

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of **Bikechain** which comprise the statement of financial position as at August 31, 2014, the statement of operations and changes in net assets and the statement of 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 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 management, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Bikechain** as at August 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
November 4, 2014

BIKECHAIN
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2014
(With comparative figures as at August 31, 2013)

	2014	2013
ASSETS		
CURRENT		
Cash	\$ 47,769	\$ 30,092
Accounts receivable	407	-
Inventory	<u>12,381</u>	<u>12,760</u>
	60,557	42,852
PROPERTY AND EQUIPMENT (note 4)	<u>4,477</u>	<u>2,766</u>
TOTAL ASSETS	<u>\$ 65,034</u>	<u>\$ 45,618</u>
LIABILITIES		
CURRENT		
Accounts payable and accruals	\$ 9,941	\$ 10,504
Payroll withholdings	2,505	1,133
Deferred revenue (note 5)	<u>3,000</u>	<u>424</u>
TOTAL LIABILITIES	<u>15,446</u>	<u>12,061</u>
NET ASSETS		
Balance at beginning of the year	33,557	31,807
Surplus for the year	<u>16,031</u>	<u>1,750</u>
Balance at end of the year	<u>49,588</u>	<u>33,557</u>
	<u>49,588</u>	<u>33,557</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 65,034</u>	<u>\$ 45,618</u>

APPROVED ON BEHALF OF THE BOARD

_____ Director

To be read in conjunction with our Auditor's Report dated November 4, 2014.
See accompanying notes

BIKECHAIN

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2014

(With comparative figures for the year ended August 31, 2013)

	2014	2013
REVENUES		
Shop services and supplies	\$ 42,024	\$ 27,489
U of T Environmental Resource Network levy	25,454	24,780
U of T Students' Union Bikeshare levy	37,546	18,611
U of T Graduate Students' Union levy	14,665	13,986
Restricted contributions recognized (note 5)	424	8,559
Donations	<u>5,766</u>	<u>6,868</u>
	<u>125,879</u>	<u>100,293</u>
EXPENSES		
Wages and benefits	63,468	58,340
Supplies	30,430	15,674
U of T Mississauga share of UTERN levy	6,583	6,023
Legal and accounting	4,520	4,550
Office and general	2,107	1,179
Insurance	1,368	1,317
Restricted contributions disbursed (note 5)	424	8,559
Bank charges and interest	172	132
Moving expenses	39	748
Amortization	<u>737</u>	<u>2,021</u>
	<u>109,848</u>	<u>98,543</u>
SURPLUS FOR THE YEAR	<u>\$ 16,031</u>	<u>\$ 1,750</u>

To be read in conjunction with our Auditor's Report dated November 4, 2014.
See accompanying notes

BIKECHAIN

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2014
(With comparative figures for the year ended August 31, 2013)

	2014	2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Levies and grants received	\$ 77,258	\$ 60,380
Sales and service receipts	42,024	27,489
Donations received	5,766	4,940
Restricted donations received	3,000	8,000
Expenses and payables	(107,499)	(96,514)
Restricted donations disbursed	<u>(424)</u>	<u>(8,559)</u>
	<u>20,125</u>	<u>(4,264)</u>
INVESTMENT ACTIVITIES		
Purchase of equipment	<u>(2,448)</u>	<u>(1,164)</u>
NET CHANGE IN CASH	17,677	(5,428)
Cash at beginning of the year	<u>30,092</u>	<u>35,520</u>
CASH AT END OF THE YEAR	<u>\$ 47,769</u>	<u>\$ 30,092</u>

To be read in conjunction with our Auditor's Report dated November 4, 2014.
See accompanying notes

BIKECHAIN

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2014

1. NATURE OF OPERATIONS

Bikechain was incorporated August 13, 2008 under the Canada Business Corporations Act as a non-profit corporation without share capital. The objectives of the corporation are:

- (a) to preserve and protect the health of the public and to encourage safety and enjoyment of cycling by providing and operating one or more free bicycle repair and free rental facilities;
- (b) to educate the public by providing courses, seminars, and workshops about the safe use of bicycles, bicycle repair and maintenance; and,
- (c) to protect and preserve the environment by promoting cycling as an environmentally sound form of alternative transportation.

As Bikechain's revenues are collected from the university's students, and received through UTSU, it is economically dependent upon university enrollments. Under the Canadian Income Tax Act, Bikechain is classified as a non-profit organization and, as such, is not subject to income tax.

