

**FURNITURE BANK OF CENTRAL OHIO**  
Columbus, Ohio

**Financial Statements**  
**For the period from July 1, 2009 through December 31, 2010**

**and Independent Auditors' Report Thereon**

## CONTENTS

|   |   |
|---|---|
| INDEPENDENT AUDITORS' REPORT                                      | 1 |
| FINANCIAL STATEMENTS  |   |
| Statement of Financial Position, December 31, 2010                | 2 |
| Statements for the period July 1, 2009 through December 31, 2010: |   |
| Activities  | 3 |
| Functional Expenses   | 4 |
| Cash Flows  | 5 |
| Notes to Financial Statements                                     | 6 |



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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Furniture Bank of Central Ohio  
Columbus, Ohio

We have audited the accompanying statement of financial position of Furniture Bank of Central Ohio (Organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the period from July 1, 2009 through December 31, 2010. These financial statements are the responsibility of the Organization's management. 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 of material misstatements. Our audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Furniture Bank of Central Ohio as of December 31, 2010, and the changes in its net assets and its cash flows for the period from July 1, 2009 through December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

*SCHNEIDER DOWNS & CO., INC.*

Columbus, Ohio  
May 19, 2011

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THE FURNITURE BANK OF CENTRAL OHIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

ASSETS

CURRENT ASSETS:

|   |                     |
|---|---------------------|
| Cash and cash equivalents                   | \$ 112,609          |
| Accounts receivable                         | 30,495              |
| Unconditional promises to give, net         | 244,769             |
| Inventory                                   | 254,497             |
| Prepaid expenses                            | 6,419               |
| Total Current Assets                        | <u>648,789</u>      |
| PROPERTY AND EQUIPMENT, net                 | 1,038,446           |
| BENFICIAL INTEREST IN ASSETS HELD BY OTHERS | 10,006              |
| DEPOSITS                                    | 3,953               |
| Total Assets                                | <u>\$ 1,701,194</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

|                                     |                     |
|-------------------------------------|---------------------|
| Current maturity of note payable    | \$ 13,218           |
| Accounts payable                    | 24,513              |
| Accrued expenses                    | 39,621              |
| Deferred revenue                    | 39,930              |
| Total Current Liabilities           | <u>117,282</u>      |
| NOTE PAYABLE, LESS CURRENT MATURITY | <u>298,728</u>      |
| Total Liabilities                   | <u>416,010</u>      |
| NET ASSETS                          |                     |
| Unrestricted:                       |                     |
| Undesignated                        | 1,057,396           |
| Board designated                    | 34,250              |
| Temporarily restricted              | 193,538             |
| Total Net Assets                    | <u>1,285,184</u>    |
| Total Liabilities And Net Assets    | <u>\$ 1,701,194</u> |

See notes to financial statements.

THE FURNITURE BANK OF CENTRAL OHIO

STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM JULY 1, 2009 THROUGH DECEMBER 31, 2010

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|---------------------|
| <b>PUBLIC SUPPORT AND REVENUE</b>         |                     |                                   |                     |
| <b>In-kind contributions</b>              |                     |                                   |                     |
| Furniture, equipment, and household goods | \$ 3,006,424        | -                                 | \$ 3,006,424        |
| Warehouse space                           | 236,140             | -                                 | 236,140             |
| Service                                   | 23,144              | -                                 | 23,144              |
| Miscellaneous                             | 17,073              | -                                 | 17,073              |
| Contributions                             | 1,059,410           | \$ 193,538                        | 1,252,948           |
| Agency fees                               | 315,118             | -                                 | 315,118             |
| Furniture deliveries and pick-ups         | 311,470             | -                                 | 311,470             |
| Rental Income                             | 34,200              | -                                 | 34,200              |
| Miscellaneous                             | 7,259               | -                                 | 7,259               |
| Interest                                  | 962                 | -                                 | 962                 |
| <b>Total Public Support And Revenue</b>   | <u>5,011,200</u>    | <u>193,538</u>                    | <u>5,204,738</u>    |
| <b>EXPENSES</b>                           |                     |                                   |                     |
| Program                                   | 4,551,842           | -                                 | 4,551,842           |
| Management and general                    | 289,789             | -                                 | 289,789             |
| Fundraising                               | 318,269             | -                                 | 318,269             |
| <b>Total Expenses</b>                     | <u>5,159,900</u>    | <u>-</u>                          | <u>5,159,900</u>    |
| <b>CHANGE IN NET ASSETS</b>               | (148,700)           | 193,538                           | 44,838              |
| <b>NET ASSETS</b>                         |                     |                                   |                     |
| Beginning of year                         | <u>1,240,346</u>    | <u>-</u>                          | <u>1,240,346</u>    |
| End of year                               | <u>\$ 1,091,646</u> | <u>\$ 193,538</u>                 | <u>\$ 1,285,184</u> |

See notes to financial statements.

