Financial Statements of

FURNITURE BANK

Year ended December 31, 2015

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, 2015 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, 2015 and December 31, 2014, 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, 2014.

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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, 2015, 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.

Tom Almand

Chartered Accountants

Licensed Public Accountants

Toronto, Canada

April 15, 2016

FURNITURE BANK

Statement of Financial Position

December 31, 2015 with comparative figures for December 31, 2014

	2015	2014
Assets		
Current assets:		
Cash (Note 2)	$ 203,096	$ 195,096
Accounts receivable (Note 3)	98,879	69,821
HST recoverable	35,106	36,864
Prepaid expenses	42,143	39,904
	379,224	341,685
Investment (Note 4)	25,375	25,375
Capital assets (Note 5)	427,956	230,678
	$ 832,555	$ 597,738
Liabilities and Net Assets (deficiency)		
Current liabilities:		
Bank indebtedness (Note 6)	$ -	$ 39,706
Accounts payable and accrued liabilities	109,527	122,413
Government remittances payable	1,506	4,917
Deferred revenue (Note 7)	229,959	230,222
Current portion of capital lease obligation (Note 8)	16,290	-
Current portion of long-term debt (Note 9)	14,802	13,954
	372,084	411,212
Deferred capital contributions (Note 10)	248,069	163,705
Capital lease obligation (Note 8)	94,044	-
Long-term debt (Note 9)	47,583	62,470
Net Assets (deficiency):		
Unrestricted	24,265	(86,159)
Internally restricted (Note 11)	46,510	46,510
	70,775	(39,649)
	$ 832,555	$ 597,738

See accompanying notes to financial statements

Approved on behalf of the Board:

____________________ Chair

____________________ Treasurer

FURNITURE BANK

Statement of Operations

Year ended December 31, 2015 with comparative figures for December 31, 2014

	2015	2014
Revenues:		
Grants		
Government	$ 363,818	$ 365,538
Foundations	240,600	280,130
Other	111,773	95,298
Employment subsidies	137,805	79,948
Pick up and delivery	1,594,484	1,145,493
Events	129,379	74,439
Donations	151,088	145,616
Amortization of deferred capital contribution	51,771	42,481
Interest and other	3,875	1,217
	2,784,593	2,230,160
Expenses:		
Salaries and benefits	1,773,855	1,465,855
Rent	178,466	173,212
Office, general and warehouse	295,730	203,027
Fundraising	75,081	46,592
Vehicle	138,312	127,049
Utilities	35,341	38,339
Professional fees	17,500	16,723
Insurance	32,037	31,082
Consulting fees	-	33,916
Bank charges	32,070	23,899
Bad debt expense	1,000	1,500
Loan interest	8,894	2,855
Loss on disposal of capital assets	-	1,610
Amortization	85,883	57,912
	2,674,169	2,223,571
Excess of revenue over expenses	$ 110,424	$ 6,589

See accompanying notes to financial statements

FURNITURE BANK

Statement of Changes in Net Assets

Year ended December 31, 2015 with comparative figures for December 31, 2014

	Unrestricted	Internally restricted (Note 11)	2015 Total	2014 Total
Net assets, beginning of year	$ (86,159)	$ 46,510	$ (39,649)	$ (46,238)
Excess of revenue over expenses	110,424	-	110,424	6,589
Net assets, end of year	$ 24,265	$ 46,510	$ 70,775	$ (39,649)

See accompanying notes to financial statements

FURNITURE BANK

Statement of Cash Flows

For the year ended December 31, 2015 with comparative figures for December 31, 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 110,424	$ 6,589
Amortization of capital assets	85,883	57,912
Amortization of deferred capital contributions	(51,771)	(42,481)
Loss on disposal of capital assets	-	1,610
Change in non-cash operating working capital:		
Accounts receivable	(29,058)	(22,545)
HST recoverable	1,758	(11,073)
Prepaid expenses	(2,239)	(12,765)
Accounts payable and accrued liabilities	(12,886)	(15,330)
Government remittances payable	(3,411)	(11,660)
Deferred revenue	135,872	126,446
	234,572	76,703
Investing activities:		
Purchase of investment	-	(25,375)
Purchase of capital assets	(163,161)	(83,746)
Proceeds from sale of capital assets	-	2,260
	(163,161)	(106,861)
Financing activities:		
Increase (decrease) in bank indebtedness	(39,706)	39,706
Repayment of obligations under capital lease	(9,666)	-
Increase in long-term debt	-	80,000
Repayment of promissory note	-	(38,141)
Repayment of long-term debt	(14,039)	(3,576)
	(63,411)	77,989
Increase (decrease) in cash	8,000	47,831
Cash, beginning of year	195,096	147,265
Cash, end of year	$ 203,096	$ 195,096

