Financial statements of

Evergreen

December 31, 2011

Evergreen

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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, 2011, 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. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2011 and 2010, current assets as at December 31, 2011 and 2010, and net assets as at January 1 and December 31 for both the 2011 and 2010 years. Our audit opinion on the financial statements for the year ended December 31, 2010 was modified accordingly because of the possible effects of this limitation in scope.

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, 2011, 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 26, 2012

Evergreen
Statement of financial position
as at December 31, 2011

	2011	2010
	$	$
Assets		
Current		
Cash	**3,841,013**	1,734,427
Short-term investments	**629,680**	522,669
Accounts receivable (Note 3)	**1,613,434**	4,948,291
Prepaid expenses and other	**217,356**	104,384
	6,301,483	7,309,771
Long-term receivable (Note 3)	**637,688**	-
Capital assets (Note 4)	**52,017,902**	53,465,547
	58,957,073	60,775,318
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	**890,601**	7,319,271
Deferred revenue	**4,092,512**	1,375,650
Current portion of long-term debt (Note 6)	**1,931,280**	61,028
	6,914,393	8,755,949
Deferred capital contributions (Note 7)	**43,359,699**	41,367,423
Long-term debt (Note 6)	**7,925,423**	9,761,702
	58,199,515	59,885,074
Net assets		
Invested in capital assets (Note 9)	**145,361**	279,694
General fund	**512,197**	610,550
Flood reserve (Note 8)	**100,000**	-
	757,558	890,244
	58,957,073	60,775,318

On behalf of the Board

Geoff Cape

Geoffrey J. Cape
Executive Director

George Dark
Chair, Board of Directors

Evergreen

Statement of operations
year ended December 31, 2011

	2011	2010
	$	$
Revenue		
Corporate donations and sponsorships	**3,367,075**	4,080,268
Foundation grants	**633,117**	851,740
Consulting and partnerships	**1,130,652**	806,106
Events and rentals	**1,815,197**	566,115
Government grants	**1,510,031**	551,743
Individual donations	**154,993**	193,137
Product sales	**471,338**	137,930
Donations-in-kind	**146,413**	67,614
Other (Note 7)	**452,427**	-
	9,681,243	7,254,653
Amortization of deferred capital contributions (Note 7)	**2,958,607**	42,687
	12,639,850	7,297,340
Expenses		
Salaries and benefits	**4,955,839**	3,579,705
Grants to schools and community groups	**812,464**	890,214
Contracts and support services	**1,089,276**	826,742
Project and event fees (Note 15)	**733,538**	828,594
Office and property	**1,591,300**	614,092
Amortization	**3,155,759**	139,066
Travel and meetings	**137,205**	133,435
Communications and marketing	**297,155**	109,585
	12,772,536	7,121,433
Excess of (expenses over revenue) revenue over expenses	**(132,686)**	175,907

Evergreen

Statement of changes in net assets
year ended December 31, 2011

	Invested in Capital Assets Fund (Note 9)	General Fund	Flood Reserve	2011 Total	2010 Total
	$	$	$	$	$
Balances, beginning of year	**279,694**	**610,550**	**-**	**890,244**	714,337
Excess of revenue over expenses (expenses over revenue)	**(197,152)**	**64,466**	**-**	**(132,686)**	175,907
Additions to capital assets	**1,708,114**	**(1,708,114)**	**-**	**-**	-
Transfer to flood reserve (Note 8)	**-**	**(100,000)**	**100,000**	**-**	-
Payment of construction holdbacks	**3,207,963**	**(3,207,963)**	**-**	**-**	-
Additions to deferred capital contributions	**(5,403,310)**	**5,403,310**	**-**	**-**	-
Repayment of long-term debt	**97,625**	**(97,625)**	**-**	**-**	-
Other reduction to deferred capital contributions (Note 7)	**452,427**	**(452,427)**	**-**	**-**	-
Balances, end of year	**145,361**	**512,197**	**100,000**	**757,558**	890,244