THE FURNITURE BANK OF CENTRAL OHIO

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE PERIOD FROM JULY 1, 2009 THROUGH DECEMBER 31, 2010

|   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
|---|-----------------------------|-----------------------------------|--------------------|---------------------|
| Personnel, salaries, and payroll taxes                    | \$ 860,824                  | \$ 207,556                        | \$ 95,053          | \$ 1,163,433        |
| Public relations  | 73,766                      | 9,835                             | 14,753             | 98,354              |
| Facilities and catering                                   | 23,948                      | -                                 | 72,712             | 96,660              |
| Depreciation  | 94,809                      | -                                 | -                  | 94,809              |
| Truck rental and fuel                                     | 73,272                      | -                                 | 1,216              | 74,488              |
| Professional fees   | -                           | 23,988                            | 48,822             | 72,810              |
| Miscellaneous   | 15,666                      | 15,666                            | 31,332             | 62,664              |
| Repairs and maintenance                                   | 46,459                      | -                                 | -                  | 46,459              |
| Bad debts   | 26,524                      | -                                 | 17,900             | 44,424              |
| Insurance   | 41,173                      | 1,106                             | -                  | 42,279              |
| Telephone & Computer                                      | 34,589                      | 3,982                             | 1,649              | 40,220              |
| Supplies  | 29,455                      | 3,682                             | 3,682              | 36,819              |
| Interest  | 30,872                      | -                                 | -                  | 30,872              |
| Utilities   | 21,860                      | 2,516                             | 1,043              | 25,419              |
| Postage   | 9,219                       | 2,305                             | 11,524             | 23,048              |
| Printing and invitations                                  | 852                         | -                                 | 3,407              | 4,259               |
|   | <u>1,383,288</u>            | <u>270,636</u>                    | <u>303,093</u>     | <u>1,957,017</u>    |
| In-kind expenses  |                             |                                   |                    |                     |
| Warehouse and office space                                | 236,140                     | -                                 | -                  | 236,140             |
| Furniture, equipment, and household<br>goods distribution | 2,926,526                   | -                                 | -                  | 2,926,526           |
| Service   | 3,991                       | 19,153                            | -                  | 23,144              |
| Miscellaneous   | 1,897                       | -                                 | 15,176             | 17,073              |
|   | <u>3,168,554</u>            | <u>19,153</u>                     | <u>15,176</u>      | <u>3,202,883</u>    |
|   | <u>\$ 4,551,842</u>         | <u>\$ 289,789</u>                 | <u>\$ 318,269</u>  | <u>\$ 5,159,900</u> |

See notes to financial statements.

THE FURNITURE BANK OF CENTRAL OHIO

STATEMENT OF CASH FLOW  
FOR THE PERIOD FROM JULY 1, 2009 THROUGH DECEMBER 31, 2010

|  | <u>2010</u>       |
|--|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |
| Change in net assets   | \$ 44,838         |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                   |
| Depreciation   | 94,809            |
| Change in assets and liabilities:  |                   |
| Accounts receivable  | (81,178)          |
| Inventory  | (79,898)          |
| Prepaid expenses   | 605               |
| Other assets   | 1,113             |
| Accounts payable   | (8,620)           |
| Accrued liabilities  | 10,073            |
| Deferred revenue   | (27,907)          |
|  | <u>(27,907)</u>   |
| Net Cash Used In Operating Activities  | (46,165)          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |
| Purchases of property and equipment  | (109,272)         |
| Proceeds from sale of marketable securities, net   | 3,570             |
| Net Cash Used In Investing Activities  | <u>(105,702)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                   |
| Payments on note payable   | <u>(19,432)</u>   |
| Net Decrease In Cash And Cash Equivalents  | (171,299)         |
| <b>CASH AND CASH EQUIVELANTS</b>   |                   |
| Beginning of Period  | <u>283,908</u>    |
| End of Period  | <u>\$ 112,609</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                    |                   |
| Cash paid for interest   | <u>\$ 25,419</u>  |

**SUPPLEMENTAL SCHEDULE OF NONCASH OPERATING ACTIVITY**

During the period the Organization received contributions of warehouse and office space, inventory, property and equipment, services and other products at fair value totaling \$3,282,781.

