

ReForest London

Financial Statements
December 31, 2022



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, 2022 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, 2022;
- 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 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 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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"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 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.

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
June 12, 2023

ReForest London

Statement of Financial Position

As at December 31, 2022

	2022 \$	2021 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)		
Operations reserve	10,400	103,144
Capital reserve	5,323	32,914
Deferred contributions (note 7)	457,099	608,275
Unrestricted	94,914	59,166
Accounts receivable (note 14)	36,882	179,266
Prepaid expenses	1,366	1,366
HST receivable	-	10,819
	605,984	994,950
Property, premises and equipment (notes 4 and 11)	1,191,717	1,007,879
Intangible assets (note 5)	65,426	43,738
Investments (note 6)		
Internally restricted – operations reserve	105,906	-
Internally restricted – capital reserve	53,044	-
	2,022,077	2,046,567
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	44,887	72,858
HST payable	40,384	-
Deferred contributions (note 7)	457,099	608,275
Current portion of deferred capital contributions (note 8)	80,947	64,414
Current portion of long-term debt (note 11)	36,699	34,913
	660,016	780,460
Deferred capital contributions (note 8)	1,057,446	885,422
Long-term debt (note 11)	38,577	137,844
	1,756,039	1,803,726
Fund Balances		
Operating fund	91,365	106,783
Operations reserve fund (note 9)	116,306	103,144
Capital reserve fund (note 9)	58,367	32,914
	266,038	242,841
	2,022,077	2,046,567

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, 2022

	Operating fund \$	Operations reserve fund \$	Capital reserve fund \$	2022 \$	2021 \$
Balance – Beginning of year	106,783	103,144	32,914	242,841	155,837
Excess of revenue over expenses	23,197	-	-	23,197	87,004
Restricted interest income	(2,892)	2,762	130	-	-
Fund transfers (note 9)	(35,723)	10,400	25,323	-	-
Balance – End of year	<u>91,365</u>	<u>116,306</u>	<u>58,367</u>	<u>266,038</u>	<u>242,841</u>

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

ReForest London

Statement of Operations

For the year ended December 31, 2022

	2022 \$	2021 \$
Revenue		
Grants (note 12)	786,604	491,238
Wage and rent subsidies (note 15)	50,469	194,596
Corporate and other funding	97,848	91,168
Donations	46,282	56,220
In-kind donations	4,460	19,913
Rental income	89,405	83,634
Planting services	46,102	20,748
Endowment income (note 10)	10,400	9,300
Other income	5,323	25,112
Amortization of deferred capital contributions (note 8)	80,947	64,414
	<u>1,217,840</u>	<u>1,056,343</u>
Expenses		
Payroll	728,750	557,184
Trees and plant materials	129,602	83,692
Amortization expense	80,947	64,414
Sub-contractor services	35,597	55,039
Facilities	53,438	52,129
Professional services	31,694	47,432
Operations	35,774	41,038
Insurance and property taxes	27,875	18,157
Other	24,593	10,320
Other project related expenses	23,922	22,041
Project supplies and equipment	21,205	17,249
Travel	1,246	644
	<u>1,194,643</u>	<u>969,339</u>
Excess of revenue over expenses	<u>23,197</u>	<u>87,004</u>

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

ReForest London

Statement of Cash Flows

For the year ended December 31, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	23,197	87,004
Items not affecting cash		
Amortization expense	80,947	64,414
Amortization of deferred capital contributions	(80,947)	(64,414)
CEBA loan revenue (note 11)	(20,000)	-
	3,197	87,004
Changes in non-cash working capital		
Accounts receivable	142,384	59,244
HST receivables/payable	51,203	34,734
Accounts payable and accrued liabilities	(27,971)	(30,007)
Deferred contributions	(151,176)	162,044
	17,637	313,019
Financing activities		
Deferred capital contributions received	269,504	25,240
Payments on long-term debt	(77,481)	(31,138)
Proceeds on long-term debt	-	20,000
	192,023	14,102
Investing activities		
Purchases of intangible assets	(35,798)	(34,447)
Purchases of property, premises and equipment	(250,675)	(48,055)
Purchases of long-term investments	(158,950)	-
	(445,423)	(82,502)
(Decrease) increase in cash and cash equivalents during the year	(235,763)	244,619
Cash and cash equivalents – Beginning of year	803,499	558,880
Cash and cash equivalents – End of year	567,736	803,499

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

ReForest London

Notes to Financial Statements

December 31, 2022

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 three funds: operating fund, operations reserve fund and the capital reserve fund. The operating fund includes all revenue and expenses of the ongoing activities of the Organization.

The operations reserve fund was setup by the Board of Directors (Board) to internally restrict portions of the operating fund for specific purposes.

The capital reserve fund was setup by the Board to internally restrict portions of the operating fund for capital 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, 2022

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
Computers	5 years
Vehicles	10 years
Parking lots and walkways and pads	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, is exempt from income taxes under section 149(1)(f).

ReForest London

Notes to Financial Statements

December 31, 2022

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 as 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 write down 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.