Evergreen
Statement of cash flows
year ended December 31, 2011

	2011	2010
	$	$
Operating activities		
Excess of (expenses over revenue) revenue over expenses	**(132,686)**	175,907
Add (deduct) non-cash items		
Amortization of capital assets	**3,155,759**	139,066
Amortization of deferred rent	**-**	(2,968)
Amortization of capital contributions	**(2,958,607)**	(42,687)
Deferred capital contributions recognized as other revenue	**(452,427)**	-
Donations-in-kind revenue	**(146,413)**	(67,614)
Donated goods and services	**146,413**	67,614
	(387,961)	269,318
Add (deduct) changes in non-cash working capital balances		
Accounts receivable	**3,334,857**	(2,365,973)
Prepaid expenses and other	**(112,972)**	(77,429)
Accounts payable and accrued liabilities	**(6,428,670)**	4,147,555
Deferred revenue	**2,716,862**	191,427
	(877,884)	2,164,898
Investing activities		
Increase in long-term receivable	**(637,688)**	-
Increase in short-term investments	**(107,011)**	(34,311)
Capital assets additions	**(1,708,114)**	(30,936,409)
Deferred capital contributions received	**5,403,310**	17,701,124
	2,950,497	(13,269,596)
Financing activities		
Repayment of long-term debt	**(2,786,027)**	-
Proceeds from long-term debt	**2,820,000**	8,572,730
	33,973	8,572,730
Net increase (decrease) in cash during the year	**2,106,586**	(2,531,968)
Cash, beginning of year	**1,734,427**	4,266,395
Cash, end of year	**3,841,013**	1,734,427

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:

Asset/liability	Category	Measurement
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 are expensed as incurred. All other transaction costs for financial assets and liabilities are expensed as incurred.

2. Significant accounting policies (continued)

Classification of financial assets and liabilities (continued)

As allowed under Section 3855 *Financial Instruments – Recognition and Measuremen*t, 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 6).
- 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 by investing in short term money market funds which, limits the exposure to this risk. For credit facilities, this risk is managed through Evergreen's lending agreements, as described in Note 6.
- 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	18 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 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.

2. Significant accounting policies (continued)

Pledges receivable

Pledges are recognized as receivable when the amount can be reasonably estimated and ultimate collection is reasonably assured.

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. Evergreen will adopt the new accounting standards for Not-for-Profit Organizations for its 2012 fiscal year. The impact of transitioning to these new standards has not been determined.

3. Accounts receivable

The current portion of accounts receivable consists of the following balances:

	2011	2010
	$	$
Accounts and other receivables	**1,443,101**	3,498,237
Recoverable sales tax	**81,492**	1,387,445
Straight-line rent	**88,841**	62,609
	1,613,434	4,948,291

The long-term receivable consists of the second half of a pledge from a Foundation, the first half of which is included in accounts and other receivables and was received subsequent to the year end.

As at December 31, 2011 the amount of pledges receivable which are not reflected in these financial statements are as follows:

	$
2012	2,339,860
2013	1,165,725
2014	2,246,100
2015	96,297
	5,847,982

4. Capital assets

Capital assets are comprised of the following:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Buildings and leaseholds	**53,883,231**	**(2,828,328)**	**51,054,903**	52,650,459
Furniture and fixtures	**875,357**	**(171,678)**	**703,679**	378,638
Computers and office equipment	**603,821**	**(475,633)**	**128,188**	262,620
Equipment under capital lease	**154,532**	**(57,950)**	**96,582**	135,215
Vehicles and property management equipment	**40,647**	**(6,097)**	**34,550**	38,615
	55,557,588	**(3,539,686)**	**52,017,902**	53,465,547

Included in capital assets are allocated overhead costs of $465,119 (2010 - $465,119) relating to administrative expenses which are directly attributable to the Evergreen Brick Works Project during its construction.

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2011	2010
	$	$
Accounts payable and other	**643,905**	3,864,612
Construction holdbacks	**246,696**	3,454,659
	890,601	7,319,271

Included in Accounts payable and accrued liabilities is a liability of $50,000 (2010 - $37,500) for paid leave to be taken during 2012 by a current employee, in accordance with his employment contract.

