



FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2016 and 2015

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

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Independent Accountants' Review Report

Board of Directors
Mustard Seed Furniture Bank of Fort Wayne, Inc.

We have reviewed the accompanying financial statements of Mustard Seed Furniture Bank of Fort Wayne, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Katz, Sapper & Miller, LLP

Ft. Wayne, Indiana
April 18, 2017

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	\$ 330,154	\$ 343,918
Grants receivable	15,000	30,000
Prepaid expenses	2,450	1,909
Total Current Assets	<u>347,604</u>	<u>375,827</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	212,033	212,033
Transportation equipment	76,671	76,671
Furniture and fixtures	32,227	32,227
Software	4,584	4,584
	<u>325,515</u>	<u>325,515</u>
Less: Accumulated depreciation	(103,032)	(80,501)
Total Property and Equipment	<u>222,483</u>	<u>245,014</u>
TOTAL ASSETS	<u>\$ 570,087</u>	<u>\$ 620,841</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ 2,656	\$ 1,199
Total Current Liabilities	<u>2,656</u>	<u>1,199</u>
NET ASSETS		
Unrestricted	427,431	464,642
Unrestricted - board designated	125,000	125,000
Temporarily restricted	15,000	30,000
Total Net Assets	<u>567,431</u>	<u>619,642</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 570,087</u>	<u>\$ 620,841</u>

See accompanying notes and accountants' review report.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Grants	\$ 130,338		\$ 130,338	\$ 145,364		\$ 145,364
Fundraising income	86,091		86,091	113,937		113,937
Contributions	29,219	\$ 76,671	105,890	50,173	\$ 75,385	125,558
Processing fees	21,213		21,213	21,330		21,330
In-kind donations	424,548		424,548	401,305		401,305
Interest income	264		264	507		507
Net assets released from restriction	91,671	(91,671)		138,764	(138,764)	
Total Support and Revenue	<u>783,344</u>	<u>(15,000)</u>	<u>768,344</u>	<u>871,380</u>	<u>(63,379)</u>	<u>808,001</u>
EXPENSES						
Program	730,545		730,545	744,384		744,384
Management and general	35,937		35,937	41,094		41,094
Fundraising	54,073		54,073	34,901		34,901
Total Expenses	<u>820,555</u>	<u>-</u>	<u>820,555</u>	<u>820,379</u>	<u>-</u>	<u>820,379</u>
INCREASE (DECREASE) IN NET ASSETS	(37,211)	(15,000)	(52,211)	51,001	(63,379)	(12,378)
NET ASSETS						
Beginning of Year	<u>589,642</u>	<u>30,000</u>	<u>619,642</u>	<u>538,641</u>	<u>93,379</u>	<u>632,020</u>
End of Year	<u>\$ 552,431</u>	<u>\$ 15,000</u>	<u>\$ 567,431</u>	<u>\$ 589,642</u>	<u>\$ 30,000</u>	<u>\$ 619,642</u>

See accompanying notes and accountants' review report.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

	2016				2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Wages	\$ 131,695	\$ 8,780	\$ 5,853	\$ 146,328	\$ 128,387	\$ 8,655	\$ 7,213	\$ 144,255
Taxes - payroll	10,520	701	468	11,689	10,402	701	584	11,687
Total Personnel Expenses	<u>142,215</u>	<u>9,481</u>	<u>6,321</u>	<u>158,017</u>	<u>138,789</u>	<u>9,356</u>	<u>7,797</u>	<u>155,942</u>
Advertising	5,688	1,896		7,584	16,552	5,518		22,070
Contracted services	908	6,536	4,325	11,769	844	5,590	3,947	10,381
Depreciation	21,404	676	451	22,531	19,731	623	415	20,769
Fundraising expense	41,542		41,542	83,084	21,461		21,461	42,922
Insurance - business	2,771	5,625		8,396	3,261	6,620		9,881
Maintenance and repairs	7,464	236	157	7,857	6,124	193	129	6,446
Miscellaneous		2,772		2,772	613	3,059		3,672
Office expense	6,558	6,558		13,116	7,000	7,000		14,000
Postage and printing	4,341			4,341	6,809			6,809
Rent expense	47,097	1,487	992	49,576	41,313	1,305	870	43,488
Staff development	970	242		1,212	5,628	1,407		7,035
Supplies - bedding and furniture	428,020			428,020	454,152			454,152
Utilities	13,544	428	285	14,257	13,394	423	282	14,099
Vehicle expense	<u>8,023</u>			<u>8,023</u>	<u>8,713</u>			<u>8,713</u>
TOTAL EXPENSES	<u>\$ 730,545</u>	<u>\$ 35,937</u>	<u>\$ 54,073</u>	<u>\$ 820,555</u>	<u>\$ 744,384</u>	<u>\$ 41,094</u>	<u>\$ 34,901</u>	<u>\$ 820,379</u>

