

FURNITURE BANK OF CENTRAL OHIO
Columbus, Ohio

Financial Statements
For the years ended December 31, 2016 and 2015
and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Furniture Bank of Central Ohio
Columbus, Ohio

We have audited the accompanying financial statements of the Furniture Bank of Central Ohio (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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, 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 Organization as of December 31, 2016 and 2015, and the change 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.

Schneider Downs & Co., Inc.

Columbus, Ohio
May 25, 2017

FURNITURE BANK OF CENTRAL OHIO

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,107,146	\$ 729,865
Accounts receivable, net	48,499	147,155
Unconditional promises to give, net	27,598	17,098
Inventory	440,760	347,366
Prepaid expenses	37,405	21,488
Other assets	13,335	5,973
Total Current Assets	1,674,743	1,268,945
PROPERTY AND EQUIPMENT, NET	1,224,962	910,959
UNCONDITIONAL PROMISES TO GIVE, NET	15,000	30,000
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	99,015	99,555
DEPOSITS	32,037	32,037
Total Assets	\$ 3,045,757	\$ 2,341,496
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturity of notes payable	\$ 77,724	\$ 37,022
Accounts payable	13,946	1,913
Accrued expenses	115,915	62,598
Deferred revenue	94,543	212,621
Total Current Liabilities	302,128	314,154
DEFERRED RENT LIABILITY	119,738	-
NOTES PAYABLE, LESS CURRENT MATURITY	291,884	146,472
Total Liabilities	713,750	460,626
NET ASSETS		
Unrestricted	2,018,507	1,829,750
Temporarily restricted	313,500	51,120
Total Net Assets	2,332,007	1,880,870
Total Liabilities And Net Assets	\$ 3,045,757	\$ 2,341,496

See notes to financial statements.

FURNITURE BANK OF CENTRAL OHIO

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
In-kind contributions			
Furniture, equipment and household goods	\$ 1,854,661	-	\$ 1,854,661
Services	800	-	800
Vehicle	8,000	-	8,000
Contributions	1,160,092	\$ 277,500	1,437,592
Agency and delivery fees	761,018	-	761,018
Sales revenue, net of discounts	672,618	-	672,618
Rental Income	24,000	-	24,000
Miscellaneous	11,022	-	11,022
Interest	458	-	458
Net assets released from restriction due to time and purpose satisfaction	15,120	(15,120)	-
Total Public Support And Revenue	4,507,789	262,380	4,770,169
EXPENSES			
Program	3,800,597	-	3,800,597
Management and general	186,139	-	186,139
Fundraising	332,296	-	332,296
Total Expenses	4,319,032	-	4,319,032
Change In Net Assets	188,757	262,380	451,137
NET ASSETS			
Beginning of year	1,829,750	51,120	1,880,870
End of year	\$ 2,018,507	\$ 313,500	\$ 2,332,007

2015		
Unrestricted	Temporarily Restricted	Total
\$ 2,558,480	-	\$ 2,558,480
-	-	-
-	-	-
1,157,762	\$ 45,120	1,202,882
767,349	-	767,349
-	-	-
26,100	-	26,100
3,169	-	3,169
728	-	728
41,500	(41,500)	-
4,555,088	3,620	4,558,708
3,775,223	-	3,775,223
147,361	-	147,361
307,734	-	307,734
4,230,318	-	4,230,318
324,770	3,620	328,390
1,504,980	47,500	1,552,480
<u>\$ 1,829,750</u>	<u>\$ 51,120</u>	<u>\$ 1,880,870</u>

See notes to financial statements.

FURNITURE BANK OF CENTRAL OHIO

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			
	Program Services	Management and General	Fundraising	Total
Personnel, salaries and payroll taxes	\$ 1,124,899	\$ 150,528	\$ 174,746	\$ 1,450,173
Facility expense	364,111	12,137	28,320	404,568
Depreciation	105,956	3,532	8,241	117,729
Vehicle expense	87,417	-	-	87,417
Telephone, computer, office equipment	53,135	2,852	4,428	60,415
Utilities	49,660	1,655	3,862	55,177
Insurance	44,333	1,478	3,448	49,259
Miscellaneous	39,298	4,752	3,637	47,687
Postage, printing, freight expense	17,615	-	29,124	46,739
Furniture building expense	43,955	-	-	43,955
Public relations	12,883	-	31,055	43,938
Professional fees	26,525	6,351	7,413	40,289
Special events expense	1,811	-	34,518	36,329
Office/warehouse supplies	30,723	1,649	2,561	34,933
Cost of goods sold	15,388	-	-	15,388
Interest	12,135	405	943	13,483
Bad debt expense	2,863	-	-	2,863
	2,032,707	185,339	332,296	2,550,342
In-kind expenses:				
Furniture, equipment and household goods distribution	1,618,987	-	-	1,618,987
Furniture manufacturing materials	84,683	-	-	84,683
Services	-	800	-	800
Miscellaneous	64,220	-	-	64,220
	1,767,890	800	-	1,768,690
	\$ 3,800,597	\$ 186,139	\$ 332,296	\$ 4,319,032

