

FURNITURE BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2020



INDEPENDENT AUDITOR'S 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, 2020, and the statements of operations, 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 the Organization as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 were unable to determine whether, as at and for years ended December 31, 2020 and December 31, 2019, any adjustments might be necessary to donation and event revenue, excess of revenue over expenditures reported in the statement of operations, excess of revenue over expenditures reported in the statement of cash flows and current assets and net assets 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, 2019.

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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the the Organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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.



Mississauga, Ontario
April 21, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS



FURNITURE BANK

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	2020	2019
ASSETS		
Current		
Cash	\$ 311,596	\$ 584,363
Short-term investments (Note 3)	1,000,000	-
Accounts receivable (Note 4)	211,899	117,036
Federal government assistance receivable (Note 5)	74,303	-
HST recoverable	48,635	38,687
Prepaid expenses	42,231	39,477
Inventory (Note 6)	414	8,482
	<u>1,689,078</u>	<u>788,045</u>
Capital assets (Note 7)	<u>253,756</u>	<u>417,574</u>
	<u>\$ 1,942,834</u>	<u>\$ 1,205,619</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 323,023	\$ 192,975
Government remittances payable	1,820	1,922
Deferred revenue (Note 9)	461,344	223,570
Current portion of capital lease obligation (Note 10)	44,767	64,556
	<u>830,954</u>	<u>483,023</u>
Capital lease obligation (Note 10)	-	45,076
Deferred capital contributions (Note 11)	<u>161,889</u>	<u>272,001</u>
	<u>992,843</u>	<u>800,100</u>
COMMITMENTS (Note 15)		
IMPACT OF COVID-19 (Note 16)		
NET ASSETS		
Unrestricted	903,481	359,009
Internally restricted (Note 12)	<u>46,510</u>	<u>46,510</u>
	<u>949,991</u>	<u>405,519</u>
	<u>\$ 1,942,834</u>	<u>\$ 1,205,619</u>

Approved on behalf of the board

Director



Director




FURNITURE BANK

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Revenue		
Social enterprise operations	\$ 1,419,243	\$ 1,915,633
Government funding for service	1,271,328	988,718
Federal government assistance (Note 5)	640,094	-
Foundations and other charitable organizations	346,375	310,452
Corporate and individual donations	148,623	178,297
Amortization of deferred capital contributions	85,052	100,408
Employment subsidies	49,391	67,093
Interest and other	4,810	3,982
Events	-	15,000
	<u>3,964,916</u>	<u>3,579,583</u>
Expenditures		
Salaries and benefits	2,122,776	2,331,023
Office, general and warehouse	431,559	360,335
Rent	221,121	192,620
Vehicle and travel	156,758	153,273
Professional fees	138,116	112,141
Amortization	137,441	161,406
Fundraising and marketing	84,509	32,976
Insurance	62,474	60,282
Bank and credit card processing fees	45,024	48,328
Utilities	41,557	32,669
Social impact measurement	17,252	-
Interest on term debt and capital lease obligation	4,763	9,127
Bad debts	1,382	654
(Gain) loss on disposal of capital assets	(44,288)	93
	<u>3,420,444</u>	<u>3,494,927</u>
Excess of revenue over expenditures	<u>\$ 544,472</u>	<u>\$ 84,656</u>

See accompanying Notes to the financial statements



FURNITURE BANK

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Unrestricted</i>	<i>Internally restricted (Note 12)</i>	<i>2020 Total</i>	<i>2019 Total</i>
Net assets, beginning of year	\$ 359,009	\$ 46,510	\$ 405,519	\$ 320,863
Excess of revenue over expenditures	544,472	-	544,472	84,656
Net assets, ending of year	<u>\$ 903,481</u>	<u>\$ 46,510</u>	<u>\$ 949,991</u>	<u>\$ 405,519</u>

