

Trans Canada Trail

**Consolidated Financial Statements
March 31, 2018**

Trans Canada Trail

Consolidated Financial Statements March 31, 2018

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Independent Auditor's Report

To the Directors of
Trans Canada Trail

We have audited the accompanying consolidated financial statements of Trans Canada Trail and its controlled organization, Trans Canada Trail Foundation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Trans Canada Trail and its controlled organization as at March 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Richter LLP*¹

Montréal, Québec
August 23, 2018

¹CPA auditor, CA, public accountancy permit No. A118877

T.514.934.3400

Richter S.E.N.C.R.L./LLP
1981 McGill College
Mtl (QC) H3A 0G6
www.richter.ca

Montréal, Toronto



Trans Canada Trail

Consolidated Statement of Financial Position As at March 31, 2018

	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total 2018 \$	Total 2017 \$
Assets					
Current					
Cash	7,182,810	680,090	-	7,862,900	6,862,259
Short-term investments	-	-	-	-	3,000,000
Marketable securities	-	-	52,654	52,654	52,654
Accounts receivable (note 3)	896,232	-	-	896,232	1,081,827
Prepaid expenses	51,025	-	-	51,025	102,835
	8,130,067	680,090	52,654	8,862,811	11,099,575
Equipment (note 4)	78,330	-	-	78,330	89,977
	8,208,397	680,090	52,654	8,941,141	11,189,552
Liabilities					
Current					
Accounts payable and accrued liabilities	560,434	-	-	560,434	522,352
Deferred contributions (note 6)	36,552	680,090	-	716,642	773,231
Deferred revenue - government grants (note 7 and note 9)	-	-	-	-	113,678
	596,986	680,090	-	1,277,076	1,409,261
Commitments and contingencies (note 8)					
Net assets					
Invested in equipment	41,777	-	-	41,777	17,597
Endowment fund	-	-	52,654	52,654	52,654
Unrestricted	7,569,634	-	-	7,569,634	9,710,040
	7,611,411	-	52,654	7,664,065	9,780,291
	8,208,397	680,090	52,654	8,941,141	11,189,552

See accompanying notes

Approved on behalf of the board

_____, Director

_____, Director

Trans Canada Trail

Consolidated Statement of Changes in Net Assets For the Year Ended March 31, 2018

	General Fund - invested in equipment \$	General Fund - unrestricted \$	Endowment Fund \$	2018 Total \$	2017 Total \$
Balance - beginning of year	17,597	9,710,040	52,654	9,780,291	10,549,289
Excess (deficiency) of revenues over expenses	7,188	(2,123,414)	-	(2,116,226)	(768,998)
Additions to equipment	16,992	(16,992)	-	-	-
Balance - end of year	41,777	7,569,634	52,654	7,664,065	9,780,291

See accompanying notes

Trans Canada Trail

Consolidated Statement of Operations For the Year Ended March 31, 2018

	General Fund \$	Restricted Fund \$	Total 2018 \$	Total 2017 \$
Revenues				
Government grants (note 9)	1,012,712	1,168,098	2,180,810	5,799,897
Donations	4,106,917	2,197,008	6,303,925	7,548,970
Sponsorship	112,146	-	112,146	25,000
Investment income	92,457	1,361	93,818	88,079
Miscellaneous income	31,033	-	31,033	29,079
	5,355,265	3,366,467	8,721,732	13,491,025
Expenses				
Trail construction	3,128,885	2,329,134	5,458,019	8,738,005
Trail promotion and education	1,603,908	1,023,435	2,627,343	2,195,907
Fundraising	1,172,914	-	1,172,914	1,577,846
General and administrative	1,458,888	13,898	1,472,786	1,365,222
Sponsorship	78,257	-	78,257	345,619
Amortization of equipment	28,639	-	28,639	37,424
	7,471,491	3,366,467	10,837,958	14,260,023
Deficiency of revenues over expenses	(2,116,226)	-	(2,116,226)	(768,998)

See accompanying notes

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Consolidated Statement of Cash Flows For the Year Ended March 31, 2018

