

FURNITURE BANK
FINANCIAL STATEMENTS
DECEMBER 31, 2022

FURNITURE BANK

DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Furniture Bank:

Qualified Opinion

We have audited the financial statements of Furniture Bank (the "Organization"), which comprise the statement of financial position as at December 31, 2022 and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Furniture Bank as at December 31, 2022 and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we are unable to determine whether, as at and for years ended December 31, 2022 and December 31, 2021, any adjustments might be necessary to foundation and other charitable organizations revenue, excess of revenue over expenditures reported in the statement of operations and cashflows and current assets and net assets reported in the statements of financial position and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rosenswig McRae Thorpe LLP

Toronto, Canada
April 26, 2023

Chartered Professional Accountants
Licensed Public Accountants

FURNITURE BANK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 1,527,146	\$ 1,554,196
Accounts receivable	148,707	97,654
Federal government assistance receivable	-	12,172
HST recoverable	81,094	71,900
Prepaid expenses	79,153	51,853
Inventory (Note 4)	<u>48,142</u>	<u>143,228</u>
	1,884,242	1,931,003
Property and equipment (Note 5)	<u>132,612</u>	<u>158,454</u>
	<u>\$ 2,016,854</u>	<u>\$ 2,089,457</u>
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 334,525	\$ 340,012
Deferred revenues (Note 7)	<u>175,566</u>	<u>107,974</u>
	510,091	447,986
Deferred capital contributions (Note 8)	<u>80,571</u>	<u>100,486</u>
	<u>590,662</u>	<u>548,472</u>
NET ASSETS		
Unrestricted	<u>1,426,192</u>	<u>1,540,985</u>
	<u>\$ 2,016,854</u>	<u>\$ 2,089,457</u>

Approved on behalf of the Board:


_____, Director


_____, Director

FURNITURE BANK

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Revenues		
Social enterprise operations	\$ 1,778,114	\$ 1,631,513
Government funding for service	1,597,637	1,121,687
Foundations and other charitable organizations	693,506	1,103,551
Corporate and individual donations	184,322	182,183
Amortization of deferred capital contributions (Note 8)	53,089	61,403
Employment and other subsidies (Note 9)	32,788	66,258
Interest and other	10,250	3,752
Federal government assistance (Note 9)	<u>9,017</u>	<u>144,882</u>
	<u>4,358,723</u>	<u>4,315,229</u>
Operating expenses		
Salaries and benefits	2,364,123	2,212,583
Delivery and vehicle	589,468	440,940
Rent	324,652	222,146
Cost of goods supplied (Note 4)	317,927	41,142
Professional fees	240,959	164,351
Office, general and warehouse	162,422	130,645
Fundraising and marketing	130,873	133,840
Technology	110,182	130,810
Insurance	64,008	60,381
Utilities	55,726	31,956
Bank and credit card processing fees	39,678	48,200
Social impact measurement	11,983	5,487
Bad debts (recovery)	600	(814)
Interest on capital leases	-	909
Amortization	<u>60,915</u>	<u>100,549</u>
	<u>4,473,516</u>	<u>3,723,125</u>
(Deficit) excess of revenues over expenditures before undernoted items	(114,793)	592,104
Loss on disposal of property and equipment	<u>-</u>	<u>(1,110)</u>
(Deficit) excess of revenues over expenditures for the year	(114,793)	590,994
Net assets, beginning of year	<u>1,540,985</u>	<u>949,991</u>
Net assets, end of year	<u>\$ 1,426,192</u>	<u>\$ 1,540,985</u>

See accompanying notes to financial statements.

FURNITURE BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
(Deficit) excess of revenues over expenditures for the year	\$ (114,793)	\$ 590,994
Items not affecting cash:		
Amortization	60,915	100,549
Amortization of deferred capital contributions	(53,089)	(61,403)
Loss on disposal of capital assets	<u>-</u>	<u>1,110</u>
	(106,967)	631,250
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(51,053)	114,245
Decrease in government assistance receivable	12,172	62,131
Increase in HST recoverable	(9,194)	(23,265)
Increase in prepaid expenses	(27,300)	(9,622)
Decrease (increase) in inventory	95,086	(142,814)
(Decrease) increase in accounts payable and accrued liabilities	(5,487)	15,169
Increase (decrease) in deferred revenues	<u>67,592</u>	<u>(353,370)</u>
	<u>(25,151)</u>	<u>293,724</u>
Cash flows used in investing activities		
Purchase of property and equipment	(35,073)	(11,512)
Proceeds on disposal of capital assets	<u>-</u>	<u>5,155</u>
Cash flows used in investing activities	<u>(35,073)</u>	<u>(6,357)</u>
Cash flows used in financing activities		
Increase in deferred capital contributions	33,174	-
Repayment of obligations under capital lease	<u>-</u>	<u>(44,767)</u>
Net (decrease) increase in cash	(27,050)	242,600
Cash and cash equivalents, beginning of year	<u>1,554,196</u>	<u>1,311,596</u>
Cash and cash equivalents, end of year	<u>\$1,527,146</u>	<u>\$1,554,196</u>

FURNITURE BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. Nature of operations

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.

2. Significant accounting policies

The Organization has elected to apply the standards in Part III of the CPA Canada Handbook, referred to as Canadian Accounting Standard for Not-for-Profit Organizations ("ASNPO"). These financial statements have been prepared by management and the significant accounting policies are summarized as follows:

a) 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 pertaining to specific projects are recognized as revenue as related project expenses are incurred. Grants received for the purchase of capital assets are reported on the statement of financial position as deferred capital contributions and are being amortized into income at a rate equal to the annual amortization of the related asset.

