

TRAILS YOUTH INITIATIVES INC.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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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, 2017, 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 qualified 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 and excess of revenues over expenditures for the years ended September 30, 2017 and September 30, 2016, and assets and net assets as at September 30, 2017 and September 30, 2016.

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, 2017, 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**

Aurora, Ontario
January 9, 2018

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FUND OPERATIONS
SEPTEMBER 30, 2017

	General Fund	D. Dion Memorial Fund	Total 2017	Total 2016
	\$	\$	\$	\$
REVENUES				
Donations	1,889,110	-	1,889,110	855,529
Amortization of deferred contributions	454	-	454	-
Fundraising	187,557	-	187,557	49,464
Rental income	21,128	-	21,128	25,205
Fees and investment income	12,793	46,707	59,500	68,747
	2,111,042	46,707	2,157,749	998,945
PROGRAM EXPENDITURES				
Salaries and wages	498,433	-	498,433	346,008
Food	26,573	-	26,573	23,834
Facility	74,807	-	74,807	55,884
Transportation	21,959	-	21,959	18,051
Bursary payments	-	151,051	151,051	192,393
Insurance	25,841	-	25,841	24,983
Programming	33,695	-	33,695	32,211
Amortization	20,282	-	20,282	19,824
	701,590	151,051	852,641	713,188
FUNDRAISING AND ADMINISTRATION				
Fundraising salaries	65,135	-	65,135	51,887
Direct fundraising expenses	41,890	-	41,890	2,748
Administrative salaries	56,712	-	56,712	47,730
Office	43,131	-	43,131	43,955
Insurance	1,841	-	1,841	1,432
Professional fees	14,940	-	14,940	26,158
Interest and bank charges	5,107	2,288	7,395	5,992
	228,756	2,288	231,044	179,902
TOTAL EXPENDITURES	930,346	153,339	1,083,685	893,090
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,180,696	(106,632)	1,074,064	105,855

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF CHANGES IN NET ASSETS
SEPTEMBER 30, 2017

	General Fund	D. Dion Memorial Fund	2017	2016
	\$	\$	\$	\$
NET ASSETS - Beginning of year	1,522,408	671,906	2,194,314	2,088,459
Excess/(deficiency) of revenues over expenditures	1,180,696	(106,632)	1,074,064	105,855
NET ASSETS - End of year	2,703,104	565,274	3,268,378	2,194,314

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

	Note Reference	General Fund	D. Dion Memorial Fund	2017	2016
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and equivalents	3	1,439,040	9,293	1,448,333	441,616
Restricted cash	4	779,135	-	779,135	789,382
Marketable securities		-	646,452	646,452	722,872
Amounts receivable		16,560	-	16,560	-
Prepaid expenses		1,690	-	1,690	17,834
		2,236,425	655,745	2,892,170	1,971,704
Capital assets	5	544,344	-	544,344	405,393
TOTAL ASSETS		2,780,769	655,745	3,436,514	2,377,097
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accruals		30,464	90,471	120,935	91,856
Revenue received in advance		-	-	-	27,050
Deferred contributions	6	47,201	-	47,201	63,877
		77,665	90,471	168,136	182,783
NET ASSETS					
Invested in capital assets		522,074	-	522,074	405,393
Externally restricted		-	565,274	565,274	671,906
Internally restricted	4	754,204	-	754,204	725,505
Unrestricted		1,426,826	-	1,426,826	391,510
		2,703,104	565,274	3,268,378	2,194,314
TOTAL LIABILITIES AND NET ASSETS		2,780,769	655,745	3,436,514	2,377,097

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, 2017

	General Fund	D. Dion Memorial Fund	2017	2016
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Excess/(deficiency) of revenues over expenditures	1,180,696	(106,632)	1,074,064	105,855
Expenditures not requiring cash:				
Amortization	20,282	-	20,282	19,824
	1,200,978	(106,632)	1,094,346	125,679
Non-cash working capital items:				
Amounts receivable	(16,560)	-	(16,560)	3,292
Prepaid expenses	16,144	-	16,144	(10,005)
Accounts payable and accruals	1,028	28,051	29,079	53,546
Revenue received in advance	(27,050)	-	(27,050)	23,750
	1,174,540	(78,581)	1,095,959	196,262
FINANCING ACTIVITIES				
Deferred contributions	(16,676)	-	(16,676)	13,325
INVESTING ACTIVITIES				
Marketable securities	-	76,420	76,420	(62,761)
Restricted cash	10,247	-	10,247	(286,203)
Acquisition of capital assets	(159,233)	-	(159,233)	-
	(148,986)	76,420	(72,566)	(348,964)
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	1,008,878	(2,161)	1,006,717	(139,377)
CASH AND EQUIVALENTS - Beginning of year	430,162	11,454	441,616	580,993
CASH AND EQUIVALENTS - End of year	1,439,040	9,293	1,448,333	441,616

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 of the general fund 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 of the general fund when earned and collectibility is reasonably assured.

