

TRAILS YOUTH INITIATIVES INC.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Trails Youth Initiatives Inc.

We have audited the accompanying financial statements of Trails Youth Initiatives Inc., which comprises the statement of financial position as at September 30, 2016, the statements of fund 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 Financial Statements:

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion:

The Organization derives revenues from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, assets and net assets.

Qualified Opinion:

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Organization as at September 30, 2016, and the results of its fund operations and its cash flows for the year then ended in accordance with Canadian accounting standards for Not-for-Profit Organizations.

Millard Foster Thibeault Youell

**CHARTERED PROFESSIONAL ACCOUNTANTS
AUTHORIZED TO PRACTISE PUBLIC ACCOUNTING BY THE
CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
(registered name of The Institute of Chartered Accountants of Ontario)**

Aurora, Ontario
February 14, 2017

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FUND OPERATIONS
SEPTEMBER 30, 2016

	General Fund	D. Dion Memorial Fund	Total 2016	Total 2015
	\$	\$	\$	\$
REVENUES				
Donations	855,359	170	855,529	791,075
Fundraising	49,464	-	49,464	164,546
Rental income	25,205	-	25,205	23,250
Fees and investment income	10,408	58,339	68,747	35,546
	940,436	58,509	998,945	1,014,417
PROGRAM EXPENDITURES				
Salaries and wages	346,008	-	346,008	316,110
Food	23,834	-	23,834	22,705
Facility	55,884	-	55,884	78,974
Transportation	18,051	-	18,051	17,702
Bursary payments	-	192,393	192,393	150,971
Leadership Program	4,324	-	4,324	3,608
Insurance	24,983	-	24,983	21,004
Programming	27,887	-	27,887	16,579
Amortization	19,824	-	19,824	21,437
	520,795	192,393	713,188	649,090
FUNDRAISING AND ADMINISTRATION				
Fundraising salaries	51,887	-	51,887	71,111
Direct fundraising expenses	2,748	-	2,748	36,073
Administrative salaries	47,730	-	47,730	31,204
Office	43,955	-	43,955	28,544
Insurance	1,432	-	1,432	1,440
Professional fees	26,158	-	26,158	12,109
Interest and bank charges	2,149	3,843	5,992	7,469
	176,059	3,843	179,902	187,950
TOTAL EXPENDITURES	696,854	196,236	893,090	837,040
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	243,582	(137,727)	105,855	177,377

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF CHANGES IN NET ASSETS
SEPTEMBER 30, 2016

	Note Reference	General Fund	D. Dion Memorial Fund	2016	2015
		\$	\$	\$	\$
NET ASSETS - Beginning of year		1,428,826	659,633	2,088,459	1,911,082
Excess/(deficiency) of revenues over expenditures		243,582	(137,727)	105,855	177,377
		1,672,408	521,906	2,194,314	2,088,459
Interfund transfer	8	(150,000)	150,000	-	-
NET ASSETS - End of year		1,522,408	671,906	2,194,314	2,088,459

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

	Note Reference	General Fund	D. Dion Memorial Fund	2016	2015
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and equivalents	3	430,162	11,454	441,616	580,993
Restricted cash	4	789,382	-	789,382	503,179
Marketable securities		-	722,872	722,872	660,111
Amounts receivable		-	-	-	3,292
Prepaid expenses		17,834	-	17,834	7,829
		1,237,378	734,326	1,971,704	1,755,404
Capital assets	5	405,393	-	405,393	425,217
TOTAL ASSETS		1,642,771	734,326	2,377,097	2,180,621
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accruals	6	29,436	62,420	91,856	38,310
Revenue received in advance		27,050	-	27,050	3,300
Deferred contributions	7	63,877	-	63,877	50,552
		120,363	62,420	182,783	92,162
NET ASSETS					
Invested in capital assets		405,393	-	405,393	425,217
Externally restricted		-	671,906	671,906	659,633
Internally restricted	4	725,505	-	725,505	452,627
Unrestricted		391,510	-	391,510	550,982
		1,522,408	671,906	2,194,314	2,088,459
TOTAL LIABILITIES AND NET ASSETS		1,642,771	734,326	2,377,097	2,180,621

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board: 
 Director

Director _____



TRAILS YOUTH INITIATIVES INC.
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2016