Government assistance is recognized when there is reasonable assurance that the Organization will comply with the conditions required to qualify for the subsidy, and the subsidy is reasonably assured to be received. The Organization recognized government assistance as revenue.

Social enterprise revenue, which includes pick-up and delivery fees, furniture sales, agency appointment fees and volunteer fees, as well as 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
DECEMBER 31, 2022

2. Significant accounting policies (continued)

b) Accrual basis of accounting

Expenditures are recorded on the accrual basis, whereby they are reflected in the financial statements in the period in which they have been incurred, whether or not such transactions have been finally settled by payment of money.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash and guaranteed investment certificates.

d) Inventory

Inventory is measured at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

e) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is charged to earnings over the estimated useful lives of the assets. The Organization records amortization using the following annual rates and methods:

Vehicles	- 30% declining balance
Office equipment	- 20% declining balance
Leasehold improvements	- Term of lease on straight-line
Warehouse equipment	- 20% declining balance
Computer equipment	- 55% declining balance
Computer software	- 100% declining balance

f) Use of estimates

The preparation of 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 revenues and expenses during the period. Actual results could differ from those estimates.

FURNITURE BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. Significant accounting policies (continued)

g) 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 and cash equivalents and amounts receivable. The financial liabilities measured at amortized cost include 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.

h) 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 fair value of the goods received or services rendered.

3. Cash and cash equivalents

As at December 31, 2022, the Organization did not hold any guaranteed investment certificates ("GICs") (2021 - \$200,000). Subsequent to the year end in February 2023, the Organization invested \$1,200,000 in GICs with maturity dates ranging from February 2024 to February 2025 with interest rates between 4.7% and 5% per annum. As disclosed in note 7, \$22,186 (2021 - \$22,247) of the cash balance is restricted for capital works to be done on leasehold improvements.

4. Inventory

Inventory consists of finished goods in the form of mattresses and other program supplies. The Organization expensed \$317,927 (2021 - \$41,142) of inventory items during the year.

FURNITURE BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. Property and equipment

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Vehicles	\$ 514,734	\$ 466,093	\$ 48,641	\$ 65,909
Office equipment	91,775	73,363	18,412	22,526
Leasehold improvements	273,252	273,252	-	14,951
Warehouse equipment	175,909	110,350	65,559	38,576
Computer equipment	13,411	13,411	-	16,492
Computer software	<u>103,211</u>	<u>103,211</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,172,292</u>	<u>\$1,039,680</u>	<u>\$ 132,612</u>	<u>\$ 158,454</u>

Amortization of \$60,915 (2021 - \$100,549) has been recorded for the year.

6. Government remittances payable

Included in accounts payables and accrued liabilities are government remittances owing of \$21,047 (2021 - \$24,712).

7. Deferred revenues

Deferred revenues consist of externally restricted contributions and other revenues for which funds have been received and the expenses have not yet been incurred.

	<u>Opening</u>	<u>Additions</u>	<u>Transferred to Revenue</u>	<u>Closing</u>
Externally restricted for leasehold improvements	\$ 22,186	\$ -	\$ -	\$ 22,186
Externally restricted for certain programs	85,000	2,289,498	(2,244,831)	129,667
Other deferred revenues	<u>788</u>	<u>22,925</u>	<u>-</u>	<u>23,713</u>
	<u>\$ 107,974</u>	<u>\$ 2,312,423</u>	<u>\$ (2,244,831)</u>	<u>\$ 175,566</u>

FURNITURE BANK
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8. Deferred capital contributions

Deferred capital contributions are represented as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 100,486	\$ 161,889
Additions during the year	33,174	-
Recognized as revenues	<u>(53,089)</u>	<u>(61,403)</u>
Balance, end of year	<u>\$ 80,571</u>	<u>\$ 100,486</u>

9. Government assistance and subsidies

During the year the Organization received various government assistance and subsidies.

Federal government assistance consists of:

	<u>2022</u>	<u>2021</u>
Canada Emergency Wage Subsidy	\$ 7,846	\$ 127,440
Canada Emergency Rent Subsidy	<u>1,171</u>	<u>17,442</u>
Total Federal government assistance	<u>\$ 9,017</u>	<u>\$ 144,882</u>

Employment and other subsidies consists of:

Canada Summer Jobs	\$ 24,488	\$ 39,792
Employment and Social Development Canada	-	26,466
Ministry of Labour	6,300	-
Other	<u>2,000</u>	<u>-</u>
Total employment subsidies	<u>\$ 32,788</u>	<u>\$ 66,258</u>

10. Donated household furnishing

During the year, the Organization received donations of household furnishings of approximately \$3,986,000 (2021 - \$3,612,000). The value of these items have not been included in revenues or expenditures in the statement of operations.

FURNITURE BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. Financial instruments

a) Credit risk

The Organization is exposed to credit risk with respect to accounts receivable. The Organization assesses, on a continuous basis, trade and other receivables on the basis of amounts it is virtually certain to receive.

b) 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.

c) Management of capital

The Organization views its capital as its net assets. The Organization manages its capital in a manner to ensure that it has adequate resources to meet its financial needs.

12. Commitments

The Organization is committed to minimum annual lease payments under various operating leases for office and warehouse premises. Premise lease costs include basic rent and a proportionate share of operating costs related to the leased premises. The future minimum payments under the lease arrangement is as follows:

2023	\$ 389,000
2024	396,000
2025	405,000
2026	414,000
2027	<u>295,000</u>
	<u>\$ 1,899,000</u>