Financial statements of

Evergreen

December 31, 2012 and 2011

Evergreen

December 31, 2012 and 2011

Table of contents

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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 statements of financial position as at December 31, 2012, December 31, 2011, and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012, and December 31, 2011, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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.

We believe that the audit evidence we have obtained 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 revenue, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2012 and December 31, 2011, and current assets and net assets as December 31, 2012, December 31, 2011 and January 1, 2011.

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, 2012, December 31, 2011, and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012, and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 26, 2013

Evergreen
Statements of financial position
as at December 31, 2012, December 31, 2011, and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011 (Note 2)
	$	$	$
Assets			
Current assets			
Cash	**3,126,711**	3,841,013	1,734,427
Short-term investments	**667,374**	629,680	522,669
Accounts receivable (Note 4)	**1,401,507**	1,613,434	4,948,291
Prepaid expenses and other	**225,163**	217,356	104,384
	5,420,755	6,301,483	7,309,771
Long-term receivable (Note 4)	**-**	637,688	-
Capital assets (Note 5)	**49,158,283**	52,017,902	53,465,547
	54,579,038	58,957,073	60,775,318
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 6)	**757,222**	890,601	7,319,271
Deferred revenue	**2,863,165**	4,092,512	1,375,650
Current portion of long-term debt (Note 7)	**2,502,048**	1,931,280	61,028
	6,122,435	6,914,393	8,755,949
Deferred capital contributions (Note 8)	**41,898,653**	43,359,699	41,367,423
Long-term debt (Note 7)	**5,597,307**	7,925,423	9,761,702
	53,618,395	58,199,515	59,885,074
Net assets			
Invested in capital assets (Note 9)	**58,214**	145,361	279,694
General fund	**802,429**	512,197	610,550
Flood reserve (Note 10)	**100,000**	100,000	-
	960,643	757,558	890,244
	54,579,038	58,957,073	60,775,318

On behalf of the Board

_______________________ Anne Brace
Treasurer

_______________________ George Dark
Chair, Board of Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Evergreen
Statements of operations
years ended December 31, 2012 and 2011

	2012	2011 (Note 2)
	$	$
Revenue		
Corporate donations and sponsorships	**3,360,361**	3,367,075
Events and rentals	**2,576,377**	1,815,197
Government grants	**1,718,717**	1,510,031
Consulting and partnerships	**1,518,163**	1,130,652
Foundation grants	**714,467**	633,117
Product sales	**680,572**	471,338
Individual donations	**277,204**	154,993
Other (Note 8)	**269,281**	452,427
Donations-in-kind	**2,127**	146,413
	11,117,269	9,681,243
Amortization of deferred capital contributions (Note 8)	**3,266,180**	2,958,607
	14,383,449	12,639,850
Expenses		
Salaries and benefits	**5,466,928**	4,955,839
Amortization	**3,469,952**	3,155,759
Office and property	**1,566,868**	1,591,300
Contracts and support services	**1,418,880**	1,089,276
Project and event fees	**971,994**	733,538
Grants to schools and community groups	**959,016**	812,464
Communications and marketing	**242,047**	297,155
Travel and meetings	**84,679**	137,205
	14,180,364	12,772,536
Excess (deficiency) of revenue over expenses	**203,085**	(132,686)

The accompanying notes to the financial statements are an integral part of this financial statement.

Evergreen

Statements of changes in net assets
years ended December 31, 2012 and 2011

	2012				2011 (Note 2)			
	Invested in Capital Assets Fund (Note 10)	**General Fund**	**Flood Reserve**	**Total**	Invested in Capital Assets Fund (Note 10)	General Fund	Flood Reserve	Total
	$	**$**	**$**	**$**	$	$	$	$
Balance, beginning of year	**145,361**	**512,197**	**100,000**	**757,558**	279,694	610,550	-	890,244
Excess (deficiency) of revenue over expenses	**(203,772)**	**406,857**		**203,085**	(197,152)	64,466	-	(132,686)
Additions to capital assets	**610,333**	**(610,333)**	**-**	**-**	1,708,114	(1,708,114)	-	-
Transfer to flood reserve (Note 9)	**-**	**-**	**-**	**-**	-	(100,000)	100,000	-
Payment of construction holdbacks	**246,696**	**(246,696)**	**-**	**-**	3,207,963	(3,207,963)	-	-
Additions to deferred capital contributions	**(2,074,415)**	**2,074,415**	**-**	**-**	(5,403,310)	5,403,310	-	-
Repayment of long-term debt	**1,064,730**	**(1,064,730)**	**-**	**-**	97,625	(97,625)	-	-
Other reduction to deferred capital contributions (Note 8)	**269,281**	**(269,281)**	**-**	**-**	452,427	(452,427)	-	-
Balance, end of year	**58,214**	**802,429**	**100,000**	**960,643**	145,361	512,197	100,000	757,558

The accompanying notes to the financial statements are an integral part of this financial statement.

