

TWO WHEEL VIEW - CALGARY LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

MBD LLP

Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Two Wheel View – Calgary Ltd.**, which comprise a balance sheet statement as at **December 31, 2017** and the statement of revenues, expenses and surplus and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Society's Responsibility for the Financial Statements

The Society is responsible for the preparation and fair presentation of this financial statement 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 this financial statement 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 whether the financial statements are free of 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 judgement, including the assessment of 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 the Society, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Consistent with many charitable organizations, the organization derives revenue from cash and in-kind donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of the revenues was limited to the amounts recorded in the records of the organization and we were unable to satisfy ourselves by alternative means concerning such donations for the year ended December 31, 2017. Since donations enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the excess of revenue over expenses for the years reported in the statement of revenue, expenses and deficiency and the net cash flows reported in the statement of cash flows.

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 **Two Wheel View – Calgary Ltd.** as at **December 31, 2017** and results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for Not for Profit Organizations.

February 23, 2018
Calgary, Alberta

MBD LLP
MBD LLP
Chartered Professional Accountants

TWO WHEEL VIEW - CALGARY LTD.

BALANCE SHEET

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash	\$ 338,053	\$ 346,621
Accounts receivable	-	5,081
Goods and services tax recoverable	2,867	2,258
Prepaid expenses	19,730	18,205
Inventory supplies, in kind contribution	<u>20,000</u>	<u>30,000</u>
	380,650	402,165
Property and equipment (Note 3)	<u>20,360</u>	<u>24,092</u>
	<u>\$ 401,010</u>	<u>\$ 426,257</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,702	\$ 11,368
Deferred revenue	<u>217,188</u>	<u>358,352</u>
	234,890	369,720
Deferred capital contributions	13,501	15,009
SURPLUS OF NET ASSETS (NOTE 8)		
Invested in property and equipment	6,859	9,083
Unrestricted	<u>145,760</u>	<u>32,445</u>
	<u>152,619</u>	<u>41,528</u>
	<u>\$ 401,010</u>	<u>\$ 426,257</u>

Approved on Behalf of the Board:

_____, Director

_____, Director

TWO WHEEL VIEW - CALGARY LTD.

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

	Year Ended December 31	
	2017	2016
Revenue:		
Family and Community Support Services (City of Calgary) (Note 6)	\$ 277,524	\$ 173,220
In kind donations – rent and other services	50,481	60,414
Foundation and trust grants	134,102	134,798
Deferred contributions	1,508	1,676
Donations	55,393	41,251
Government grants	98,889	26,528
Program fee, interest and other	58,205	36,827
Fundraising events	<u>10,082</u>	<u>12,148</u>
	<u>686,184</u>	<u>486,862</u>
Expenses:		
Salaries, wages and other remuneration	321,733	275,197
In kind donations – rent and other services	50,481	60,414
Travel and meeting	46,775	45,242
Direct costs	70,729	48,461
Professional and consulting fees	2,800	2,800
Rental	58,303	13,572
Office and other	17,983	10,773
Other program costs	2,557	4,683
Amortization	<u>3,732</u>	<u>4,016</u>
	<u>575,093</u>	<u>465,158</u>
Excess of revenue over expenses for the year	111,091	21,704
Surplus in net assets, beginning of year	<u>41,528</u>	<u>19,824</u>
Surplus of net assets, end of year	<u>\$ 152,619</u>	<u>\$ 41,528</u>

TWO WHEEL VIEW - CALGARY LTD.

STATEMENT OF CASH FLOWS

	Year Ended December 31	
	<u>2017</u>	<u>2016</u>
Cash provided by operating activities:		
Excess (deficiency) of revenues over expenses for the year	\$ 111,372	\$ 21,704
Add non-cash items:		
Amortization	3,732	4,016
Deferred contributions recognized	(1,508)	(1,676)
Change in non-cash working capital (Note 4)	<u>19,281</u>	<u>(35,205)</u>
	<u>132,877</u>	<u>(11,161)</u>
Cash used in investing:		
Purchase of property and equipment	<u>-</u>	<u>(5,374)</u>
Cash used in financing:		
(Decrease) increase in deferred revenue	<u>(141,445)</u>	<u>271,465</u>
Increase (decrease) in cash	(8,568)	254,930
Cash, beginning of year	<u>346,621</u>	<u>91,691</u>
Cash, end of year	<u>\$ 338,053</u>	<u>\$ 346,621</u>

TWO WHEEL VIEW - CALGARY LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. Operations

Two Wheel View - Calgary Ltd. was incorporated under the Alberta Companies Act on August 29, 2005 as a non-profit organization. The Company has tax-exempt status as a registered charity under paragraph 149(1(f) of the Income Tax Act. The objectives of the Company 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" (see Schedule 1) 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 Company 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.

(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 a declining balance basis 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) 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>2017</u>	<u>2016</u>
Automotive	\$ 23,575	\$ 10,004	\$ 13,571	\$ 15,079
Bicycles	18,938	16,027	2,911	4,159
Tools	5,374	1,504	3,870	4,837
Computers	<u>2,812</u>	<u>2,804</u>	<u>8</u>	<u>17</u>
	<u>\$ 50,699</u>	<u>\$ 30,339</u>	<u>\$ 20,360</u>	<u>\$ 24,092</u>

4. Net Change in Non-Cash Working Capital

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 5,081	\$ (4,786)
Goods and services tax payable	(609)	(1,856)
Prepaid expenses	(1,525)	(14,875)
Inventory	10,000	(10,000)
Accounts payable and accrued liabilities	<u>6,334</u>	<u>(3,688)</u>
	<u>\$ 19,281</u>	<u>\$ (35,205)</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:

2018	35,807
2019	39,086
2020	42,367
2021	45,647
2022	<u>3,827</u>
	<u>166,734</u>

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

	December 31	
	<u>2017</u>	<u>2016</u>
Total funds received for Earn-A-Bike CAS Program	\$ 263,027	\$ 186,729
Prior year deferred amounts realized	14,497	988
Amount deferred for future period	<u>-</u>	<u>(14,497)</u>
Total revenue earned per the financial statements	<u>\$ 277,524</u>	<u>\$ 173,220</u>

7. Financial Instruments

(a) Fair values

The carrying value of the Company'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 Company 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>2017 Total</u>	<u>2016 Total</u>
Balance, beginning of year	\$ 9,083	\$ 32,445	\$ 41,528	\$ 19,824
Excess (deficiency) of revenue over expenses	(2,224)	113,315	111,091	21,704
Capital additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance end of year	<u>\$ 6,859</u>	<u>\$ 145,760</u>	<u>\$ 152,619</u>	<u>\$ 41,528</u>

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