

Trans Canada Trail

Consolidated financial statements
March 31, 2021



Independent auditor's report

To the Directors of
Trans Canada Trail

Opinion

We have audited the consolidated financial statements of **Trans Canada Trail** and its subsidiary ["TCT"], which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of changes in net assets, consolidated statement of operations and consolidated statement of 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 consolidated financial position of TCT as at March 31, 2021, and consolidated results of operations and its consolidated 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 consolidated financial statements* section of our report. We are independent of TCT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 supplementary information included with the consolidated financial statements related to the railway rights-of-way does not form part of the consolidated 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.

Information other than the consolidated financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the "Financial Highlights" report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing TCT's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 TCT'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 TCT'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 consolidated 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 TCT to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated 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 TCT 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.

Ottawa, Canada
June 21, 2021

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Trans Canada Trail

Consolidated statement of financial position

As at March 31

	General Fund \$	Endowment Fund \$	Total 2021 \$	Total 2020 \$
Assets				
Cash	11,559,623	—	11,559,623	3,203,675
Short-term investments <i>[note 3]</i>	2,500,000	752	2,500,752	10,552,049
Accrued interest receivable	13,551	—	13,551	18,310
Accounts receivable <i>[note 4]</i>	558,095	—	558,095	448,834
Prepaid expenses	114,749	—	114,749	171,137
Due from other funds	—	51,902	51,902	605
Capital assets, net <i>[note 5]</i>	39,605	—	39,605	45,124
	14,785,623	52,654	14,838,277	14,439,734
Liabilities and net assets				
Liabilities				
Accounts payable and accrued liabilities	1,429,640	—	1,429,640	726,143
Deferred contributions <i>[note 7]</i>	2,245,106	—	2,245,106	2,350,147
Due to other funds	51,902	—	51,902	605
Total liabilities	3,726,648	—	3,726,648	3,076,895
Commitments and contingency <i>[note 8]</i>				
Net assets				
Internally restricted <i>[note 9]</i>	5,000,000	—	5,000,000	5,000,000
Unrestricted	6,058,975	—	6,058,975	6,310,185
Endowment Fund	—	52,654	52,654	52,654
Total net assets	11,058,975	52,654	11,111,629	11,362,839
	14,785,623	52,654	14,838,277	14,439,734

See accompanying notes

Trans Canada Trail

Consolidated statement of changes in net assets

Year ended March 31

	Internally restricted	Unrestricted	Endowment Fund	Total 2021	Total 2020
	\$	\$	\$	\$	\$
Balance, beginning of year	5,000,000	6,310,185	52,654	11,362,839	10,256,188
Excess (deficiency) of revenue over expenses for the year	—	(251,210)	—	(251,210)	1,106,651
Balance, end of year	5,000,000	6,058,975	52,654	11,111,629	11,362,839

See accompanying notes

Trans Canada Trail

Consolidated statement of operations

Year ended March 31

	2021	2020
	\$	\$
Revenue		
Government grants <i>[note 10]</i>	7,500,000	7,500,000
Donations	2,174,266	4,158,428
Interest income	168,062	269,169
Other contributions	125,000	—
Miscellaneous income <i>[note 15]</i>	459,212	30,231
	<u>10,426,540</u>	<u>11,957,828</u>
Expenses		
Trail construction	6,678,521	6,903,511
Trail promotion and education	1,753,399	1,424,667
Fundraising	922,345	1,124,029
General and administrative	1,309,136	1,378,991
Amortization of equipment	14,349	19,979
	<u>10,677,750</u>	<u>10,851,177</u>
Excess (deficiency) of revenue over expenses for the year	<u>(251,210)</u>	<u>1,106,651</u>

