

**Renew Crew Foundation**  
**Financial Statements**  
For the year ended July 31, 2019

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# ABERCROMBY MELNYCHUK

CHARTERED PROFESSIONAL ACCOUNTANTS

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## Independent Auditor's Report

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### To the Members of Renew Crew Foundation

#### Opinion

We have audited the accompanying financial statements of Renew Crew Foundation ("the Foundation") which comprise the statement of financial position as at July 31, 2019, statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at July 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Opinion

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 Foundation 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 the 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 the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

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## Independent Auditor's Report

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### **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 Foundation'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 Foundation'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 Foundation 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.

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## Independent Auditor's Report

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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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Abercromby Melnychuk*

Chartered Professional Accountants

Surrey, British Columbia  
November 14, 2019

## Renew Crew Foundation Statement of Financial Position

July 31	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 15,731	\$ 204,643
Accounts receivable	406,854	340,304
Inventory	5,821	5,399
Prepaid expenses	7,533	10,982
	435,939	561,328
<b>Capital assets</b> (Note 1)	202,484	242,673
	\$ 638,423	\$ 804,001
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 89,100	\$ 171,354
Wages payable	56,748	117,160
Current portion of long-term debt (Note 2)	6,454	6,454
	152,302	294,968
<b>Long-term debt</b> (Note 2)	19,361	25,815
	171,663	320,783
<b>Commitments</b> (Note 3)		
<b>Net assets</b>		
Unrestricted	466,760	483,218
	\$ 638,423	\$ 804,001

On behalf of the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Renew Crew Foundation Statement of Operations and Changes in Net Assets

<b>For the year ended July 31</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Sales (Note 4)	\$ 5,451,511	\$ 5,886,228
Other income	8,042	12,094
	<u>5,459,553</u>	<u>5,898,322</u>
<b>Expenditures (Schedule)</b>		
Direct costs	2,207,036	2,363,995
Marketing costs	919,878	977,138
General and administrative costs	574,097	604,002
	<u>3,701,011</u>	<u>3,945,135</u>
<b>Excess of revenue over expenditures before grants</b>	<b>1,758,542</b>	<b>1,953,187</b>
<b>Grants disbursed</b>		
Big Brothers of Greater Vancouver Foundation	1,775,000	1,770,000
<b>(Deficiency) excess of revenue over expenditures for the year</b>	<b>(16,458)</b>	<b>183,187</b>
<b>Net assets, beginning of year</b>	<u><b>483,218</b></u>	<u><b>300,031</b></u>
<b>Net assets, end of year</b>	<u><b>\$ 466,760</b></u>	<u><b>\$ 483,218</b></u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Renew Crew Foundation Statement of Cash Flows

For the year ended July 31	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenditures for the year	\$ (16,458)	\$ 183,187
Item not involving cash		
Amortization	53,189	51,389
	<b>36,731</b>	<b>234,576</b>
 Changes in non-cash working capital balances		
Accounts receivable	(66,550)	(36,864)
Inventory	(422)	712
Prepaid expenses	3,449	33,412
Accounts payable and accrued liabilities	(82,254)	(141,512)
Wages payable	(60,412)	21,182
	<b>(206,189)</b>	<b>(123,070)</b>
	<b>(169,458)</b>	111,506
<b>Investing activities</b>		
Purchase of capital assets	(13,000)	(131,049)
<b>Financing activities</b>		
Repayment of long-term debt	(6,454)	(5,378)
<b>Decrease in cash during the year</b>	<b>(188,912)</b>	<b>(24,921)</b>
<b>Cash, beginning of year</b>	<b>204,643</b>	<b>229,564</b>
<b>Cash, end of year</b>	<b>\$ 15,731</b>	<b>\$ 204,643</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.



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## Renew Crew Foundation Summary of Significant Accounting Policies

**July 31, 2019**

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### **Nature and Purpose of Foundation**

The Foundation was incorporated under the Canada Corporations Act and was issued Letters Patent on March 15, 1995. On July 11, 2000 the Foundation was registered as an extraprovincial society under the British Columbia Societies Act and on September 30, 2014 was issued a Certificate of Continuance under the Canada Not-for-profit Corporations Act. As a registered charity under the Income Tax Act, the Foundation is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Foundation was founded to receive and disburse resources to support activities and programs which are beneficial to the community. The Foundation currently collects used clothing and other items from the general public which it sells under contract to Value Village Stores, Inc.

### **Basis of Accounting**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

### **Financial Instruments**

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, wages payable and long-term debt.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

The Foundation recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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## Renew Crew Foundation Summary of Significant Accounting Policies

**July 31, 2019**

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### Inventory

Inventory of used clothing is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the declining balance basis and the following annual rates:

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Asset	Rate
Computer hardware and software	30%, 55% and 100%
Vehicle	30%
Donation bins	20%
Warehouse equipment	20%
Furniture and office equipment	20%
Leasehold improvements	20%

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### Revenue Recognition

The Foundation recognizes revenue from sales when it is realized or realizable and earned. The Foundation considers revenue realized or realizable and earned when unit measures of used clothing and other items are delivered to its customers.

### Donations-In-Kind

The value of donated products and materials is not recorded due to the difficulty of determining their fair value.

### Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

## Renew Crew Foundation Notes to Financial Statements

**July 31, 2019**

### 1. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware and software	\$ 412,713	\$ 410,187	\$ 412,713	\$ 408,178
Vehicle	37,860	22,091	37,860	15,333
Donation bins	372,041	202,995	359,511	162,300
Warehouse equipment	34,898	21,606	34,428	18,341
Furniture and office equipment	8,066	6,912	8,066	6,624
Leasehold improvements	5,281	4,584	5,281	4,410
	<b>\$ 870,859</b>	<b>\$ 668,375</b>	<b>\$ 857,859</b>	<b>\$ 615,186</b>
Net book value		<b>\$ 202,484</b>		<b>\$ 242,673</b>

### 2. Long-Term Debt

	2019		2018	
0% loan, repayable at \$538 monthly until May 2023. The loan is secured by a charge over a specific vehicle having a net book value of \$15,769.	\$ 25,815	\$	32,269	
Less current portion			<b>6,454</b>	6,454
			<b>\$ 19,361</b>	\$ 25,815

Principal repayments for the next four years are as follows:

2020	\$ 6,454
2021	6,454
2022	6,454
2023	6,453
	<b>\$ 25,815</b>

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## Renew Crew Foundation Notes to Financial Statements

**July 31, 2019**

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### 3. Commitments

The Foundation has various operating leases covering equipment and office and warehouse space. Future minimum lease payments are as follows:

2020	\$ <u>18,951</u>
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The annual lease payments for office and warehouse space exclude maintenance, property taxes, insurance, and other operating costs, which change each year. For the year ended July 31, 2019 these costs amounted to an additional \$43,537 (2018 - \$41,591) in occupancy costs.

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### 4. Economic Dependence

The Foundation earns 99% (2018 -100%) of its sales revenue under a contract with Value Village Stores, Inc. Under the contract the Foundation receives a fixed price per unit measure and is restricted in the delivered amount based on a specified quota limit. The viability of the Foundation's operations is dependent upon the continuance of this contract.

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### 5. Financial Instruments

#### Risks and Concentrations

The Foundation is exposed to various risks through its financial instruments. Management is of the opinion that there has been no significant change to the risk exposures from the prior year. The following analysis provides a measure of the Foundation's risk exposure and concentrations at July 31, 2019:

#### Credit Risk

The Foundation is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. Accounts receivable arise primarily from the sale of used clothing. The maximum exposure to credit risk is the carrying value of accounts receivable on the statement of financial position. Accounts receivable are non-interest bearing and are generally due in 30 days. At July 31, 2019 - 65% (2018 - 92%) of the Foundation's accounts receivable were due from one entity.

#### Liquidity Risk

Liquidity risk is the risk that the Foundation will not be able to meet its obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and wages payable.

## Renew Crew Foundation Notes to Financial Statements

**July 31, 2019**

### 6. Related Party Transactions

The Organization had the following transactions with organizations considered related by common management:

	<b>2019</b>	2018
Big Brothers of Greater Vancouver Foundation		
Grants paid	<b>\$ 1,775,000</b>	\$ 1,770,000
Amounts paid for general and administration costs	<b>\$ 82,295</b>	\$ 104,239
Amounts paid for marketing costs	<b>\$ 23,790</b>	\$ 29,117
Big Brothers of Greater Vancouver		
Amounts paid for general and administration costs	<b>\$ 28,900</b>	\$ 28,400

These transactions were in the normal course of operations and were measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates their arm's length equivalent value.

Amounts included in accounts receivable from the related parties arising from these transactions are as follows:

	<b>2019</b>	2018
Big Brothers of Greater Vancouver Foundation	<b>\$ 75,500</b>	\$ 139

Included in accounts payable for amounts due to the related parties arising from these transactions are the following:

	<b>2019</b>	2018
Big Brothers of Greater Vancouver Foundation	<b>\$ 15,270</b>	\$ 17,839

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## Renew Crew Foundation Notes to Financial Statements

**July 31, 2019**

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### **7. Significantly Influenced Organization**

As a result of certain common management activities, Big Brothers of Greater Vancouver is considered to have significant influence over the operations of the Renew Crew Foundation. The nature and purpose of Big Brothers of Greater Vancouver is to provide support to children who need positive adult role models in their lives. Big Brothers of Greater Vancouver was incorporated pursuant to the British Columbia Societies Act and as a registered charity under the Income Tax Act is exempt from income tax. During the year the Renew Crew Foundation donated \$1,775,000 (2018 - \$1,770,000) to the Big Brothers of Greater Vancouver Foundation, a non-consolidated controlled entity of Big Brothers of Greater Vancouver.

## Renew Crew Foundation Schedule of Expenditures

<b>For the year ended July 31</b>	<b>2019</b>	<b>2018</b>
<b>Direct Costs</b>		
Amortization	\$ 50,627	\$ 46,820
Community collections	367,431	478,720
Distribution centre	290,681	262,626
Driver contractors	1,291,939	1,287,045
Sourcing supplies & sundry	1,403	2,568
Attended donation stations	169,265	230,617
Bin rent and repairs	35,690	55,599
	<b>\$ 2,207,036</b>	<b>\$ 2,363,995</b>
<b>Marketing Costs</b>		
Advertising and promotion	\$ 21,823	\$ 40,413
Computer system support	16,587	15,069
Telephone	120,870	134,249
Wages and benefits - call centre	738,048	759,284
Wages and benefits - marketing	22,550	28,123
	<b>\$ 919,878</b>	<b>\$ 977,138</b>
<b>General and Administrative Costs</b>		
Administration fees	\$ 118,496	\$ 130,543
Amortization	2,562	4,569
Occupancy	24,428	24,480
Office and miscellaneous	41,864	37,688
Professional fees	12,767	11,535
Wages and benefits	373,980	395,187
	<b>\$ 574,097</b>	<b>\$ 604,002</b>