DALLAS FURNITURE BANK

FINANCIAL STATEMENTS

Year Ended December 31, 2022

with

Independent Auditors' Report

DALLAS FURNITURE BANK

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HM&M
HUSELTON, MORGAN AND MAULTSBY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dallas Furniture Bank

Opinion

We have audited the accompanying financial statements of Dallas Furniture Bank (the "Organization")(a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, 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 Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 1 and 5 to the financial statements, the Financial Accounting Standards Board has issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing accounting standards for leases and requires entities to account for leases as either finance leases or operating leases and to recognize right-of-use lease assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the right-of-use asset, and for operating leases, lessees would recognize straight-line total rent expense. ASU 2016-02 also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. As amended, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization adopted the new standard using the modified retrospective approach effective January 1, 2022. The adoption of ASU 2016-02 had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. Our opinion is not modified with respect to that matter.

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, which raise substantial doubt about the Organization ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Organization's 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, which raise substantial doubt about the Organization's 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.

Huselton, Morgan + Maultsby, P.C.

Dallas, Texas
October 2, 2024

DALLAS FURNITURE BANK
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Current assets:		
Cash and cash equivalents	$	172,204
Accounts receivable, net		52,709
Inventories		199,805
Total current assets		424,718
Property and equipment, net		27,375
Operating lease right-of-use asset, net		155,361
Total assets	$	607,454

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	$	57,162
Current portion of operating lease liability		147,395
Total current liabilities		204,557
Operating lease liability, net		12,723
Total liabilities		217,280
Net assets:		
Without donor restrictions		376,761
With donor restrictions		13,413
Total net assets		390,174
Total liabilities and net assets	$	607,454

See accompanying notes to financial statements.

DALLAS FURNITURE BANK
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and revenue:			
Contributions	$ 1,359,114	$ 30,000	$ 1,389,114
Program service	377,477	-	377,477
Net assets released from restrictions	61,587	(61,587)	-
Total support and revenue:	1,798,178	(31,587)	1,766,591
Expenses:			
Program services	1,681,365	-	1,681,365
Management and general	83,914	-	83,914
Fundraising	53,398	-	53,398
Total expenses	1,818,677	-	1,818,677
Change in net assets	(20,499)	(31,587)	(52,086)
Net assets, beginning of year	397,260	45,000	442,260
Net assets, end of year	$ 376,761	$ 13,413	$ 390,174

See accompanying notes to financial statements.

DALLAS FURNITURE BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Totals
Furniture delivered	$ 1,217,744	$ -	$ -	$ 1,217,744
Personnel	245,234	21,424	9,519	276,177
Rent	126,090	3,010	4,682	133,782
Consulting fees	20,167	20,166	20,167	60,500
Professional fees	-	27,452	7,739	35,191
Utilities	14,820	354	550	15,724
Vehicle	15,353	-	-	15,353
Obsolescence	14,782	-	-	14,782
Insurance	4,090	4,090	4,090	12,270
Office	3,073	3,072	3,073	9,218
Miscellaneous	1,888	2,285	1,546	5,719
Information technology	1,466	1,465	1,466	4,397
Depreciation	3,970	95	147	4,212
Contract labor	3,729	326	145	4,200
Sales tax	3,869	92	144	4,105
Repairs and maintenance	3,490	83	130	3,703
Disposal fees	1,600	-	-	1,600
Total expenses	$ 1,681,365	$ 83,914	$ 53,398	$ 1,818,677

See accompanying notes to financial statements.

DALLAS FURNITURE BANK
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

Cash flows from operating activities:		
Change in net assets	$	(52,086)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		4,212
Non-cash operating lease expense		117,504
Obsolescence		14,782
(Increase) decrease in operating assets:		
Accounts receivable		(44,949)
Inventories		63,257
Prepaid expenses and other		8,640
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses		30,906
Operating lease liabilities		(112,747)
Net cash provided by operating activities		29,519
Cash flows from investing activities:		
Purchase of property and equipment		(31,587)
Net cash used by investing activities		(31,587)
Net decrease in cash and cash equivalents		(2,068)
Cash and cash equivalents, beginning of year		174,272
Cash and cash equivalents, end of year	$	172,204
Non-cash financing activities:		
Operating lease right-of-use assets obtained in exchange for lease obligations	$	272,865

See accompanying notes to financial statements.

