

Trans Canada Trail

Financial Statements March 31, 2012

RSM Richter Chamberland LLP
Chartered Professional Accountants
Montréal

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Trans Canada Trail

Financial Statements
March 31, 2012

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Independent Auditor's Report

To the Members of
Trans Canada Trail

We have audited the accompanying financial statements of Trans Canada Trail, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and 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 generally accepted accounting principles, 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 Trans Canada Trail as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*RSM Richter Chamberland LLP*¹

Chartered Professional Accountants

Montréal, Québec
June 19, 2012

¹CPA auditor, CA permit n°A118877

Trans Canada Trail

Statement of Financial Position As at March 31, 2012

	2012	2011
	\$	\$
Assets		
Cash	410,367	560,151
Marketable securities	401,297	502,026
Accounts receivable	43,662	48,183
Prepaid expenses	98,561	117,387
Due from Trans Canada Trail Foundation (note 4)	85,476	-
Equipment (note 5)	361,283	68,034
	1,400,646	1,295,781
Liabilities		
Accounts payable and accrued liabilities	210,742	607,929
Deferred contributions (note 6)	472,270	176,530
Deferred revenue - Parks Canada grant (note 7)	5,159	-
	688,171	784,459
Commitments and contingencies (note 8)		
Railway rights-of-way (note 9)		
Net assets		
Invested in equipment	49,753	68,034
Endowment fund	51,204	51,261
Unrestricted	611,518	392,027
	712,475	511,322
	1,400,646	1,295,781

See accompanying notes

Approved on behalf of the board

_____, Director

_____, Director

Trans Canada Trail

Statement of Changes in Net Assets For the Year Ended March 31, 2012

	Investment in equipment \$	Endowment Fund \$	Unrestricted \$	2012 Total \$	2011 Total \$
Balance - beginning of year	68,034	51,261	392,027	511,322	505,895
Excess (deficiency) of revenue over expenses	(18,281)	(57)	219,491	201,153	4,981
Endowment fund contribution	-	-	-	-	446
Balance - end of year	49,753	51,204	611,518	712,475	511,322

Trans Canada Trail

Statement of Operations For the Year Ended March 31, 2012

	2012	2011
	\$	\$
Revenue		
Federal grant	-	5,366,582
Parks Canada grant (note 7)	3,569,704	500,000
Designated donations	70,335	294,704
Donations	1,408,332	719,234
Investment income	5,488	3,905
Miscellaneous income	6,933	5,843
Contributions from Trans Canada Trail Foundation	588,000	-
	5,648,792	6,890,268
Expenses		
Trail construction	1,927,430	5,444,826
Trail promotion and education	1,588,625	191,156
Fundraising (note 10)	949,778	362,302
Strategic alliances	142,790	157,055
General and administrative	777,412	696,865
Allocations to other organizations	-	14,159
Amortization of equipment	57,598	18,924
Loss on disposal of equipment	4,006	-
	5,447,639	6,885,287
Excess of revenue over expenses	201,153	4,981

See accompanying notes

Trans Canada Trail

Statement of Cash Flows For the Year Ended March 31, 2012

	2012 \$	2011 \$
Operating activities		
Excess of revenue over expenses	201,153	4,981
Amortization of equipment	57,598	18,924
Gain on sale of marketable securities	(6,168)	(13,826)
Loss (gain) on mark-to-market of marketable securities	1,280	(33)
Loss on disposal of equipment	4,006	4,575
Federal grant - deferred contributions recognized in the year	-	(5,366,582)
Deferred contributions recognized in the year	(222,567)	(301,695)
	35,302	(5,653,656)
Changes in non-cash operating elements	(373,840)	(20,817)
	(338,538)	(5,674,473)
Investing activities		
Additions to equipment	(40,453)	(2,874)
Additions to marketable securities	(1,300,000)	(13,079,852)
Proceeds from redemption of marketable securities	1,405,617	19,056,303
Investment income earned on deferred contributions	-	29,909
Investment income earned on endowment fund	-	404
Investment income earned on advances from Parks Canada	5,159	-
Proceeds from disposal of equipment	-	1
Due from Trans Canada Trail Foundation	(85,476)	-
	(15,153)	6,003,891
Financing activities		
Endowment fund contribution	-	42
Contributions received in the year, deferred to subsequent years	203,907	85,000
	203,907	85,042
Increase (decrease) in cash	(149,784)	414,460
Cash - beginning of year	560,151	145,691
Cash - end of year	410,367	560,151

See accompanying notes

Trans Canada Trail

Notes to Financial Statements March 31, 2012

1. Nature of business

The Organization is a Canadian Not-for-profit charitable organization founded in 1992 and is a registered charity under the Income Tax Act (Canada).

Trans Canada Trail's mission is the creation, promotion and support of a national recreational trail, linking local trails and the development and construction of new trails, that support this iconic network of trails that will stretch from coast to coast to coast.