During the period the Organization incurred expenses from the contributed warehouse and office space, inventory, and services at fair value totaling \$3,202,833.

See notes to financial statements.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**NOTE 1 - ORGANIZATION**

The Furniture Bank of Central Ohio (the Organization) is a nonprofit corporation formed in 1998 to provide furniture and household goods to families in need in Columbus, Ohio and the surrounding area. The Organization is funded primarily by individual and corporate contributions and fees are charged to local agencies that identify, evaluate and sponsor families in need.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

**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, along with disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The Organization maintains its cash in various financial institutions. Balances may exceed federally insured amounts at times. The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Accounts Receivable** - The Organization performs ongoing credit evaluations of its clients and generally does not require collateral. Accounts, contributions and pledge receivables are stated at their net realizable value. Provisions are made for estimated uncollectible receivables. The Organization's estimate of the allowance is based on historical collection experience, a review of current status of trade receivables and judgment. Accounts receivable are generally due 30 days after billing and are determined to be past due or delinquent when collection is not received by the due date. Decisions to charge-off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. No allowance was deemed necessary as of December 31, 2010.

**Promises to Give** - Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management provides an allowance for probable uncollectible pledges based upon its assessment of the current status of individual pledges. Management deems a pledge to be uncollectible after all reasonable collection efforts have been exhausted. Once a pledge is determined to be uncollectible, it is written off through a charge to the allowance. As of December 31, 2010, the allowance for doubtful accounts totaled approximately \$16,300.

**Inventory** - Inventory consists of furniture and household goods contributed to the Organization. Inventory is stated at fair value at the date of donation.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Beneficial Interest in Assets Held by Others - During the year ended June 30, 2007, the Organization made contributions to a component fund of The Columbus Foundation. These contributions were made primarily so that these funds could be managed using The Columbus Foundation's investment management expertise, with the expectation that the Organization could periodically, as determined by the Organization's Board of Trustees, take distributions to fund the Organization's operations. If the Organization ceases to exist, or if the Board of Trustees of The Columbus Foundation determines that support of the Organization is no longer necessary, or is inconsistent with the needs of the community, The Columbus Foundation retains the right to substitute another beneficiary in place of the Organization. The possibility that these circumstances will arise is remote.

Classification of Net Assets - Resources are classified into two net asset categories according to donor-imposed restrictions. A description of these categories follows:

Unrestricted - Net assets that are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. The Board has designated \$34,250 of the unrestricted net assets to be used for the purpose of capital improvements.

Temporarily Restricted - Net assets whose use by the Organization is limited by the donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization. Donor-imposed stipulations that will be met in the same period in which the revenue is received are immediately classified in unrestricted net assets in the statement of activities. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization used warehouse space provided by a local donor at no cost to store excess inventory. The fair value of the rent-free use of the warehouse space was \$236,140 for the eighteen month period ended December 31, 2010.

Donated Goods - Non-cash donations of furniture, equipment and household goods are recorded as contributions at their estimated fair values at the date of donation.

Donated Property and Equipment - Donations of property and equipment used in operations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Donated Services - Many individuals volunteer their time and perform a variety of tasks including assistance with fundraising events, solicitation of contributions of goods and services from organizations and individuals, and management of donated furniture pick-up and distribution. These services have not been recognized as contributions in the accompanying financial statements because the Organization's management does not consider the recognition criteria under *ASC Topic 958 Not-for-Profit Entities - Revenue Recognition* to have been met.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue - Income from agency fees is deferred and recognized over the periods to which the fees relate.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes - The Organization is an Ohio nonprofit corporation and is exempt from federal income tax under 501 (c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Subsequent Events - Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through May 19, 2011, the date on which the financial statements were available to be issued.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2010 are as follows:

|                                       | <u>2010</u>       |
|---------------------------------------|-------------------|
| Unrestricted                          |                   |
| Undesignated                          | \$ 48,271         |
| Board designated                      | 34,250            |
| Temporary Restricted                  |                   |
| Dresser Building Fundraiser           | 120,246           |
| Big Hearts 2011 Fundraiser            | <u>58,292</u>     |
| Total Unconditional Promises To Give  | <u>261,069</u>    |
| Receivables due in less than one year | 261,069           |
| Less                                  |                   |
| Allowance                             | <u>(16,300)</u>   |
| Net Unconditional Promises To Give    | <u>\$ 244,769</u> |

