

TWO WHEEL VIEW - CALGARY LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

MBD LLP

Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Two Wheel View - Calgary Ltd.:

Qualified Opinion

We have audited the financial statements of **Two Wheel View – Calgary Ltd.** (the Entity), which comprise the balance sheet as at **December 31, 2020**, and the statement of revenues, expenses and surplus, and statement of 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at **December 31, 2020**, 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 (ASNPOs).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from 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 Entity. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, expenses, and cash flows from operations for the year ended December 31, 2020, current assets and net assets as at December 31, 2020.

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 Entity 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 audit 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 ASNPOs, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

March 17, 2021
Calgary, Alberta

MBD LLP
Chartered Professional Accountants

TWO WHEEL VIEW - CALGARY LTD.

BALANCE SHEET

	<u>2020</u>	<u>December 31,</u> <u>2019</u> (Restated – Note 9)
ASSETS		
Current assets:		
Cash & cash equivalents	\$ 588,322	\$ 453,745
Accounts receivable	-	2,131
Goods and services tax recoverable	4,135	4,926
Prepaid expenses	12,772	11,117
Inventory supplies, in kind contribution	<u>15,000</u>	<u>15,000</u>
	620,229	486,919
Property and equipment (Note 3)	<u>33,679</u>	<u>25,166</u>
	<u>\$ 653,908</u>	<u>\$ 512,085</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,838	\$ 8,344
Deferred revenue	<u>64,471</u>	<u>22,973</u>
	69,309	31,317
Deferred capital contributions	14,878	19,439
SURPLUS OF NET ASSETS (NOTE 8)		
Invested in property and equipment	23,619	15,189
Unrestricted	<u>546,102</u>	<u>446,140</u>
	<u>569,721</u>	<u>461,329</u>
	<u>\$ 653,908</u>	<u>\$ 512,085</u>

Approved on behalf of the Board:

David White, Director

Sheldon McDonough, Director

TWO WHEEL VIEW - CALGARY LTD.

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

	Year Ended	
	December 31	
	<u>2020</u>	<u>2019</u>
		(Restated – Note 9)
Revenue:		
Family and Community Support Services (City of Calgary) (Note 6)	\$ 339,456	\$ 365,627
Donations	106,702	196,933
Program fee, interest and other	84,657	123,348
Foundation and trust grants	5,500	35,200
In kind donations – goods and other services	600	25,141
Government grants & subsidies	163,644	75,277
Fundraising events & miscellaneous revenue	950	7,054
Deferred contributions	<u>4,562</u>	<u>2,167</u>
	<u>706,071</u>	<u>830,747</u>
Expenses:		
Salaries, wages and other remuneration	405,160	384,128
Direct costs	57,121	185,124
Rental	79,808	76,710
Office and other	31,494	20,825
Travel and meeting	12,644	13,155
In kind donations – goods and other services	475	7,887
Other program costs	1,796	3,804
Amortization	5,821	3,973
Professional and consulting fees	<u>3,360</u>	<u>3,360</u>
	<u>597,679</u>	<u>698,966</u>
Excess of revenue over expenses for the year	108,392	131,781
Surplus in net assets, beginning of year	<u>461,329</u>	<u>329,548</u>
Surplus of net assets, end of year	<u>\$ 569,721</u>	<u>\$ 461,329</u>

TWO WHEEL VIEW - CALGARY LTD.

STATEMENT OF CASH FLOWS

	Year Ended December 31	
	<u>2020</u>	<u>2019</u>
		(Restated – Note 9)
Cash provided by operating activities:		
Excess of revenues over expenses for the year	\$ 108,392	\$ 131,781
Add non-cash items:		
Amortization	5,821	3,973
Deferred contributions recognized	(4,562)	(2,167)
Change in non-cash working capital (Note 4)	<u>(2,239)</u>	<u>22,789</u>
	<u>107,412</u>	<u>156,376</u>
Cash used in investing:		
Purchase of property and equipment	(22,849)	(2,325)
Disposition of property and equipment	<u>8,516</u>	<u>-</u>
	(14,333)	(2,325)
Cash used in financing:		
(Decrease) increase in deferred revenue	<u>41,498</u>	<u>(34,774)</u>
Increase in cash	134,577	119,277
Cash & cash equivalents, beginning of year	<u>453,745</u>	<u>334,468</u>
Cash & cash equivalents, end of year	<u>\$ 588,322</u>	<u>\$ 453,745</u>

TWO WHEEL VIEW - CALGARY LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. Operations

Two Wheel View - Calgary Ltd. was incorporated under the Alberta Companies Act on August 29, 2005 as a non-profit organization. The Entity has tax-exempt status as a registered charity under paragraph 149(1(f) of the Income Tax Act. The objectives of the Entity are without purpose of gain and include the following:

- (a) To educate youth on the environment and local culture of areas in Canada and abroad through their participation in educational bicycle trips.
- (b) To do all things incidental and ancillary to the attainment of the above objectives.

Specific projects include Earn-a-Bike, Growth & Prosper, and local expeditions.

2. Significant Accounting Policies

- (a) Inventory

Inventory represents in kind donations of bicycles valued at their estimated net realizable value by management. No conditions exist that indicate impairment is required.

- (b) Revenue recognition:

The Entity follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Program fees are recognized in revenue once the program events are held. Fundraising revenues are recognized in revenue when proceeds are received, and the fundraising event has been completed. Interest and miscellaneous revenue is recognized in the year it is earned.

