

Financial statements of

# **Evergreen**

December 31, 2010

# Evergreen

December 31, 2010

## Table of contents

Independent Auditor's Report .....	1-2
Statement of financial position .....	3
Statement of operations .....	4
Statement of changes in net assets .....	5
Statement of cash flows .....	6
Notes to the financial statements .....	7-13

## Independent Auditor's Report

To the Directors of Evergreen

We have audited the accompanying financial statements of Evergreen, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets and cash flows for the year then ended, 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 standards, 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. Except as explained below, 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.

Except as explained in the following paragraph, we believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for Qualified Opinion**

In common with many charitable organizations, Evergreen derives revenues from donations and certain community events, 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 Evergreen and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses for the year, assets and fund balances.

**Qualified Opinion**

In our opinion, except for the possible 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 Evergreen as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

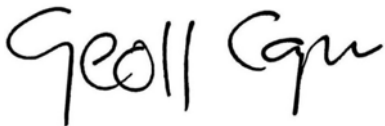
Chartered Accountants  
Licensed Public Accountants  
April 19, 2011

# Evergreen

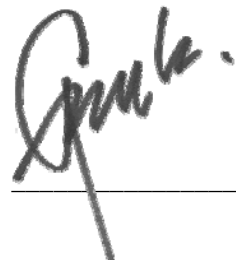
## Statement of financial position December 31, 2010

	2010	2009
	\$	\$
<b>Assets</b>		
Current		
Cash	1,734,427	4,266,395
Short-term investments	522,669	488,358
Accounts receivable (Note 3)	4,948,291	2,582,318
Prepaid expenses and other	104,384	26,955
	<b>7,309,771</b>	<b>7,364,026</b>
Deferred costs (Note 4)	-	22,471,029
Capital assets (Note 5)	53,465,547	197,175
	<b>60,775,318</b>	<b>30,032,230</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	7,319,271	3,174,684
Deferred revenue	1,375,650	1,184,223
Current portion of long-term debt (Note 7)	61,028	250,000
	<b>8,755,949</b>	<b>4,608,907</b>
Deferred capital contributions (Note 8)	41,367,423	23,708,986
Long-term debt (Note 7)	9,761,702	1,000,000
	<b>59,885,074</b>	<b>29,317,893</b>
<b>Net assets</b>		
Invested in capital assets (Note 9)	279,694	197,175
General fund	610,550	517,162
	<b>890,244</b>	<b>714,337</b>
	<b>60,775,318</b>	<b>30,032,230</b>

On behalf of the Board



Geoffrey J. Cape  
Executive Director



George Dark  
Chair, Board of Directors

# Evergreen

## Statement of operations year ended December 31, 2010

	2010	2009
	\$	\$
<b>Revenue</b>		
Corporate donations and sponsorships	4,080,268	3,295,080
Foundation grants	851,740	618,208
Consulting and partnerships	806,106	741,760
Events and rentals	566,115	272,670
Government grants	551,743	1,028,359
Individual donations	193,137	61,575
Product sales and other	137,930	47,715
Donations-in-kind	67,614	83,150
	7,254,653	6,148,517
Amortization of deferred capital contributions	42,687	-
	7,297,340	6,148,517
<b>Expenses</b>		
Salaries and benefits	3,579,705	2,967,264
Grants to schools and community groups	890,214	970,300
Contracts and support services	826,742	857,296
Project and event fees	689,668	321,693
Office and property	614,092	357,564
Amortization	139,066	45,643
Planting material	138,926	142,472
Travel and meetings	133,435	151,877
Communications and marketing	109,585	180,238
	7,121,433	5,994,347
<b>Excess of revenue over expenses</b>	<b>175,907</b>	<b>154,170</b>

