FURNITURE BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2016

MacGillivray
Chartered Accountants & Business Advisors

Gail C. Almand, CPA, CA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Furniture Bank

Report on the Financial Statements
We have audited the accompanying financial statements of Furniture Bank, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the year 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 Organization'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 statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
In common with may 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 unable to determine whether, as at and for the years ended December 31, 2016 and December 31, 2015, any adjustments might be necessary to donations and event revenue, excess of revenue over expenditures reported in the statements of operations, excess of revenue over expenditures reported in the statements of cash flows and current assets and net deficiency reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2015.

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INDEPENDENT AUDITORS' REPORT, continued

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Furniture Bank as at December 31, 2016, 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.

MacGillivray Brampton

Mississauga, Ontario
May 24, 2017

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

FURNITURE BANK

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
Current		
Cash	$ 205,194	$ 203,096
Accounts receivable (Note 3)	58,479	98,879
HST recoverable	42,080	35,106
Inventory (Note 4)	68,592	-
Prepaid expenses	33,870	42,143
	408,215	379,224
Investment (Note 5)	25,629	25,375
Capital assets (Note 6)	622,652	427,956
	$ 1,056,496	$ 832,555
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 130,766	$ 109,527
Government remittances payable	715	1,506
Deferred revenue (Note 8)	101,370	229,959
Current portion of capital lease obligation (Note 9)	38,730	16,290
Current portion of long-term debt (Note 10)	20,306	14,802
	291,887	372,084
Capital lease obligation (Note 9)	196,193	94,044
Long-term debt (Note 10)	49,567	47,583
Deferred capital contributions (Note 11)	293,857	248,069
	831,504	761,780
COMMITMENTS (Note 15)		
NET ASSETS		
Unrestricted	178,482	24,265
Internally restricted (Note 12)	46,510	46,510
	224,992	70,775
	$ 1,056,496	$ 832,555

Approved on behalf of the board

Director______________ Director______________

See accompanying notes to the financial statements

FURNITURE BANK

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Revenue		
Grants		
Government	$ 363,721	$ 363,818
Foundations	323,982	240,600
Other	113,127	111,773
Employment subsidies	87,938	137,805
Pick up and delivery	1,814,005	1,594,484
Events	125,387	129,379
Donations	161,465	151,088
Amortization of deferred capital contributions	64,171	51,771
Interest and other	1,121	3,875
	3,054,917	2,784,593
Expenditures		
Salaries and benefits	1,939,053	1,773,855
Office, general and warehouse	213,827	295,730
Rent	166,987	178,466
Vehicle and travel	136,656	138,312
Amortization	128,660	85,883
Fundraising	127,310	75,081
Professional fees	70,210	17,500
Insurance	37,136	32,037
Bank and credit card processing fees	36,535	32,070
Utilities	28,294	35,341
Interest on term debt and capital lease obligation	16,669	8,894
Bad debts (recovery)	(637)	1,000
	2,900,700	2,674,169
Excess of revenue over expenditures	$ 154,217	$ 110,424

FURNITURE BANK

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Internally restricted	2016 Total	2015 Total
Net assets, beginning of year	$ 24,265	$ 46,510	$ 70,775	$ (39,649)
Excess of revenue over expenditures	154,217	-	154,217	110,424
Balance, ending of year	$ 178,482	$ 46,510	$ 224,992	$ 70,775

FURNITURE BANK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Cash flows from operating activities		
Excess of revenue over expenditures	$ 154,217	$ 110,424
Adjustments for		
Amortization of capital assets	128,660	85,883
Amortization of deferred capital contributions	(64,171)	(51,771)
	218,706	144,536
Change in non-cash working capital items		
Accounts receivable	40,400	(29,058)
HST recoverable	(6,974)	1,758
Inventory	(68,592)	-
Prepaid expenses	8,273	(2,239)
Accounts payable and accrued liabilities	21,239	(12,886)
Government remittances payable	(791)	(3,411)
Deferred revenue	(18,630)	135,872
	193,631	234,572
Cash flows from investing activities		
Purchase of capital assets	(167,236)	(163,161)
Purchase of investment	(254)	-
	(167,490)	(163,161)
Cash flows from financing activities		
Decrease in bank indebtedness	-	(39,706)
Repayment of obligations under capital lease	(31,531)	(9,666)
Repayment of long-term debt	(17,512)	(14,039)
Proceeds from issuance of long-term debt	25,000	-
	(24,043)	(63,411)
Increase in cash	2,098	8,000
Cash, beginning of year	203,096	195,096
Cash, end of year	$ 205,194	$ 203,096

FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 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.