	2018 \$	2017 \$
Operating activities		
Deficiency of revenues over expenses	(2,116,226)	(768,998)
Amortization of equipment	28,639	37,424
Deferred and designated contributions recognized in the year	(2,212,674)	(3,347,313)
Deferred revenue - government grants recognized in the year	(213,898)	(690,765)
	(4,514,159)	(4,769,652)
Net change in non-cash working capital items		
Accounts receivable	185,595	1,169,626
Prepaid expenses	51,810	27,329
Accounts payable and accrued liabilities	38,082	(286,886)
Revenue - government grants received in the year, deferred to subsequent years	100,220	4,398
	375,707	914,467
	(4,138,452)	(3,855,185)
Investing activities		
Additions to equipment	(16,992)	(1,827)
Proceeds from disposal of equipment	-	2,018
Additions to short-term investments	-	(3,000,000)
Sale of short-term investments	3,000,000	-
	2,983,008	(2,999,809)
Financing activity		
Contributions received in the year, deferred to subsequent years	2,156,085	2,165,190
Increase (decrease) in cash	1,000,641	(4,689,804)
Cash - beginning of year	6,862,259	11,552,063
Cash - end of year	7,862,900	6,862,259

See accompanying notes

Trans Canada Trail

Notes to Consolidated Financial Statements March 31, 2018

1. Nature of business

Trans Canada Trail ("TCT") was founded in 1992 and is incorporated under the Canada not-for-profit Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

TCT'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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Organization also applies the Canadian standards for private enterprises to the extent that these standards address topics not addressed in Canadian accounting standards for not-for-profit organizations.

Basis of consolidation

The consolidated financial statements include the accounts of TCT and Trans Canada Trail Foundation. Trans Canada Trail Foundation is controlled by TCT and is devoted to raising funds for the support of the Trans Canada Trail. On consolidation, all intercompany transactions and balances have been eliminated.

TCT has prepared a separate set of audited non-consolidated financial statements for the year ended March 31, 2018.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fund accounting

Revenues and expenses related to financing the trail building, maintenance and promotion activities and general and administrative activities are reported in the General Fund.

Revenues and expenses related to activities specified by the donors are reported in the Restricted Fund.

Endowment contributions are reported in the Endowment Fund. Investment income earned on the Endowment Fund are reported in the General Fund.

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Notes to Consolidated Financial Statements March 31, 2018

2. Summary of significant accounting policies (continued)

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.

Trail construction

The majority of trail construction expenses represent construction grants and partner support to trail groups. Consequently, none of the trail construction amounts are capitalized in the consolidated financial statements of TCT.

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.

The Organization tests equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the estimated undiscounted future net cash flows the equipment are expected to generate, through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

Donated services and assets

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

TCT has received donations in kind of beneficial interests in railway rights-of-way. As these assets would not have otherwise been purchased by TCT, the donated land is not recognized in the consolidated financial statements (note 11).

In-kind donations of \$15,666 (2017 - \$22,379) were recognized in the financial statements during the year ended March 31, 2018.

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Notes to Consolidated Financial Statements March 31, 2018

2. Summary of significant accounting policies (continued)

Financial instruments

TCT initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. TCT subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value with changes in fair value recognized in deficiency of revenues over expenses.

Financial assets subsequently measured at amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in deficiency of revenues over expenses. The previously recognized impairment loss may subsequently be reversed to a maximum of the amortized cost that would have been reported at the date of the reversal had the impairment not been recognized previously.

The carrying amount of the financial instruments that are subsequently measured at amortized cost is adjusted by the transaction costs, which are recognized in deficiency of revenues over expenses using the straight-line method. Transaction costs related to financial instruments that are subsequently measured at fair value are recognized in deficiency of revenues over expenses in the period incurred.

3. Accounts receivable

	2018 \$	2017 \$
Pledges receivable (note 10)	847,370	966,312
Government remittances	44,421	33,314
Grants receivable	-	77,452
Other receivables	4,441	4,749
	896,232	1,081,827

4. Equipment

	Cost \$	Accumulated amortization \$	2018 Net carrying amount \$	2017 Net carrying amount \$
Furniture and fixtures	50,402	43,182	7,220	9,025
Computer equipment	474,502	403,392	71,110	80,952
	524,904	446,574	78,330	89,977

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5. Bank facility

TCT's credit facility consists of a revolving demand facility in the amount of \$500,000 bearing interest at the bank's prime rate plus 1.00%. As security for the facility, TCT has signed a movable hypothec in the amount of \$500,000 constituting a first ranking security interest in the universality of all present and future debts and claims of TCT, and a movable hypothec in the amount of \$500,000 constituting a first ranking security interest in the universality of all present and future assets of Trans Canada Trail Foundation.