# Evergreen

## Statement of changes in net assets year ended December 31, 2010

	2010			2009
	Invested in Capital Assets Fund	General Fund	Total	Total
	\$	\$	\$	\$
<b>Balances, beginning of year</b>	<b>197,175</b>	<b>517,162</b>	<b>714,337</b>	560,167
Excess of revenue over expenses (expenses over revenue)	(96,379)	272,286	175,907	154,170
Additions to capital assets*	53,407,438	(53,407,438)	-	-
Deferred capital contributions	(41,410,110)	41,410,110	-	-
Long-term debt	(8,363,771)	8,363,771	-	-
Construction holdbacks	(3,454,659)	3,454,659	-	-
<b>Balances, end of year</b>	<b>279,694</b>	<b>610,550</b>	<b>890,244</b>	714,337

\* Includes prior years' deferred costs transferred to capital assets in 2010.

# Evergreen

## Statement of cash flows year ended December 31, 2010

	2010	2009
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	175,907	154,170
Add (deduct) non-cash items		
Amortization of capital assets	139,066	45,643
Amortization of deferred rent	(2,968)	(11,529)
Amortization of capital contributions	(42,687)	-
Donations-in-kind revenue	(67,614)	(83,150)
Donated goods and services	67,614	83,150
Loss on sale of capital assets	-	5,767
	269,318	194,051
Add (deduct) changes in non-cash working capital balances		
Accounts receivable	(2,365,973)	(531,983)
Prepaid expenses and other	(77,429)	5,699
Accounts payable and accrued liabilities	4,147,555	2,274,349
Deferred revenue	191,427	(168,926)
	2,164,898	1,773,190
<b>Investing activities</b>		
Increase in short term investments	(34,311)	(107,889)
Capital assets additions	(30,936,409)	(116,410)
Deferred costs additions	-	(12,365,609)
Deferred capital contributions received	17,701,124	13,316,321
	(13,269,596)	726,413
<b>Financing activities</b>		
Proceeds from sale of capital assets	-	2,855
Proceeds from long-term debt	8,572,730	1,250,000
	8,572,730	1,252,855
Net (decrease) increase in cash during the year	(2,531,968)	3,752,458
Cash, beginning of year	4,266,395	513,937
<b>Cash, end of year</b>	<b>1,734,427</b>	<b>4,266,395</b>



# Evergreen

## Notes to the financial statements

December 31, 2010

---

### 1. Nature of Organization

#### *Incorporation and objects*

Evergreen was incorporated without share capital under the Canada Corporations Act on April 5, 1991, and is registered as a charitable organization under the Income Tax Act (Canada). Evergreen's mission is to bring communities and nature together for the benefit of both.

#### *Evergreen Brick Works*

In 2010, Evergreen opened Evergreen Brick Works as a centre for experiencing the relationship between nature, culture and community. Located on a unique natural and industrial heritage site, it is a destination for families and individuals to enjoy a natural refuge, while sampling a rich offering of programs and services - from gardening workshops, heritage tours, and organic food markets, to a retail store, demonstration gardens and leading-edge green design techniques. It is a unique and creative social enterprise that models sustainability on all fronts, including approximately 20,000 square feet of office and commercial space leased to non-profit and other tenants that have a business focus on sustainability and green technology.

Evergreen had secured the land and existing structures of the Don Valley Brick Works at a nominal amount from the City of Toronto, under a 21 year lease which expires on March 2, 2030.

### 2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the most significant of which are summarized below.

#### *Revenue recognition*

Evergreen follows the deferral method of accounting for donations, sponsorships and grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable. Revenues received that relate to future periods are recorded as deferred revenue. Donations-in-kind are recorded at the fair market value that Evergreen would otherwise have paid for such goods and services. Donated securities are sold as soon as they are received and the proceeds recorded as revenue or deferred capital contributions.

Evergreen recognizes revenue from short-term facility rental, parking, workshops, camp, classes and retail sales when goods and services are provided.

Rental revenue, including contractual rent increases during the term of a lease, is recognized as revenue on a straight-line basis over the term of the lease.

#### *Classification of financial assets and liabilities*

Under the standards for recognizing and measuring financial instruments, all financial assets are classified into one of the following categories: held for trading, or loans and receivables. All financial liabilities are classified in the category of other financial liabilities.