- (c) Deferred revenue

Deferred revenue represents funds advanced for programs to be carried out in future periods.

- (d) Property, plant and equipment

All property, plant and equipment purchased, are recorded at cost. Donated property plant and equipment are recorded at the estimated fair value at the date the contribution is received. These assets are depreciated over their estimated useful life. Amortization is charged on an annual basis using the declining balance method over their estimated useful life as follows:

Automotive	30%
Bicycles	30%
Tools	20%
Old computers	45%
New computers	55%

2. Significant Accounting Policies (continued)

(e) In-kind donations

Donated assets and services are recorded when they would have otherwise been purchased and fair market value can be reasonably estimated. These items are recorded in revenue and expenses at the estimated fair value at the date the assets were received, or services rendered and when they are considered to be earned.

(f) Deferred capital contributions

Contributions provided or allocated for the purposes of acquiring property and equipment are recognized as revenues on the same basis as the related property and equipment is amortized.

(g) Financial instrument measurement

The Entity 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, accounts receivable, and prepaid expenses. Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

(h) Measurement uncertainty

The preparation of the financial statements in accordance with Canadian Accounting Principles 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 revenue and expenses during the reporting period. Specifically, some in kind donations, including inventory, are recorded at fair market value using estimates prepared by management. Actual results could differ from and affect the results reported in these financial statements.

3. Property and Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u> <u>December 31</u>	
			<u>2020</u>	<u>2019</u>
Automotive	\$ 38,780	\$ 15,766	\$ 23,014	\$ 19,509
Bicycles	20,538	18,179	2,359	1,427
Tools	5,374	3,392	1,982	2,477
Computers & Equipment	<u>12,577</u>	<u>6,253</u>	<u>6,324</u>	<u>1,753</u>
	<u>\$ 77,269</u>	<u>\$ 43,590</u>	<u>\$ 33,679</u>	<u>\$ 25,166</u>

Bicycles reported in property and equipment above are fleet bicycles used for trips. Bicycles reported in inventory, not included in the balance above, are those donated to the Entity for program use.

4. Net Change in Non-Cash Working Capital

	December 31	
	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 2,131	\$ (1,821)
Goods and services tax payable	791	1,471
Prepaid expenses	(1,655)	436
Inventory	-	23,736
Accounts payable and accrued liabilities	<u>(3,506)</u>	<u>(1,033)</u>
	<u>\$ (2,239)</u>	<u>\$ 22,789</u>

5. Lease commitments

Management signed a five-year lease for office space for the term February 1, 2017 to January 31, 2022. Obligations with respect to this lease are as follows:

2021	\$ 45,647
2022	<u>3,827</u>
	<u>\$ 49,474</u>

6. Family and Community Support Services (The City of Calgary)

	December 31	
	<u>2020</u>	<u>2019</u> (Restated – Note 9)
Total funds received for Earn-A-Bike CAS Program	\$ 263,027	\$ 263,027
Total funds received for Capacity Building Fund Program	-	9,500
Total funds received for Crime Prevention & Investment Program	97,000	97,000
Prior year deferred amounts realized	3,900	-
Amount deferred for future period	<u>(24,471)</u>	<u>(3,900)</u>
Total revenue earned per the financial statements	<u>\$ 339,456</u>	<u>\$ 365,627</u>

7. Financial Instruments

(a) Fair values

The carrying value of the Entity's financial instruments including cash, accounts receivable, accounts payable, accrued liabilities and deferred revenue approximate their fair value due to their short-term nature or existing terms similar to those that could be obtained currently.

(b) Credit risk

Account's receivables are with known and reliable sources, and are subject to normal credit risks.

(c) Interest rate risk

The Entity is not subject to significant interest rate risk as it does not currently carry significant liabilities subject to interest.

8. Net Assets

			December 31	
	<u>Investments in Property and equipment</u>	<u>Unrestricted</u>	<u>2020 Total</u>	<u>2019 Total (Restated – Note 9)</u>
Balance, beginning of year	\$ 15,189	\$ 446,140	\$ 461,329	\$ 329,548
Excess (deficiency) of revenue over expenses	<u>8,430</u>	<u>99,962</u>	<u>108,392</u>	<u>131,781</u>
Balance end of year	<u>\$ 23,619</u>	<u>\$ 546,102</u>	<u>\$ 569,721</u>	<u>\$ 461,329</u>

Unrestricted surpluses represent funds allocated internally by the Entity for future planned educational bicycle trips.

9. Restatement

Those charged with governance have agreed to restate the 2019 financial statements to recognize deferred Family and Community Support Services (FCSS) and Community Initiatives Program (CIP) grant revenue as income. The purpose of the adjustment is to recognize an additional \$66,000 of approved occupancy and storage expenses incurred in 2019, which were previously not allocated under the Earn-a-Bike program, and the Vocational Bicycle Mechanics Program.

As a result of this assessment, 2019 deferred revenue has decreased by \$66,000, FCSS revenue has increased by \$14,000, and government grant revenue has increased by \$52,000.

This change increases both the ending 2019 retained earnings balance, and opening 2020 retained earnings balance by \$66,000.

10. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world.

Subsequent to year end, operations have continued to be adversely affected by the Corona Virus global pandemic, and government-imposed restrictions. The Entity has seen a significant reduction in operations with no concrete projection for when operations will resume to normal. Management is unable to determine the full financial impact to the Entity's finances.

As a result, we are unable to estimate the potential impact on the Entity's operations as at the date of these financial statements.