

ReForest London

Financial Statements
December 31, 2020



Independent auditor's report

To the Directors of ReForest London

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ReForest London (the Organization) as at December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Entity's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of fund balances for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

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 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 Entity'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 Entity'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 Entity 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
June 2, 2021

ReForest London
Statement of Financial Position
As at December 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)		
Internally restricted – operations reserve	92,800	84,500
Internally restricted – capital reserve	7,799	-
Externally restricted – deferred contributions (note 6)	446,231	411,768
Unrestricted	12,050	160,161
Accounts receivable (note 15)	238,510	57,662
Prepaid expenses	1,366	1,670
HST receivable	45,553	21,735
	844,309	737,496
Property, premises and equipment (notes 4 and 10)	1,017,158	732,381
Intangible assets (note 5)	16,371	-
	1,877,838	1,469,877
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	102,865	22,408
Deferred contributions (note 6)	446,231	411,768
Current portion of deferred capital contributions (note 7)	49,391	23,607
Current portion of long-term debt (note 10)	33,214	31,597
	631,701	489,380
Deferred capital contributions (note 7)	939,619	708,774
Long-term debt (note 10)	150,681	143,403
	1,722,001	1,341,557
Fund balances		
Operating fund	55,238	43,820
Operations reserve fund – internally restricted (note 8)	92,800	84,500
Capital reserve fund – internally restricted (note 8)	7,799	-
	155,837	128,320
	1,877,838	1,469,877

Approved by the Board of Directors

 Director
 Director

The accompanying notes are an integral part of these financial statements.

ReForest London

Statement of Fund Balances

For the year ended December 31, 2020

	Operating fund \$	Operations reserve fund \$	Capital reserve fund \$	2020 \$	2019 \$
Balance – Beginning of year	43,820	84,500	-	128,320	170,183
Excess (deficiency) of revenues over expenses	27,517	-	-	27,517	(41,863)
Internally imposed restrictions (note 8)	(16,099)	8,300	7,799	-	-
Balance – End of year	<u>55,238</u>	<u>92,800</u>	<u>7,799</u>	<u>155,837</u>	<u>128,320</u>

The accompanying notes are an integral part of these financial statements.

ReForest London
Statement of Operations
For the year ended December 31, 2020

	2020	2019
	\$	\$
Revenues		
Grants (note 11)	410,518	562,179
Canada Emergency Wage Subsidy (note 15)	221,102	
Corporate and other funding	76,532	92,051
Donations	57,960	41,842
In-kind donations	38,037	32,933
Rental income	83,401	25,408
Planting services	364	6,771
Endowment income (note 9)	8,300	8,300
Amortization of deferred capital contributions (note 7)	49,371	23,607
	<hr/>	<hr/>
	945,585	793,091
Expenses		
Payroll	406,585	351,314
Trees and plant materials	75,662	172,107
Sub-contractor services	115,770	96,911
Professional services	92,405	49,267
Other project related	19,726	34,674
Facilities	67,367	30,014
Operations	38,751	41,923
Project supplies and equipment	15,053	20,209
Travel	1,912	4,527
Other	35,466	10,401
Amortization expense	49,371	23,607
	<hr/>	<hr/>
	918,068	834,954
Excess (deficiency) of revenues over expenses	<hr/>	<hr/>
	27,517	(41,863)

The accompanying notes are an integral part of these financial statements.

ReForest London
Statement of Cash Flows
For the year ended December 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses	27,517	(41,863)
Items not affecting cash		
Amortization expense	49,371	23,607
Amortization of deferred capital contributions	(49,371)	(23,607)
	<u>27,517</u>	<u>(41,863)</u>
Net change in non-cash working capital:		
Accounts receivable	(180,848)	1,044
Prepaid expenses	304	3,020
HST receivable	(23,818)	33,885
Accounts payable and accrued liabilities	80,457	(18,385)
Deferred contributions	34,463	210,535
	<u>(61,925)</u>	<u>188,236</u>
Financing activities		
Deferred capital contributions received	306,000	225,393
Payments on long-term debt	(31,105)	-
Proceeds on long-term debt	40,000	175,000
	<u>314,895</u>	<u>400,393</u>
Investing activities		
Purchases of intangible assets and property, premises and equipment	<u>(350,519)</u>	<u>(225,393)</u>
Net (decrease) increase in cash and cash equivalents during the year	<u>(97,549)</u>	<u>363,236</u>
Cash and cash equivalents – Beginning of year	<u>656,429</u>	<u>293,193</u>
Cash and cash equivalents – End of year	<u>558,880</u>	<u>656,429</u>

The accompanying notes are an integral part of these financial statements.

