

# **ReForest London**

Financial Statements  
**December 31, 2019**



## *Independent auditor's report*

To the Directors of ReForest London

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### *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, 2019 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 Organization's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- 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 a summary of significant accounting policies.

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### *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 Organization 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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### *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.

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



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.

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### *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 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario

May 8, 2020

**ReForest London**  
Statement of Financial Position  
As at December 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	656,429	293,193
Accounts receivable	57,662	58,706
Prepaid expenses	1,670	4,690
HST receivable	21,735	55,620
	<hr/>	<hr/>
	737,496	412,209
<b>Property, premises, and equipment</b> (notes 3 and 8)	732,381	294,070
	<hr/>	<hr/>
	1,469,877	706,279
	<hr/>	<hr/>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	22,408	40,793
Deferred contributions (note 4)	411,768	201,233
Current portion of deferred capital contributions (note 5)	23,607	4,238
Current portion of long-term debt (note 8)	31,597	-
	<hr/>	<hr/>
	489,380	246,264
<b>Deferred capital contributions</b> (note 5)	708,774	289,832
<b>Long-term debt</b> (note 8)	143,403	-
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	1,341,557	536,096
	<hr/>	<hr/>
<b>Fund balances</b>		
Operating fund	43,820	93,983
Reserve fund, internally restricted (note 6)	84,500	76,200
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	128,320	170,183
	<hr/>	<hr/>
	1,469,877	706,279
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**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, 2019

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	Operating fund \$	Reserve fund \$	2019 \$	2018 \$
<b>Balance – Beginning of year</b>	93,983	76,200	170,183	156,030
(Deficiency) excess of revenues over expenses	(41,863)	-	(41,863)	14,153
Internally imposed restrictions (note 6)	(8,300)	8,300	-	-
<b>Balance – End of year</b>	<u>43,820</u>	<u>84,500</u>	<u>128,320</u>	<u>170,183</u>

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

# ReForest London

## Statement of Operations

For the year ended December 31, 2019

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	2019 \$	2018 \$
<b>Revenues</b>		
Grants (note 9)	562,179	629,218
Corporate and other funding	92,051	85,420
Donations	41,842	47,886
In-kind donations	32,933	43,052
Rental income (note 8)	25,408	22,476
Planting services	6,771	18,259
Endowment income (note 7)	8,300	8,300
Amortization of deferred capital contributions (note 5)	23,607	4,238
	<hr/> 793,091	<hr/> 858,849
<b>Expenses</b>		
Payroll	351,314	347,310
Trees and plant materials	172,107	168,791
Sub-contractor services	96,911	100,951
Professional services	49,267	58,369
Other project related	34,674	55,962
Facilities	30,014	47,176
Operations	41,923	28,162
Project supplies and equipment	20,209	16,593
Travel	4,527	8,656
Other	10,401	8,258
Amortization expense	23,607	4,238
Bad debt expense	-	230
	<hr/> 834,954	<hr/> 844,696
<b>(Deficiency) excess of revenues over expenses</b>	<hr/> <b>(41,863)</b>	<hr/> <b>14,153</b>

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

# ReForest London

## Statement of Cash Flows

For the year ended December 31, 2019

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	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenues over expenses	(41,863)	14,153
Items not affecting cash		
Amortization expense	23,607	4,238
Amortization of deferred capital contributions	(23,607)	(4,238)
	(41,863)	14,153
Net change in non-cash working capital:		
Accounts receivable	1,044	(1,733)
Prepaid expenses	3,020	(4,690)
HST receivable	33,885	(24,232)
Accounts payable and accrued liabilities	(18,385)	12,136
Deferred contributions	210,535	(45,545)
	188,236	(49,911)
<b>Financing activities</b>		
Deferred capital contributions received	225,393	135,470
Proceeds on long-term debt	175,000	-
	400,393	135,470
<b>Investing activities</b>		
Purchases of property, premises and equipment	(225,393)	(135,470)
<b>Net increase (decrease) in cash during the year</b>	363,236	(49,911)
<b>Cash – Beginning of year</b>	293,193	343,104
<b>Cash – End of year</b>	656,429	293,193

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



# ReForest London

## Notes to Financial Statements

December 31, 2019

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### 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 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.

#### Adoption of new accounting standards

The Organization adopted the following new Canadian accounting standard for not-for-profit organizations effective January 1, 2019. Adoption of this accounting standard has not resulted in any retrospective adjustments.

#### *Section 4433: Tangible Capital Assets Held by Not-for-Profit Organizations*

This section provides updated guidance on the application of the cost of contributed capital assets, amortization of tangible capital assets, recognition of partial impairments of tangible capital assets, and enhanced disclosures of impairment losses.