2015

Program Services	Management and General	Fundraising	Total
\$ 805,664	\$ 113,298	\$ 174,650	\$ 1,093,612
128,333	4,278	9,981	142,592
100,058	3,335	7,782	111,175
68,616	-	-	68,616
40,856	2,864	4,964	48,684
20,906	697	1,626	23,229
41,127	1,371	3,199	45,697
53,558	1,539	3,788	58,885
10,719	-	21,422	32,141
32,057	-	-	32,057
5,430	-	25,142	30,572
32,246	18,792	10,989	62,027
-	-	32,277	32,277
13,179	924	1,601	15,704
-	-	-	-
7,883	263	613	8,759
9,005	-	9,700	18,705
1,369,637	147,361	307,734	1,824,732
2,260,200	-	-	2,260,200
93,841	-	-	93,841
-	-	-	-
51,545	-	-	51,545
2,405,586	-	-	2,405,586
\$ 3,775,223	\$ 147,361	\$ 307,734	\$ 4,230,318

See notes to financial statements.

FURNITURE BANK OF CENTRAL OHIO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 451,137	\$ 328,390
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	117,729	111,175
Change in beneficial interest	540	453
Inventory	(93,394)	(142,943)
Bad debt expense	2,863	18,705
In-kind vehicle contribution	(8,000)	-
Change in assets and liabilities:		
Accounts receivable	98,656	(64,463)
Unconditional promises to give	1,637	57,760
Prepaid expenses	(15,917)	4,771
Deposits	-	(19,975)
Other assets	(7,362)	(5,973)
Accounts payable	12,033	(18,489)
Accrued liabilities	53,317	(9,041)
Deferred revenue	(118,078)	159,286
Deferred rent liability	119,738	-
	<u>614,899</u>	<u>419,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(423,732)	(13,282)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	250,000	-
Payments on note payable	(63,886)	(38,226)
	<u>186,114</u>	<u>(38,226)</u>
Net Cash Provided By (Used In) Financing Activities	<u>186,114</u>	<u>(38,226)</u>
Net Increase In Cash And Cash Equivalents	377,281	368,148
CASH AND CASH EQUIVALENTS		
Beginning of Year	<u>729,865</u>	<u>361,717</u>
End of Year	<u>\$ 1,107,146</u>	<u>\$ 729,865</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 12,778</u>	<u>\$ 8,759</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING TRANSACTIONS

During 2016, the Organization received a donated vehicle valued at \$8,000.

See notes to financial statements.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - ORGANIZATION

The Furniture Bank of Central Ohio (the Organization) is a nonprofit corporation formed in 1998 to reduce the impact of poverty by providing furniture and household goods to families in need in Columbus, Ohio and the surrounding area. The Organization serves approximately 4,000 families each year and is supported by furniture and monetary contributions from over 8,000 individual and corporate donors. The Organization partners with over 75 nonprofit and faith based organizations to serve families and cover delivery fees.

In 2016, the Furniture with a Heart thrift store was launched as a social enterprise to provide surplus revenue to the mission. The Furniture Bank also raised funds to start a second social enterprise, Downsize with a Heart, which was launched in January of 2017.

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 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, 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 year. 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 receivable 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. The allowance for uncollectible accounts was \$8,000 at December 31, 2016. No allowance was deemed necessary at December 31, 2015.

Promises to Give - Unconditional promises to give are recognized as revenue in the year 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. During the year ended December 31, 2015, conditional promises to give of \$125,000 were made contingent upon the approval for and opening of a thrift store, which had not been recognized (see Note 10). Cash of \$125,000 was received during 2015 related to the potential thrift store approval, which was recognized as deferred revenue. During the year ended December 31, 2016, the thrift store received zoning approval and began operations; therefore the conditional pledges were recognized as contribution revenue. 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.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory - Inventory consists primarily of furniture and household goods contributed to the Organization. Inventory is stated at estimated fair value at the date of donation. Inventory that is purchased by the Organization consists of mattresses and bed frames. These items are valued at the lower of cost or market. As of December 31, 2016, the value of purchased items was approximately 1.5% of total inventory. There were no purchased materials in inventory as of December 31, 2015.

