

Trans Canada Trail

Consolidated financial statements
March 31, 2020

Independent auditor's report

To the Directors of
Trans Canada Trail

Opinion

We have audited the consolidated financial statements of **Trans Canada Trail** ["TCT"] and its subsidiary, which comprise the consolidated statement of financial position as at March 31, 2020, and consolidated statement of changes in net assets, the 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, 2020, and the consolidated results of its 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 – change in auditor

The consolidated financial statements of TCT for the year ended March 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on July 4, 2019.

Unaudited information

We have not audited the "Supplementary information" disclosure related to the railway rights-of-way included at the end of the notes to the consolidated financial statements.

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.

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 27, 2020

Chartered Professional Accountants
Licensed Public Accountants

Trans Canada Trail

Consolidated statement of financial position

As at March 31

	General Fund	Endowment Fund	Total 2020	Total 2019
	\$	\$	\$	\$
Assets				
Cash	3,203,675	—	3,203,675	1,928,576
Short-term investments <i>[note 3]</i>	10,518,310	52,049	10,570,359	10,602,885
Accounts receivable <i>[note 4]</i>	448,834	—	448,834	644,998
Prepaid expenses	171,137	—	171,137	105,540
Due from other funds	—	605	605	605
Capital assets <i>[note 5]</i>	45,124	—	45,124	61,884
	14,387,080	52,654	14,439,734	13,344,488
Liabilities and net assets				
Accounts payable and accrued liabilities	726,143	—	726,143	483,060
Due to other funds	605	—	605	605
Deferred contributions <i>[note 7]</i>	2,350,147	—	2,350,147	2,604,635
Total liabilities	3,076,895	—	3,076,895	3,088,300
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	6,310,185	—	6,310,185	5,203,534
Endowment fund	—	52,654	52,654	52,654
Total net assets	11,310,185	52,654	11,362,839	10,256,188
	14,387,080	52,654	14,439,734	13,344,488

See accompanying notes

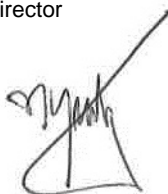
On behalf of the Board:

Director



Michael Lindsay

Director



Neil Yeates

Trans Canada Trail

Consolidated statement of changes in net assets

Year ended March 31

	Internally restricted	Unrestricted	Endowment Fund	Total 2020	Total 2019
	\$	\$	\$	\$	\$
Balance, beginning of year	5,000,000	5,203,534	52,654	10,256,188	7,664,065
Excess of revenue over expenses for the year	—	1,106,651	—	1,106,651	2,592,123
Balance, end of year	5,000,000	6,310,185	52,654	11,362,839	10,256,188

See accompanying notes

Trans Canada Trail

Consolidated statement of operations

Year ended March 31

	2020	2019
	\$	\$
Revenue		
Government grants <i>[note 10]</i>	7,500,000	7,500,000
Donations	4,158,428	4,500,083
Investment income	269,169	199,174
Miscellaneous income	30,231	10,315
	<u>11,957,828</u>	<u>12,209,572</u>
Expenses		
Trail construction	6,903,511	5,125,164
Trail promotion and education	1,424,667	2,065,879
Fundraising	1,124,029	1,095,727
General and administrative	1,378,991	1,306,785
Amortization of equipment	19,979	23,894
	<u>10,851,177</u>	<u>9,617,449</u>
Excess of revenue over expenses for the year	<u>1,106,651</u>	<u>2,592,123</u>

See accompanying notes

Trans Canada Trail

Consolidated statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	1,106,651	2,592,123
Amortization of equipment	19,979	23,894
Loss on disposal of capital assets	10,480	—
Accrued short-term investment income	32,526	(50,231)
Deferred contributions recognized in the year	(1,347,576)	(503,471)
	<u>(177,940)</u>	2,062,315
Changes in non-cash working capital balances related to operations		
Accounts receivable	196,164	251,234
Prepaid expenses	(65,597)	(54,515)
Accounts payable and accrued liabilities	243,083	(77,374)
Cash provided by operating activities	<u>195,710</u>	2,181,660
Investing activities		
Additions to equipment	(13,699)	(7,448)
Additions to short-term investments	(10,500,000)	(10,500,000)
Maturity of short-term investments	10,500,000	—
Cash used in investing activities	<u>(13,699)</u>	(10,507,448)
Financing activities		
Contributions received in the year and deferred	1,093,088	2,391,464
Cash provided by financing activities	<u>1,093,088</u>	2,391,464
Net increase (decrease) in cash during the year	1,275,099	(5,934,324)
Cash, beginning of year	1,928,576	7,862,900
Cash, end of year	<u>3,203,675</u>	<u>1,928,576</u>

See accompanying notes

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2020

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 for the year ended March 31, 2020.