See accompanying notes to financial statements

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.

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:

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

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;

		2015		2014
Cash - unrestricted	$	(21,208)	$	(34,751)
Cash -restricted (Note 7)		224,304		229,847
	$	203,096	$	195,096

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, 2015.

3. Accounts receivable:

Accounts receivable is presented net of the allowance for doubtful accounts of $1,983 (2014- $1,653).

4. Investment:

Investments consist of a guaranteed investment certificate which matures on September 17, 2016 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	2015 Net Book Value	2014 Net Book Value
Trucks	$ 417,590	$ 216,621	$ 200,969	$ 97,852
Computer equipment	92,503	80,416	12,087	16,081
Office equipment	34,729	27,473	7,256	9,070
Warehouse equipment	111,959	16,191	95,768	8,071
Leasehold improvements	169,612	57,736	111,876	99,604
	$ 826,393	$ 398,437	$ 427,956	$ 230,678

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, 2015, the Organization had drawn $nil (2014 - $39,706) against the facility.

7. 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, 2014	Contributions received	Contributions expended	December 31, 2015
Contributions externally restricted for use toward leasehold improvements	$ 70,220	$ 13,999	$ 28,916	$ 55,303
Contribution externally restricted toward certain programs and operating expenses	159,627	616,863	602,209	174,281
Other deferred revenue	375	-	-	375
	$ 230,222	$ 630,862	$ 631,125	$ 229,959

8. Capital lease obligation:

The Organization is commited pursuant to capital lease obligations relating to vehicles for payments in the next five years as follows;

	2015
2016	22,776
2017	22,776
2018	22,776
2019	22,776
2020	39,478
Total minimum lease payments	130,582
Less amount representing interest at 6.3%	20,248
	110,334
Less current portion	16,290
	94,044

9. 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.

	2015	2014
Truck loan, bearing interest at prime plus 3% with monthly blended payments of $1,510 and maturing November 1, 2019, secured by vehicles with a net book value of $40,021	$ 62,385	$ 76,424
Less current portion	14,802	13,954
	$ 47,583	$ 62,470

During the year interest expense on the above-noted debt amounted to $4,081 (2014 - $954). Principal payments required for the term of the loan are as follows:

2016	$ 14,802
2017	15,706
2018	16,662
2019	15,215
	$ 62,385

10. Deferred capital contributions:

Deferred capital contributions are represented as follows;

	Grant	Amortized Amount	2015	2014
Trucks	$ 97,900	$ 73,031	$ 24,869	$ 35,527
Equipment	248,260	136,936	111,324	28,574
Leasehold improvements	169,612	57,736	111,876	99,604
	$ 515,772	$ 267,703	$ 248,069	$ 163,705

	2015	2014
Balance, beginning of year	$ 163,705	$ 164,445
Additions to deferred contributions during the year	134,135	41,939
Amortization of deferred contributions related to capital assets	(51,771)	(42,679)
Balance, end of year	$ 246,069	$ 163,705

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 $4,431,612 (2014 - $2,905,398). 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, 2015.

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.

14. Commitments:

The Organization is committed to minimum annual lease payments under various operating leases for office and warehouse premises, vehicles and 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:

2016	$ 237,000
2017	233,000
2018	212,000
2019	214,000
2020	215,000
Thereafter	908,000
	$ 2,019,000

15. Related party transactions:

During 2015 a member of the Board of Directors of the Organization extended a short term loan in the amount of $20,000 (2014 - $51,000) to the Organization to assist with cash flow requirements. The loan was unsecured and non-interest bearing and was fully repaid by December 31, 2015.

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.