

Financial Statements of

**FURNITURE BANK**

Year ended December 31, 2014



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 which comprise the statement of financial position as at December 31, 2014 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 statements 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, Furniture Bank 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 Furniture Bank. Therefore we were not able to determine whether, as at and for the years ended December 31, 2014 and December 31, 2013, any adjustment might be necessary to donations and event revenue, excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses reported in the statements of cash flows and current assets and net deficiency reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2013.

*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 Furniture Bank as at December 31, 2014, 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

April 30, 2015

# FURNITURE BANK

## Statement of Financial Position

December 31, 2014 with comparative figures for December 31, 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash (Note 2)	\$ 195,096	\$ 147,265
Accounts receivable (Note 3)	69,821	47,276
HST recoverable	36,864	25,791
Prepaid expenses	39,904	27,139
	<u>341,685</u>	<u>247,471</u>
Investment (Note 4)	25,375	-
Capital assets (Note 5)	230,678	208,714
	<u>\$ 597,738</u>	<u>\$ 456,185</u>
<b>Liabilities and Net Assets (deficiency)</b>		
Current liabilities:		
Bank indebtedness (Note 6)	\$ 39,706	\$ -
Accounts payable and accrued liabilities	122,413	137,743
Government remittances payable	4,917	16,577
Promissory note payable (Note 7)	-	38,141
Deferred revenue (Note 9)	230,222	145,517
Current portion of long-term debt (Note 8)	13,954	-
	<u>411,212</u>	<u>337,978</u>
Deferred capital contributions (Note 10)	163,705	164,445
Long-term debt (Note 8)	62,470	-
Net Assets (deficiency):		
Unrestricted	(86,159)	(92,748)
Internally restricted (Note 11)	46,510	46,510
	<u>(39,649)</u>	<u>(46,238)</u>
	<u>\$ 597,738</u>	<u>\$ 456,185</u>

See accompanying notes to financial statements

Approved on behalf of the Board:

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Chair

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Treasurer

## FURNITURE BANK

### Statement of Operations

Year ended December 31, 2014 with comparative figures for December 31, 2013

	2014	2013
<b>Revenues:</b>		
Grants		
Government	\$ 365,538	\$ 369,171
Foundations	280,130	196,850
Other	95,298	80,377
Employment subsidies	79,948	84,050
Pick up and delivery	1,145,493	849,672
Events	74,439	-
Donations	145,616	156,671
Amortization of deferred capital contribution	42,481	44,457
Interest and other	1,217	1,057
	<u>2,230,160</u>	<u>1,782,305</u>
<b>Expenses:</b>		
Wages and benefits - operations	796,754	736,354
Wages and benefits - office	669,101	695,906
Rent	173,212	170,460
Office, general and warehouse	203,027	143,316
Fundraising	46,592	34,340
Vehicle	127,049	106,916
Utilities	38,339	43,571
Professional fees	16,723	28,813
Insurance	31,082	18,304
Consulting fees	33,916	19,442
Bank charges	23,899	14,301
Bad debt expense	1,500	1,306
Loan interest	2,855	2,336
Loss on disposal of capital assets	1,610	-
Amortization	57,912	62,303
	<u>2,223,571</u>	<u>2,077,668</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 6,589</b>	<b>\$ (295,363)</b>

See accompanying notes to financial statements

## FURNITURE BANK

### Statement of Changes in Net Assets

Year ended December 31, 2014 with comparative figures for December 31, 2013

	2014			2013	
	Unrestricted	Internally restricted (Note 11)	Total	Total	Total
Net assets, beginning of year	\$ (92,748)	\$ 46,510	\$ (46,238)	\$ 249,125	
Excess (deficiency) of revenue over expenses	6,589	-	6,589	(295,363)	
Net assets, end of year	\$ (86,159)	\$ 46,510	\$ (39,649)	\$ (46,238)	

See accompanying notes to financial statements

## FURNITURE BANK

### Statement of Cash Flows

For the year ended December 31, 2014 with comparative figures for December 31, 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 6,589	\$ (295,363)
Amortization of capital assets	57,912	62,303
Amortization of deferred capital contributions	(42,481)	(44,457)
Loss on disposal of capital assets	1,610	-
Change in non-cash operating working capital:		
Accounts receivable	(22,545)	134,726
HST recoverable	(11,073)	1,659
Prepaid expenses	(12,765)	5,655
Accounts payable and accrued liabilities	(15,330)	49,150
Government remittances payable	(11,660)	2,801
	(49,743)	(83,526)
Investing activities:		
Purchase of investment	(25,375)	-
Purchase of capital assets	(41,806)	(24,236)
	(67,181)	(24,236)
Financing activities:		
Deferred revenue	126,472	11,081
Increase in long-term debt	80,000	-
Repayment of promissory note	(38,141)	(15,780)
Long-term debt principal repayments	(3,576)	-
	164,755	(4,699)
Increase (decrease) in cash	47,831	(112,461)
Cash, beginning of year	147,265	259,726
Cash, end of year	\$ 195,096	\$ 147,265

See accompanying notes to financial statements

# FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2014

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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 in Part III of the Chartered Professional Accountants Canada Handbook. 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.

(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.



# FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2014

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## 1. Summary of significant accounting policies: (continued)

### (c) Capital assets:

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

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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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### (d) Financial instruments:

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets subsequently measured at amortized cost include cash, term deposits, and accounts receivable. The financial liabilities measured at amortized cost include the bank loan and accounts payable and accrued liabilities.