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

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, 2020

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

- (i) Revenues 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 and foundations are recorded on an accrual basis. All other pledges are recorded 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. 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.

Capital assets

Capital assets consisting of furniture and fixtures and computer equipment is 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.

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.

Notes to consolidated financial statements

March 31, 2020

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.

New accounting standards

During the year, TCT adopted the new accounting standards Section 4433, *Tangible Capital Assets*, and Section 4434, *Intangible Capital Assets*, as of April 1, 2019. Section 4433, *Tangible Capital Assets*, replaces the previous Section 4431, *Tangible Capital Assets*, and provides additional guidance on contributed assets and the write-down (partial impairment) of assets. Section 4434, *Intangible Capital Assets*, replaces the previous Section 4432, *Intangible Capital Assets*, and provides additional guidance on contributed assets and the write-down (partial impairment) of assets. The changes did not have any impact on these consolidated financial statements.

3. Short-term investments

Short-term investments with fixed interest rates are recorded at amortized cost, mature between June 2020 and February 2021 and bear interest at a weighted-average rate of 1.82% [2019 – 2.12%] per annum. As at March 31, 2020, accrued interest of \$18,310 [2019 – \$50,836] is included in short-term investments.

4. Accounts receivable

	2020	2019
	\$	\$
Pledges receivable [note 11]	408,000	604,803
Sales taxes receivable	39,130	34,831
Other receivables	1,704	5,364
	448,834	644,998

Pledges receivable recognized as revenue during the year were nil [2019 – \$109,318].

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2020

5. Capital assets

	2020		2019	
	Cost	Accumulated amortization	Net carrying amount	Net book Value
	\$	\$	\$	\$
Furniture and fixtures	17,126	11,479	5,647	5,776
Computer equipment	468,655	429,178	39,477	56,108
	485,781	440,657	45,124	61,884

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, 2020, TCT has not drawn on its bank facility [2019 – 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, donations received for specific projects are recorded in revenue as related expenses are incurred.

As at March 31, 2020, an amount of \$17,911 [2019 – \$25,587] represents the deferred portion of in-kind donations of equipment.

	Total 2020 \$	Total 2019 \$
Deferred contributions, beginning of year	2,604,635	716,642
Designated donations received	8,593,088	9,891,464
In-kind donations recognized as revenue in the year	(7,676)	(10,965)
Designated donations recognized as revenue in the year	(8,839,900)	(7,992,506)
Deferred contributions, end of year	2,350,147	2,604,635

Trans Canada Trail

Notes to consolidated financial statements

March 31, 2020

8. Commitments and contingency

Commitments

Trail construction

As at March 31, 2020, TCT had commitments to trail groups to fund trail construction totaling \$5,528,178.

Leases

The commitments of TCT under a lease agreement terminating in November 2024 aggregates to \$233,000. Other commitments under this lease agreement include payments for operating expenses, real estate taxes, and utilities. The minimum annual payments are approximately as follows:

	\$
2021	50,000
2022	50,000
2023	50,000
2024	50,000
2025	33,000

Contingency

TCT has been assessed a cumulative amount of \$170,741 [2019 – \$159,000] for property taxes on its 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 agreement

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 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. 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, 2020

	2020	2019
	\$	\$
Amounts received		
Government grants	7,500,000	7,500,000
Investment income	8,725	9,784
	<u>7,508,725</u>	<u>7,509,784</u>
Expenditures		
Trail construction	5,444,292	4,685,519
Trail promotion and education	1,314,433	1,880,994
General and administrative	750,000	943,271
	<u>7,508,725</u>	<u>7,509,784</u>

11. Pledges

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

	Restricted	Unrestricted	Total
	\$	\$	\$
2021	357,000	505,550	862,550
2022	132,000	500,000	632,000
2023	82,000	500,000	582,000
Thereafter	230,000	–	230,000
	<u>801,000</u>	<u>1,505,550</u>	<u>2,306,550</u>

At March 31, 2020, \$408,000 [2019 - \$604,803] of pledges is included in accounts receivable.

12. Related party transaction

General and administrative expenses include approximately \$14,495 [2019 – \$6,000] 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.

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 consolidated 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.

Notes to consolidated financial statements

March 31, 2020

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 expenditures.

14. Comparative figures

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

15. COVID-19 pandemic

Beginning March 2020, 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 is unknown at this time, nor 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 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.

Consolidated supplementary information

March 31, 2020

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 \$101,220 [2019 – \$32,179] 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 \$20,000 [2019 – \$4,500].