(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.

(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	45 and 55%
Vehicles under capital lease	Straight-line	term of lease

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(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 fair value of the goods received or services rendered.

(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 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, capital assets and accounts payable and accrued liabilities.

FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

3. ACCOUNTS RECEIVABLE

Accounts receivable is presented net of the allowance for doubtful accounts of $661 (2015- $1,983).

4. INVENTORY

	2016	2015
Mattresses	$ 68,592	$ -

During the year the Organization began purchasing and reselling mattresses 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 $962.

5. INVESTMENT

Investments consist of a guaranteed investment certificate which matures on September 17, 2017 and bears interest at 1.35% (2015 - 1.0%) 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.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Vehicles	$ 358,053	$ 243,440	$ 114,613	$ 91,469
Computer equipment	110,045	91,888	18,157	12,087
Office equipment	34,730	30,161	4,569	7,256
Warehouse equipment	116,241	35,774	80,467	95,768
Leasehold improvements	254,571	81,729	172,842	111,876
Vehicles under capital lease	276,120	44,116	232,004	109,500
	$ 1,149,760	$ 527,108	$ 622,652	$ 427,956

7. 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, 2016, the Organization had drawn $nil (2015 - $nil) against the facility.

8. 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, 2015	Contributions received	Contributions expended	December 31, 2016
Contributions externally restricted for use toward leasehold improvements	$ 55,303	$ -	$ 14,436	$ 40,867
Contributions externally restricted toward certain programs and operating expenses	174,281	529,911	643,689	60,503
Other deferred revenue	375	-	375	-
	$ 229,959	$ 529,911	$ 658,500	$ 101,370

9. CAPITAL LEASE OBLIGATION

Capital lease contracts for vehicles bearing implicit interest rates between 6.3% and 6.5% with maturity dates ranging from 2020 to 2021 and cumulative guaranteed residual value of $69,003 at maturity. All vehicle obligations are unsecured.

	2016
2017	$ 52,752
2018	52,752
2019	52,752
2020	69,454
2021	47,576
Total minimum lease payments	275,286
Less amount representing interest	(40,363)
	234,923
Less current portion	(38,730)
	$ 196,193

10. LONG-TERM DEBT

The Organization has entered into term loans to finance the purchase of trucks. The loans are secured by trucks in addition to a general security agreement over the Organization's assets.

	2016	2015
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 $34,015.	$ 47,435	$ 62,385
Truck loan, bearing interest at prime plus 3% with monthly blended payments of $480 and maturing May 1, 2021 secured by a vehicle with a net book value of $47,472.	22,438	-
	69,873	62,385
Less current portion	(20,306)	(14,802)
Due beyond one year	$ 49,567	$ 47,583

During the year interest expense on the above-noted debt amounted to $3,968 (2015 - $4,081).

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

	2016
2017	$ 20,306
2018	21,531
2019	20,222
2020	5,456
2021	2,358
	$ 69,873

FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are represented as follows:

	Grant	Amortized Amount	2016	2015
Trucks	$ 127,900	$ (84,992)	$ 42,908	$ 24,869
Equipment	249,510	(165,153)	84,357	111,324
Leasehold improvements	248,321	(81,729)	166,592	111,876
	$ 625,731	$ (331,874)	$ 293,857	$ 248,069

	2016	2015
Balance, beginning of year	$ 246,069	$ 163,705
Additions to deferred contributions during the year	111,959	136,135
Amortization of deferred contributions related to capital assets	(64,171)	(51,771)
Balance, end of year	$ 293,857	$ 248,069

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.

13. DONATED HOUSEHOLD FURNISHINGS

During the year, the organization received donations of household furnishings of approximately $4,560,000 (2015 - $4,432,000). The value of these items have not been included in revenues or expenditures in the statement operations.

FURNITURE BANK

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

14. FINANCIAL INSTRUMENTS

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

(a) 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 a large financial institution.

(b) 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, 2016.

(c) 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.

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:

2017	$ 263,000
2018	245,000
2019	226,000
2020	215,000
2021	219,000
Thereafter	128,000
	$ 1,296,000