

# **Trans Canada Trail**

**Consolidated Financial Statements  
March 31, 2019**

# Trans Canada Trail

## Consolidated Financial Statements March 31, 2019

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## Independent Auditor's Report

To the Directors of  
**Trans Canada Trail**

### *Opinion*

We have audited the financial statements of Trans Canada Trail and its controlled organization, Trans Canada Trail Foundation (the "Organization"), which comprise the consolidated statement of financial position as at March 31, 2019, the consolidated statements of operations, changes in net assets and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the statement of financial position of the Organization as at March 31, 2019, its results of operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Opinion*

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 Organization 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 opinion.

### *Other Matter - Supplementary Information*

We draw attention to the fact that the schedule of supplementary information does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

### *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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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.

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 Organization'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 Organization'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 Organization 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The image shows a handwritten signature in black ink that reads "Richter LLP". The signature is written in a cursive, flowing style.

Montréal, Québec  
July 4, 2019

# Trans Canada Trail

## Consolidated Statement of Financial Position As at March 31, 2019

	Restricted Funds			Endowment Fund	Total 2019	Total 2018
	General Fund	Parks Canada (note 10)	Other			
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash	1,926,807	1,769	-	-	<b>1,928,576</b>	7,862,900
Short-term investments (note 3)	10,550,836	-	-	52,049	<b>10,602,885</b>	52,654
Accounts receivable (note 4)	644,998	-	-	-	<b>644,998</b>	896,232
Prepaid expenses	105,540	-	-	-	<b>105,540</b>	51,025
Equipment (note 5)	61,884	-	-	-	<b>61,884</b>	78,330
	13,290,065	1,769	-	52,049	<b>13,343,883</b>	8,941,141
<b>Liabilities</b>						
Accounts payable and accrued liabilities	483,060	-	-	-	<b>483,060</b>	560,434
Due to from (to) other funds	2,577,884	1,769	(2,579,048)	(605)	-	-
Deferred contributions (note 7)	25,587	-	2,579,048	-	<b>2,604,635</b>	716,642
	3,086,531	1,769	-	(605)	<b>3,087,695</b>	1,277,076
<b>Commitments and contingency (note 8)</b>						
<b>Net assets</b>						
Internally restricted (note 9)	5,000,000	-	-	-	<b>5,000,000</b>	-
Invested in equipment	36,297	-	-	-	<b>36,297</b>	41,777
Endowment fund	-	-	-	52,654	<b>52,654</b>	52,654
Unrestricted	5,167,237	-	-	-	<b>5,167,237</b>	7,569,634
	10,203,534	-	-	52,654	<b>10,256,188</b>	7,664,065
	13,290,065	1,769	-	52,049	<b>13,343,883</b>	8,941,141

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, 2019

	General Fund			Endowment Fund	2019 Total	2018 Total
	Invested in equipment	Internally restricted	Unrestricted			
	\$	\$	\$	\$	\$	\$
<b>Balance - beginning of year</b>	41,777	-	7,569,634	52,654	<b>7,664,065</b>	9,780,291
Excess (deficiency) of revenues over expenses	(12,929)	-	2,605,052	-	<b>2,592,123</b>	(2,116,226)
Transfer from unrestricted to internally restricted	-	5,000,000	(5,000,000)	-	-	-
Additions to equipment	7,449	-	(7,449)	-	-	-
<b>Balance - end of year</b>	<b>36,297</b>	<b>5,000,000</b>	<b>5,167,237</b>	<b>52,654</b>	<b>10,256,188</b>	<b>7,664,065</b>

See accompanying notes

# Trans Canada Trail

## Consolidated Statement of Operations For the Year Ended March 31, 2019

	General Fund \$	Restricted Funds		Total 2019 \$	Total 2018 \$
		Parks Canada (note 10) \$	Other \$		
<b>Revenues</b>					
Government grants (note 10)	-	7,500,000	-	<b>7,500,000</b>	2,180,810
Donations	3,928,817	-	421,266	<b>4,350,083</b>	6,303,925
Sponsorship	150,000	-	-	<b>150,000</b>	112,146
Investment income	189,390	9,784	-	<b>199,174</b>	93,818
Miscellaneous income	10,315	-	-	<b>10,315</b>	31,033
	<b>4,278,522</b>	<b>7,509,784</b>	<b>421,266</b>	<b>12,209,572</b>	<b>8,721,732</b>
<b>Expenses</b>					
Trail construction	18,379	4,685,519	421,266	<b>5,125,164</b>	5,458,019
Trail promotion and education	184,885	1,880,994	-	<b>2,065,879</b>	2,627,343
Fundraising	1,095,727	-	-	<b>1,095,727</b>	1,172,914
General and administrative	363,514	943,271	-	<b>1,306,785</b>	1,472,786
Sponsorship	-	-	-	<b>-</b>	78,257
Amortization of equipment	23,894	-	-	<b>23,894</b>	28,639
	<b>1,686,399</b>	<b>7,509,784</b>	<b>421,266</b>	<b>9,617,449</b>	<b>10,837,958</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>2,592,123</b>	<b>-</b>	<b>-</b>	<b>2,592,123</b>	<b>(2,116,226)</b>

