

ReForest London

Financial Statements
December 31, 2011



May 1, 2012

Independent Auditor's Report

To the Directors of ReForest London

We have audited the accompanying financial statements of ReForest London, which comprise the balance sheet as at December 31, 2011 and the statements of fund balances, revenues and expenses and cash flows for the year then ended, and the related notes, which comprise 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ReForest London as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

ReForest London

Balance Sheet

As at December 31, 2011

	2011 \$	2010 \$
Assets		
Current assets		
Cash and cash equivalents	215,168	78,563
Accounts receivable	23,880	24,800
Sales tax recoverable	13,122	4,799
Prepaid expenses	280	220
	<hr/>	<hr/>
	252,450	108,382
	<hr/>	<hr/>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	11,530	13,423
Deferred revenue (note 3)	192,500	73,513
	<hr/>	<hr/>
	204,030	86,936
	<hr/>	<hr/>
Fund balances		
Operating fund	9,957	21,446
Future projects fund, internally restricted (note 4)	25,963	-
Reserve fund, internally restricted (note 4)	12,500	-
	<hr/>	<hr/>
	48,420	21,446
	<hr/>	<hr/>
	252,450	108,382
	<hr/>	<hr/>

Approved by the Board of Directors

_____ Director _____ Director

ReForest London

Statement of Fund Balances

For the year ended December 31, 2011

	Operating Fund \$	Future Projects Fund \$	Reserve Fund \$	2011 \$	2010 \$
Balance - Beginning of year	21,446	-	-	21,446	23,568
Excess (deficiency) of revenues over expenses	26,974	-	-	26,974	(2,122)
Internally imposed restrictions (note 4)	(38,463)	25,963	12,500	-	-
Balance - End of year	<u>9,957</u>	<u>25,963</u>	<u>12,500</u>	<u>48,420</u>	<u>21,446</u>

ReForest London

Statement of Revenues and Expenses

For the year ended December 31, 2011

	2011 \$	2010 \$
Revenues		
Corporate and other funding	115,588	102,069
Grants	98,390	64,635
Educational and planting services	57,268	28,150
Receipted donations	30,408	10,536
Endowment income (note 5)	3,500	9,000
In-kind donations	22,321	-
	<hr/> 327,475	<hr/> 214,390
Expenses		
Materials	83,477	71,942
Sub-contractor services	46,571	48,859
Payroll expenses	76,440	44,422
Operations	60,398	22,848
Other project related expenses	15,411	11,777
Professional services	11,947	8,081
Other expenses	4,087	3,533
Donations to other organization	-	2,000
Travel expense	1,771	1,815
Equipment rentals	125	871
Conferences and meetings	274	364
	<hr/> 300,501	<hr/> 216,512
Excess (deficiency) of revenues over expenses	<hr/> 26,974	<hr/> (2,122)

ReForest London

Statement of Cash Flows

For the year ended December 31, 2011

	2011 \$	2010 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses	26,974	(2,122)
Net change in non-cash working capital		
Accounts receivable	920	6,695
Sales tax recoverable	(8,323)	2,103
Prepaid expenses	(60)	(220)
Accounts payable and accrued liabilities	(1,893)	938
Deferred revenue	118,987	(26,845)
Cash provided by operating activities	<u>136,605</u>	<u>(19,451)</u>
Change in cash	136,605	(19,451)
Cash and cash equivalents - Beginning of year	<u>78,563</u>	<u>98,014</u>
Cash and cash equivalents - End of year	<u>215,168</u>	<u>78,563</u>

ReForest London

Notes to Financial Statements

December 31, 2011

1 Purpose of the organization

ReForest London (the “Organization”) is an independent organization of volunteers and staff whose purpose is to plant trees and shrubs within the City of London in schoolyards, parks, and natural areas, and educate Londoners about the value of trees and how to plant and care for trees. The Organization is a charitable organization registered under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized below.

Fund accounting

The Organization follows the deferral method of accounting for contributions and uses three funds: operating fund, future projects fund and reserve fund. The operating fund includes all revenues and expenses of the ongoing activities of the Organization. The future projects and reserve funds are funds setup by the Board of Directors to internally restrict portions of the operating funds for specific purposes.

Financial instruments

Under Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Assets and Liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as held-for-trading, available-for-sale financial assets, held-to-maturity, loans and receivables, or other financial liabilities as follows:

- Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in the statement of revenues and expenses for the period.
- Available-for-sale financial assets are measured at their fair value and changes in fair value are included directly in the fund balance until the asset is removed from the balance sheet.
- Held-to-maturity investments, loans and receivables and other financial liabilities are measured at cost or amortized cost using the effective interest rate method.
- Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in the statement of revenue and expenses for the period unless the instrument is a cash flow hedge and hedge accounting applies in which case changes in fair value are recognized directly in the fund balance.

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December 31, 2011

The following is a summary of the assets and liabilities the Organization evaluated and elected to apply to its significant categories of financial instruments:

Financial instrument	Classification
Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Other current assets	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Cash and cash equivalents

Cash and cash equivalents consist of cash and short term investments maturity within 90 days.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, as well as revenue and expenses for the year. The Organization regularly assesses these estimates and, while actual results may differ, management believes that the estimates are reasonable.

Revenue recognition

The Organization follows the deferral method of accounting for revenues. Restricted funding is recognized as revenue in the year the related expenses are incurred. Unrestricted revenues are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services and goods

Contributed services and goods are recorded at the fair value if fair value can be reasonably estimated and reliably determined, and are recorded as in-kind donations in the statement of revenues and expenses.

Volunteers contribute many hours each year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, volunteer services are not recognized in the financial statements.

Future accounting changes - Accounting standards for not-for-profit organizations

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations. The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Organization is currently considering the impact of the adoption of these standards.

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Notes to Financial Statements

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3 Deferred revenue

Deferred revenue represent unspent resources externally restricted for specific projects and restricted operating funding received in the current period that is related to the subsequent period. The deferred revenue balance is comprised of the following:

	2011 \$	2010 \$
Downtown projects	-	40,963
Community projects	-	7,250
Million Tree Challenge	172,500	-
Schoolyard projects	20,000	5,000
Unclassified	-	20,300
	<hr/> 192,500	<hr/> 73,513

4 Restrictions on fund balances

In 2011, the Organization's Board of Directors internally restricted to \$25,963 (2010 - \$nil) of the operating fund to be used for specific future projects and \$12,500 (2010 - \$nil) of the operating fund to be transferred to the reserve fund. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

5 Endowment funds

The Organization has established an endowment fund at the London Community Foundation ("Foundation"). The Foundation will hold, in perpetuity, the donations received and accordingly the Organization does not record the assets in their records. The Foundation may capitalize a portion of the endowment's return in accordance with the Foundation's capital preservation policy. The Foundation will make disbursements from the endowment to the Organization in accordance with the Foundation's disbursement policy which states disbursements will occur when the value of the endowment exceeds the original contributed capital plus any capitalized portion. As at December 31, 2011, the balance was \$206,668 (2010 - \$218,489) and the Organization earned \$3,500 (2010 - \$9,000) of endowment income during the year.

