$ 140,167 | \$ 130,287 |

Note 6: Grants and Accounts Receivable

FBMA has not set up an allowance for doubtful accounts as of September 30, 2019 and 2018, respectively. FBMA considers all receivables to be collectible as September 30, 2019 and 2018, respectively.

Note 7: Retirement Plan

During 2004, FBMA adopted a Simple IRA retirement plan. The plan is available to all employees earning at least \$5,000 as described in the plan document. Contributions to the plan are made by participating employees through salary deferrals. The plan also provides that FBMA will match each participant's deferral on a dollar-for-dollar basis up to 3% of each participant's compensation. FBMA contributed \$4,189 and \$3,069 to the plan for the years ended September 30, 2019 and 2018 respectively.

Note 7: Fair Value Measurements

FBMA reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used are

Furniture Bank of Metro Atlanta, Inc.

Notes to Financial Statements September 30, 2019 and 2018

Note 7: Fair Value Measurements - continued

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 - Inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets in markets that are not active
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means

Level 3 - Unobservable inputs for the asset or liability. These should be used to measure the fair value to the extent that observable inputs are unavailable.

When available, FBMA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for all of the assets and liabilities that FBMA may be required to measure fair value (for example, in-kind contributions).

End of Footnotes