See accompanying notes

# Trans Canada Trail

## Consolidated Statement of Cash Flows For the Year Ended March 31, 2019

	2019 \$	2018 \$
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	2,592,123	(2,116,226)
Amortization of equipment	23,894	28,639
Deferred and designated contributions recognized in the year	(503,471)	(2,212,674)
Deferred revenue - government grants recognized in the year	-	(213,898)
	<b>2,112,546</b>	<b>(4,514,159)</b>
Net change in non-cash working capital items:		
Accounts receivable	251,234	185,595
Prepaid expenses	(54,515)	51,810
Accounts payable and accrued liabilities	(77,374)	38,082
	<b>119,345</b>	<b>275,487</b>
	<b>2,231,891</b>	<b>(4,238,672)</b>
<b>Investing activities</b>		
Additions to equipment	(7,448)	(16,992)
Additions to short-term investments	(10,550,231)	-
Sale of short-term investments	-	3,000,000
	<b>(10,557,679)</b>	<b>2,983,008</b>
<b>Financing activity</b>		
Contributions received in the year, deferred to subsequent years	2,391,464	2,256,305
<b>Increase (decrease) in cash</b>	<b>(5,934,324)</b>	<b>1,000,641</b>
<b>Cash - beginning of year</b>	<b>7,862,900</b>	<b>6,862,259</b>
<b>Cash - end of year</b>	<b>1,928,576</b>	<b>7,862,900</b>

See accompanying notes

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2019

### 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, 2019.

#### **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 appropriated Restricted Fund.

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

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2019

### 2. Summary of significant accounting policies (continued)

#### Revenue recognition

TCT follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in the Endowment Fund balance.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

#### 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.

TCT 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.

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2019

### 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.

Financial assets subsequently measured at amortized cost are tested for impairment when there are indicators of possible impairment. Any impairment loss is recognized in excess (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 asset or liability is adjusted by the transaction costs, which are recognized in excess (deficiency) of revenues over expenses using the straight-line method.

### 3. Short-term investments

Short-term investments are recorded at cost, mature between May 2019 and February 2020 and bear interest at a weighted-average rate of 2.12% (2018 - 2.65%) per annum. As at March 31, 2019, accrued interests totalled \$50,836 (2018 - \$Nil).

### 4. Accounts receivable

	2019	2018
	\$	\$
Pledges receivable (note 11)	604,803	847,370
Sales taxes receivable	34,831	44,421
Other receivables	5,364	4,441
	<b>644,998</b>	<b>896,232</b>

Pledges recognized as revenue during the year amount to \$109,318 (2018 - \$251,153).

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2019

### 5. Equipment

	Cost \$	Accumulated amortization \$	2019 Net carrying amount \$	2018 Net carrying amount \$
Furniture and fixtures	50,402	44,626	<b>5,776</b>	7,220
Computer equipment	481,951	425,843	<b>56,108</b>	71,110
	<b>532,353</b>	<b>470,469</b>	<b>61,884</b>	<b>78,330</b>

### 6. 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. As at March 31, 2019, TCT has not drawn on its bank facility.

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.

### 7. 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, 2019, an amount of \$25,587 (2018 - \$36,552) represents the deferred portion of in-kind donations of equipment.

	General Fund \$	Restricted Fund - Other \$	Total 2019 \$	Total 2018 \$
<b>Deferred contributions - beginning of year</b>	36,552	680,090	<b>716,642</b>	773,231
Designated donations received	-	2,391,464	<b>2,391,464</b>	2,156,085
In-kind donations recognized as revenue in the year	(10,965)	-	<b>(10,965)</b>	(15,666)
Designated donations recognized as revenue in the year	-	(492,506)	<b>(492,506)</b>	(2,197,008)
<b>Deferred contributions - end of year</b>	<b>25,587</b>	<b>2,579,048</b>	<b>2,604,635</b>	<b>716,642</b>

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2019

### 8. Commitments and contingency

#### Commitments

##### Trail construction

As at March 31, 2019, TCT had commitments to trail groups to fund trail construction totaling \$6,730,268.

##### Leases

The commitments of TCT under a lease agreement terminating in 2024 aggregates to \$285,000. The minimum annual payments are approximately as follows:

	\$
2020	49,000
2021	51,000
2022	51,000
2023	51,000
2024	50,000
Thereafter	33,000

##### Contingency

TCT has been assessed approximately \$159,000 for property taxes on its railway rights-of-way for trail development. As described in the supplementary information, 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. Internal restrictions

In 2019, the board of directors of Trans Canada Trail Foundation resolved to restrict \$5,000,000 to support the organization's day-to-day operations in the event of revenue shortfalls or unforeseen expenses. The operating reserve cannot be accessed without the approval of Trans Canada Trail Foundation's board of directors.

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2019

### 10. Parks Canada Agreement

On August 2, 2018, TCT signed a \$30,000,000 Contribution Agreement with Parks Canada, payable in yearly instalments of \$7,500,000, towards eligible expenditures for the period of April 1, 2018 to March 31, 2022. The objective of the contribution is to enhance and maintain The Great Trail and to promote a healthy lifestyle through active transportation and environmental stewardship across Canada; improve accessibility and security; promote tourism and reconciliation; and inspire Canadians to discover and cherish their national heritage.

### 11. Pledges

Unrecognized and recognized pledges to be received in future years are approximately as follows:

	Restricted \$	Unrestricted \$	Total \$
2020	817,000	679,000	<b>1,496,000</b>
2021	372,000	502,000	<b>874,000</b>
2022	127,000	500,000	<b>627,000</b>
2023	77,000	500,000	<b>577,000</b>
Thereafter	225,000	500,000	<b>725,000</b>
	<b>1,618,000</b>	<b>2,681,000</b>	<b>4,299,000</b>

### 12. Related party transactions

General and administrative expenses include approximately \$6,000 (2018 - \$24,000) 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.

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2019

### 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 accounts receivable and interest 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.

# **Trans Canada Trail**

## **Consolidated Supplementary Information For the Year Ended March 31, 2019 (Unaudited)**

### **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 \$32,179 (2018 - \$Nil) 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 \$4,500 (2018 - \$Nil).