2. BASIS OF PRESENTATION AND FUTURE ACCOUNTING CHANGES

These financial statements have been prepared in accordance with Part III of the CPA Canada Handbook - *Accounting Standards for Not-For-Profit Organizations*.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The collection and amount of non-academic incidental fees charged to students in Ontario is regulated by the Ontario Ministry of Training, Colleges and Universities through its *Ontario Operating Funds Distribution Manual* and *Compulsory Ancillary Fee Policy Guidelines*. Pursuant to these, a change to or introduction of a fee must be done in accordance with a long-term protocol established between the university and its student government. The University of Toronto and the University of Toronto Students' Union (UTSU) established theirs in October 1996. This protocol requires a referendum of the student body for significant changes to or the introduction of additional fees.

In the spring of 2008 Bikechain undertook a free bicycle lending program and therefore receives the Bike Share component of the compulsory non-academic incidental fees remitted to the UTSU. Bikechain also receives 50% of the U of T Environmental Resource Network levy.

To be read in conjunction with our Auditor's Report dated November 4, 2014.

Page 5

BIKECHAIN
NOTES TO FINANCIAL STATEMENTS
AS AT AUGUST 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES -(continued)

Revenue Recognition - (continued)

Ancillary fee revenues are recognized at the beginning of each school term as they become received or receivable from the students in accordance with the university's fee policies.

Sales of supplies are recognized at the time of sale.

Donations are recognized at the time they are received.

Externally restricted contributions are recognized using the deferral method.

Donated Goods and Services

Bikechain does not record the value of all the donated items and services it receives, such as the use of free space in the International Student Centre, or the receipt of some used bicycles and bicycle parts, because of the difficulty in determining their fair market value.

Cash

Cash includes cash, chequing and savings accounts, and cashable guaranteed investment certificates.

Inventory

Inventory, consisting mainly of items required for the repair and maintenance of bicycles, is reported at the lower of cost and net realizable value, determined on a first-in, first-out basis.

To be read in conjunction with our Auditor's Report dated November 4, 2014.

Page 6

BIKECHAIN

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES -(continued)

Property And Equipment

Amortization for the shop equipment is provided for on a straight-line basis ranging from 2-25 years, based on management's expectation of useful life of the distinct pieces of equipment.

Financial instruments

Financial instruments classified as financial assets and financial liabilities held for trading are recorded at fair value at each balance sheet date and any change in fair value is recognized in income in the period in which the change occurs.

Financial instruments classified as held-to-maturity investments are carried at amortized cost using the effective interest method. Interest is included in income for the year.

Financial instruments classified as loans and receivables, and financial liabilities held for purposes other than for trading, are carried at amortized cost using the effective interest method. Interest income and expenses are included in income for the year.

Financial assets classified as available for sale are recorded at fair value at each balance sheet date and any change in fair value is recognized in other comprehensive income in the period in which these changes occur. Upon de-recognition, any accrued gains or losses are recognized in income for the year.

4. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2014</u>	<u>2013</u>
Lending bicycles	\$ 3,100	\$ 3,100	\$ -	\$ 26
Shop equipment	<u>10,833</u>	<u>6,356</u>	<u>4,477</u>	<u>2,740</u>
	<u>\$ 13,933</u>	<u>\$ 9,456</u>	<u>\$ 4,477</u>	<u>\$ 2,766</u>

To be read in conjunction with our Auditor's Report dated November 4, 2014.

BIKECHAIN

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2014

5. Deferred Revenue

	2014	2013
<i>Mountain Equipment Co-op Grant</i>		
The amount received for the current year is for the purchase and installation of two repair stations at residences on the U of T campus. \$2,448 of this amount has been spent up to the year-end.		
Beginning balance	\$ 424	\$ 983
Grant received	3,000	-
Expenditures, and grants revenue recognized	<u>(424)</u>	<u>(559)</u>
Ending balance	<u>3,000</u>	<u>424</u>
<i>Research Salary Allowance</i>		
Beginning balance	-	-
Grant received	-	8,000
Expenditures, and grants revenue recognized	<u>-</u>	<u>(8,000)</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>
<i>Totals</i>		
Beginning balance	\$ 424	\$ 983
Grants received	3,000	8,000
Expenditures, and grants revenue recognized	<u>(424)</u>	<u>(8,559)</u>
Ending balance	<u>\$ 3,000</u>	<u>\$ 424</u>

6. FINANCIAL INSTRUMENTS

The association's financial instruments consist of:

- ◆ Cash: classified as held-for-trading, carried at fair value.
- ◆ Accounts receivable and accounts payable: classified as loans and receivables, initially recorded at fair value and carried at amortized cost using the effective interest method.

The association's credit risk is low as the fee revenues are collected from the students and remitted by UTSU. The association's interest income is subject to minor fluctuation as the bank accounts and GICs bear interest related to the prime banking rate, which is subject to change as determined by the bank.

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Page 8