

# **Trans Canada Trail**

**Consolidated Financial Statements  
March 31, 2016**

# Trans Canada Trail

## Consolidated Financial Statements March 31, 2016

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# RICHTER

## 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, which comprise the consolidated statement of financial position as at March 31, 2016, 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, 2016, 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*

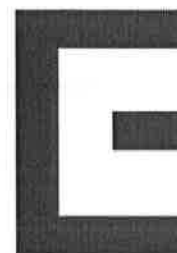
Montréal, Québec  
June 27, 2016

<sup>1</sup>CPA auditor, CA, public accountancy permit No. A118877

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# Trans Canada Trail

## Consolidated Statement of Financial Position As at March 31, 2016

	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total 2016 \$	Total 2015 \$
<b>Assets</b>					
<b>Current</b>					
Cash	8,871,261	2,680,802	-	11,552,063	11,546,775
Marketable securities	-	-	52,654	52,654	52,654
Accounts receivable (note 3)	2,251,453	-	-	2,251,453	1,332,121
Prepaid expenses	130,164	-	-	130,164	129,154
	11,252,878	2,680,802	52,654	13,986,334	13,060,704
<b>Equipment (note 4)</b>	127,592	-	-	127,592	151,427
	11,380,470	2,680,802	52,654	14,113,926	13,212,131
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	809,238	-	-	809,238	859,725
Deferred contributions (note 6)	74,597	1,880,757	-	1,955,354	2,719,773
Deferred revenue - government grants (note 7 and note 9)	-	800,045	-	800,045	343,192
	883,835	2,680,802	-	3,564,637	3,922,690
<b>Commitments and contingencies (note 8)</b>					
<b>Net assets</b>					
Invested in equipment	53,194	-	-	53,194	44,859
Endowment fund	-	-	52,654	52,654	52,654
Unrestricted	10,443,441	-	-	10,443,441	9,191,928
	10,496,635	-	52,654	10,549,289	9,289,441
	11,380,470	2,680,802	52,654	14,113,926	13,212,131

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, 2016

	General Fund - invested in equipment \$	General Fund - unrestricted \$	Endowment Fund \$	2016 Total \$	2015 Total \$
<b>Balance - beginning of year</b>	44,859	9,191,928	52,654	<b>9,289,441</b>	7,560,947
Excess (deficiency) of revenues over expenses	(15,037)	1,274,885	-	<b>1,259,848</b>	1,728,494
Additions to equipment	23,372	(23,372)	-	-	-
<b>Balance - end of year</b>	<b>53,194</b>	<b>10,443,441</b>	<b>52,654</b>	<b>10,549,289</b>	<b>9,289,441</b>

See accompanying notes

# Trans Canada Trail

## Consolidated Statement of Operations For the Year Ended March 31, 2016

	General Fund \$	Restricted Fund \$	Total 2016 \$	Total 2015 \$
<b>Revenues</b>				
Government grants (note 9)	6,251,423	6,085,529	12,336,952	7,256,825
Donations	3,478,177	4,524,319	8,002,496	6,083,183
Sponsorship	40,000	-	40,000	-
Investment income	95,143	-	95,143	111,145
Miscellaneous income	17,026	-	17,026	5,358
	9,881,769	10,609,848	20,491,617	13,456,511
<b>Expenses</b>				
Trail construction	4,408,661	10,609,848	15,018,509	8,390,836
Trail promotion and education	967,216	-	967,216	910,064
Fundraising	1,520,638	-	1,520,638	1,400,664
General and administrative	1,422,662	-	1,422,662	960,260
Sponsorship	255,737	-	255,737	-
Amortization and loss on disposal of equipment	47,007	-	47,007	66,193
	8,621,921	10,609,848	19,231,769	11,728,017
<b>Excess of revenues over expenses</b>	1,259,848	-	1,259,848	1,728,494

