

TRAILS YOUTH INITIATIVES INC.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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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, 2018, 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, 2018 and September 30, 2017, and assets and net assets as at September 30, 2018 and September 30, 2017.

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, 2018, 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 Thibault Youell

**CHARTERED PROFESSIONAL ACCOUNTANTS
AUTHORIZED TO PRACTISE PUBLIC ACCOUNTING BY THE
CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO**

Aurora, Ontario
December 12, 2018

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FUND OPERATIONS
SEPTEMBER 30, 2018

	General Fund	D. Dion Memorial Fund	Total 2018	Total 2017
	\$	\$	\$	\$
REVENUES				
Donations	2,048,037	180	2,048,217	1,889,110
Amortization of deferred contributions	891	-	891	454
Fundraising	190,499	-	190,499	187,557
Other income	52,595	-	52,595	9,761
Rental income	12,500	-	12,500	11,367
Fees and investment income	29,007	24,780	53,787	59,500
	2,333,529	24,960	2,358,489	2,157,749
PROGRAM EXPENDITURES				
Salaries and wages	511,407	-	511,407	498,433
Food	28,519	-	28,519	26,573
Facility	123,665	-	123,665	74,807
Transportation	22,953	-	22,953	21,959
Bursary payments	-	149,993	149,993	151,051
Insurance	23,042	-	23,042	25,841
Programming	35,162	-	35,162	33,695
Amortization	30,743	-	30,743	20,282
	775,491	149,993	925,484	852,641
FUNDRAISING AND ADMINISTRATION				
Fundraising salaries	76,027	-	76,027	65,135
Direct fundraising expenses	36,880	-	36,880	41,890
Administrative salaries	47,797	-	47,797	56,712
Office	62,869	-	62,869	43,131
Insurance	2,457	-	2,457	1,841
Professional fees	15,230	-	15,230	14,940
Interest and bank charges	4,384	1,802	6,186	7,395
	245,644	1,802	247,446	231,044
TOTAL EXPENDITURES	1,021,135	151,795	1,172,930	1,083,685
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,312,394	(126,835)	1,185,559	1,074,064

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF CHANGES IN NET ASSETS
SEPTEMBER 30, 2018

	General Fund	D. Dion Memorial Fund	2018	2017
	\$	\$	\$	\$
NET ASSETS - Beginning of year	2,703,104	565,274	3,268,378	2,194,314
Excess/(deficiency) of revenues over expenditures	1,312,394	(126,835)	1,185,559	1,074,064
NET ASSETS - End of year	4,015,498	438,439	4,453,937	3,268,378

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

	Note Reference	General Fund	D. Dion Memorial Fund	2018	2017
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and equivalents	3	2,074,813	12,264	2,087,077	1,448,333
Restricted cash	4	156,022	-	156,022	779,135
Marketable securities		-	496,029	496,029	646,452
Amounts receivable		16,717	-	16,717	16,560
Prepaid expenses		1,533	-	1,533	1,690
		2,249,085	508,293	2,757,378	2,892,170
Investments		101,640	-	101,640	-
Restricted investments	5	832,768	-	832,768	-
Capital assets	6	907,291	-	907,291	544,344
TOTAL ASSETS		4,090,784	508,293	4,599,077	3,436,514
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accruals		23,992	69,854	93,846	120,935
Deferred contributions	7	51,294	-	51,294	47,201
		75,286	69,854	145,140	168,136
NET ASSETS					
Invested in capital assets		885,912	-	885,912	522,074
Externally restricted		29,915	438,439	468,354	590,205
Internally restricted	4	126,107	-	126,107	754,204
Unrestricted		2,973,564	-	2,973,564	1,401,895
		4,015,498	438,439	4,453,937	3,268,378
TOTAL LIABILITIES AND NET ASSETS		4,090,784	508,293	4,599,077	3,436,514

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, 2018

	General Fund	D. Dion Memorial Fund	2018	2017
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Excess/(deficiency) of revenues over expenditures	1,312,394	(126,835)	1,185,559	1,074,064
Expenditures not requiring cash:				
Amortization	30,743	-	30,743	20,282
	1,343,137	(126,835)	1,216,302	1,094,346
Non-cash working capital items:				
Amounts receivable	(157)	-	(157)	(16,560)
Prepaid expenses	157	-	157	16,144
Accounts payable and accruals	(6,472)	(20,617)	(27,089)	29,079
Revenue received in advance	-	-	-	(27,050)
	1,336,665	(147,452)	1,189,213	1,095,959
FINANCING ACTIVITIES				
Deferred contributions	4,093	-	4,093	(16,676)
INVESTING ACTIVITIES				
Restricted cash	623,113	-	623,113	10,247
Marketable securities	-	150,423	150,423	76,420
Investments	(101,640)	-	(101,640)	-
Restricted investments	(832,768)	-	(832,768)	-
Acquisition of capital assets	(393,690)	-	(393,690)	(159,233)
	(704,985)	150,423	(554,562)	(72,566)
INCREASE IN CASH AND EQUIVALENTS	635,773	2,971	638,744	1,006,717
CASH AND EQUIVALENTS - Beginning of year	1,439,040	9,293	1,448,333	441,616
CASH AND EQUIVALENTS - End of year	2,074,813	12,264	2,087,077	1,448,333