Restricted contributions for the D. Dion Memorial Fund are recognized in the D. Dion Memorial Fund in accordance with the restricted fund method where restricted contributions 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.

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, available for use, 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 and time spent on various function areas used for salaries allocation. 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, and accounts payable and accruals are approximately equal to their carrying values.

3. CASH AND EQUIVALENTS

The cash and equivalents are comprised of the following:

	2017	2016
	\$	\$
Cash	1,120,913	115,000
Canadian short term investment certificates	327,420	326,616
	1,448,333	441,616

4. RESTRICTED CASH

Restricted cash consists of the following:

	2017	2016
	\$	\$
Internally restricted:		
Outreach	120,952	44,261
Donna H. Nicholas	633,252	681,244
	754,204	725,505
Externally restricted:		
Brooke and Mark - Bridge the Gap	10,422	11,648
Roots & Wings Support Fund	11,764	11,764
Bryce Hunter Memorial Fund	2,745	25,465
Leaders in Training Program	-	15,000
	24,931	63,877
	779,135	789,382

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 and on other expenditures otherwise approved by the board from time to time. 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.

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 for property improvements.

5. CAPITAL ASSETS

	2017		2016	
	Original Cost	Accumulated Amortization	Original Cost	Accumulated Amortization
	\$	\$	\$	\$
Building	898,927	482,386	861,181	465,817
Building under construction	113,248	-	-	-
Computer equipment	8,496	8,026	8,496	7,825
Furniture and kitchen equipment	40,015	35,767	40,015	34,705
Outdoor operations equipment	97,937	89,102	89,697	87,080
Vehicles	61,077	60,075	61,077	59,646
	1,219,700	675,356	1,060,466	655,073
Net Book Value		544,344		405,393

6. DEFERRED CONTRIBUTIONS

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

	2017	2016
	\$	\$
Balance - beginning of year	63,877	50,552
Externally restricted revenues received	-	20,000
Recognized as revenue in General Fund	(16,222)	(6,675)
Amortization of deferred contributions	(454)	-
	47,201	63,877

The deferred contributions as at September 30, 2017 consist of the following:

	2017	2016
	\$	\$
Brooke and Mark Bridge the Gap	10,422	11,647
Roots & Wings Support Fund	11,764	11,764
Bryce Hunter Memorial Fund	25,015	25,466
Leaders in Training Program	-	15,000
	47,201	63,877

During the year, the Organization spent \$22,724 of the Bryce Hunter Memorial Fund to acquire certain capital assets. These contributions will be amortized to income using the same rates as the capital assets acquired. Current year amortization amounted to \$454.

See Note 4 for further details on the deferred contributions.

7. LEASE COMMITMENT

During the year, the Organization renewed its lease for the second twenty years term stipulated in the lease. The renewed lease expires on June 30, 2037. If the lease is not in default after this second twenty year lease, the Organization has the option to renew the lease for another ten years upon the terms and conditions then prevailing. The minimum annual rentals payable under this long term lease, exclusive of certain operating costs for which the Company is responsible, are approximately as follows:

	\$
Year ending: September, 2018	7,590
September, 2019	7,880
September, 2020	7,880
September, 2021	7,880
September, 2022	7,880
September, 2023 and subsequent	136,240
	175,350

8. ALLOCATION OF EXPENDITURES

Salaries and wage costs of \$160,019 (2016 - \$128,193) have been allocated to various function areas based on management's estimate of time spent as follows:

	2017	2016
	\$	\$
Program	76,725	54,823
Fundraising	26,582	25,639
Administration	56,712	47,731
	160,019	128,193

9. 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, 2017 is nil (2016 - nil). The Organization also has two credit cards with a combined limit of \$4,000.

10. PROPOSED EXPANSION

The Organization has formalized its intention to expand the program to accommodate up to 80 new participants. In conjunction with this plan, significant fundraising efforts are underway. In the current year, the Organization received approximately \$1,300,000 in donations in support of this effort.

11. 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 2016.

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: 30% (2016 - 28%) - United States and 10% (2016 - 10%) - United Kingdom.

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.

12. COMPARATIVE FIGURES

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