TCT has put in place the credit facility to provide financing, if required, to fund commitments for trail construction prior to the receipt of contracted donations.

6. Deferred contributions

In accordance with TCT's revenue recognition policy, donations received for specific projects are recorded in revenue as related expenses are incurred.

As at March 31, 2018, an amount of \$36,552 (2017 - \$52,218) represents the deferred portion of in-kind donations of equipment.

	General Fund \$	Restricted Fund \$	Total 2018 \$	Total 2017 \$
Deferred contributions - beginning of year	52,218	721,013	773,231	1,955,354
Designated donations received	-	2,156,085	2,156,085	2,165,190
In-kind donations recognized as revenue in the year	(15,666)	-	(15,666)	(22,379)
Designated donations recognized as revenue in the year	-	(2,197,008)	(2,197,008)	(3,324,934)
Deferred contributions - end of year	36,552	680,090	716,642	773,231

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Notes to Consolidated Financial Statements March 31, 2018

7. Deferred revenue - government grants

	2018 \$	2017 \$
Deferred revenue - beginning of year	113,678	800,045
Designated donations received	100,220	4,398
Designated donations recognized as revenue in the year	(213,898)	(690,765)
Deferred revenue - end of year	-	113,678

In addition, an amount of \$Nil (2017 - \$37,600) granted from the Nova Scotia Department of Communities, Culture and Heritage was accrued and recognized as revenue in the year.

8. Commitments and contingencies

Commitments

Trail construction

As at March 31, 2018, TCT had commitments to trail groups to fund trail construction totaling \$2,253,610.

Leases

The commitments of TCT under a lease agreement terminating in 2024 aggregates to \$323,000. The minimum annual payments are approximately as follows:

	\$
2019	43,000
2020	47,000
2021	50,000
2022	50,000
2023	50,000
Thereafter	83,000

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Notes to Consolidated Financial Statements March 31, 2018

8. Commitments and contingencies (continued)

Contingencies

TCT has been assessed approximately \$160,000 for property taxes on its railway rights-of-way for trail development. As described in note 11, it is TCT's intention to transfer the title of the interests in the railway rights-of-way to municipalities and others.

In the opinion of management, all of the interests in the railway rights-of-way will be transferred and TCT will not be liable for any of these property taxes. As such, the amounts have not been paid or reflected in the accounts.

9. Government grants

Parks Canada grant - \$25,000,000

On March 24, 2014, TCT signed a \$25,000,000 grant with Parks Canada to provide support for TCT's efforts to raise funds to connect the Trans Canada Trail by 2017. Parks Canada paid TCT one dollar for every two dollars of actual pledges and cash donations received from non-federal donors from July 1, 2011 to March 31, 2017. This grant was extended to March 31, 2018.

Amounts received in the year are as follows:

	2018 \$	2017 \$	July 1, 2011 to March 31, 2016 \$	Total \$
Total grant				25,000,000
Pledges and cash donations received in the year	2,025,425	10,126,664	37,847,911	
Parks Canada match (50%)	(1,012,712)	(5,063,332)	(18,923,956)	(25,000,000)
Balance of grant to be received				-

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Notes to Consolidated Financial Statements March 31, 2018

9. Government grants (continued)

Canadian Heritage grant - \$1,000,000

On March 9, 2017, Trans Canada Trail Foundation signed a \$1,000,000 contribution agreement with the Minister of Canadian Heritage to coordinate celebrations of Canada's sesquicentennial in communities across the country with TCT's trail partners. Events were held on August 26, 2017 along The Great Trail in over 200 communities across the country.