6. Long-term debt

	2011	2010
	$	$
i) Construction facilities	**8,795,000**	8,700,000
ii) Sustainable energy loan	**955,500**	980,000
iii) Obligation under capital lease	**106,203**	142,730
Total credit facilities	**9,856,703**	9,822,730
Less: current portion		
Construction facilities	**1,795,000**	-
Sustainable energy loan	**98,000**	24,500
Obligation under capital lease	**38,280**	36,528
Current portion of long-term debt	**1,931,280**	61,028
Long-term debt	**7,925,423**	9,761,702

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;

(b) $4.52 million credit facility from the Royal Bank of Canada, bearing interest at Royal Bank Prime Rate plus 1.25%.

On January 13, 2012, Evergreen renegotiated its credit facilities with the Royal Bank of Canada. Under the terms of the new credit facilities, facility (b) must be fully repaid by March 31, 2013. Facility (a) must be reduced by at least $2.2 million by December 31, 2013, and a further $3.8 million by December 31, 2014, with full repayment by December 31, 2015.

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 (“TRCA”) and Evergreen. The City of Toronto and TRCA have provided a guarantee up to $7.5 million.

In 2011, Evergreen incurred interest costs of $342,156 relating to the construction facilities. In 2010, interest costs of $88,735 relating to these facilities were capitalized as pre-opening costs and are included in Buildings and leaseholds.

6. 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 which commenced on October 1, 2011. Repayments are due as follows:

2012	98,000
2013	98,000
2014	98,000
2015	98,000
2016	98,000
Thereafter	465,500
	955,500

The loan is secured against certain specific equipment of Evergreen.

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:

	$
2012	42,448
2013	42,448
2014	28,298
	113,194
Less: amount representing interest	(6,991)
	106,203
Less: current portion	(38,280)
	67,923

7. 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 $21.6 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:

	2011	2010
	$	$
Balance, beginning of year	**41,367,423**	23,708,986
Capital contributions received during the year	**5,403,310**	17,701,124
Amortization for the year	**(2,958,607)**	(42,687)
Deferred contributions recognized as other revenue	**(452,427)**	-
Balance, end of year	**43,359,699**	41,367,423

8. Flood reserve

During the year, Evergreen agreed with the City of Toronto (the "City") and TRCA to set aside and maintain during the term of the lease, separate from its operating funds, an amount of not less than $100,000 to be released and paid to the City and TRCA for cleanup and remediation of the leased premises in the event of default under the terms of the lease.

9. Invested in capital assets

Invested in capital assets consists of:

	2011	2010
	$	$
Capital assets, net book value (Note 4)	**52,017,902**	53,465,547
Deferred capital contributions (Note 7)	**(43,359,699)**	(41,367,423)
Construction holdbacks (Note 5)	**(246,696)**	(3,454,659)
Long-term debt	**(8,266,146)**	(8,363,771)
	145,361	279,694

The invested in capital assets balance of $145,361 (2010 - $279,694) consists of the net book value of the non Brick Works capital assets of $251,564 (2010 - $422,424), less the capital lease obligation of $106,203 (2010 - $142,730 (Note 6)). The invested in capital assets balance for the Brick Works Project is $Nil (2010 - $Nil), as the net book value has been fully funded by deferred capital contributions, construction holdbacks and long-term debt.

10. Commitments

	2012	2013
	$	$
Office space (Vancouver)	19,711	-
Office equipment	9,600	9,600
	29,311	9,600

The Vancouver Premises lease expires on September 30, 2012.

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. Measurement uncertainty

The Organization is currently awaiting a property tax assessment from the Municipal Property Assessment Corporation (MPAC). As the amount of the property tax expense is unknown and not quantifiable, an accrual has not been established in the financial statements.

14. Related party transactions

During the year, two employees loaned the Organization $150,000. The loans were non-interest bearing and were repaid within the year.

15. Comparative amounts

The 2010 amount for Project and event fees expense of $828,594 includes $138,926, which was shown separately as Planting material expense in the 2010 financial statements.