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 based on the following estimated useful lives:

	<u>Years</u>
Building and improvements	3 to 30
Leasehold improvements	10
Furniture and equipment	3 to 10
Vehicles and trailers	1 to 5

Beneficial Interest in Assets Held by Others - The Organization has 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 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.

Temporarily Restricted - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization. Donor-imposed restrictions that will be met in the same year 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.

Permanently Restricted Net Assets - Net assets whose use by the Organization is permanently limited by donor-imposed restrictions. There were no permanently restricted net assets for the years ended December 31, 2016 and 2015.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Revenue from agency fees is recognized at the time a sponsored family selects furniture to meet their needs. Revenue from furniture deliveries is recognized at the time the furniture is delivered. Advance payments received from local sponsoring agencies are initially recorded as deferred revenue.

Revenue Recognition of 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.

Revenue Recognition of Thrift Store Sales - Revenue from thrift store sales is recognized at the point of sale. Additional revenue for optional delivery is recognized when the furniture is delivered.

Donated Services - Some individuals provide a variety of services, including marketing, designing and consulting services. The fair values of these services are recorded as in-kind contributions. In addition, 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, building furniture, 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.

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 Section 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). The Organization has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statement of activities for the years ended December 31, 2016 or 2015 related to uncertain tax positions. The Organization is no longer subject to U.S. federal or state tax examinations for years prior to 2013.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition. This new standard will replace all current Generally Accepted Accounting Principles (GAAP) guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that the Association should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for the Organization beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and right-of-use asset at the commencement date for all leases, with the exception of short-term leases. The accounting for leases by lessors is largely unchanged. This guidance will be effective for the Organization beginning January 1, 2020. The Organization is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This new ASU is intended to simplify and improve not-for-profit financial reporting.

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.
- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.
- Enhances disclosures for:
 - Self-imposed limits on the use of resources without donor-imposed restrictions
 - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
 - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the balance sheet date
 - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date.
 - Methods used to allocate costs among program and support functions
- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.
- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.
- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.
- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset.)

This guidance will be effective for the Organization beginning January 1, 2018. The Organization is currently evaluating the impact this standard will have on its financial statements.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 25, 2017, the date on which the financial statements were available to be issued.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 98	\$ 35,098
Temporarily Restricted	<u>42,500</u>	<u>45,000</u>
	42,598	80,098
Less - Allowance	<u>-</u>	<u>(33,000)</u>
	<u>\$ 42,598</u>	<u>\$ 47,098</u>
Amounts due in:		
Less than one year	\$ 27,598	\$ 17,098
One to five years	<u>15,000</u>	<u>30,000</u>
	<u>\$ 42,598</u>	<u>\$ 47,098</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The FASB has issued an accounting standard related to fair value measurements. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard 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. It defines fair value 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. It also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 2: Significant other observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant, unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Organization has adopted this standard. The following is a description of the Organization's valuation methodologies used to measure and disclose the fair values of its financial assets and liabilities on a recurring or nonrecurring basis:

Beneficial Interests in Asset Held by Others: Valued based upon the Organization's proportional share of the underlying assets and is valued on a recurring basis. However, because there is not currently an active market to observe quoted prices for beneficial interest in assets held by others, the assets are considered to be valued using unobservable inputs and are therefore considered to be Level 3 assets.

The carrying amounts of cash and cash equivalents, accounts receivable, grants, note and trade receivables, prepaid expenses, accounts payable and notes payable all approximate their fair values.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of December 31, 2016 and 2015:

	<u>Assets at Fair Value as of December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>\$ 99,015</u>	<u>\$ 99,015</u>
	<u>Assets at Fair Value as of December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>\$ 99,555</u>	<u>\$ 99,555</u>

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and Losses - The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets and liabilities for the year ended December 31, 2016:

Balance, beginning of year	\$ 99,555
Administration Fees, net	<u>(540)</u>
Balance, end of year	<u>\$ 99,015</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets and liabilities for the year ended December 31, 2015:

Balance, beginning of year	\$ 100,008
Administration Fees, net	<u>(453)</u>
Balance, end of year	<u>\$ 99,555</u>

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2015</u>
Building and improvements	\$ 1,005,779	\$ 1,005,779
Furniture and equipment	211,889	186,136
Vehicles and trailers	329,122	321,122
Leasehold improvements	<u>397,978</u>	<u>-</u>
	1,944,768	1,513,037
Less - Accumulated depreciation	<u>(819,806)</u>	<u>(702,078)</u>
	1,124,962	810,959
Land	<u>100,000</u>	<u>100,000</u>
	<u>\$ 1,224,962</u>	<u>\$ 910,959</u>

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 - 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, 3.75% at December 31, 2016. Interest is payable monthly. Any outstanding balance is secured by substantially all assets of the Organization. The line expires on October 1, 2017. There was no outstanding balance as of December 31, 2016 and 2015.