See accompanying notes and accountants' review report.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Decrease in net assets	\$ (52,211)	\$ (12,378)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	22,531	20,769
(Increase) decrease in certain current assets:		
Grant receivable	15,000	25,000
Prepaid expenses	(541)	(1,909)
Increase in certain current liabilities:		
Accrued expenses	1,457	112
Net Cash Provided (Used) by Operating Activities	<u>(13,764)</u>	<u>31,594</u>
INVESTING ACTIVITIES		
Purchases of property and equipment		(111,445)
Net Cash Used by Investing Activities		<u>(111,445)</u>
NET DECREASE IN CASH	(13,764)	(79,851)
CASH		
Beginning of Year	<u>343,918</u>	<u>423,769</u>
End of Year	<u>\$ 330,154</u>	<u>\$ 343,918</u>
SUPPLEMENTAL DISCLOSURES		
Noncash activities:		
Donated services, supplies and rental space	\$ 109,618	\$ 66,305
Donated bedding and furniture	314,930	335,000

See accompanying notes and accountants' review report.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Mustard Seed Furniture Bank of Fort Wayne, Inc. (the Organization) was incorporated as a nonprofit organization in 2002. The mission of the Organization is to provide household furnishings to families and individuals as they rebuild their lives after suffering disaster, personal tragedy or other misfortunes. The Organization receives support from public donations, grants and fundraising events.

Basis of Presentation: The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and classify the Organization's activities and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** represent unrestricted resources available to support the Organization's operations. Unrestricted net assets include Board-designated net assets.
- **Temporarily Restricted Net Assets** represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Organization pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.
- **Permanently Restricted Net Assets** represent gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment. The Organization has no permanently restricted net assets.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of revenues and expenses. Actual results could vary from those estimates.

Cash consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from these bank accounts.

Pledges and Grants Receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that conditions have been met but reimbursement from the grantor has not yet been received. Pledges and grants receivable are reported as either temporarily or permanently restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period.

Pledges receivable are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions and grants in the statements of activities. Pledges and grants receivable are reviewed for collectability and a provision for doubtful pledges receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment: Expenditures for property and equipment, and items which substantially increase the useful lives of assets are capitalized at cost. Donated property and equipment are capitalized at fair value at the date of donation. The Organization provides depreciation using the straight-line method over the estimated economic useful lives as follows:

Leasehold improvements	39 years
Transportation equipment	5-7 years
Furniture and fixtures	5-7 years
Software	3 years

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the asset's carrying amount to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair market value. To date, no adjustments to the carrying amount of property and equipment have been required.

Contributions and Grants are recognized as support and revenues when they are received or unconditionally pledged. The Organization reports such gifts as restricted support and revenues if they are subject to time or donor-imposed restrictions. Conditional contributions are not recorded as support and revenues until the conditions are met.

Donated Services, Goods and Rental Space: Donated services, goods and rental space are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as both donated contribution revenue and expenses in the statements of activities. The Organization recognizes the fair value of contributed services received if such services a) create or enhance non-financial assets or b) requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition. The Organization receives and distributes to the general public donated furniture and bedding.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on space occupied, time spent by the Organization staff, or other estimates made by the Organization's management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs are expensed as incurred and amounted to \$7,584 in 2016 and \$22,070 in 2015.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2016 and 2015.

The Organization files U.S. federal and Indiana information tax returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through April 18, 2017, the date the financial statements were available to be issued.

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

For the years ended December 31, 2016 and 2015, net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors were as follows:

	2016	2015
Beds4Kids	\$76,671	\$108,764
Family Development Grant	15,000	15,000
Capital Projects		5,000
Operations		<u>10,000</u>
Total Net Assets Released From Restrictions	<u>\$91,671</u>	<u>\$138,764</u>

Temporarily restricted net assets consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Family Development Grant	<u>\$15,000</u>	<u>\$30,000</u>
Total Temporarily Restricted Net Assets	<u>\$15,000</u>	<u>\$30,000</u>

NOTE 3 - OPERATING LEASES

The Organization has a lease agreement for office and warehouse space that expires in September 2024. The agreement calls for a \$1 annual lease payment. Either party has the ability to cancel the lease with a 90-day written notice. The lease is recorded as an intention to give.

The value of rental space donated under the above lease agreement has been recorded at the estimated fair market value at the time of donation and is reflected in the accompanying statements of activities as in-kind donations and as program and supporting service expense in 2016 and 2015. Management has determined the fair market value of the rental space for the years ending December 31, 2016 and 2015 to be \$49,576 and \$43,488, respectively.

NOTE 4 - SIMPLE IRA PLAN

In 2015, the Organization adopted a SIMPLE IRA retirement savings plan for all of its qualified employees. All Plan participants are permitted to make contributions to the Plan up to the maximum allowed by law. The Organization also makes a matching contribution to the Plan of up to 3% of each participant's annual eligible earnings. The Organization made contributions of \$1,880 in 2016 and \$1,254 in 2015.

NOTE 5 - RELATED PARTY TRANSACTIONS

In 2015, the Organization purchased bedding from a Board member's family business, totaling \$119,957. Also during 2015, the Organization paid expenses to another Board member's business for hosting a fundraising event in the amount of \$5,953. The Organization did not enter into any of the above related party transactions with Board members in 2016.

NOTE 6 - CONCENTRATIONS OF REVENUE

The Organization receives a substantial amount of support from local organizations and a fundraising event. A substantial reduction in support from these sources may have a significant impact on the Organization's programs and operations.

The Organization received 15% and 12% of its unrestricted revenue from one organization in 2016 and 2015, respectively. The Organization also received donations of \$13,254 in 2016 from the Board of Directors.