Evergreen's financial assets and financial liabilities are classified and measured as follows:

<u>Asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Cash and short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Transaction costs for the credit facilities related to the construction of the Evergreen Brick Works are included in capital assets under buildings and leaseholds. Transaction costs incurred after the completion of construction will be expensed as incurred. All other transaction costs for financial assets and liabilities are expensed when incurred.

# Evergreen

## Notes to the financial statements

December 31, 2010

---

### 2. Significant accounting policies (continued)

#### *Classification of financial assets and liabilities (continued)*

As allowed under Section 3855 *Financial Instruments – Recognition and Measurement*, Evergreen has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

Due to their nature, the fair value of accounts receivable, accounts payable and accrued liabilities, and long-term debt approximate their cost.

Investments are carried at market value using bid price, with any unrealized gains or losses recognized in the Statement of operations.

#### *Financial risks*

Evergreen manages its financial risks as follows:

- Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices. Evergreen manages this risk by selling donated securities upon receipt and holding funds in cash or invested in money market funds.
- Liquidity risk is the risk that Evergreen will not be able to fund its obligations as they come due, including being able to liquidate assets in a timely manner at a reasonable price. Evergreen manages this risk through a combination of holding short-term investments in publicly-traded money market funds and by having credit facilities in place (Note 7).
- Credit risk is the possibility that other parties may default on their financial obligations. Evergreen manages its credit risk by issuing credit to a diverse debtor base and by maintaining an allowance for potential credit losses.
- Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. Evergreen manages this risk on short term investments through a combination of by investing in short term money market funds which limits exposure to this risk. For credit facilities, this risk is managed through Evergreen's lending agreements, as described in Note 7.
- Currency risk is the risk that financial assets and liabilities will fluctuate relative to the Canadian dollar. Evergreen does not have any financial assets or liabilities denominated in a foreign currency.

#### *Capital assets*

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building and leasehold improvements	19 years, being the remaining term of the land lease after completion of the Evergreen Brick Works project
Furniture and fixtures	5 years
Computer and office equipment	3 - 5 years
Equipment under capital lease	4 years
Vehicles and property management equipment	7 - 10 years

#### *Deferred costs*

Deferred costs included amounts related to the Evergreen Brick Works project (Note 4). Costs represented actual costs incurred. Employee-related expenses were based on actual time spent on the project. Project administration costs included allocated costs that were directly attributable to the project, such as rent, utilities, and amortization of capital assets. Interest expense related to the credit facilities was included in deferred costs.

# Evergreen

## Notes to the financial statements

December 31, 2010

---

### 2. Significant accounting policies (continued)

#### *Deferred capital contributions*

Deferred capital contributions represent the unamortized amount of donations and grants received to acquire and/or construct capital assets. Deferred capital contributions are amortized to revenue over the same period as the expected life of the capital assets to which they relate.

#### *Income taxes*

Evergreen is a registered charity under the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

#### *Deferred rent*

Rent inducements are deferred and amortized over the term of the lease.

#### *Future accounting changes*

In December 2010, the CICA issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012 Not-for-Profit Organizations will have to choose between International Financial Reporting Standards ("IFRSs") and Canadian accounting standards for Not-for-Profit Organizations. Early adoption of these standards is permitted. Evergreen currently plans to adopt the new accounting standards for Not-for-Profit Organizations for its fiscal year beginning on January 1, 2012. The impact of transitioning to these new standards has not been determined.

### 3. Accounts receivable

Accounts receivable includes the following balances:

	2010	2009
	\$	\$
Accounts receivable and other	3,498,237	2,456,268
Recoverable sales tax	1,387,445	126,050
Straight-line rent	62,609	-
	<b>4,948,291</b>	<b>2,582,318</b>

### 4. Deferred costs

	2010	2009
	\$	\$
Construction and site development	-	9,709,333
Design and site investigation	-	4,788,614
Project insurance, financing and security deposits	-	921,670
Employee-related	-	3,772,849
Other project administration	-	3,278,563
	-	<b>22,471,029</b>

Construction of Evergreen Brick Works commenced in 2008 and was substantially complete on December 31, 2010.