See accompanying notes

# Trans Canada Trail

## Consolidated Statement of Cash Flows For the Year Ended March 31, 2016

	2016 \$	2015 \$
<b>Operating activities</b>		
Excess of revenues over expenses	1,259,848	1,728,494
Amortization and loss on disposal of equipment	47,007	66,193
Deferred contributions recognized in the year	(3,830,915)	(3,260,735)
Deferred revenue - government grants recognized in the year	(6,085,529)	(1,733,054)
	<b>(8,609,589)</b>	<b>(3,199,102)</b>
Changes in non-cash operating elements:		
Accounts receivable	(919,332)	5,844,648
Prepaid expenses	(1,010)	(57,815)
Accounts payable and accrued liabilities	(50,487)	363,022
Contributions received in the year, deferred to subsequent years	3,066,496	3,913,700
Revenue - government grants received in the year, deferred to subsequent years	6,542,382	1,297,755
	<b>8,638,049</b>	<b>11,361,310</b>
	<b>28,460</b>	<b>8,162,208</b>
<b>Investing activities</b>		
Additions to equipment, net of proceeds of disposal of \$200 (2015 - \$Nil)	(23,172)	(28,265)
Proceeds from redemption of marketable securities	-	400,000
	<b>(23,172)</b>	<b>371,735</b>
<b>Increase in cash</b>	<b>5,288</b>	<b>8,533,943</b>
<b>Cash - beginning of year</b>	<b>11,546,775</b>	<b>3,012,832</b>
<b>Cash - end of year</b>	<b>11,552,063</b>	<b>11,546,775</b>
See accompanying notes		

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 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, 2016.

#### **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.



# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 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.

#### 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 \$31,970 (2015 - \$45,671) were recognized in the financial statements during the year ended March 31, 2016.

#### 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 excess of revenues over expenses.

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

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

#### Financial instruments (continued)

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 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 excess 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 net earnings in the period incurred.

### 3. Accounts receivable

	2016 \$	2015 \$
Government remittances	30,801	94,814
Grants receivable	1,336,081	1,236,074
Pledges receivable (note 10)	880,091	-
Other receivables	4,480	1,233
	<b>2,251,453</b>	<b>1,332,121</b>

### 4. Equipment

	Cost \$	Accumulated amortization \$	2016 Net carrying amount \$	2015 Net carrying amount \$
Furniture and fixtures	50,402	39,121	11,281	7,084
Computer equipment	457,702	341,391	116,311	144,343
	<b>508,104</b>	<b>380,512</b>	<b>127,592</b>	<b>151,427</b>

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 5. Credit 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, 2016, TCT has not drawn on its credit 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.

### 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, 2016, an amount of \$74,597 (2015 - \$106,567) represents the deferred portion of in-kind donations of equipment.

	General Fund \$	Restricted Fund \$	Total 2016 \$	Total 2015 \$
<b>Deferred contributions - beginning of year</b>	106,567	2,613,206	<b>2,719,773</b>	2,066,807
Designated donations received	-	3,066,496	<b>3,066,496</b>	3,913,700
In-kind donations recognized as revenue in the year	(31,970)	-	<b>(31,970)</b>	(45,671)
Designated donations recognized as revenue in the year	-	(3,798,945)	<b>(3,798,945)</b>	(3,215,063)
<b>Deferred contributions - end of year</b>	<b>74,597</b>	<b>1,880,757</b>	<b>1,955,354</b>	<b>2,719,773</b>

### 7. Deferred revenue - government grants

	General Fund \$	Restricted Fund \$	Total 2016 \$	Total 2015 \$
<b>Deferred revenue - beginning of year</b>	-	343,192	<b>343,192</b>	778,491
Designated donations received	-	6,542,382	<b>6,542,382</b>	1,297,755
Designated donations recognized as revenue in the year	-	(6,085,529)	<b>(6,085,529)</b>	(1,733,054)
<b>Deferred revenue - end of year</b>	<b>-</b>	<b>800,045</b>	<b>800,045</b>	<b>343,192</b>

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 8. Commitments and contingencies

#### Commitments

##### Trail construction

As at March 31, 2016, TCT had commitments to trail groups to fund trail construction totaling \$8,555,217 (2015 - \$6,714,978).

