
Financial Statements of

FURNITURE BANK

Year ended December 31, 2013



Horn Almand
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Furniture Bank

We have audited the accompanying financial statements of Furniture Bank (the "Organization") which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes in net assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives part of its revenue from donations, and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our examination of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donations, fundraising and programs revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Presentation

Without modifying our opinion, we draw attention to note 1 (a) to the financial statements which describes the basis of accounting.



Chartered Accountants

Licensed Public Accountants

Toronto, Canada

May 29, 2014

FURNITURE BANK


Statement of Financial Position

December 31, 2013 with comparative figures for December 31, 2012


	2013	2012
Assets		
Current assets:		
Cash (Note 2)	\$ 147,265	\$ 259,726
Accounts receivable (Note 3)	47,276	182,002
HST recoverable	25,791	27,450
Prepaid expenses	27,139	32,794
	<u>247,471</u>	<u>501,972</u>
Capital assets	208,714	246,781
	<u>\$ 456,185</u>	<u>\$ 748,753</u>
Liabilities and Net Assets (deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 137,743	\$ 88,593
Government remittances payable	16,577	13,776
Promissory note payable (Note 5)	38,141	53,921
Deferred revenue (Note 6)	145,517	158,673
	<u>337,978</u>	<u>314,963</u>
Deferred capital contributions (Note 7)	164,445	184,665
Net Assets (deficiency):		
Unrestricted	(92,748)	202,615
Internally restricted (Note 8)	46,510	46,510
	<u>(46,238)</u>	<u>249,125</u>
	<u>\$ 456,185</u>	<u>\$ 748,753</u>

See accompanying notes to financial statements

Approved on behalf of the Board:



Chair



Treasurer

FURNITURE BANK

Statement of Operations

For the year ended December 31, 2013 with comparative figures for December 31, 2012

	2013	2012
Revenues:		
Grants		
Government	\$ 369,171	\$ 356,444
Foundations	196,850	154,302
Other	80,377	87,000
Pick up and delivery	849,672	821,459
Events	-	85,152
Donations	156,671	89,384
Other	84,460	99,637
Amortization of deferred capital contribution	44,457	39,848
Interest	647	2,493
	1,782,305	1,735,719
Expenses:		
Wages and benefits - operations	736,354	623,103
Wages and benefits - office	695,906	648,783
Rent	170,460	144,106
Office, general and warehouse	143,316	126,348
Fundraising	34,340	46,793
Vehicle	106,916	61,264
Utilities	43,571	20,233
Professional fees	28,813	25,899
Insurance	18,304	15,441
Consulting fees	19,442	25,580
Bank charges	14,301	16,064
Bad debt expense	1,306	-
Loan interest	2,336	3,106
Amortization	62,303	64,317
	2,077,668	1,821,037
Deficiency of revenue over expenses	\$ (295,363)	\$ (85,318)

See accompanying notes to financial statements

FURNITURE BANK

Statement of Changes in Net Assets

For the year ended December 31, 2013 with comparative figures for December 31, 2012

	2013			2012	
	Unrestricted	Internally restricted (Note 8)	Total	Total	Total
Net assets, beginning of year	\$ 202,615	\$ 46,510	\$ 249,125	\$ 334,443	
Deficiency of revenue over expenses	(295,363)	-	(295,363)	(85,318)	
Net assets, end of year	\$ (92,748)	\$ 46,510	\$ (46,238)	\$ 249,125	

See accompanying notes to financial statements

FURNITURE BANK

Statement of Cash Flows

For the year ended December 31, 2013 with comparative figures for December 31, 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Deficiency of revenues over expenses	\$ (295,363)	\$ (85,318)
Amortization of capital assets	62,303	64,317
Amortization of deferred capital contributions	(44,457)	(39,848)
Change in non-cash operating working capital:		
Accounts receivable	134,726	(147,648)
HST recoverable	1,659	20,334
Prepaid expenses	5,655	(1,818)
Accounts payable and accrued liabilities	49,150	(11,073)
Government remittances payable	2,801	3,897
	(83,526)	(197,157)
Investing activities:		
Purchase of capital assets	(24,236)	(160,382)
	(24,236)	(160,382)
Financing activities:		
Deferred revenue	11,081	102,368
Repayment of demand loan	(15,780)	(15,010)
	(4,699)	87,358
Decrease in cash	(112,461)	(270,181)
Cash, beginning of year	259,726	529,907
Cash, end of year	\$ 147,265	\$ 259,726