See accompanying Notes to the financial statements



FURNITURE BANK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 544,472	\$ 84,656
Adjustments for items which do not affect cash		
Amortization	137,441	161,406
Amortization of deferred capital contributions	(85,052)	(100,408)
(Gain) loss on disposal of capital assets	(44,288)	93
Recognition of unamortized deferred contribution	(42,187)	-
	<u>510,386</u>	<u>145,747</u>
Change in non-cash working capital items		
Accounts receivable	(94,863)	82,698
Federal government assistance receivable	(74,303)	-
Prepaid expenses	(2,754)	(5,626)
Inventory	8,068	8,962
Accounts payable and accrued liabilities	130,048	24,787
HST recoverable	(9,948)	29,569
Government remittances payable	(102)	727
Deferred revenue	254,901	14,026
	<u>721,433</u>	<u>300,890</u>
Cash flows from investing activities		
Purchase of capital assets	(16,360)	(4,953)
Purchase of short-term investments	(1,000,000)	-
Proceeds on maturity of investment	-	26,274
Proceeds on disposal of capital assets	87,025	-
Purchase of capital assets at end of lease term	(30,003)	-
	<u>(959,338)</u>	<u>21,321</u>
Cash flows from financing activities		
Repayment of long-term debt	-	(28,083)
Repayment of obligations under capital lease	(34,862)	(44,393)
Deferred capital contributions	-	2,055
	<u>(34,862)</u>	<u>(70,421)</u>
(Decrease) increase in cash	<u>(272,767)</u>	<u>251,790</u>
Cash, beginning of year	<u>584,363</u>	<u>332,573</u>
Cash, end of year	<u>\$ 311,596</u>	<u>\$ 584,363</u>

See accompanying Notes to the financial statements



FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. DESCRIPTION

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

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

(b) 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.



FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Capital assets

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

Vehicles	Declining balance	30%
Office equipment	Declining balance	20%
Leasehold improvements	Straight-line	term of lease
Warehouse equipment	Declining balance	20%
Computer equipment	Declining balance	55%
Computer software	Declining balance	100%
Vehicles under capital lease	Straight-line	term of lease

(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, investments, and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities and capital lease obligations.

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

(e) 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.

(f) 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.



FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) 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 expenditures 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. Accounts specifically affected by estimates in these financial statements are accounts receivable, federal government assistance receivable, capital assets and accounts payable and accrued liabilities.

3. SHORT-TERM INVESTMENTS

Short-term investments are comprised of guaranteed investment certificates which mature on various dates between July 28, 2021 and December 4, 2021 and bear interest between 0.10% and 0.40% per annum.

4. ACCOUNTS RECEIVABLE

Accounts receivable is presented net of the allowance for doubtful accounts of \$914 (2019 - \$1,329).

5. FEDERAL GOVERNMENT ASSISTANCE

During the year, the Organization applied to the Canada Emergency Wage Subsidy ("CEWS"), Temporary Wage Subsidy ("TWS"), and Canada Emergency Rent Subsidy ("CERS") programs to obtain relief from payroll and property costs during the COVID-19 pandemic. Under the CEWS program, the Organization is entitled to receive up to 75% of an employee's wages up to a set amount per week. All amounts claimed under these programs have been included in federal government assistance on the statement of operations at December 31, 2020.

In the current year \$622,367 was claimed under the CEWS and TWS programs and \$17,727 claimed under the CERS program. As at December 31, 2020, \$56,576 and \$17,727 are included in federal government assistance receivable related to the CEWS and CERS programs respectively.

6. INVENTORY

	2020	2019
Mattresses and other program supplies	\$ 414	\$ 8,482

The Organization offers mattresses for purchase as part of an initiative to increase the availability of affordable mattresses in the Greater Toronto area. Inventories recognized as expense during the year amounted to \$8,482 (2019 - \$8,962). As at December 31, 2020 inventory includes program supplies.



FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

7. CAPITAL ASSETS

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Vehicles	\$ 509,103	\$ 444,997	\$ 64,106	\$ 118,055
Office equipment	91,775	63,617	28,158	35,197
Leasehold improvements	273,252	222,420	50,832	86,713
Warehouse equipment	142,735	94,515	48,220	60,275
Computer equipment	153,609	137,977	15,632	9,602
Computer software	103,211	103,211	-	-
Vehicles under capital lease	156,120	109,312	46,808	107,732
	<u>\$ 1,429,805</u>	<u>\$ 1,176,049</u>	<u>\$ 253,756</u>	<u>\$ 417,574</u>

8. CREDIT FACILITY

The Organization has access to an operating line of credit with a facility limit of \$100,000 which is available for cash flow requirements. No amounts were drawn under this facility in 2020. Any outstanding amount is due on demand and bears interest at the Royal Bank of Canada's prime rate plus 1.5%. The Organization has pledged a general security agreement over all assets as collateral for this facility.

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, 2019	Contributions received	Contributions expended	December 31, 2020
Contributions externally restricted for use toward leasehold improvements	\$ 22,186	\$ -	\$ -	\$ 22,186
Contributions externally restricted toward certain programs and operating expenses	201,384	1,415,583	1,226,554	390,413
Other deferred revenue	<u>-</u>	<u>48,745</u>	<u>-</u>	<u>48,745</u>
	<u>\$ 223,570</u>	<u>\$ 1,464,328</u>	<u>\$ 1,226,554</u>	<u>\$ 461,344</u>



FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10. CAPITAL LEASE OBLIGATION

Capital lease contracts for 2 vehicles which bear an implicit interest rate of 6.5% with a maturity date of April 30, 2021 and have a guaranteed residual value of \$39,000. The obligation is unsecured.

Total minimum lease payments	\$	47,576
Less amount representing interest		<u>(2,809)</u>
	\$	<u>44,767</u>

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are represented as follows:

	Grant	Amortized Amount	2020	2019
Trucks	\$ 176,077	\$ (138,283)	\$ 37,794	\$ 93,460
Equipment	345,142	(270,244)	74,898	94,615
Leasehold improvements	267,002	(217,805)	49,197	83,926
Computer software	<u>103,198</u>	<u>(103,198)</u>	<u>-</u>	<u>-</u>
	<u>\$ 891,419</u>	<u>\$ (729,530)</u>	<u>\$ 161,889</u>	<u>\$ 272,001</u>
			2020	2019
Balance, beginning of year			\$ 272,001	\$ 370,354
Additions to deferred contributions during the year			17,127	2,055
Recognized in revenue on asset disposal			(42,187)	-
Amortization of deferred contributions related to capital assets			<u>(85,052)</u>	<u>(100,408)</u>
Balance, end of year			<u>\$ 161,889</u>	<u>\$ 272,001</u>

12. 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.



FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

13. DONATED HOUSEHOLD FURNISHINGS

During the year, the Organization received donations of household furnishings of approximately \$3,380,000 (2019 - \$5,239,000). The value of these items have not been included in revenues or expenditures in the statement of operations.

14. FINANCIAL INSTRUMENTS

Interest rate risk

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed rate instruments subject the Organization to risk of changes in fair value.

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.

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.

Management believes the exposure to the above risks has not changed from the prior year.

15. COMMITMENTS

The Organization is committed to minimum annual lease payments under various operating leases for office and warehouse premises, vehicles, office equipment and services. Premises lease costs include basic rent and a proportionate share of operating costs related to the leased premises. The future minimum payments under the various lease arrangements are as follows:

2021	\$ 280,000
2022	163,000
2023	10,000
2024	3,000
2025	<u>1,000</u>
	<u>\$ 457,000</u>



FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

16. IMPACT OF COVID-19

During the year the global spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions and have impacted businesses and operations of not-for-profit organizations. Global stock markets have also experienced great volatility.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remain unclear at this time.

The Organization has taken advantage of federal government assistance programs in place as disclosed in Note 5. Management and the Board of Directors are carefully monitoring and evaluating the impact. The pandemic could impact future operations through revenues, inability to collect receivables and/or the availability of government funding. At this time it is not practicable to determine the precise impact on the Organization. No adjustments have been made to these financial statements as a result of this uncertainty.