The above-noted amounts, plus additional construction costs incurred up to the completion date, have been transferred to Capital assets on the completion date.

Included in other project administration are allocated overhead costs of \$Nil (2009 - \$118,478) relating to expenses such as rent, utilities, insurance and depreciation that were directly attributable to the Evergreen Brick Works project.

# Evergreen

## Notes to the financial statements

December 31, 2010

---

### 5. Capital assets

Capital assets are comprised of the following:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Buildings and leaseholds	52,650,459	-	52,650,459	-
Furniture and fixtures	420,709	(42,071)	378,638	54,661
Computers and office equipment	583,126	(320,506)	262,620	142,514
Equipment under capital lease	154,532	(19,317)	135,215	-
Vehicles and property management equipment	40,647	(2,032)	38,615	-
	<b>53,849,473</b>	<b>(383,926)</b>	<b>53,465,547</b>	197,175

Included in capital assets are allocated overhead costs of \$465,119 relating to administrative expenses which are directly attributable to the Evergreen Brick Works Project.

At the beginning of 2010, Evergreen reviewed the estimate of the useful lives of its capital assets. The review resulted in a change in the amortization method from the declining balance to the straight line method, which Evergreen believes more accurately reflects the estimated useful lives of its capital assets. As this is a change in estimate, it has been accounted for prospectively. As a result of this change, amortization expense was \$11,729 less than would have been recorded under the previous method.

### 6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following balances:

	2010	2009
	\$	\$
Accounts payable and other	3,864,612	2,210,735
Construction holdbacks	3,454,659	960,981
Deferred rent	-	2,968
	<b>7,319,271</b>	<b>3,174,684</b>

Included in Accounts payable and accrued liabilities is a liability of \$37,500 for employee future benefits. In 2008, Evergreen and a current employee entered into a three year employment agreement. The agreement contemplates paid leave during 2012.

# Evergreen

## Notes to the financial statements

December 31, 2010

---

### 7. Long-term debt

	2010	2009
	\$	\$
i) Construction facilities	8,700,000	1,250,000
ii) Sustainable energy loan	980,000	-
iii) Obligation under capital lease	142,730	-
<b>Total credit facilities</b>	<b>9,822,730</b>	<b>1,250,000</b>
Less: current portion		
Construction facilities	-	250,000
Sustainable energy loan	24,500	-
Obligation under capital lease	36,528	-
<b>Current portion of long-term debt</b>	<b>61,028</b>	<b>250,000</b>
<b>Long-term debt</b>	<b>9,761,702</b>	<b>1,000,000</b>

i) Construction facilities are comprised of:

- a. \$7.0 million credit facility from the Royal Bank of Canada, bearing interest at Royal Bank Prime Rate and maturing on September 30, 2014, and;
- b. a \$4.52 million credit facility from the Royal Bank of Canada, bearing interest at Royal Bank Prime Rate plus 1.25% and maturing on September 30, 2014. Borrowing under the \$4.52 million facility became available once the \$7 million credit facility was fully drawn.

The credit facilities are secured by a general security agreement; collateral leasehold mortgage in the amount of \$12.75 million; first ranking assignment of planning approvals, permits and licenses, development agreements and contracts, project plans and specifications and certificates and land surveys in favour of the Royal Bank of Canada; and an agreement between the Royal Bank of Canada, City of Toronto, Toronto & Region Conservation Authority and Evergreen. The City of Toronto and the Toronto & Region Conservation Authority have provided a guarantee up to \$7.5 million.

Interest costs of \$88,735 (2009 - \$14,290) relating to these facilities have been capitalized and are included in Buildings and leaseholds.