Amounts received and expensed in the year are as follows:

	2018 \$	2017 \$	Total \$
Received in the year	991,800	8,200	1,000,000
Interest earned	1,361	-	1,361
Expensed in the year	(993,161)	(8,200)	(1,001,361)
Balance	-	-	-

Ontario government grant - \$2,750,000

On February 14, 2014, TCT signed a \$2,750,000 grant with Her Majesty the Queen in the Right of Ontario to facilitate the connection of trail gaps in order to realize continuous connection of the Trans Canada Trail in Southern Ontario by March 31, 2016 and to facilitate connection from the Trail to four Pan Am Games venues by July 1, 2015 in order to promote and celebrate the 2015 Pan/Parapan American Games and ensure there are long-term legacy impacts and benefits to Ontarians after the Games.

Amounts received and expensed in the year are as follows:

	2018 \$	2017 \$	2016 and prior \$	Total \$
Received in the year	-	-	2,750,000	2,750,000
Interest earned	-	(17)	5,436	5,419
Expensed in the year	(19,139)	-	(2,736,280)	(2,755,419)
Balance	(19,139)	(17)	19,156	-

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Notes to Consolidated Financial Statements March 31, 2018

9. Government grants (continued)

Manitoba government grant - \$800,000

On November 3, 2015, TCT signed a \$800,000 grant with the Canada-Manitoba Infrastructure Programs in the right of Manitoba to facilitate the connection of portions of the TCT trail construction within Manitoba. The entire grant was received on November 5, 2015.

Amounts received and expensed in the year are as follows:

	2018 \$	2017 \$	2016 \$	Total \$
Received in the year	-	-	800,000	800,000
Interest earned	116	4,414	1,701	6,231
Expensed in the year	(94,654)	(690,765)	(20,812)	(806,231)
Balance	(94,538)	(686,351)	780,889	-

10. National Fundraising Campaign

TCT undertook a major national fundraising campaign which ran from 2012 through 2018. As at March 31, 2018, cash pledges secured and receivable in future years total \$7,389,000. Amounts have been matched, \$1 for every \$2 pledged, by a grant from Parks Canada (note 9). The amounts have been pledged for the purposes of the completion of the Trans Canada Trail. Unrecognized amounts to be received in future years are as follows:

	Restricted \$	Unrestricted \$	Total \$
2019	1,409,000	1,943,000	3,352,000
2020	597,000	679,000	1,276,000
2021	332,000	502,000	834,000
2022	127,000	500,000	627,000
Thereafter	300,000	1,000,000	1,300,000
	2,765,000	4,624,000	7,389,000

Of the amounts to be received in future years, \$847,370 has been accrued (note 3) and recognized in donation revenue in the year ended March 31, 2018 as the expenses related to the activities specified by the donors have been incurred.

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Notes to Consolidated Financial Statements March 31, 2018

11. Railway rights-of-way for trail development

By agreement concluded in December 1998, TCT 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, TCT 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.

TCT has, in essence, obtained the rights-of-way for trail development and it is TCT'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. The rights-of-way have not been recorded in the statement of financial position of TCT. During the year, TCT donated or sold \$Nil (2017 - \$157,227) 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 \$Nil (2017 - \$Nil).

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, 2016	1,726,852	5,235,360	6,962,212
<u>Donated or sold during the year</u>	<u>143,223</u>	<u>14,004</u>	<u>157,227</u>
Balance - March 31, 2017	1,583,629	5,221,356	6,804,985
<u>Donated or sold during the year</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance - March 31, 2018	1,583,629	5,221,356	6,804,985

12. Related party transactions

In 2018, TCT incurred approximately \$24,000 (2017 - \$31,500) 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.

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Notes to Consolidated Financial Statements March 31, 2018

13. Financial instruments

TCT is exposed to various risks through its financial instruments. The following analysis provides a measure of TCT's risk exposure as at the statement of financial position date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

TCT is exposed to credit risk on its pledges receivable. TCT determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

TCT is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject TCT to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. TCT is exposed to other price risk through its investments in listed shares for which the value fluctuates with the quoted market price.

Liquidity risk

Liquidity risk is the risk TCT will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities and arranging for appropriate credit facilities. TCT believes that its recurring financial resources are adequate to cover all its expenditures.