

TWO WHEEL VIEW - CALGARY LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 statement of financial position as at **December 31, 2018**, 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, 2018**, 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, 2018, current assets and net assets as at December 31, 2018.

Our audit opinion on the financial statements for the year ended December 31, 20X0 was modified accordingly because of the possible effects of this limitation in scope.

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.

February 28, 2019
Calgary, Alberta

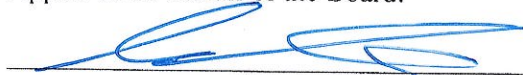
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TWO WHEEL VIEW - CALGARY LTD.

BALANCE SHEET

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 334,468	\$ 338,053
Accounts receivable	310	-
Goods and services tax recoverable	6,397	2,867
Prepaid expenses	11,553	19,730
Inventory supplies, in kind contribution	<u>38,736</u>	<u>20,000</u>
	391,464	380,650
Property and equipment (Note 3)	<u>26,814</u>	<u>20,360</u>
	<u>\$ 418,278</u>	<u>\$ 401,010</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,377	\$ 17,702
Deferred revenue	<u>57,747</u>	<u>217,188</u>
	67,124	234,890
Deferred capital contributions	21,606	13,501
SURPLUS OF NET ASSETS (NOTE 8)		
Invested in property and equipment	5,208	6,859
Unrestricted	<u>324,340</u>	<u>145,760</u>
	<u>329,548</u>	<u>152,619</u>
	<u>\$ 418,278</u>	<u>\$ 401,010</u>

Approved on Behalf of the Board:


_____, Director

_____, Director

TWO WHEEL VIEW - CALGARY LTD.

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

	Year Ended December 31	
	2018	2017
Revenue:		
Family and Community Support Services (City of Calgary) (Note 6)	\$ 277,060	\$ 277,524
In kind donations – rent and other services	14,080	50,481
Foundation and trust grants	160,634	134,102
Deferred contributions	1,855	1,508
Donations	70,826	55,393
Government grants	130,417	98,889
Program fee, interest and other	114,394	58,205
Fundraising events	<u>550</u>	<u>10,082</u>
	<u>769,816</u>	<u>686,184</u>
Expenses:		
Salaries, wages and other remuneration	347,205	321,733
In kind donations – rent and other services	14,080	50,481
Travel and meeting	49,201	46,775
Direct costs	84,003	70,729
Professional and consulting fees	3,200	2,800
Rental	72,122	58,303
Office and other	18,632	17,983
Other program costs	938	2,557
Amortization	<u>3,506</u>	<u>3,732</u>
	<u>592,887</u>	<u>575,093</u>
Excess of revenue over expenses for the year	176,929	111,091
Surplus in net assets, beginning of year	<u>152,619</u>	<u>41,528</u>
Surplus of net assets, end of year	<u>\$ 329,548</u>	<u>\$ 152,619</u>

TWO WHEEL VIEW - CALGARY LTD.

STATEMENT OF CASH FLOWS

	Year Ended December 31	
	2018	2017
Cash provided by operating activities:		
Excess of revenues over expenses for the year	\$ 176,929	\$ 111,372
Add non-cash items:		
Amortization	3,506	3,732
Deferred contributions recognized	(1,855)	(1,508)
Change in non-cash working capital (Note 4)	(22,724)	19,281
	155,856	132,877
Cash used in investing:		
Purchase of property and equipment	-	-
Cash used in financing:		
Decrease in deferred revenue	(159,441)	(141,445)
Decrease in cash	(3,585)	(8,568)
Cash, beginning of year	338,053	346,621
Cash, end of year	\$ 334,468	\$ 338,053

TWO WHEEL VIEW - CALGARY LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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" and expeditions, local and international.

2. Significant Accounting Policies

(a) Inventory

Inventory represents in kind donations of bicycles valued at their estimated net realizable value by management. No conditions exists 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.

(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, and accounts receivable. 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>2018</u>	<u>2017</u>
Automotive	\$ 33,535	\$ 11,859	\$ 21,676	\$ 13,571
Bicycles	18,938	16,900	2,038	2,911
Tools	5,374	2,278	3,096	3,870
Computers	<u>2,812</u>	<u>2,808</u>	<u>4</u>	<u>8</u>
	<u>\$ 60,659</u>	<u>\$ 33,845</u>	<u>\$ 26,814</u>	<u>\$ 20,360</u>

4. **Net Change in Non-Cash Working Capital**

	December 31	
	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ (310)	\$ 5,081
Goods and services tax payable	(3,530)	(609)
Prepaid expenses	8,177	(1,525)
Inventory	(18,736)	10,000
Accounts payable and accrued liabilities	<u>(8,325)</u>	<u>6,334</u>
	<u>\$ (22,724)</u>	<u>\$ 19,281</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:

2019	39,086
2020	42,367
2021	45,647
2022	<u>3,827</u>
	<u>130,927</u>

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

	December 31	
	<u>2018</u>	<u>2017</u>
Total funds received for Earn-A-Bike CAS Program	\$ 211,303	\$ 263,027
Prior year deferred amounts realized	65,757	80,254
Amount deferred for future period	<u>-</u>	<u>(65,757)</u>
Total revenue earned per the financial statements	<u>\$ 277,060</u>	<u>\$ 277,524</u>

7. **Financial Instruments**

(a) Fair values

The carrying value of the Entity's financial instruments including cash, accounts receivable, bank loan, 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

Accounts 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

	<u>Investments in Property and equipment</u>	<u>Unrestricted</u>	December 31	
			<u>2018 Total</u>	<u>2017 Total</u>
Balance, beginning of year	\$ 6,859	\$ 145,760	\$ 152,619	\$ 41,528
Excess (deficiency) of revenue over expenses	<u>(1,651)</u>	<u>178,580</u>	<u>176,929</u>	<u>111,091</u>
Balance end of year	<u>\$ 5,208</u>	<u>\$ 324,340</u>	<u>\$ 329,548</u>	<u>\$ 152,619</u>

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