In October 2015, the Organization opened a \$250,000 non-revolving line of credit with a commercial bank. The draw period on this line expired May 5, 2016, at which time all outstanding draws converted to a five-year term loan bearing interest at the bank's prime rate, 3.75% at December 31, 2016.

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Loan agreement with a bank, maturing July 30, 2025. Payable in 120 regular payments of \$1,403, including interest at 4.90%. The note is collateralized by real estate.	\$ 117,623	\$ 128,312
Loan agreement with Daimler Truck Financial, maturing June 1, 2017. Payable in 60 regular monthly payments of \$812, including interest at 2.59%. The note is collateralized by a vehicle.	4,034	13,513
Loan agreement with Daimler Truck Financial, maturing November 1, 2017. Payable in 60 regular monthly payments of \$885, including interest at 2.99%. The note is collateralized by a vehicle.	8,743	18,990
Loan agreement with Daimler Truck Financial, maturing April 9, 2019. Payable in 60 regular monthly payments of \$593, including interest at 2.60%. The note is collateralized by a vehicle.	16,080	22,679
Loan agreement with a bank, maturing May 5, 2021. Payable in 59 regular payments of \$4,548, including interest at the bank's prime rate, 3.75% at December 31, 2016. A balloon payment of \$6,377 is due at maturity. The note is collateralized by all business assets.	223,128	-
	<u>369,608</u>	<u>183,494</u>
Current Maturities Notes Payable	<u>(77,724)</u>	<u>(37,022)</u>
Notes Payable, Less Current Maturities	\$ <u>291,884</u>	\$ <u>146,472</u>

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 - NOTES PAYABLE (Continued)

Principal payments due for years subsequent to December 31, 2016 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	\$ 77,724
2018	67,503
2019	65,391
2020	65,600
2021	38,045
Thereafter	<u>55,345</u>
	<u>\$ 369,608</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Programs	\$ 242,500	-
Special events	41,000	-
Operations - time restriction	30,000	\$ 51,000
Other	<u>-</u>	<u>120</u>
Total	<u>\$ 313,500</u>	<u>\$ 51,120</u>

NOTE 9 - RENTAL INCOME

The Organization leases a portion of its facility on a month-to-month basis. Rental income totaled \$24,000 and \$26,100 for the years ended December 31, 2016 and 2015, respectively.

NOTE 10 - OPERATING LEASES

On November 10, 2015, the Organization entered into a lease agreement for the retail and warehousing space for the thrift store. The terms of the lease did not take effect until January of 2016, as the lease was conditional upon the Organization obtaining proper zoning approval, which was obtained at that time. The lease, which terminates in 2026, requires monthly rent payments averaging approximately \$17,400 over the initial term of the lease. The Organization is also required to pay monthly real estate taxes with each rent payment, equal to one-twelfth of the assessed annual taxes on the property. The lease contains two five-year renewal options beyond the initial term, at the option of the Organization. Rental and tax expense under the lease totaled \$254,436 for the year ended December 31, 2016.

FURNITURE BANK OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 10 - OPERATING LEASES (Continued)

The Organization entered into a lease agreement for a warehouse on May 27, 2014. The lease agreement commenced on June 1, 2014 and was renewed on June 1, 2016. The lease will expire on May 31, 2018, with a two-year renewal option thereafter. Rental expense under the lease totaled \$94,071 and \$102,656 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	\$ 275,781
2018	227,820
2019	196,555
2020	206,383
2021	216,702
Thereafter	<u>1,138,755</u>
	\$ <u>2,261,996</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 years ended December 31, 2016 and 2015, the Organization recorded contribution revenue from related parties in the amounts of \$742,854 and \$647,308, respectively.

NOTE 12 - SIGNIFICANT ESTIMATES

Management has estimated the fair value of donated goods and services that were contributed to the Organization during the years ended December 31, 2016 and 2015 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.