See accompanying notes

Trans Canada Trail

Consolidated statement of cash flows

Year ended March 31

	2021	2020
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(251,210)	1,106,651
Add (deduct) items not involving cash		
Amortization of equipment	14,349	19,979
Loss on disposal of capital assets	351	10,480
Accrued short-term investment income	4,759	32,526
Deferred contributions recognized in the year	(547,355)	(1,347,576)
	<u>(779,106)</u>	<u>(177,940)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(109,261)	196,164
Prepaid expenses	56,388	(65,597)
Accounts payable and accrued liabilities	703,497	243,083
Cash provided by (used in) operating activities	<u>(128,482)</u>	<u>195,710</u>
Investing activities		
Additions to equipment	(9,181)	(13,699)
Additions to short-term investments	(752)	(10,500,000)
Maturity of short-term investments	8,052,049	10,500,000
Cash provided by (used in) investing activities	<u>8,042,116</u>	<u>(13,699)</u>
Financing activities		
Contributions received in the year and deferred	442,314	1,093,088
Cash provided by financing activities	<u>442,314</u>	<u>1,093,088</u>
Net increase in cash during the year	8,355,948	1,275,099
Cash, beginning of year	<u>3,203,675</u>	<u>1,928,576</u>
Cash, end of year	<u>11,559,623</u>	<u>3,203,675</u>

See accompanying notes

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2021

1. Nature of business

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

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.

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with 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 as at and for the year ended March 31, 2021.

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 as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. In particular, the estimation of TCT's allowance for doubtful accounts related to their accounts receivable, the useful lives of TCT's capital assets, and the accrual of expenses at year-end contain estimates within the consolidated financial statements. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the consolidated financial statements in the period they become known.

Fund accounting

In order to recognize the limitations and restrictions placed on the use of resources available to TCT, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors [the "Board"]. Transfers between the funds are made when it is considered appropriate and authorized by the Board. To meet the objectives of financial reporting and stewardship over assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded in the statement of changes in net assets.

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2021

For financial reporting purposes, the accounts have been classified into the following funds:

- [i] Revenue and expenses related to financing the trail building, maintenance and promotion activities and general and administrative activities are reported in the General Fund.
- [ii] Funds where either donor or internal restrictions require that the principal be invested by TCT in perpetuity are recorded in the Endowment Fund. Investment income earned on the Endowment Fund is reported in the General Fund.

Revenue recognition

TCT follows the deferral method of accounting for contributions.

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.

Restricted contributions, including government grants and donations, are deferred and recognized as revenue in the year in which the related expenses are incurred.

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

Pledges from large corporations, foundations and all other pledges are recorded on an accrual basis when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Investment income generated from assets held due to restrictions must be used in accordance with the various restrictions established by the donor, and is deferred until expenses related to that restriction are incurred. Unrestricted investment income is recognized as revenue when earned.

Miscellaneous income includes amounts received or receivable resulting from government assistance programs, such as the Canada Emergency Wage Subsidy ["CEWS"] and Canada Emergency Rent Subsidy ["CERS"]. These amounts received or receivable are recorded gross and reflected as income on the statement of operations when TCT becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

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.

Capital assets

Capital assets consisting of furniture and fixtures and computer equipment are recorded at cost, including any impairment identified. Amortization is provided for on a declining balance basis at a rate of 30% for furniture and fixtures and 20% for computer equipment per annum.

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2021

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 are not used in the normal course of operations of TCT, would not have otherwise been purchased by TCT, and a fair value cannot be reasonably estimated, the donated land is not recognized in the consolidated financial statements. Contributed capital assets are recorded at fair value if readily available in the year of the contribution.

Financial instruments

TCT initially measures its financial assets and financial liabilities at fair value. 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 revenue 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 revenue over expenses using the straight-line method.

3. Short-term investments

Short-term investments with fixed interest rates are recorded at amortized cost, mature July 2021 and bear interest at a weighted-average rate of 0.62% [2020 – 1.82%] per annum.

4. Accounts receivable

Accounts receivable consist of the following:

	2021	2020
	\$	\$
Pledges receivable <i>[note 11]</i>	318,750	408,000
Sales taxes receivable	28,671	39,130
Other receivables	210,674	1,704
	558,095	448,834

Pledges receivable recognized as revenue during the year were \$nil [2020 – \$nil].

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2021

5. Capital assets

Capital assets consist of the following:

	2021		2020
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Furniture and fixtures	17,126	12,608	5,647
Computer equipment	477,099	442,012	39,477
	494,225	454,620	45,124

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, 2021, TCT has not drawn on its bank facility [2020 – nil].

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, contributions and donations related to funding designated for use on specific projects related to the trail are recorded in revenue as related expenses are incurred.

