

# TRAILS YOUTH INITIATIVES INC.

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Trails Youth Initiatives Inc.

### Report on the Financial Statements:

We have audited the accompanying financial statements of Trails Youth Initiatives Inc., which comprises the statement of financial position as at September 30, 2011 and the statement of fund operations, statement changes in net assets, statement of cash flows for the year then ended for the operating and restricted funds, 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 generally accepted accounting principles, 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 contributions 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 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, 2011, and the results of its fund operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Aurora, Ontario  
February 7, 2012

**TRAILS YOUTH INITIATIVES INC.**  
**STATEMENT OF FUND OPERATIONS**  
**SEPTEMBER 30, 2011**

	Operating Fund		Restricted Funds				Total 2011	Total 2010
	2011	2010	Capital Fund 2011	Friends of W. Anderson Bursary Fund 2011	D. Dion Memorial Fund 2011	Brooke and Mark Gap Fund 2011		
	\$	\$	\$	\$	\$	\$	\$	
<b>REVENUES</b>								
Donations	424,280	343,775	-	484	49,888	-	50,372	
Fundraising	269,522	169,058	-	-	-	-	-	
Rental income	14,030	31,290	-	-	-	-	-	
Fees and investment income	4,928	6,108	-	28	15,704	4	15,736	
	<b>712,760</b>	<b>550,231</b>	<b>-</b>	<b>512</b>	<b>65,592</b>	<b>4</b>	<b>66,108</b>	
<b>PROGRAM EXPENDITURES</b>								
Salaries and wages	136,231	184,551	-	-	-	-	-	
Kitchen	49,969	49,660	-	-	-	-	-	
Facility	45,676	37,172	-	-	-	-	-	
Transportation	12,371	12,048	-	-	-	-	-	
Bursary payments	-	-	-	8,464	49,628	-	58,092	
Leadership Program	3,753	731	-	-	-	-	-	
Insurance	16,804	19,731	-	-	-	-	-	
Programming	13,135	10,339	-	-	-	-	-	
Amortization	-	-	29,963	-	-	-	29,963	
	<b>277,939</b>	<b>314,232</b>	<b>29,963</b>	<b>8,464</b>	<b>49,628</b>	<b>-</b>	<b>88,055</b>	
<b>FUNDRAISING AND ADMINISTRATION</b>								
Fundraising salaries and subcontractors	68,243	57,712	-	-	-	-	-	
Direct fundraising expenses	53,737	65,170	-	-	-	-	-	
Salaries and subcontractors	69,608	38,060	-	-	-	-	-	
Office	41,841	32,097	-	-	-	-	-	
Insurance	882	2,587	-	-	-	-	-	
Professional fees	12,784	16,507	-	-	-	-	-	
Interest and bank charges	5,967	6,176	-	-	2,171	-	2,171	
Interest on long term liabilities	-	-	4	-	-	-	4	
	<b>253,062</b>	<b>218,309</b>	<b>4</b>	<b>-</b>	<b>2,171</b>	<b>-</b>	<b>2,175</b>	
<b>TOTAL EXPENDITURES</b>	<b>531,001</b>	<b>532,541</b>	<b>29,967</b>	<b>8,464</b>	<b>51,799</b>	<b>-</b>	<b>90,230</b>	
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>181,759</b>	<b>17,690</b>	<b>(29,967)</b>	<b>(7,952)</b>	<b>13,793</b>	<b>4</b>	<b>(24,122)</b>	



**TRAILS YOUTH INITIATIVES INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**SEPTEMBER 30, 2011**

	Note Reference	Operating Fund	Restricted Funds			Total 2011	Total 2010	
			Capital Fund	Friends of W. Anderson Bursary Fund	D. Dion Memorial Fund			Brooke and Mark Gap Fund
		\$	\$	\$	\$	\$	\$	
<b>NET ASSETS/(DEFICIENCY) - Beginning of year</b>		(32,741)	533,602	22,764	338,301	13,462	<b>875,388</b>	862,669
Excess/(deficiency) of revenues over expenditures		181,759	(29,967)	(7,952)	13,793	4	<b>157,637</b>	12,719
		149,018	503,635	14,812	352,094	13,466	<b>1,033,025</b>	875,388
Interfund transfers	<b>3</b>	(14,466)	14,466	-	-	-	-	-
<b>NET ASSETS/(DEFICIENCY) - End of year</b>		134,552	518,101	14,812	352,094	13,466	<b>1,033,025</b>	875,388



