

TRAILS YOUTH INITIATIVES INC.

FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Trails Youth Initiatives Inc.

Opinion:

We have audited the accompanying financial statements of Trails Youth Initiatives Inc., which comprises the statement of financial position as at September 30, 2019, 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.

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, 2019, and the results of its fund operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for Not-for-Profit Organizations.

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, 2019 and September 30, 2018, and assets and net assets as at September 30, 2019 and September 30, 2018.

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 Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 qualified opinion.

Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 the Organization or to cease operations (or has no realistic alternative but to do so).

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the 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 it 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 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 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 the Organization'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 the Organization'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 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 the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Millard Fotsu Thibeault Yauell

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

Aurora, Ontario
March 11, 2020

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FUND OPERATIONS
SEPTEMBER 30, 2019

	General Fund	D. Dion Memorial Fund	Total 2019	Total 2018
	\$	\$	\$	\$
REVENUES				
Donations	1,831,411	293,599	2,125,010	2,048,217
Amortization of deferred contributions	855	-	855	891
Fundraising	225,248	-	225,248	190,499
Other income	35,601	-	35,601	52,595
Rental income	12,000	-	12,000	12,500
Fees and investment income	111,942	71,829	183,771	53,787
	2,217,057	365,428	2,582,485	2,358,489
PROGRAM EXPENDITURES				
Salaries and wages	540,652	-	540,652	511,407
Food	28,579	-	28,579	28,519
Facility	99,687	-	99,687	123,665
Transportation	19,591	-	19,591	22,953
Bursary payments	9,009	208,737	217,746	149,993
Insurance	30,722	-	30,722	23,042
Programming	55,283	-	55,283	35,162
Amortization	45,501	-	45,501	30,743
	829,024	208,737	1,037,761	925,484
FUNDRAISING AND ADMINISTRATION				
Fundraising salaries	80,883	-	80,883	76,027
Direct fundraising expenses	21,357	-	21,357	36,880
Administrative salaries	48,673	-	48,673	47,797
Office	95,174	-	95,174	62,869
Insurance	2,207	-	2,207	2,457
Professional fees	17,945	-	17,945	15,230
Interest and bank charges	15,332	2,872	18,204	6,186
	281,571	2,872	284,443	247,446
TOTAL EXPENDITURES	1,110,595	211,609	1,322,204	1,172,930
EXCESS OF REVENUES OVER EXPENDITURES	1,106,462	153,819	1,260,281	1,185,559

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF CHANGES IN NET ASSETS
SEPTEMBER 30, 2019

	General Fund	D. Dion Memorial Fund	2019	2018
	\$	\$	\$	\$
NET ASSETS - Beginning of year	4,015,498	438,439	4,453,937	3,268,378
Excess of revenues over expenditures	1,106,462	153,819	1,260,281	1,185,559
NET ASSETS - End of year	5,121,960	592,258	5,714,218	4,453,937

TRAILS YOUTH INITIATIVES INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

	Note Reference	General Fund	D. Dion Memorial Fund	2019	2018
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and equivalents	3	415,301	15,975	431,276	2,087,077
Restricted cash	4	219,631	-	219,631	156,022
Marketable securities		2,673,576	593,579	3,267,155	496,029
Amounts receivable		9,110	-	9,110	16,717
Prepaid expenses		-	-	-	1,533
		3,317,618	609,554	3,927,172	2,757,378
Investments		104,211	-	104,211	101,640
Restricted investments	5	852,124	-	852,124	832,768
Capital assets	6	930,801	-	930,801	907,291
TOTAL ASSETS		5,204,754	609,554	5,814,308	4,599,077
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accruals		41,166	17,296	58,462	93,846
Deferred contributions	7	41,628	-	41,628	51,294
		82,794	17,296	100,090	145,140
NET ASSETS					
Invested in capital assets		910,277	-	910,277	885,912
Externally restricted		21,104	592,258	613,362	468,354
Internally restricted	4	1,050,651	-	1,050,651	958,875
Unrestricted		3,139,928	-	3,139,928	2,140,796
		5,121,960	592,258	5,714,218	4,453,937
TOTAL LIABILITIES AND NET ASSETS		5,204,754	609,554	5,814,308	4,599,077