	General Fund	D. Dion Memorial Fund	2016	2015
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Excess/(deficiency) of revenues over expenditures	243,582	(137,727)	105,855	177,377
Interfund transfer	(150,000)	150,000	-	-
Expenditures not requiring cash:				
Amortization	19,824	-	19,824	21,437
	113,406	12,273	125,679	198,814
Non-cash working capital items:				
Amounts receivable	3,292	-	3,292	2,105
Prepaid expenses	(10,005)	-	(10,005)	(591)
Accounts payable and accruals	4,461	49,085	53,546	(98,546)
Revenue received in advance	23,750	-	23,750	1,722
	134,904	61,358	196,262	103,504
FINANCING ACTIVITIES				
Deferred contributions	13,325	-	13,325	30,831
INVESTING ACTIVITIES				
Marketable securities	-	(62,761)	(62,761)	2,373
Restricted cash	(286,203)	-	(286,203)	(198,221)
Acquisition of capital assets	-	-	-	(2,168)
	(286,203)	(62,761)	(348,964)	(198,016)
DECREASE IN CASH AND EQUIVALENTS	(137,974)	(1,403)	(139,377)	(63,681)
CASH AND EQUIVALENTS - Beginning of year	568,136	12,857	580,993	644,674
CASH AND EQUIVALENTS - End of year	430,162	11,454	441,616	580,993

1. PURPOSE OF THE ORGANIZATION

Trails Youth Initiatives Inc. was established to help vulnerable youth in the Greater Toronto Area reach their full potential. The Organization's four-year program has helped hundreds of children become active participants in their communities. The Organization was incorporated without share capital on May 4, 1992, qualifies as a charitable organization under the Income Tax Act, and is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation:

These financial statements have been prepared using Canadian accounting standards for Not-for-Profit Organizations.

b) Revenue recognition:

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All other income is recognized as revenue when earned and collectibility is reasonably assured.

Restricted contributions for D. Dion Memorial Fund are recognized as revenues when earned and collectibility is reasonably assured.

Restricted contributions for which there is no corresponding restricted fund are recognized in the general fund in accordance with the deferral method where contributions are recognized as revenues in the year in which the related expenditures are incurred.

c) Fund accounting:

Unrestricted Funds

Revenues and expenditures for ongoing activities are recorded in the General Fund.

Restricted Funds

D. Dion Memorial Fund was established in memory of Danielle Dion in 2000. The funds are restricted to helping current and former participants of the Organization's program in the continuation of their education. The marketable securities in this fund are under the custody of RBC Investor Services.

d) Contributed services:

A substantial number of volunteers have made significant contributions of their time to the Organization's operations. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

During the year, the Organization received services for the construction of their website which otherwise would have been purchased. A fair value of these services was \$14,890 and is recognized in these financial statements. A charitable donation receipt was issued in the exchange for these contributed services.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Marketable securities:

Marketable securities have been designated as held for trading assets by management and are recorded at fair market value with unrealized holding gains and losses adjusted to the statement of fund operations. Fair market value is based on the closing prices from publicly traded stock exchanges.

f) Amortization:

Capital assets are recorded at cost and are being amortized on the diminishing balance basis at the following annual rates -

Building	4%
Computer equipment	30%
Furniture and kitchen equipment	20%
Outdoor operations equipment	30%
Vehicles	30%

In the year of acquisition or disposal, amortization is recorded at 50% of the annual rate.

g) Management's estimates:

The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the period. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations in the period they become known.

h) Financial instruments:

The fair values of cash and equivalents, restricted cash, marketable securities, amounts receivable, accounts payable and accruals, and revenue received in advanced are approximately equal to their carrying values.

3. CASH AND EQUIVALENTS

The cash and equivalents are comprised of the following:

	2016	2015
	\$	\$
Cash	115,000	77,731
Canadian short term investment certificates	326,616	503,262
	441,616	580,993

4. RESTRICTED CASH

Restricted cash consists of the following:

	2016	2015
	\$	\$
Internally restricted:		
Outreach	44,261	110,130
Donna H. Nicholas	681,244	342,497
	725,505	452,627
Externally restricted:		
Brooke and Mark - Bridge the Gap	11,648	11,647
Roots & Wings Support Fund	11,764	6,766
Bryce Hunter Memorial Fund	25,465	32,139
Leaders in Training Program	15,000	-
	63,877	50,552
	789,382	503,179

Outreach was internally restricted by the Board of Directors. The funds are to be used to expand the programs of Trails by offering the Trails experience to an increased number of youth from the Greater Toronto Area.

Donna H. Nicholas donation was internally restricted by the Board of Directors. Donna H. Nicholas was an active community leader and business woman. As the cousin of founder and Chair of Board of Directors Jim Hayhurst Sr., she was committed to a legacy of supporting youth in their development as civic leaders. The Trails' Board of Directors is dedicated to her vision with the intent to use this seed funding for Program Development. Specific projects may include: post-graduate mentorship, apprenticeships /internships, and other opportunities for Trails' Entrepreneurs.

