FURNITURE BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2023

FURNITURE BANK

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Chartered Professional Accountants
Associated with MGI Worldwide

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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, 2023 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, 2023 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, 2023 and December 31, 2022, any adjustments might be necessary to foundation and other charitable organizations revenue, excess of revenue over expenditures reported in the statement of operations and cash flows 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.

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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.

RMR Rosenswig McRae Rosso LLP

Toronto, Canada — Chartered Professional Accountants
April 24, 2024 — Licensed Public Accountants

FURNITURE BANK

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	2023	2022
ASSETS		
Current		
Cash (Note 3)	$ 250,430	$ 1,527,146
Short-term investments (Note 4)	1,100,000	-
Accounts receivable	153,203	148,707
HST recoverable	116,692	81,094
Prepaid expenses and deposits	227,196	79,153
Inventory (Note 5)	59,643	48,142
	1,907,164	1,884,242
Long-term investments (Note 4)	300,000	-
Property and equipment (Note 6)	208,810	132,612
	$ 2,415,974	$ 2,016,854
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 378,471	$ 334,525
Deferred revenues (Note 8)	210,138	175,566
Capital lease obligation (Note 9)	21,746	-
	610,355	510,091
Deferred capital contributions (Note 10)	299,842	80,571
	910,197	590,662
NET ASSETS		
Unrestricted funds	1,505,777	1,426,192
	$ 2,415,974	$ 2,016,854

Approved on behalf of the Board:

BW ____________________, Director   J Lucato ____________________, Director

See accompanying notes to financial statements.

FURNITURE BANK

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2023

	2023	2022
Revenues		
Government funding for service	$ 2,167,237	$ 1,597,637
Social enterprise operations	2,051,021	1,778,114
Foundations and other charitable organizations	767,799	693,506
Interest and other	95,109	10,250
Corporate and individual donations	89,855	184,322
Employment and other subsidies (Note 11)	29,994	32,788
Amortization of deferred capital contributions (Note 10)	15,730	53,089
Federal government assistance (Note 11)	-	9,017
	5,216,745	4,358,723
Operating expenses		
Salaries and benefits	2,772,932	2,364,123
Delivery and vehicle	481,080	589,468
Rent	431,718	324,652
Technology	299,685	110,182
Professional fees	260,374	240,959
Fundraising and marketing	229,638	130,873
Cost of goods supplied (Note 5)	212,131	317,927
Office, general and warehouse	176,138	162,422
Utilities	72,017	55,726
Insurance	71,384	64,008
Bank and credit card processing fees	51,212	39,678
Social impact measurement	26,614	11,983
Interest on capital leases	858	-
Bad debts	-	600
Amortization	51,379	60,915
	5,137,160	4,473,516
Excess (deficit) of revenues over expenditures for the year	79,585	(114,793)
Net assets, beginning of year	1,426,192	1,540,985
Net assets, end of year	$ 1,505,777	$ 1,426,192

FURNITURE BANK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Cash flows from operating activities		
Excess (deficit) of revenues over expenditures for the year	$ 79,585	$ (114,793)
Items not affecting cash:		
Amortization	51,379	60,915
Amortization of deferred capital contributions	(15,730)	(53,089)
	115,234	(106,967)
Changes in non-cash working capital		
Increase in accounts receivable	(4,496)	(51,053)
Decrease in government assistance receivable	-	12,172
Increase in HST recoverable	(35,598)	(9,194)
Increase in prepaid expenses and deposits	(148,043)	(27,300)
(Increase) decrease in inventory	(11,501)	95,086
Increase (decrease) in accounts payable and accrued liabilities	43,946	(5,487)
Increase in deferred revenues	34,572	67,592
	(5,886)	(25,151)
Cash flows used in investing activities		
Purchase of property and equipment	(127,577)	(35,073)
Purchase of investments	(1,400,000)	-
Cash flows used in investing activity	(1,527,577)	(35,073)
Cash flows from financing activities		
Increase in deferred capital contributions	235,001	33,174
Advances of obligations under capital lease	21,746	-
Net decrease in cash	(1,276,716)	(27,050)
Cash, beginning of year	1,527,146	1,554,196
Cash, end of year	$ 250,430	$1,527,146

FURNITURE BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

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 and employment subsidies are 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 and employment subsidies as revenues.