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, 2019

	General Fund	D. Dion Memorial Fund	2019	2018
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Excess of revenues over expenditures	1,106,462	153,819	1,260,281	1,185,559
Expenditures not requiring cash:				
Amortization	45,501	-	45,501	30,743
	1,151,963	153,819	1,305,782	1,216,302
Non-cash working capital items:				
Amounts receivable	7,607	-	7,607	(157)
Prepaid expenses	1,533	-	1,533	157
Accounts payable and accruals	17,174	(52,558)	(35,384)	(27,089)
	1,178,277	101,261	1,279,538	1,189,213
FINANCING ACTIVITIES				
Deferred contributions	(9,666)	-	(9,666)	4,093
INVESTING ACTIVITIES				
Restricted cash	(63,609)	-	(63,609)	623,113
Marketable securities	(2,673,576)	(97,550)	(2,771,126)	150,423
Investments	(2,571)	-	(2,571)	(101,640)
Restricted investments	(19,356)	-	(19,356)	(832,768)
Acquisition of capital assets	(69,011)	-	(69,011)	(393,690)
	(2,828,123)	(97,550)	(2,925,673)	(554,562)
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	(1,659,512)	3,711	(1,655,801)	638,744
CASH AND EQUIVALENTS - Beginning of year	2,074,813	12,264	2,087,077	1,448,333
CASH AND EQUIVALENTS - End of year	415,301	15,975	431,276	2,087,077

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, including education expenses, 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.

Restricted cash and investments held in the general fund are used for program expenditures or capital investments as per contractual funding agreements or approval for disbursement by the Board of Directors.

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 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 applicable statement of fund operations. 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%
Dock	5%

In the year of acquisition or disposal, and provided the asset is available for its intended use, 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 allocation of salaries to administrative expenses. 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:

	2019	2018
	\$	\$
Cash	324,006	1,981,384
Canadian short-term investment certificates	107,270	105,693
	431,276	2,087,077

4. RESTRICTED CASH

Restricted cash consists of the following:

	2019	2018
	\$	\$
Internally restricted:		
Outreach	86,036	15,246
Donna H. Nicholas	112,491	110,861
	198,527	126,107
Externally restricted:		
Brooke and Mark - Bridge the Gap	2,517	5,499
Roots & Wings Support Fund	16,348	21,672
Bryce Hunter Memorial Fund	2,239	2,744
	21,104	29,915
	219,631	156,022

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.

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:

	2019	2018
	\$	\$
Internally restricted:		
Outreach	331,166	323,638
Donna H. Nicholas	520,958	509,130
	852,124	832,768

6. CAPITAL ASSETS

	2019		2018	
	Original Cost	Accumulated Amortization	Original Cost	Accumulated Amortization
	\$	\$	\$	\$
Building	1,405,866	545,054	1,405,866	509,187
Computer equipment	2,139	91	8,496	8,167
Furniture and kitchen equipment	40,015	37,297	40,015	36,617
Outdoor operations equipment	97,937	93,608	97,937	91,753
Vehicles	44,086	6,928	61,077	60,376
Dock	23,736	-	-	-
	1,613,779	682,978	1,613,391	706,100
Net Book Value		930,801		907,291

7. DEFERRED CONTRIBUTIONS

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

	2019	2018
	\$	\$
Balance - beginning of year	51,294	47,201
Externally restricted revenues received	-	10,000
Recognized as revenue in General Fund	(8,811)	(5,016)
Amortization of deferred contributions	(855)	(891)
	41,628	51,294

The deferred contributions as at September 30, 2019 consist of the following:

	2019	2018
	\$	\$
Brooke and Mark Bridge the Gap	2,517	5,499
Roots & Wings Support Fund	16,348	21,672
Bryce Hunter Memorial Fund	2,239	2,744
Bryce Hunter Memorial Fund for investments in capital assets	20,524	21,379
	41,628	51,294

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, 2020	7,880
September, 2021	7,880
September, 2022	7,880
September, 2023	7,970
September, 2024	8,270
September, 2025 and subsequent	110,880
	150,760

9. RELATED PARTY TRANSACTION

During the year, the Organization received rental income in the amount of \$6,000 (2018 - \$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 \$176,396 (2018 - \$165,847) have been allocated to various function areas based on management's estimate of time spent as follows:

	2019	2018
	\$	\$
Program	88,509	85,617
Fundraising	38,869	33,374
Administration	49,018	46,856
	176,396	165,847

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 2018.

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 - 38% (2018 - 30%) and United Kingdom - 8% (2018 - 9%).

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.