ReForest London

Notes to Financial Statements

December 31, 2022

4 Property, premises and equipment

	2022		
	Cost \$	Accumulated amortization \$	Net \$
Communication and office equipment	24,375	6,719	17,656
Vehicles	9,500	4,275	5,225
Parking lots	237,373	41,538	195,835
Geothermal	37,131	11,137	25,994
Site and building services	395,011	28,895	366,116
Building interiors	292,818	88,739	204,079
Building structure	194,161	8,096	186,065
Property	10	-	10
Furniture	11,367	2,212	9,155
Computers	42,911	4,291	38,620
Walkways and pads	146,627	3,665	142,962
	1,391,284	199,567	1,191,717
	2021		
	Cost \$	Accumulated amortization \$	Net \$
Communication and office equipment	18,746	4,562	14,184
Vehicles	9,500	3,325	6,175
Parking lots	237,373	29,640	207,733
Geothermal	37,131	8,662	28,469
Site and building services	375,565	21,189	354,376
Building interiors	292,818	59,457	233,361
Building structure	143,910	4,659	139,251
Property	10	-	10
Construction in progress	17,331	-	17,331
Furniture	8,222	1,233	6,989
	1,140,606	132,727	1,007,879

Portions of the property are used for leasing purposes.

Included within amortization expense are amounts related to property, premises and equipment of \$66,840 (2021 – \$57,331).

ReForest London

Notes to Financial Statements

December 31, 2022

5 Intangible assets

	2022		
	Cost \$	Accumulated amortization \$	Net \$
Website	88,435	23,009	65,426
	2021		
	Cost \$	Accumulated amortization \$	Net \$
Website	52,640	8,902	43,738

Included within amortization expense are amounts related to intangible assets of \$14,107 (2021 – \$7,083).

6 Investments

The Organization's investments consist of guaranteed investment certificates bearing interest at 4.75%, maturing on February 19, 2024. These amounts are part of the operations reserve and capital reserve funds.

7 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:

	2022 \$	2021 \$
Tree Growing Programs	57,870	26,095
Neighbourhood ReLeaf	138,251	16,335
Westminster Ponds Centre	29,000	235,469
Capital assets not yet purchased	168,539	240,338
Park Naturalizations	52,750	19,600
Other	10,689	70,438
	457,099	608,275

The balance of restricted cash in accordance with specific agreements is \$457,099 (2021 – \$608,275).

ReForest London

Notes to Financial Statements

December 31, 2022

8 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.

	2022 \$	2021 \$
Balance – Beginning of year	949,836	989,010
Less: Amortization of deferred capital contributions	80,947	64,414
Add: Deferred capital contributions received and spent during the year	269,504	25,240
Balance – End of year	1,138,393	949,836

The deferred capital contributions balance above includes a current portion of deferred capital contributions of \$80,947 (2021 – \$64,414).

9 Restrictions on fund balances

During the year, the Organization's Board of Directors internally restricted \$10,400 (2021 – \$10,344) of the operating fund to be transferred to the operations reserve fund. In addition, the Organization's Board set up a capital reserve fund and internally restricted \$25,323 (2021 – \$25,115) 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.

10 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, 2022, the fund balance was \$252,038 (2021 – \$281,989) and the Organization earned \$10,400 (2021 – \$9,300) of endowment income during the year.

ReForest London

Notes to Financial Statements

December 31, 2022

11 Long-term debt

	2022 \$	2021 \$
VERGE Capital Breakthrough fund loan, with blended monthly payments of \$3,302, bearing interest at 5%, due December 5, 2024	75,276	112,757
Canada Emergency Business Account (CEBA) loan, bearing interest at nil%, due December 31, 2023	-	60,000
	<hr/>	<hr/>
	75,276	172,757
Less: Current portion	36,699	34,913
	<hr/>	<hr/>
	38,577	137,844
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As \$40,000 was paid on the CEBA loan before December 31, 2023, \$20,000 was forgivable and recorded in grants revenue.

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 Road, London, Ontario, in the amount of \$175,000; and
- an assignment of rental income in the event of default.

Principal payments required in the next three years and thereafter is as follows:

	\$
2023	36,699
2024	38,577
2025 and thereafter	-
	<hr/>
	75,276
	<hr/>

ReForest London

Notes to Financial Statements

December 31, 2022

12 Economic dependence

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

	2022 %	2021 %
City of London	41	39
ECO Canada	12	15
London Community Foundation	10	13
Ontario Trillium Foundation	29	15
Other	8	18
	<hr/>	<hr/>
	100	100

13 Government remittances payable

As at December 31, 2022, outstanding statutory remittances included in accounts payable and accrued liabilities were \$nil (2021 – \$nil).

14 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, 2022

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 guaranteed investment certificates.

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 \$nil (2021 – \$194,596) of the Canada Emergency Wage Subsidy, of which \$nil (2021 – \$46,271) is receivable as at December 31, 2022. The Organization also applied for and received \$42,097 (2021 – \$nil) of Hardest-Hit Business Recovery Program subsidy, and \$8,372 (2021 – \$nil) in Canada Recovery Hiring Program subsidies.