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:

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.

All other revenues, including 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.

Investment income is recognized when received or receivable and collection is reasonably assured.

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 held in the D. Dion Memorial Fund 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 of the D. Dion Memorial Fund. Fair market value is based on the closing prices from publicly traded stock exchanges.

f) Cash and equivalents:

Cash and equivalents are defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

g) 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.

h) 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.

i) Financial instruments:

The fair values of cash and equivalents, restricted cash, marketable securities, amounts receivable, investments, restricted investments, 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:

	2018	2017
	\$	\$
Cash	1,981,384	1,120,913
Canadian short-term investment certificates	105,693	327,420
	2,087,077	1,448,333

4. RESTRICTED CASH

Restricted cash consists of the following:

	2018	2017
	\$	\$
Internally restricted:		
Outreach	15,246	120,952
Donna H. Nicholas	110,861	633,252
	126,107	754,204
Externally restricted:		
Brooke and Mark - Bridge the Gap	5,499	10,422
Roots & Wings Support Fund	21,672	11,764
Bryce Hunter Memorial Fund	2,744	2,745
	29,915	24,931
	156,022	779,135

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.

During the year, approximately \$600,000 was moved into long term restricted investments.

4. RESTRICTED CASH (continued)

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.

5. RESTRICTED INVESTMENTS

Restricted investments are invested in Canadian long-term guaranteed investment certificates and consist of the following:

	\$
Internally restricted:	
Outreach	323,638
Donna H. Nicholas	509,130
	832,768

6. CAPITAL ASSETS

	2018		2017	
	Original Cost	Accumulated Amortization	Original Cost	Accumulated Amortization
	\$	\$	\$	\$
Building	1,405,866	509,187	898,927	482,386
Building under construction	-	-	113,248	-
Computer equipment	8,496	8,167	8,496	8,026
Furniture and kitchen equipment	40,015	36,617	40,015	35,767
Outdoor operations equipment	97,937	91,753	97,937	89,102
Vehicles	61,077	60,376	61,077	60,075
	1,613,391	706,100	1,219,700	675,356
Net Book Value		907,291		544,344

7. DEFERRED CONTRIBUTIONS

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

	2018	2017
	\$	\$
Balance - beginning of year	47,201	63,877
Externally restricted revenues received	10,000	-
Recognized as revenue in General Fund	(5,016)	(16,222)
Amortization of deferred contributions	(891)	(454)
	51,294	47,201

The deferred contributions as at September 30, 2018 consist of the following:

	2018	2017
	\$	\$
Brooke and Mark Bridge the Gap	5,499	10,422
Roots & Wings Support Fund	21,672	11,764
Bryce Hunter Memorial Fund	24,123	25,015
	51,294	47,201

See Note 4 for further details on the deferred contributions.

8. LEASE COMMITMENT

The Organization renewed its lease for the second twenty year 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 term, 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 Organization is responsible, are approximately as follows:

	\$
Year ending: September, 2019	7,880
September, 2020	7,880
September, 2021	7,880
September, 2022	7,880
September, 2023	7,970
September, 2024 and subsequent	119,150
	158,640

9. RELATED PARTY TRANSACTION

During the year, the Organization received rental income in the amount of \$6,000 (2017 - \$6,000) from the President of the Organization.

This transaction is in the normal course of business and is measured and recorded at the cash exchange amount, which is the amount of monetary consideration established and agreed to by the related parties.

10. ALLOCATION OF EXPENDITURES

Salaries and wage costs of \$165,847 (2017 - \$160,019) have been allocated to various function areas based on management's estimate of time spent as follows:

	2018	2017
	\$	\$
Program	85,617	76,725
Fundraising	33,374	26,582
Administration	46,856	56,712
	165,847	160,019

11. CREDIT FACILITY

The Organization 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 2017.

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: United States - 30% (2017 - 30%) and United Kingdom - 9% (2017 - 10%).

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.