Brooke and Mark - Bridge the Gap was established in 2003 in honour of the wedding of Brooke Hunter and Mark Gaynor. The funds are restricted to helping participants of the Organization's program and/or their families who are having financial troubles.

Roots & Wings Support Fund was established in 2014 by Canadian Tire - Toronto Eaton Centre. Sixty percent of the funds will be designated towards Trails participants in financial need and the remaining portion will be used, as per the need, for equipment. \$5,000 was contributed by Canadian Tire in 2016.

Bryce Hunter Memorial Fund was established in 2015 by the Estate of Bryce McClelland Hunter. The funds are restricted for capital expenditures or investments. In the current year, the funds were used to replace equipment for the ropes course.

The Toronto Foundation provided a \$15,000 grant in 2016. The funds are restricted to the 2017 Leaders in Training Program.

5. CAPITAL ASSETS

	2016		2015	
	Original Cost	Accumulated Amortization	Original Cost	Accumulated Amortization
	\$	\$	\$	\$
Building	861,181	465,817	861,181	449,343
Computer equipment	8,496	7,825	8,496	7,537
Furniture and kitchen equipment	40,015	34,705	40,015	33,377
Outdoor operations equipment	89,697	87,080	89,697	85,959
Vehicles	61,077	59,646	61,077	59,033
	1,060,466	655,073	1,060,466	635,249
Net Book Value		405,393		425,217

6. ACCOUNTS PAYABLE AND ACCRUALS

Included in accounts payable and accruals are government remittance payables totalling \$3,162 (2015 - \$1,322).

7. DEFERRED CONTRIBUTIONS

The changes to deferred contributions during the year were as follows:

	2016	2015
	\$	\$
Balance - beginning of year	50,552	19,721
Externally restricted revenues received	20,000	67,350
Recognized as revenue in General Fund	(6,675)	(36,519)
	63,877	50,552

The deferred contributions as at September 30, 2016 consist of the following (see Note 4 for further details):

	2016	2015
	\$	\$
Brooke and Mark Bridge the Gap	11,647	11,647
Roots & Wings Support Fund	11,764	6,766
Bryce Hunter Memorial Fund	25,466	32,139
Leaders in Training Program	15,000	-
	63,877	50,552

8. INTERFUND TRANSFER

During the year \$150,000 (2015 - \$150,000) was transferred from the General Fund - Outreach account to the D. Dion Memorial Fund. The funds transferred represent an internal restriction of \$150,000 (2015 - \$150,000) by the Board of Directors and is recorded as an interfund transfer.

9. LEASE COMMITMENT

The Organization entered into a twenty year lease for its premises which expires on August 30, 2017. Provided that the lease is not in default, the Organization has the option to renew the lease for another twenty years upon the terms and conditions then prevailing. If the lease is not in default after the second twenty year lease, the Organization has the option to renew the lease for another ten years upon the terms and conditions then prevailing. During the year, the Organization submitted a letter of intent to renew the lease. The Organization believes that there will be no issues with the extension of the lease. Lease payments are \$5,000 per year.

10. ALLOCATION OF EXPENDITURES

Salaries and wage costs of \$128,193 (2015 - \$128,995) have been allocated based on the estimated amount of time spent on each function as follows:

	2016	2015
	\$	\$
Program	54,823	43,579
Fundraising	25,639	54,213
Administration	47,731	31,203
	128,193	128,995

11. CREDIT FACILITY

The Organization has an available credit facility of \$50,000, due on demand, bears interest at the bank's prime lending rate plus 1.75%, and is unsecured. The balance as at September 30, 2016 is nil. The Organization also has two credit cards with a combined limit of \$4,000.

12. FINANCIAL RISKS AND CONCENTRATION OF RISK

The financial risks and concentration of risks are as follows. There has been no change to the nature of any of the risk exposures from 2015.

a) Credit risk:

The Organization maintains its cash and deposits with a single federally regulated Canadian financial institution.

b) Currency risk:

The Organization is exposed to financial risks as a result of exchange rate fluctuations and the volatility of those rates. The marketable securities in the D. Dion Memorial Fund are denominated in approximately the following foreign currencies: 28% (2015 - 27%) - United States, 10% (2015 - 7%) - United Kingdom and nil (2015 - 2%) - France.

c) Other price risk:

The Organization's marketable securities are invested in various securities and bonds that are publicly traded. Accordingly, these marketable securities are subject to other price risks whereby the future cash flows will fluctuate because of changes in market price and interest markets. A decline in the equity markets will result in a decrease to the fair value of the assets held.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified in order to conform with the basis of presentation adopted in the current year.

14. SUBSEQUENT EVENT

Subsequent to year end, an employee left the Organization. The amount of severance and related costs were estimated at \$70,000. These costs have not been accrued in these financial statements.