ReForest London

Notes to Financial Statements

December 31, 2020

1 Purpose of the Organization

ReForest London (the Organization) is a charitable organization consisting of volunteers and staff whose purpose is to plant trees and shrubs within the City of London in schoolyards, parks and natural areas, and to educate residents about the value of trees and how to plant and care for trees.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies are outlined below.

Fund accounting

All financial transactions have been recorded in two funds: operating fund and reserve fund. The operating fund includes all revenues and expenses of the ongoing activities of the Organization.

The reserve fund has been setup by the Board of Directors to internally restrict portions of the operating fund for specific purposes.

Revenue recognition

The Organization follows the deferral method of accounting for contributions, which includes donations and grants.

Operating grants are recorded as revenue in the period to which they relate. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Endowment contributions received on the Organization's externally held endowments are recognized as revenue in the period they are received.

Deferred capital contributions restricted for the purchase of property, premises and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, premises and equipment.

ReForest London

Notes to Financial Statements

December 31, 2020

Contributed services and goods

Contributed services and goods are recorded at the fair value if fair value can be reasonably estimated and reliably determined. Contributed goods and services related to operational activities for the current year are recorded as in-kind donations in the statement of operations. Contributed property, premises and equipment are capitalized and amortized into expenses on a straight-line basis over their estimated useful lives.

Volunteers contribute many hours each year to assist the Organization in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term, highly liquid investments.

Property, premises and equipment

The Organization applies *Section 4433: Tangible Capital Assets Held by Not-for-Profit Organizations*. Tangible property, premises and equipment are recorded at cost. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the property, premises and equipment over their estimated useful lives. Amortization is provided over the following periods:

Communication and office equipment	10 years
Vehicles	10 years
Parking lots	20 years
Geothermal	15 years
Site and building services	50 years
Building interiors	10 years
Building structure	50 years
Furniture	10 years

Intangible assets

Intangible assets consist of the Organization's website, with amortization provided over the estimated useful life of five years straight-line. Internally generated intangible assets are recognized when the expenses are incurred in the development phase.

Income taxes

The Organization is registered as a charity under the Income Tax Act (Canada), and as such it is exempt from income taxes under section 149(1)(f).

ReForest London

Notes to Financial Statements

December 31, 2020

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date, as well as revenue and expenses for the year. Accounts specifically affected include the useful lives of property, premises and equipment and the amortization of deferred capital contributions. The Organization regularly assesses these estimates and, while actual results may differ, management believes that the estimates are reasonable.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all of its financial assets and liabilities at amortized cost, except for instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the writedown is based on the asset's replacement cost, and any subsequent reversals are recognized in the statement of operations.

3 Cash and cash equivalents

Cash and cash equivalents contain items internally restricted to meet the committed cash needs of the Organization. These amounts have been restricted by the Board.

4 Property, premises and equipment

	2020		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Communication and office equipment	17,044	2,772	14,272
Vehicles	9,500	2,375	7,125
Parking lots	237,047	17,759	219,288
Geothermal	37,130	6,188	30,942
Site and building services	357,107	13,862	343,245
Building interiors	292,818	30,175	262,643
Building structure	133,677	1,855	131,822
Property	10	-	10
Furniture	8,222	411	7,811
	1,092,555	75,397	1,017,158

ReForest London

Notes to Financial Statements

December 31, 2020

	2019		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Communication and office equipment	12,120	1,315	10,805
Vehicles	9,500	1,425	8,075
Parking lots	236,525	5,913	230,612
Geothermal	37,131	3,712	33,419
Site and building services	283,719	7,454	276,265
Building interiors	155,346	7,767	147,579
Building structure	25,875	259	25,616
Property	10	-	10
	<u>760,226</u>	<u>27,845</u>	<u>732,381</u>

Portions of the property are used for leasing purposes.

During the year, paving services worth \$nil (2019 – \$236,525) were contributed to the Organization by the City of London.

The property on which the Organization is situated was purchased from London Health Sciences Centre during the 2019 year for a nominal cost of \$10.

Included within amortization expense are amounts related to property, premises and equipment of \$47,552 (2019 – \$23,607).

5 Intangible assets

	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Website	18,190	1,819	16,371

Included within amortization expense are amounts related to intangible assets of \$1,819 (2019 – \$nil).

ReForest London

Notes to Financial Statements

December 31, 2020

6 Deferred contributions

Deferred contributions represent unspent cash and cash equivalents externally restricted for specific projects that are related to a subsequent period. The deferred contributions balance comprises the following:

	2020 \$	2019 \$
School Seed to Forest	26,565	25,128
ReLeaf	1,000	21,539
Westminster Ponds Centre	221,976	98,481
Capital assets not yet purchased	178,440	250,120
Outreach	-	15,000
Parks	14,250	-
Other	4,000	1,500
	<u>446,231</u>	<u>411,768</u>

The balance of restricted cash in accordance with specific agreements is \$446,231 (2019 – \$411,768).