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.

## FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2014

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### 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:

	2014	2013
Cash - unrestricted	\$ (34,751)	\$ 3,904
Cash -restricted (Note 9)	229,847	143,361
	\$ 195,096	\$ 147,265

Restricted cash represents restricted operating funding received in the current period that is related to expenses of subsequent periods which has been included in deferred revenue at December 31, 2014.

### 3. Accounts receivable:

Accounts receivable is presented net of the allowance for doubtful accounts of \$1,653 (2013-\$1,000).

## FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2014

### 4. Investment:

Investments consist of a guaranteed investment certificate which matures on September 17, 2015 and bears interest at 1.5% per annum. The investment is required under the terms of the credit facility with the Organization's lender and is therefore not available for current operating requirements.

### 5. Capital assets:

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Trucks	\$ 270,562	\$ 172,710	\$ 97,852	\$ 93,097
Computer equipment	84,519	68,438	16,081	6,699
Office equipment	34,729	25,659	9,070	11,338
Warehouse equipment	12,725	4,654	8,071	6,192
Leasehold improvements	140,696	41,092	99,604	91,388
	\$ 543,231	\$ 312,553	\$ 230,678	\$ 208,714

### 6. Bank indebtedness:

The Organization has access to an operating line of credit, with a facility limit of \$75,000, bearing interest at prime plus 4% per annum which is secured by a \$25,000 term deposit in addition to a general security agreement. At December 31, 2014, the Organization had drawn \$39,706 (2013 - nil) against the facility.

### 7. 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. Effective September 15, 2014 the Organization renegotiated the credit facility with the lender. The promissory note was paid out and replaced with a term loan.

	2014	2013
Balance, beginning of year	\$ 38,141	\$ 53,921
Total payments made during the year	(13,590)	(18,116)
Interest paid	1,064	2,336
Balance of note paid out with proceeds of term loan	(25,615)	-
Balance, end of year	\$ -	\$ 38,141

## FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2014

### 8. Long-term debt:

In 2014 the Organization entered into a term loan to finance the purchase of one delivery truck and payout the existing promissory note payable related to the purchase of 2 delivery trucks. The loan is secured by the 3 trucks in addition to a general security agreement over the Organization's assets. The loan bears interest at prime plus 3% per annum with monthly principal and interest payments of \$1,510 starting October 1, 2014.

	2014	2013
Truck loan, bearing interest at prime plus 3% with monthly blended payments of \$1,510 and maturing November 1, 2019	\$ 76,424	\$ -
Less current portion	13,954	-
	\$ 62,470	\$ -

During the year interest expense on the above-noted debt amounted to \$954 (2013 - nil).

Principal payments required for the term of the loan are as follows:

2015	\$ 13,954
2016	14,802
2017	15,706
2018	16,662
2019	15,300
	\$ 76,424

## FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2014

### 9. 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, 2013	Contributions received	Contributions expended	December 31, 2014
Contributions externally restricted for use toward the purchase or construction of a building	\$ 91,008	\$ -	\$ 20,788	\$ 70,220
Contribution externally restricted toward certain programs and operating expenses	52,353	516,063	408,789	159,627
Other deferred revenue	2,156	-	1,781	375
	\$ 145,517	\$ 516,063	\$ 431,358	\$ 230,222

### 10. Deferred capital contributions:

Deferred capital contributions are represented as follows:

	Grant	Amortized Amount	2014	2013
Trucks	\$ 97,900	\$ 62,373	\$ 35,527	\$ 60,445
Equipment	141,041	112,467	28,574	12,612
Leasehold improvements	140,696	41,092	99,604	91,388
	\$ 379,637	\$ 215,932	\$ 163,705	\$ 164,445

	2014	2013
Balance, beginning of year	\$ 164,445	\$ 184,665
Additions to deferred contributions during the year	41,939	24,237
Amortization of deferred contributions related to capital assets	(42,679)	(44,457)
Balance, end of year	\$ 163,705	\$ 164,445

## **FURNITURE BANK**

Notes to Financial Statements

Year ended December 31, 2014

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**11. 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

**12. Donated household furnishings:**

During the year, the organization received donations of household furnishings of approximately \$2,905,398 (2013 - \$1,996,073). The value of these items have not been included in revenues or expenditures in the statement operations,

**13. Financial risks:**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the reporting date.

**Credit risk**

The Organization is exposed to credit risk with respect to the term deposit and accounts receivable. The Organization assesses, on a continuous basis, trade and other receivables on the basis of amounts it is virtually certain to receive. The credit risk with respect to term deposits is insignificant since it is held in large financial institution.

**Interest rate risk**

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed rate instruments subject the Organization to risk of changes in fair value while the floating rate instruments subject it to a cash flow risk. The risk exposure on the fixed rate financial instruments is mitigated by the short term to maturity of the term deposit as at December 31, 2014.

**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. The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flows.

## FURNITURE BANK

Notes to Financial Statements

Year ended December 31, 2014

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### 14. 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:

2015	\$ 231,000
2016	234,000
2017	229,000
2018	212,000
2019	214,000
Thereafter	561,000
	<hr/>
	\$ 1,681,000

### 15. Related party transactions:

During 2014 certain members of the Board of Directors of the Organization and members of the management team extended loans totaling \$51,000 to the Organization to assist with cash flow requirements. The loans were unsecured and non-interest bearing and were fully repaid by December 31, 2014.

### 16. Economic dependence:

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

### 17. Comparative Figures

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