DALLAS FURNITURE BANK
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Dallas Furniture Bank (the "Organization") was founded in 2002. The primary objective of the Organization is to distribute basic home furnishings to families in need, primarily in the North Texas area. The Organization receives contributions and donated furniture from businesses and individuals throughout the North Texas area. The Organization is governed by a board of directors composed of individuals from the city of Dallas and across North Texas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842), which requires leases to be recorded as an asset on the statement of activities for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 is effective for non-profit entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization adopted the new standard using the modified retrospective approach effective January 1, 2022, and utilized all of the available practical expedients. The adoption of ASU 2016-02 had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. See Note 5 for further discussion.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. ASU 2020-07 is effective for non-profit entities for fiscal years beginning after June 15, 2021, with early adoption permitted. The Organization adopted the new standard effective January 1, 2022. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Basis of Presentation

The Organization's net assets, revenues, gains and losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Net assets without donor restrictions – net assets not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
- Net assets with donor restrictions – net assets subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board approved spending policy. As of December 31, 2022, no such net asset restrictions existed.

Revenues 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 their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Fair Value of Financial Instruments

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, account receivables, accounts payable and accrued expenses. The Organization estimates that the fair value of all financial instruments as of December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash or cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable that are expected to be collected within one year are recorded at net realizable value. Multiyear contributions receivable is recorded after being discounted to the anticipated net present value of the estimated future cash flows. The Organization provides an allowance for doubtful accounts which is based upon management's review of outstanding receivables, historical collection information, and existing economic conditions. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories consist of new and used household furniture donated to the Organization by individuals and businesses in the community and purchased new household furniture. Used inventory is valued based on a "thrift shop value," estimated by management, consistently applied which approximates fair market value of the donated items.

Property and Equipment

Property and equipment are stated at cost or, if donated, fair market value at the date of donation. Depreciation and amortization are computed over the estimated useful lives of the assets, ranging between three to seven years, using the straight-line method. The Organization capitalizes assets with useful lives greater than one year and a value in excess of $500. Routine repairs and maintenance are expensed as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reported in the statement of activities.

Leases

The Organization recognizes right-of use assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organization's right-of-use assets and lease liabilities relate to a warehouse and office facility. Renewal periods are included in the expected lease terms if they are reasonably certain of being exercised by the Organization. The lease agreement does not contain material residual value guarantees or material restrictions or covenants.

Long-term leases (leases with terms greater than 12 months) are recorded as liabilities at the present value of the minimum lease payments not yet paid. The Organization will use the risk-free rate to determine the present value of the lease when the rate implicit in the lease is not readily determinable. Short-term leases (leases with an initial term of 12 months or less) are not capitalized but are expensed on a straight-line basis over the lease term.

Revenue Recognition

Contributions, including unconditional promise to give, are recognized in the period received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give, 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 met. Amounts received prior to meeting measurable performance or other barriers are reported as refundable advances. In-kind support arising from donated services and materials is recorded as both revenues and expenses based on the fair market value of the services rendered and materials donated. See Note 7 for further discussion of in-kind donations.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Management routinely analyzes unconditional promises to give for collectability.

Program service fees are recognized as revenue when the services are performed or when the furniture is delivered. Special event revenue is recognized at the time of the event.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification of expense by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Concentrations

For the year ended December 31, 2022, in-kind donations accounted for 84 percent of total contributions.

Concentration of Credit Risk

Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash and cash equivalents and accounts receivable. The cash balances of the Organization are held in a financial institution in the North Texas area. If cash balances exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation, the excess balances could be at risk of loss. Cash at risk of loss as of December 31, 2022, totals $0. Management considers all accounts receivables to be fully collectible, as such, no allowance for doubtful accounts has been recorded as of December 31, 2022.

2. INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code except on net income derived from unrelated business activity. For year ended December 31, 2022, the Organization has no unrelated business income. Accordingly, no provision for income taxes is made in the accompanying financial statements.

The Organization has evaluated its tax positions and has not identified any uncertain tax positions that would not be sustained in a federal or state income tax examination. Accordingly, no provision for uncertainties in income taxes have been made in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

3. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable by major classification and the related allowance for doubtful accounts as of December 31, 2022.

Contribution receivables	$	50,000
Program service receivables		2,709
Less: allowance for doubtful accounts		-
Total	$	52,709

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment by major classification and the related accumulated depreciation and amortization as of December 31, 2022:

Vehicles	$	76,587
Computer equipment and software		17,730
Furniture and fixtures		10,582
		104,899
Less: accumulated depreciation and amortization		(77,524)
Total	$	27,375

Depreciation and amortization expense for the year ending December 31, 2022, totals $4,212.

5. LEASES

The following is a summary of the operating lease as of December 31, 2022:

Operating lease:		
Operating lease right-of-use assets	$	155,361
Current portion of operating lease liabilities		147,395
Operating lease liabilities		12,723
Total operating lease liabilities	$	160,118
Weighted average remaining lease terms:		
Operating leases		1.1 years
Weighted average discount rates:		
Operating leases		4.41 percent

The following are components of lease expense for the year ended December 31, 2022:

Operating lease cost	$	126,032

Cash flow information related to the lease for the year ended December 31, 2022, is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 112,747
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 272,865

Future minimum lease payments under the above lease agreement are as follows:

	Operating Lease
2023	$ 150,981
2024	12,722
2025	-
2026 and thereafter	-
Principal lease payments	163,703
Less: Present value discount	(3,585)
Total	$ 160,118

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31, 2022:

Delivery truck and continued truck maintenance	$ 13,413
Total	$ 13,413

7. IN-KIND DONATIONS

For the year ended December 31, 2022, the Organization received the following in-kind donations, which are reflected as contributions in the accompanying financial statements.

Furniture donations	$ 1,089,386
Total	$ 1,089,386

In addition, numerous volunteers have donated significant amounts of their time to advance the Organization's programs and objectives. However, these donated services are not reflected in the accompanying financial statements since these services do not meet the criteria for recognition.

8. COMMITEMENTS AND CONTINGENCIES

The Organization entered into a management consulting agreement with Slumbur, LLC for management and support services. The agreement calls for monthly payments not to exceed $10,000 and expires on December 31, 2022. For the year ending December 31, 2022, management consulting fees paid by the Organization total $60,000.

9. ANALYSIS OF FUNCTIONAL EXPENSES

The statement of functional expenses presents expenses by program and supporting service function and by natural classification. To the extent these expenses are not directly attributable to a specific function area, they are allocated across program and supporting services. Management determines such expense allocations by reviewing the Organization's business areas for the proportional benefit to program and supporting services. These allocations are based on determinations of time and effort, square footage usage, by employee headcount, and other methods.

10. LIQUIDITY AND AVAILABILILTY OF RESOURCES

The following reflects the Organization's financial assets as of the date of the statement of financial position that are available for use within one year of the date of the statement of financial position. The amounts are reduced by funds not available for general use within one year due to donor-imposed restrictions.

Cash and cash equivalents	$	172,204
Accounts receivable		52,709
		224,913
Less: financial assets unavailable for general expenditures within one year due to donor imposed restrictions		(13,413)
Financial assets available to meet cash needs for general expenditures within one year	$	211,500

As part of its liquidity management, the Organization's board of directors meets periodically during the year to review the Organization's financial well-being and assess whether the Organization needs to access any additional capital to meet general expenditures due within one year.

11. SUBSEQUENT EVENTS

The financial statements and related disclosures include evaluation of events up through and including October 2, 2024, which is the date the financial statements were available to be issued.

In November 2023, the Organization entered into a non-cancelable lease agreement for new warehouse space in Carrollton, Texas. The term of the lease is for 56 months commencing on December 1, 2023, and expiring on July 31, 2028.