See accompanying notes to financial statements

FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2013

Furniture Bank (the "Organization") was incorporated without share capital under the Canada Corporations Act on January 28, 1988. The Organization is a registered charity and is exempt from income taxes.

The Organization's mission is to enable the effective transfer of gently used household furnishings from donors to families and individuals in need.

1. Summary of significant accounting policies:

These financial statements of the Organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies adopted by the Organization are as follows:

(a) Basis of presentation:

These financial statements have been prepared on the going concern basis which assumes the realization of assets and liquidation of liabilities in the normal course of business. As a result of the deficiency of revenues over expenditures incurred over the past several years and the related deterioration of the net asset position, the application of the going concern concept is dependent on the Organization's ability to generate future revenues and receive continued financial support from its funders. The Board of Directors is of the opinion that sufficient working capital will be obtained through these means as well as operations in order to meet the Organization's liabilities and commitments as they become due.

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Notes to Financial Statements
Year ended December 31, 2013

1. Summary of significant accounting policies: (continued)

(b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Contributions, including donations and grants from foundations are recognized as revenue when the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are initially recorded as deferred revenue and are recognized as revenue in the year in which the related expenses are incurred.

Government grants for non-specific uses are taken into revenue over the period to which they apply. Government grants pertain to specific projects are recognized as revenue as related project expense are incurred. Grants received for the purchase of capital assets are reported on the balance sheet as deferred capital contributions and are being amortized into income at a rate equal to the annual amortization of the related asset.

Other sources of revenue (including pick-up and delivery, furniture sales, interest and other income) are recognized on an accrual basis when the amount can be reasonably estimated and collection is reasonably assured.

(c) Capital assets:

Capital assets are stated at cost. Amortization is provided on the following basis and rates:

Trucks	declining balance	30%
Computer equipment	declining balance	45% and 55%
Office equipment	declining balance	20%
Warehouse equipment	declining balance	20%
Leasehold improvements	straight-line	term of lease

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Notes to Financial Statements

Year ended December 31, 2013

1. Summary of significant accounting policies: (continued)

(d) Financial instruments:

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized costs.

Financial assets subsequently measured at amortized cost include accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and loan payable.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment.

(e) Allocation of General Expenses:

The Organization classifies expenses on the Statement of Operations by object. The Organization does not allocate expenses between object on the Statement of Operations.

(f) Donated materials, services and household items:

The Organization receives donated materials, services and household items in the course of its operations. Due to the difficulty of determining their fair value, these items have not been recognized in the financial statements.

Other donated items, where the fair value is readily available, are recorded at estimated market value of the services received.

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Notes to Financial Statements

Year ended December 31, 2013

1. Summary of significant accounting policies: (continued)

(g) Impairment of long-lived assets:

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of a long-lived asset compared to the sum of the future undiscounted cash flows expected to result from the use and the eventual disposal of the asset. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

(h) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future, and adjustments, if any, are recorded as that information becomes known..

2. Cash:

Cash is comprised of the following:

	2013	2012
Cash - unrestricted	\$ (42,606)	\$ 56,502
Cash - externally restricted (Note 6)	143,361	156,714
Cash - internally restricted (Note 8)	46,510	46,510
	<u>\$ 147,265</u>	<u>\$ 259,726</u>

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Notes to Financial Statements

Year ended December 31, 2013

3. Accounts receivable:

The balance at December 31, 2013 is presented net of the allowance for doubtful accounts of \$1,000 (2012- \$663).