As at March 31, 2021, an amount of \$12,537 [2020 – \$17,911] represents the deferred portion of in-kind donations of equipment.

	Total 2021 \$	Total 2020 \$
Deferred contributions, beginning of year	2,350,147	2,604,635
Designated donations received	8,067,314	8,593,088
Designated donations recognized as revenue in the year	(8,166,981)	(8,839,900)
In-kind donations recognized as revenue in the year	(5,374)	(7,676)
Deferred contributions, end of year	2,245,106	2,350,147

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2021

8. Commitments and contingency

Commitments

Trail construction

As at March 31, 2021, TCT had commitments to trail groups to fund trail construction totalling \$1,489,889.

Leases

The commitments of TCT under a lease agreement terminating in November 2024 aggregates to \$183,000. Other commitments under this lease agreement include payments for operating expenses, real estate taxes and utilities. The minimum annual payments are approximately as follows:

	\$
2022	50,000
2023	50,000
2024	50,000
2025	33,000

Contingency

TCT has been assessed a cumulative amount of \$181,859 [2020 – \$170,741] for property taxes on its beneficial interest in certain railway rights-of-way for trail development. 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.

10. Parks Canada

On August 2, 2018, TCT signed a \$30,000,000 Contribution Agreement with Parks Canada, receivable in yearly instalments of \$7,500,000, towards eligible expenditures for the period from 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. Amounts received and expenditures incurred related to the Parks Canada agreement are included in the table below:

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2021

	2021	2020
	\$	\$
Amounts received		
Government grants	7,500,000	7,500,000
Investment income	1,949	8,725
	7,501,949	7,508,725
Expenditures		
Trail construction	5,354,605	5,444,292
Trail promotion and education	1,397,344	1,314,433
General and administrative	750,000	750,000
	7,501,949	7,508,725

11. Pledges

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

	Restricted	Unrestricted	Total
	\$	\$	\$
2022	257,000	708,000	965,000
2023	219,500	500,000	719,500
2024	217,500	–	217,500
2025	212,500	–	212,500
Thereafter	175,000	–	175,000
	1,081,500	1,208,000	2,289,500

As at March 31, 2021, \$318,750 [2020 – \$408,000] of pledges is included in accounts receivable.

12. Related party transaction

General and administrative expenses include approximately \$15,857 [2020 – \$14,495] 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.

13. Financial instruments and risk management

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

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2021

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 short-term investments, including 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 short-term financial instruments.

Liquidity risk

Liquidity risk is the risk TCT will have difficulty in meeting obligations associated with financial liabilities, which include accounts payable and accrued 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 obligations.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

15. COVID-19 pandemic

The outbreak of the coronavirus disease ["COVID-19"] has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, the possibility of lower revenues from grants, contributions and donations exists for TCT, however it is not possible to reliably estimate the length and severity of these developments, nor the impact on the consolidated financial position and consolidated financial results of TCT in current and future periods.

In response to the negative economic impact of COVID-19, various government programs have been announced to provide financial relief to affected businesses. TCT determined that it qualified for the CEWS and the CERS. The CEWS program provides government assistance in the form of a wage subsidy for qualifying organizations that have experienced specified levels of revenue decline designed to keep Canadians employed. The CERS program provides government assistance in the form of a rent subsidy for qualifying organizations that have experienced specified levels of revenue decline designed to assist businesses with their monthly rent payments. During the year ended March 31, 2021, TCT recognized \$434,599 under the CEWS program and \$22,714 under the CERS program, which has been recorded gross as miscellaneous income in the statement of operations. Included in accounts receivable at March 31, 2021 is \$178,487 related to the CEWS program and \$22,714 related to the CERS program.

Trans Canada Trail

Consolidated supplementary information

March 31, 2021

Unaudited – See independent auditor's report

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 \$28,210 [2020 – \$101,220] 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 \$8 [2020 – \$20,000].

During the year, TCT donated or sold \$676,220 [2020 – \$nil] of the interests in railway rights-of-way donated by Canadian Pacific Railway and Canadian National Railway to Alberta Trailnet in the Province of Alberta for proceeds of \$1 [2020 – \$20,000].