**TRAILS YOUTH INITIATIVES INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2011**

	Note Reference	Operating Fund		Restricted Funds				Total 2011	Total 2010
		2011	2010	Capital Fund 2011	Friends of W. Anderson Bursary Fund 2011	D. Dion Memorial Fund 2011	Brooke and Mark Gap Fund 2011		
		\$	\$	\$	\$	\$	\$	\$	
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash		46,726	-	-	8,294	11,738	13,466	33,498	52,069
Restricted cash	4	150,247	53,672	-	-	-	-	-	-
Marketable securities		-	-	-	6,518	370,071	-	376,589	350,830
Amounts receivable		10,690	4,114	-	-	-	-	-	-
Prepaid expenses		4,128	5,636	-	-	-	-	-	-
		211,791	63,422	-	14,812	381,809	13,466	410,087	402,899
Capital assets	5	-	-	518,101	-	-	-	518,101	535,215
		211,791	63,422	518,101	14,812	381,809	13,466	928,188	938,114



**TRAILS YOUTH INITIATIVES INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2011**

	Note Reference	Operating Fund		Restricted Funds				Total 2011	Total 2010
		2011	2010	Capital Fund 2011	Friends of W. Anderson Bursary Fund 2011	D. Dion Memorial Fund 2011	Brooke and Mark Gap Fund 2011		
		\$	\$	\$	\$	\$	\$	\$	\$
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES</b>									
Bank indebtedness		-	41,179	-	-	-	-	-	-
Accounts payable and accruals		29,519	54,984	-	-	29,715	-	29,715	28,372
Deferred contributions	6	47,720	-	-	-	-	-	-	-
Current maturity of loans payable		-	-	-	-	-	-	-	1,613
		<b>77,239</b>	96,163	-	-	<b>29,715</b>	-	<b>29,715</b>	29,985
<b>NET ASSETS/(DEFICIENCY)</b>									
Invested in capital assets		-	-	518,101	-	-	-	518,101	533,602
Restricted		-	-	-	14,812	352,094	13,466	380,372	374,527
Unrestricted		134,552	(32,741)	-	-	-	-	-	-
		<b>134,552</b>	(32,741)	<b>518,101</b>	<b>14,812</b>	<b>352,094</b>	<b>13,466</b>	<b>898,473</b>	908,129
		<b>211,791</b>	63,422	<b>518,101</b>	<b>14,812</b>	<b>381,809</b>	<b>13,466</b>	<b>928,188</b>	938,114

*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, 2011**

	Operating Fund		Restricted Funds				Total 2011	Total 2010
	2011	2010	Capital Fund 2011	Friends of W. Anderson Bursary Fund 2011	D. Dion Memorial Fund 2011	Brooke and Mark Gap Fund 2011		
	\$	\$	\$	\$	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>								
Excess/(deficiency) of revenues over expenditures	181,759	17,690	(29,967)	(7,952)	13,793	4	(24,122)	(4,971)
Expenses not requiring cash:								
Amortization	-	-	29,963	-	-	-	29,963	31,629
	181,759	17,690	(4)	(7,952)	13,793	4	5,841	26,658
Non-cash working capital items:								
Amounts receivable	(6,576)	(2,392)	-	-	-	-	-	260
Prepaid expenses	1,508	(2,956)	-	-	-	-	-	-
Accounts payable and accruals	(25,465)	(12,357)	-	-	1,343	-	1,343	20,647
	151,226	(15)	(4)	(7,952)	15,136	4	7,184	47,565
<b>FINANCING ACTIVITIES</b>								
Bank indebtedness	(41,179)	30,857	-	-	-	-	-	-
Repayment of loans payable	-	-	(1,613)	-	-	-	(1,613)	(9,197)
Deferred contributions	47,720	(56,865)	-	-	-	-	-	-
	6,541	(26,008)	(1,613)	-	-	-	(1,613)	(9,197)
<b>INVESTING ACTIVITIES</b>								
Interfund transfers	(14,466)	(13,719)	14,466	-	-	-	14,466	13,719
Marketable securities	-	-	-	(28)	(25,731)	-	(25,759)	(32,538)
Restricted cash	(96,575)	39,742	-	-	-	-	-	-
Acquisitions of capital assets	-	-	(12,849)	-	-	-	(12,849)	(3,993)
	(111,041)	26,023	1,617	(28)	(25,731)	-	(24,142)	(22,812)
<b>INCREASE/(DECREASE) IN CASH AND EQUIVALENTS</b>	46,726	-	-	(7,980)	(10,595)	4	(18,571)	15,556
<b>CASH AND EQUIVALENTS</b> - Beginning of year	-	-	-	16,274	22,333	13,462	52,069	36,513
<b>CASH AND EQUIVALENTS</b> - End of year	46,726	-	-	8,294	11,738	13,466	33,498	52,069