2. Summary of significant accounting policies

Trans Canada Trail Foundation

The Trans Canada Trail Foundation, an independent organization, raises funds to support the Trans Canada Trail.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Donations and grant revenue are recognized using the deferral method of accounting for contributions. Restricted contributions (designated donations) related to expenses of future years are deferred and recognized in revenue in the year in which the related expenses are incurred. Unrestricted donations are recognized as revenue upon receipt. Membership revenue is recorded on a cash basis. All memberships are for a one-year period and are recorded in revenues in the year received. Endowment contributions are recognized as direct increases in net assets.

Financial instruments

Not-for-profit organizations may choose to adopt CICA 3862, "Financial Instruments - Disclosures" and CICA 3863, "Financial Instruments - Presentation" or continue to apply CICA 3861, "Financial Instruments - Disclosure and Presentation". The Organization has chosen to continue to apply CICA 3861 to provide information related to its financial instruments.

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Notes to Financial Statements March 31, 2012

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets and financial liabilities have been classified based on the purpose for which the financial instruments were acquired or issued, their characteristics and the Organization's designation of such instruments.

Financial assets / liabilities

Cash
Marketable securities
Accounts receivable
Due from Trans Canada Trail Foundation
Accounts payable and accrued liabilities

Classification

Held-for-trading
Held-for-trading
Loans and receivables
Loans and receivables
Other liabilities

Fair value of financial instruments

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Marketable securities designated as held-for-trading consist entirely of provincial and federal secured bonds that are typically acquired for resale prior to maturity. These are measured at quoted fair values at the statement of financial position date. Fair value fluctuations, including interest earned, interest paid, gains and losses realized on disposal and unrealized gains and losses, are included in investment income or loss recorded as a credit or charge to deferred contributions in accordance with the requirement imposed by the grant agreement entered into by the Organization.

Marketable securities

The marketable securities, which are carried at fair value, mature between June 2012 and June 2013 and bear interest at an average rate of 1.69% (2011 - 0.76%) per annum.

Equipment

Equipment consisting of furniture and fixtures, and computer equipment is recorded at cost. Amortization is provided for on a declining balance basis at a rate of 30% per annum.

Donated fixed assets

During the year, \$314,400 (2011 - \$46,605) was recognized as a contribution to equipment representing the fair value of equipment donated to the Organization.

Trans Canada Trail

Notes to Financial Statements March 31, 2012

2. Summary of significant accounting policies (continued)

Donated services / assets

A significant portion of Trans Canada Trail's work is dependent on the contributions of volunteers. Volunteer services are not normally purchased by the Organization and, due to difficulty in determining their fair value, these services are not recognized in these financial statements.

Trans Canada Trail has received donations in kind of beneficial interests in railway rights-of-way. As these assets would not have otherwise been purchased by the Organization, the donated land is not recognized in the financial statements (see note 9).

In addition to the equipment, in-kind donations having a fair value of \$1,155,196 were recognized in the financial statements during the year ended March 31, 2012.

Capital

Trans Canada Trail manages its capital, which it defines as its net assets, with the objective of:

- safeguarding its ability to continue as a going concern, allowing it to continue to complete its mission (see note 1); and
- maintaining sufficient resources on hand to pay, as they become due, costs associated with the orderly administration of its affairs.

The Organization sets the amount of capital required based on several factors, including its annual administrative costs, endowment funds and deferred contributions.

3. Future change in accounting policies

The CICA has issued new accounting standards for Not-for-profit organizations, permitting Not-for-profit organizations to choose to adopt these new standards or International Financial Reporting Standards (IFRS) for annual fiscal periods beginning on or after January 1, 2012. Early adoption is permitted. Trans Canada Trail has determined that it will adopt the new standards for Not-for-profit organizations. Trans Canada Trail has not yet determined the impact of the adoption of the new standards for Not-for-profit organizations on its financial statements.

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Notes to Financial Statements March 31, 2012

4. Due from Trans Canada Trail Foundation

Amounts due from Trans Canada Trail Foundation are non-interest bearing and have no specific terms of repayment.

5. Equipment

	Cost \$	Accumulated amortization \$	2012 Net carrying amount \$	2011 Net carrying amount \$
Furniture and fixtures	37,285	36,076	1,209	1,727
Computer equipment	603,606	243,532	360,074	63,115
Automobiles	-	-	-	3,192
	640,891	279,608	361,283	68,034

6. Deferred contributions

In accordance with Trans Canada Trail's revenue recognition policy, donations received for specific projects are recorded in revenue as related expenditures are incurred.

The total deferred contributions as at March 31, 2012 of \$472,270 (2011 - \$176,530) consist of designated donations of \$161,580 (2011 - \$136,916) and \$310,690 (2011 - \$39,614) representing the deferred portion of in-kind donations of equipment.