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

|   | <u>2010</u>         |
|---|---------------------|
| Building and improvements                 | \$ 935,635          |
| Furniture, equipment, and household goods | 123,243             |
| Vehicles and trailers                     | <u>156,228</u>      |
|   | 1,215,106           |
| Less accumulated depreciation             | <u>(276,660)</u>    |
|   | 938,446             |
| Land                                      | <u>100,000</u>      |
|   | <u>\$ 1,038,446</u> |

NOTE 5 - LINE OF CREDIT

The Organization has a \$100,000 revolving line of credit with a commercial bank bearing interest at the bank's prime rate, 3.25% at December 31, 2010, plus 1.5%. Interest is payable monthly. Any outstanding balance is secured by substantially all assets of the Organization. There was no outstanding balance as of December 31, 2010.

NOTE 6 - NOTE PAYABLE

|   | <u>2010</u>       |
|---|-------------------|
| Loan agreement with a bank, with monthly interest payments of 5.25% maturing July 30, 2015. Payable in 59 regular monthly payments of \$1,966 and one balloon payment on July 30, 2015 of \$245,265. The note is collateralized by real estate. | \$ 311,946        |
| Less current maturity   | <u>(13,218)</u>   |
|   | <u>\$ 298,728</u> |

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 6 - NOTE PAYABLE (Continued)

Principal payments due during the next two years are as follow:

|      |    |                |
|------|----|----------------|
| 2011 | \$ | 13,218         |
| 2012 |    | 13,908         |
| 2013 |    | 14,697         |
| 2014 |    | 15,485         |
| 2015 |    | <u>254,638</u> |
|      | \$ | <u>311,946</u> |

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

|                             | <u>2010</u>       |
|-----------------------------|-------------------|
| Dresser Building Fundraiser | \$ 120,246        |
| Big Hearts 2011 Fundraiser  | 58,292            |
| Other                       | <u>15,000</u>     |
| Total                       | \$ <u>193,538</u> |

NOTE 8 - FAIR VALUE MEASUREMENTS

The Organization has adopted Financial Accounting Standards Board (FASB) framework for measuring fair value and expanded disclosures about fair value measurements. This guidance establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards also establish a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 8 - FAIR VALUE MEASUREMENTS (Continued)

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

The Beneficial Interest in assets held by others consists of pooled investments, which are valued at the Organization's portion of the net asset value of shares held by the pool at year-end. This financial instrument is deemed to be a Level 2 input.

The methods described above might produce a fair value calculation that might not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 9 - RENTAL INCOME

The Organization leases a portion of its facility on a month-to-month basis. Rental income totaled \$34,200 for the eighteen month period ended December 31, 2010.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE 10 - OPERATING LEASE

The Organization has a noncancelable operating lease for a phone system. The lease expires in August 2012 and contains a renewal option for an additional 36-month term. Rental expense under the lease totaled \$4,943 for the eighteen months ended December 31, 2010.

Future minimum lease payments for the next two years are as follows:

|      |    |              |
|------|----|--------------|
| 2011 | \$ | 3,295        |
| 2012 |    | <u>2,197</u> |
|      | \$ | <u>5,492</u> |

NOTE 11 - RELATED-PARTY TRANSACTIONS

The Organization receives cash and in-kind contributions from members of the Board of Directors, their employers, the Organization's management, and their family members, which are considered related party transactions. During the period ended December 31, 2010, the Organization recorded contribution revenue from related parties in the amounts of \$303,766. Unconditional promises to give from related parties as of December 31, 2010 were \$1,540.

NOTE 12- SIGNIFICANT ESTIMATES

Management has estimated the fair value of the warehouse and office space, inventory, property and equipment, services, and other products that were contributed to the Organization during eighteen-month period ended December 31, 2010 based on information provided by donors, and by making judgments regarding the condition, age and quality of the donated items. These contributions represent a significant portion of the Organization's revenue.