## **1. PURPOSE OF THE ORGANIZATION**

Trails Youth Initiatives Inc. was established to help vulnerable Toronto youth 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 paying income tax.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Revenue recognition:**

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 restricted funds are recognized as revenues when earned and collectibility is reasonably assured in its respective fund.

Restricted contributions for which there is no corresponding restricted fund is recognized in the general fund in accordance with the deferral method.

### **b) Fund accounting:**

Trails Youth Initiatives Inc. follows the restricted fund method of accounting for contributions.

#### *Unrestricted Funds*

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

#### *Restricted Funds*

The Capital Fund reports the assets, liabilities, revenues and expenditures related to all capital assets.

Friends of W. Anderson Bursary Fund was established in memory of Wendy Anderson in 1998. The funds are restricted to helping graduates of Trails Youth Initiatives Inc. for the continuation of their education.

D. Dion Memorial Fund was established in memory of Danielle Dion in 2000. The funds are restricted to helping graduates of Trails Youth Initiatives Inc. for the continuation of their education.

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

### **c) 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.

### **d) Marketable securities:**

Marketable securities have been designated as held for trading assets by management, 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) 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 50% of the annual rate.

**f) Management's estimates:**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expenses during the period. Actual results could differ from those estimates.

**g) Financial instruments:**

The fair values of cash, restricted cash, marketable securities, amounts receivable, and accounts payable and accruals are approximately equal to their carrying values. It is management's opinion that the Organization is not exposed to significant interest or credit risks arising from the financial instruments.

**3. INTERFUND TRANSFERS**

During the year \$14,466 (2010 - \$13,719) of Operating Fund monies were used to purchase capital assets and make loan payments on behalf of the Capital Fund.

**4. RESTRICTED CASH**

Restricted cash consists of the following:

	2011	2010
	\$	\$
Outreach	100,249	-
Bursary	49,998	-
Other restricted cash	-	53,672
	<b>150,247</b>	<b>53,672</b>

The Outreach fund was internally restricted by the Board of Directors during the year. The funds are to be used to support the Organization's outreach programs.

The Bursary fund consists of an external donation from an individual of \$45,000 as well as an internal restriction of \$5,000 by the Board of Directors during the year. The \$45,000 has been recorded as a deferred contribution (See Note 6 for further details) and will be recognized as revenue when the related expenditure has been recognized. The funds are to be used to help graduates of the Organization for the continuation of their education.



**5. CAPITAL ASSETS**

	Original Cost	Accumulated Amortization	Net Book Value	
			2011	2010
	\$	\$	\$	\$
Building	861,181	376,292	<b>484,889</b>	505,093
Computer equipment	8,496	4,502	<b>3,994</b>	2,327
Furniture and kitchen equipment	37,847	26,404	<b>11,443</b>	10,241
Outdoor operations equipment	84,500	75,240	<b>9,260</b>	5,389
Vehicles	61,077	52,562	<b>8,515</b>	12,165
	1,053,101	535,000	<b>518,101</b>	535,215

**6. DEFERRED CONTRIBUTIONS**

	2011	2010
	\$	\$
Balance - beginning of year	-	56,865
Externally restricted donation received	<b>45,000</b>	-
Rental income received in advance	<b>2,720</b>	-
Recognized as revenue	-	(56,865)
	<b>47,720</b>	-

In July 2011, the Organization received a externally restricted donation of \$45,000 from an individual. See Note 4 for further details.

**7. LEASE COMMITMENT**

The Organization has entered into a twenty year lease for its premises which expires on August 30, 2016. 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. Lease payments are \$5,000 per year.

**8. ALLOCATION OF EXPENDITURES**

Salaries and wage costs of \$224,378 (2010 - \$236,952) have been allocated based on the estimated amount of time spent to each function as follows:

	2011	2010
	\$	\$
Program	86,527	141,180
Fundraising	68,243	57,712
Administration	69,608	38,060
	224,378	236,952



**9. CREDIT FACILITIES**

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 bank balance as at September 30, 2011 is nil.