#### 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.

# ReForest London

## Notes to Financial Statements

December 31, 2019

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Endowment contributions are recognized as revenue in the period to which they relate.

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.

### **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 is capitalized and amortized into expenses on a straight-line basis over its estimated useful life.

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**

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

### **Income taxes**

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

### **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 life of property, premises and equipment and the amortization of deferred capital contributions. The Organization

# ReForest London

## Notes to Financial Statements

December 31, 2019

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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 write-down is based on the asset's replacement cost, and any subsequent reversals are recognized in the statement of operations.

### 3 Property, premises and equipment

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
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
	<b>760,216</b>	<b>27,845</b>	<b>732,381</b>
	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>
	\$	\$	\$
Communication and office equipment	7,082	355	6,727
Vehicles	9,500	475	9,025
Geothermal	37,131	1,747	35,384
Site and building services	244,595	1,661	242,934
	<b>298,308</b>	<b>4,238</b>	<b>294,070</b>

# ReForest London

## Notes to Financial Statements

December 31, 2019

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During the year, paving services worth \$236,525 (2018 – vehicles worth \$9,500) 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 year for a nominal cost of \$10. The use of the property is heavily restricted by Orders In Council and therefore has a fair market value of a nominal amount. There has been no impact on the Statement of Operations as a result of this transaction.

The Orders In Council on the property give the Federal and Provincial government the ability to take the land and buildings at their discretion. The chance of this occurrence is not determinable. The value of the property exposed includes any permanent building/site improvements in excess of insured amounts.

#### 4 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 is comprised of the following:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
School Seed to Forest	25,128	78,030
ReLeaf	21,539	-
Westminster Ponds Centre	98,481	120,389
Capital assets not yet purchased	250,120	-
Outreach	15,000	-
Other	1,500	2,814
	<hr/>	<hr/>
	411,768	201,233
	<hr/>	<hr/>

The balance of restricted cash in accordance with specific agreements is \$411,768 (2018 – \$201,233). Restricted cash is presented as cash and cash equivalents on the statement of financial position.

# ReForest London

## Notes to Financial Statements

December 31, 2019

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### 5 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.

	2019 \$	2018 \$
Balance – Beginning of year	294,070	153,338
Less: Amortization of deferred capital contributions	(23,607)	(4,238)
Add: In-kind property, premises and equipment received	236,525	9,500
Deferred capital contributions received and spend during the year	225,393	135,470
Balance – End of year	<u>732,381</u>	<u>294,070</u>

The deferred capital contributions balance above includes a current portion of deferred capital contributions of \$23,607 (2018 – \$4,238).

### 6 Restrictions on fund balances

During the year, the Organization's Board of Directors internally restricted \$8,300 (2018 – \$8,300) 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.

### 7 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, 2019, the fund balance was \$261,980 (2018 – \$248,133) and the Organization earned \$8,300 (2018 – \$8,300) of endowment income during the year.

# ReForest London

## Notes to Financial Statements

December 31, 2019

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### 8 Long-term debt

	2019 \$	2018 \$
VERGE Capital Breakthrough fund loan, with blended monthly payments of \$3,302, bearing interest at 5%, due December 5, 2024.	175,000	-
Less: Current portion	31,597	-
	<u>143,403</u>	<u>-</u>

Security for the loan consists of:

- a) 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.
- b) An assignment of rental income in the event of default.

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

	\$
2020	31,597
2021	33,214
2022	34,913
2023	36,699
2024	38,577
	<u>175,000</u>

### 9 Economic dependence

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

	2019 %	2018 %
City of London	53	46
Ontario Trillium Foundation	22	16
Other	25	38
	<u>100</u>	<u>100</u>

### 10 Government remittances payable

As at December 31, 2019, outstanding statutory remittances included in accounts payable and accrued liabilities were \$nil (2018 – \$nil).

# ReForest London

## Notes to Financial Statements

December 31, 2019

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### 11 Financial instruments

Financial instruments are mainly comprised of 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.

#### 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.

### 12 Contingencies

The Organization is subject to various legal actions and proceedings which 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.

# ReForest London

Notes to Financial Statements

December 31, 2019

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## 13 Subsequent event

At the time of issuance of these financial statements, there has been significant uncertainty in the markets due to the global health pandemic of COVID-19. The Organization is a charity which derives the majority of its funding from grants, corporate funding, and donations, which could be materially impacted as a result of this market uncertainty. At the time of issuance, the measurement of the COVID-19 impact on the Organization cannot be predicted with certainty and is not reflected in these financial statements.