7 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the Westminster Ponds project related to amounts spent on property, premises and equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations over the period corresponding with the amortization of the related property, premises and equipment.

	2020 \$	2019 \$
Balance – Beginning of year	732,381	294,070
Less: Amortization of deferred capital contributions	(49,371)	(23,607)
Add: In-kind property, premises and equipment received	-	236,525
Deferred capital contributions received and spent during the year	<u>306,000</u>	<u>225,393</u>
Balance – End of year	<u>989,010</u>	<u>732,381</u>

The deferred capital contributions balance above includes a current portion of deferred capital contributions of \$49,391 (2019 – \$23,607).

8 Restrictions on fund balances

During the year, the Organization's Board of Directors internally restricted \$8,300 (2019 – \$8,300) of the operating fund to be transferred to the operations reserve fund. In addition, the Organization's Board of Directors set up a capital reserve fund, and internally restricted \$7,799 (2019 – \$nil) of the operating fund to be transferred into the capital reserve fund. These internally restricted amounts are not available for other purposes without approval from the Board of Directors.

ReForest London

Notes to Financial Statements

December 31, 2020

9 Endowment fund

The Organization has established an externally held endowment fund at the London Community Foundation (the Foundation). The Foundation will hold the donations received in perpetuity, and accordingly the Organization does not record the assets on these financial statements. 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, 2020, the fund balance was \$262,794 (2019 – \$261,980) and the Organization earned \$8,300 (2019 – \$8,300) of endowment income during the year.

10 Long-term debt

	2020 \$	2019 \$
VERGE Capital Breakthrough fund loan, with blended monthly payments of \$3,302, bearing interest at 5%, due December 5, 2024.	143,895	175,000
Canada Emergency Business Account loan, bearing interest at nil%, due December 31, 2022	40,000	-
	<hr/>	<hr/>
	183,895	175,000
Less: Current portion	33,214	31,597
	<hr/>	<hr/>
	150,681	143,403
	<hr/>	<hr/>

During the year, a Canada Emergency Business Account loan of \$40,000 was received, which is forgivable up to 33% if it is repaid on or before December 31, 2022.

Security for the VERGE loan consists of:

- A collateral charge with a maximum interest rate of 5% per annum to be registered against lands and premises located at 900, 918, 930, and 944 Western Counties Rd, London, Ontario, in the amount of \$175,000.
- An assignment of rental income in the event of default.

Principal payments required in the next five years is as follows:

	\$
2021	33,214
2022	74,913
2023	36,699
2024	39,069
2025	-
	<hr/>
	183,895
	<hr/>

ReForest London

Notes to Financial Statements

December 31, 2020

11 Economic dependence

The Organization is economically dependent on its largest donors for a significant portion of its grant revenue.

	2020	2019
	%	%
City of London	51	53
Ontario Trillium Foundation	39	22
Other	10	25
	100	100

12 Government remittances payable

As at December 31, 2020, outstanding statutory remittances included in accounts payable and accrued liabilities were \$nil (2019 – \$nil).

13 Financial instruments

Financial instruments mainly comprise accounts receivable, accounts payable and accrued liabilities, and long-term debt.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to interest rate risk on its long-term debt since the interest rate is fixed.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to this risk through its carrying amount of cash and accounts receivables. Cash is held with a reputable financial institution, which mitigates any potential credit risk. The Organization measures its exposure to credit risk based on how long the receivable amounts have been outstanding. No accounts receivable are in arrears.

ReForest London

Notes to Financial Statements

December 31, 2020

Market risk

Market risk is the risk the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Organization is not exposed to market risk as cash and cash equivalents represent cash balances in the bank and Government of Canada GIC's.

14 Contingencies

The Organization is subject to various legal actions and proceedings that arise in the normal course of business. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on the Organization's financial position or results of operations. No accruals for legal matters have been made in the statement of financial position.

15 COVID-19

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. This has resulted in limited ability to run programming and tree planting activities. During the year, the Organization applied for \$221,102 of the Canada Emergency Wage Subsidy, of which \$128,648 is receivable as at December 31, 2020. In addition, a Canada Emergency Business Account loan of \$40,000 was received, as detailed in note 10.

The full financial impact of the continued effects of COVID-19 are not determinable at this time.

16 Comparative figures

The comparative period financial information has been amended to conform with the current period's presentation