   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.

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) Investments

Investments in guaranteed investment certificates are initially recognized at fair value and subsequently measured at amortized cost.

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.

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, accounts receivable and investments. 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) Capital lease obligation

Leases where the Organization assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as capital leases. Assets under capital leases are recorded at cost less accumulated amortization.

i) 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

Included in cash is $207,350 (2022 - $129,667) that is restricted for program funding as described in Note 8. In the prior year $22,186 was restricted for the use on leasehold improvements which has been used.

The Organization also has access to an operating line of credit with a facility limit of $250,000 which is available for cash flow requirements. No amounts were drawn under this facility in 2023 (2022 - $Nil). Any outstanding amount is due on demand and bears interest at prime plus 1.78%. The Organization has pledged a general security agreement over all assets as collateral for this facility.

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NOTES TO FINANCIAL STATEMENTS

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4. Investments

As at December 31, 2023, the Organization holds $1,400,000 in guaranteed investment certificates ("GICs") (2022 - $nil). The maturity dates range from February 2024 to February 2025, with interest rates ranging between 4.7% and 5% per annum.

5. Inventory

Inventory consists of finished goods in the form of mattresses and other program supplies. The Organization expensed $212,131 (2022 - $317,927) of inventory items during the year.

6. Property and equipment

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Vehicles	$ 576,033	$ 469,949	$ 106,084	$ 48,641
Office equipment	102,586	77,429	25,157	18,412
Leasehold improvements	273,252	273,252	-	-
Warehouse equipment	175,909	123,023	52,886	65,559
Computer equipment	42,029	17,346	24,683	-
Computer software	103,211	103,211	-	-
	$ 1,273,020	$1,064,210	$ 208,810	$ 132,612

Amortization of $51,379 (2022 - $60,915) has been recorded for the year.

7. Government remittances payable

Included in accounts payables and accrued liabilities are government remittances owing of $23,881 (2022 - $21,047).

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8. 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.

	Opening	Additions	Transferred to Revenues	Closing
Externally restricted for leasehold improvements	$ 22,186	$ -	$ (22,186)	$ -
Externally restricted for certain programs	129,667	2,892,036	(2,814,353)	207,350
Other deferred revenues	23,713	-	(20,925)	2,788
	$ 175,566	$ 2,892,036	$ (2,857,464)	$ 210,138

9. Capital lease obligation

During the year, the Organization entered into capital leases for computer equipment for a term of 24 months with monthly payments of $1,266. The implicit interest rate is 20.8% and the leases end September 30, 2025. The obligation is unsecured.

Total minimum lease payments	$ 26,585
Less: amount representing interest	(4,839)
	$ 21,746

10. Deferred capital contributions

Deferred capital contributions are grants received for various capital additions. The grants are amortized into income on the same basis as the related asset.

	2023	2022
Balance, beginning of year	$ 80,571	$ 100,486
Additions during the year	235,001	33,174
Recognized as revenues	(15,730)	(53,089)
Balance, end of year	$ 299,842	$ 80,571

During the year, the Organization received $235,001 for the acquisition of trucks which will be made in 2024.

11. Government assistance and subsidies

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

Federal government assistance consists of:

	2023	2022
Canada Emergency Wage Subsidy	$ -	$ 7,846
Canada Emergency Rent Subsidy	-	1,171
Total Federal government assistance	$ -	$ 9,017

Employment and other subsidies consists of:

	2023	2022
Canada Summer Jobs	$ 23,694	$ 24,488
Ministry of Labour	6,300	6,300
Other	-	2,000
Total employment subsidies	$ 29,994	$ 32,788

12. Donated household furnishings

During the year, the Organization received donations of household furnishings of approximately $4,782,000 (2022 - $3,986,000). The value of these items have not been included in revenues or expenditures in the statement of operations.

13. 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.

14. 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:

2024	$ 528,000
2025	491,000
2026	475,000
2027	339,000
2028	21,000
	$ 1,854,000

15. Subsequent event

In January 2024, the Organization entered in an agreement with one of its funders for the advance of a $500,000 forgivable loan towards the Toronto East expansion with repayment terms being determined after reaching each milestone.