4. Capital assets:

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
Trucks	\$ 257,270	\$ 164,173	\$ 93,097	\$ 132,996
Computer equipment	66,831	60,132	6,699	12,959
Office equipment	34,729	23,391	11,338	14,174
Warehouse equipment	9,262	3,070	6,192	7,740
Leasehold improvements	119,908	28,520	91,388	78,912
	\$ 488,000	\$ 279,286	\$ 208,714	\$ 246,781

5. Promissory note payable:

In 2011 the Organization entered into a demand loan for the purchase of two delivery trucks. The loan is secured by a general security agreement over the organization's assets. The loan bears interest at 5% per annum with monthly principle payments of \$1,510.

	2013	2012
Balance, beginning of year	\$ 53,921	\$ 68,931
Total payments made during the year ¹	(18,116)	(18,116)
Interest paid	2,336	3,106
Balance, end of year	\$ 38,141	\$ 53,921

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Notes to Financial Statements
Year ended December 31, 2013

6. Deferred revenue:

Deferred revenue reported in the Statement of Financial Position represents restricted operating funding received in the current period that is related to subsequent periods.

	December 31, 2012	Contributions received	Contributions expended	December 31, 2013
Contributions externally restricted for use toward the purchase or construction of a building	\$ 114,659	\$ -	\$ 23,651	\$ 91,008
Contribution externally restricted toward certain programs and operating expenses	41,468	389,177	378,292	52,353
Contributions externally restricted for use in establishing a call centre and sales training	587	-	587	-
Other deferred revenue	1,959	1,781	1,584	2,156
	\$ 158,673	\$ 390,958	\$ 404,114	\$ 145,517

7. Deferred capital contributions:

Deferred capital contributions are represented as follows:

	Grant	Amortized Amount	2013	2012
Trucks	\$ 180,996	\$ 120,551	\$ 60,445	\$ 88,166
Equipment	61,794	49,182	12,612	17,587
Leasehold improvements	119,908	28,520	91,388	78,912
	\$ 362,698	\$ 198,253	\$ 164,445	\$ 184,665

	2013	2012
Balance, beginning of year	\$ 184,665	\$ 78,610
Additions to deferred contributions during the year	24,237	145,903
Amortization of deferred contributions related to capital assets	(44,457)	(39,848)
Balance, end of year	\$ 164,445	\$ 184,665

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Notes to Financial Statements

Year ended December 31, 2013

8. Internally restricted net assets:

Internally restricted net assets represents amounts generated by the Organization in a capital building campaign in a prior year. These assets have been internally restricted for use toward the purchase or construction of a building. These assets may not be used for any other purpose without approval from the Board of Directors

9. Donated household furnishings:

During the year, the organization received donations of household furnishings of approximately \$1,996,073 (2012 - \$1,780,556). The value of these items have not been included in revenues or expenditures in the statement operations,

10. Financial Instruments:

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short periods to maturity of these items.

Financial instrument risk exposure and management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessments of these risks is described below.

General objective, policies and processes

The Board and management are responsible for the determination of the Organization's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Organization measures and monitors risk through the preparation of review of monthly reports.

It is management's opinion that the Organization is not exposed to any significant interest rate, foreign currency and credit risk arising from its financial instruments. All of the Organization's cash is held at one major Canadian financial institution.

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Notes to Financial Statements

Year ended December 31, 2013

10. Financial Instruments: (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Organization may not be able to settle or meet its obligations as they become due. Management has taken steps to ensure that it will have sufficient working capital available to meet its obligations.

11. Commitments:

The Organization leases office premises under operating leases expiring July 31, 2022. Premises lease costs include basic rent and a proportionate share of operating costs related to the leased premises. The future minimum payments under this lease are as follows.

2014	\$ 201,000
2015	211,000
2016	213,000
2017	216,000
2018	212,000
Thereafter	775,000
	<hr/>
	\$ 1,828,000

12. Economic dependence:

The organization is economically dependent on the City of Toronto for funding of its operations.

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.