Subsequent to the year end, on February 15, 2011, Evergreen was advanced the remaining amount that was available under the credit facility, to a total of \$11.52 million. Under the terms of the credit facilities, a repayment of \$1.5 million on facility (a) will be made by June 30, 2011. Facility (b) must be reduced by at least \$400,000 by March 31, 2012, with full repayment by September 30, 2014.

Facility (a) must now be reduced to \$4.9 million by January 31, 2013, with a full repayment by September 30, 2014.

# Evergreen

## Notes to the financial statements

December 31, 2010

---

### 7. Long-term debt (continued)

- ii) On November 22, 2010, Evergreen entered into a Sustainable Energy Funds Loan Agreement with the City of Toronto for \$980,000. The loan is a ten year, interest-free facility with quarterly repayments of \$24,500 commencing on October 1, 2011. Repayments are due as follows:

	\$
2011	24,500
2012	98,000
2013	98,000
2014	98,000
2015	98,000
Thereafter	563,500
	<u>980,000</u>

- iii) On September 3, 2010, Evergreen entered into a capital lease arrangement with the Royal Bank of Canada. The lease has a four year term and payments are calculated on the four year Royal Bank of Canada lease base rate. Minimum annual lease payments are as follows:

	\$
2011	44,200
2012	44,200
2013	44,200
2014	29,400
	162,000
Less: amount representing interest	<u>(19,270)</u>
	142,730
Less: current portion	<u>(36,528)</u>
	<u>106,202</u>

### 8. Deferred capital contributions

Evergreen is conducting a capital campaign to fund the \$55 million redevelopment of Evergreen Brick Works. To date, \$20 million has been committed from the Government of Canada, \$10 million from the Province of Ontario, and \$18.5 million from other donors.

Deferred capital contributions represent the unamortized amount of donations and grants received to date in the campaign. The amortization of deferred contributions is recorded as revenue in the Statement of operations. The changes in the deferred capital contributions balance are as follows:

	2010	2009
	\$	\$
<b>Balance, beginning of year</b>	<b>23,708,986</b>	13,316,321
Capital contributions received during the year	17,701,124	10,392,665
Amortization for the year	<u>(42,687)</u>	-
<b>Balance, end of year</b>	<b><u>41,367,423</u></b>	<u>23,708,986</u>

# Evergreen

## Notes to the financial statements

December 31, 2010

---

### 9. Invested in capital assets

Invested in capital assets consists of:

	2010	2009
	\$	\$
Capital assets, net book value	53,465,547	197,175
Deferred capital contributions	(41,367,423)	-
Construction holdbacks (Note 6)	(3,454,659)	-
Long-term debt	(8,363,771)	-
	<u>279,694</u>	<u>197,175</u>

### 10. Commitments

	2011	2012	2013	2014	2015	Thereafter
	\$	\$	\$	\$	\$	\$
Office space (Vancouver)	16,900	-	-	-	-	-
Office equipment	9,600	9,600	9,600	-	-	-
	<u>26,500</u>	<u>9,600</u>	<u>9,600</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Vancouver premises lease expires on September 30, 2011.

### 11. Guarantees

Indemnity has been provided to all directors and/or officers of Evergreen for various items including, but not limited to, all costs to settle suits or actions due to association with Evergreen, subject to certain restrictions. Evergreen has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of Evergreen. The maximum amount of any potential future payment cannot be reasonably estimated.

### 12. Capital disclosures

As a not-for-profit entity, Evergreen's operations are reliant on revenues generated annually. Evergreen has accumulated unrestricted net assets over its history. A portion of the accumulated net assets is retained as working capital, which may be required from time to time due to timing delays in receiving its primary funding. The remaining surplus is available for the use of Evergreen at the Board's discretion.

In addition to Evergreen's accumulated unrestricted net assets, Evergreen also considers its capital to be funds from deferred capital contributions and credit facilities.

Evergreen has complied with all restrictions on funding and borrowing.

### 13. Comparative amounts

Certain of the prior year amounts have been reclassified to conform to the current year's presentation. The re-classification relates mainly to certain revenue and expense items, in order to better describe the sources of the revenue and the nature of the expenses.