Changes in the deferred contributions balance are as follows:

	2012 \$	2011 \$
Deferred contributions - beginning of year	176,530	346,620
Designated donations received	203,907	85,000
In-kind donations received	314,400	46,605
Designated donations recognized as revenue in the year	(179,243)	(294,704)
In-kind donations recognized as revenue in the year	(43,324)	(6,991)
Deferred contributions - end of year	472,270	176,530

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Notes to Financial Statements March 31, 2012

7. Parks Canada grant

On December 27, 2010, Trans Canada Trail signed a \$10,000,000 Contribution Agreement with Parks Canada towards eligible expenditures for the period January 1, 2011 to March 31, 2013. The funding provides for continued strategic granting to trail projects and organizational capacity building. For the period April 1, 2011 to March 31, 2012, Parks Canada provided advances totaling \$3,569,704 which were fully expended on eligible expenditures by March 31, 2012. Interest earned on advances of \$5,159 has been deferred and will off-set advances of \$5,930,296 which Parks Canada will provide towards eligible expenditures for the period April 1, 2012 to March 31, 2013.

8. Commitments and contingencies

Commitments

a) In connection with the Parks Canada Contribution Agreement (see note 7), the Organization is committed to raising an additional \$5,000,000 towards the implementation of the project. Pledges exceeding this amount have already been secured.

b) As at March 31, 2012, Trans Canada Trail had commitments to trail groups to fund trail construction totalling \$1,108,232.

c) Trans Canada Trail leases its premises and certain office equipment under operating leases. The aggregate commitments of the Organization under lease agreements amount to \$5,038. The minimum annual payments over the next two years are as follows:

	\$
2013	2,748
2014	2,290

Contingencies

Trans Canada Trail is party to various unresolved claims and complaints arising in the ordinary course of business. In the opinion of management, all such pending matters are adequately covered by insurance. Any loss in excess of amounts covered by the Organization's insurance policy would be reflected as an expense in the year in which the loss becomes likely and can be reasonably estimated.

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Notes to Financial Statements March 31, 2012

9. Railway rights-of-way for trail development

By agreement concluded in December 1998, Trans Canada Trail accepted, for trail development, the donation in kind from Canadian Pacific Railway of beneficial interests in railway rights-of-way with an appraised fair market value of approximately \$37,200,000.

By agreement, originally effective October 23, 2000, amended to be effective January 1, 2001, Trans Canada Trail accepted, for trail development, a donation in kind from Canadian National Railway of beneficial interests in railway rights-of-way with an appraised fair market value of approximately \$10,000,000.

Trans Canada Trail has, in essence, obtained the rights-of-way for trail development and it is the Organization's intention to transfer the title of the interests in the railway rights-of-way in co-operation with provincial and territorial organizations and others. During the year, the Organization donated or sold \$1,254,242 (2011 - \$366,182) of the interests in railway rights-of-way donated by Canadian Pacific Railway and Canadian National Railway to municipalities and private individuals in the province of Saskatchewan for proceeds of \$23 (2011 - \$28,451).

Summaries of the railway right-of-way properties, including any changes during the year, at their initial appraisal values are as follows:

	Canadian Pacific Railway \$	Canadian National Railway \$	Total \$
Balance - March 31, 2010	3,202,755	6,394,005	9,596,760
Donated or sold during the year	110,557	255,700	366,257
Balance - March 31, 2011	3,092,198	6,138,305	9,230,503
Donated or sold during the year	621,442	632,800	1,254,242
Balance - March 31, 2012	2,470,756	5,505,505	7,976,261

10. Fundraising

Certain fundraising expenses were covered by a grant from Parks Canada to the Organization. These expenses are therefore recorded in the financial statements of the Organization. Fundraising expenses not covered by the Parks Canada grant and attributable to the Trans Canada Trail Foundation were recorded in the financial statements of the Foundation.

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Notes to Financial Statements March 31, 2012

11. Credit risk

Financial instruments which potentially subject Trans Canada Trail to credit risk include cash, marketable securities and accounts receivable. Cash is maintained with high-credit quality financial institutions. Consequently, the organization considers the risk of non-performance on these instruments to be remote. Exposure to credit risk with respect to short-term deposits and marketable securities is managed by investing solely in instruments issued by federal and provincial governments and federal Crown corporations. Trans Canada Trail evaluates the collectibility of its accounts receivable at regular intervals and provides for doubtful accounts when collectibility becomes doubtful.

12. Related party transactions

In 2012, Trans Canada Trail incurred \$10,764 (\$2011 - \$25,433) in legal services from a director's law firm. The services were performed in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Organization shares in the cost of certain common overhead with the Trans Canada Trail Foundation. In the year ended March 31, 2012, the Organization charged the Foundation approximately \$170,043 for these costs.