##### Leases

The commitments of TCT under lease agreements terminating in 2024 aggregate to \$413,000. The minimum annual payments are approximately as follows:

	\$
2017	46,000
2018	45,000
2019	43,000
2020	47,000
2021	50,000
2022 and thereafter	182,000

##### Contingencies

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

b) TCT has been assessed approximately \$156,000 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.

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 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 will pay 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.

Amounts received in the year are as follows:

	2016 \$	2015 \$	July 1, 2011 to March 31, 2014 \$	Total \$
<b>Total grant</b>				25,000,000
Pledges and cash donations received in the year	12,502,846	11,040,984	14,304,081	
Parks Canada match (50%)	(6,251,423)	(5,520,492)	(7,152,041)	(18,923,956)
<b>Balance of grant to be received</b>				6,076,044

#### Alberta government grant - \$5,138,000

On December 12, 2015 TCT signed a \$5,138,000 grant with the Alberta TrailNet Society in the right of the Alberta Minister of Culture and Tourism to facilitate the connection of the trail in the Province of Alberta. The entire grant was received on December 22, 2015 which resulted in restricted government grants of \$5,138,000 recorded in revenue in the year.

Amounts received and expensed in the year are as follows:

	2016 \$
<b>Received in the year</b>	5,138,000
<b>Expensed in the year</b>	(5,138,000)
<b>Balance</b>	-

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 9. Government grants (continued)

#### 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:

	2016 \$	2015 \$	2014 \$	Total \$
Received in the year	600,000	1,295,000	855,000	2,750,000
Interest earned	2,681	2,755	-	5,436
Expensed in the year	(926,717)	(1,733,054)	(76,509)	(2,736,280)
<b>Balance</b>	<b>(324,036)</b>	<b>(435,299)</b>	<b>778,491</b>	<b>19,156</b>

#### 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:

	2016 \$
Received in the year	800,000
Interest earned	1,701
Expensed in the year	(20,812)
<b>Balance</b>	<b>780,889</b>

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 10. National Fundraising Campaign

TCT has undertaken a major national fundraising campaign to run from 2012 through 2017. As at March 31, 2016, cash pledges secured and receivable in future years total \$6,956,000. 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 \$
2017	1,155,000	1,400,000	2,555,000
2018	965,000	815,000	1,780,000
2019	660,000	389,000	1,049,000
2020	540,000	227,000	767,000
Others	480,000	325,000	805,000
	3,800,000	3,156,000	6,956,000

Of the amounts to be received in future years in the restricted fund, \$880,091 has been accrued (see note 3) and recognized in donation revenue in the year ended March 31, 2016 as the expenses related to the activities specified by the donors have been incurred.

### 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. During the year, TCT donated or sold \$315,567 (2015 - \$495,675) 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 (2015 - \$1,935).

# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 11. Railway rights-of-way for trail development (continued)

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 - April 1, 2014	2,273,265	5,500,189	7,773,454
Donated or sold during the year	234,675	261,000	495,675
Balance - March 31, 2015	2,038,590	5,239,189	7,277,779
Donated or sold during the year	311,738	3,829	315,567
<b>Balance - March 31, 2016</b>	<b>1,726,852</b>	<b>5,235,360</b>	<b>6,962,212</b>

### 12. Related party transactions

In 2016, TCT incurred approximately \$23,000 (2015- \$38,000) 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 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.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.



# Trans Canada Trail

## Notes to Consolidated Financial Statements March 31, 2016

### 13. Financial instruments (Continued)

#### 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.

#### 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.

### 14. Comparative figures

Certain reclassifications of 2015 amounts have been made to facilitate comparison with the current year.