Evergreen
Statements of cash flows
year ended December 31, 2012

	2012	2011 (Note 2)
	$	$
Operating activities		
Excess of revenue over expenses (expenses over revenue)	**203,085**	(132,686)
Add (deduct) non-cash items		
Amortization of capital assets	**3,469,952**	3,155,759
Amortization of deferred capital contributions	**(3,266,180)**	(2,958,607)
Deferred capital contributions recognized as other revenue	**(269,281)**	(452,427)
Donations-in-kind revenue	**(2,127)**	(146,413)
Donated goods and services	**2,127**	146,413
	137,576	(387,961)
Add (deduct) changes in non-cash working capital balances		
Accounts receivable	**211,927**	3,334,857
Prepaid expenses and other	**(7,807)**	(112,972)
Accounts payable and accrued liabilities	**(133,379)**	(6,428,670)
Deferred revenue	**(1,229,347)**	2,716,862
	(1,021,030)	(877,884)
Investing activities		
Decrease (increase) in long-term receivable	**637,688**	(637,688)
Increase in short-term investments	**(37,694)**	(107,011)
Capital assets additions	**(610,333)**	(1,708,114)
Deferred capital contributions received	**2,074,415**	5,403,310
	2,064,076	2,950,497
Financing activities		
Repayment of long-term debt	**(1,757,348)**	(2,786,027)
Proceeds from long-term debt	**-**	2,820,000
	(1,757,348)	33,973
Net (decrease) increase in cash during the year	**(714,302)**	2,106,586
Cash, beginning of year	**3,841,013**	1,734,427
Cash, end of year	**3,126,711**	3,841,013

The accompanying notes to the financial statements are an integral part of this financial statement.

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 statement is inspiring action to green cities.

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 (the "City"), under a 21 year lease which expires on March 2, 2030.

2. Adoption of new accounting framework

During the year ended December 31, 2012, Evergreen adopted the new Canadian accounting standards for not-for profit organizations ("ASNPOs") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, "First-time adoption", ("Section 1501"), the date of transition to ASNPOs is January 1, 2011 and Evergreen has presented an opening statement of financial position as at that date. This opening statement of financial position is the starting point for Evergreen's accounting under ASNPOs. In its opening statement of financial position, under the recommendations of Section 1501, Evergreen:

i) recognized all assets and liabilities, the recognition of which is required by ASNPOs;

ii) did not recognize items as assets or liabilities if ASNPOs do not permit such recognition, and;

iii) applied ASNPOs in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented. Evergreen has not applied any of the exemptions available under Section 1501, as it has determined there is no financial impact on the financial statements.

The adoption of ASNPOs has no impact on the previously reported statement of financial position as at January 1, 2011 or on the previously reported statements of operations, changes in net assets, and cash flows for the year ended December 31, 2011. Consequentially, a reconciliation of previously reported items to those reporting using ASNPOs has not been prepared.

3. Significant accounting policies

These financial statements have been prepared by management in accordance with ASNPOs. The most significant accounting policies 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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

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.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when Evergreen becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. The cost of financial instruments proximate their fair value due to their short-term nature.

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, examining potential tenants financial viability, 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 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	17 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.

3. Significant accounting policies (continued)

Income taxes

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

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.

4. Accounts receivable

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

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Accounts and other receivables	**1,279,761**	1,443,101	3,498,237
Recoverable sales tax	**55,401**	81,492	1,387,445
Straight-line rent	**66,345**	88,841	62,609
	1,401,507	1,613,434	4,948,291

The long-term receivable of $637,888 as at December 31, 2011 consisted of the second half of a pledge from a Foundation, the first half of which was included in accounts and other receivables and was received subsequent to the 2011 year end. The second half of the pledge of $637,888 is included in the current year's Accounts and other receivable.

As at December 31, 2012, the amount of pledges receivable which is not reflected in these financial statements is as follows:

	$
2013	1,281,065
2014	2,241,100
2015	103,797
	3,625,962

5. Capital assets

Capital assets are comprised of the following:

			December 31, 2012
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Buildings and leaseholds	**54,166,148**	**(5,885,740)**	**48,280,408**
Furniture and fixtures	**924,488**	**(350,162)**	**574,326**
Computers and office equipment	**882,105**	**(634,796)**	**247,309**
Equipment under capital lease	**154,532**	**(128,777)**	**25,755**
Vehicles and property management equipment	**40,647**	**(10,162)**	**30,485**
	56,167,920	**(7,009,637)**	**49,158,283**

			December 31, 2011
	Cost	Accumulated amortization	Net book value
	$	$	$
Buildings and leaseholds	53,883,231	(2,828,328)	51,054,903
Furniture and fixtures	875,357	(171,678)	703,679
Computers and office equipment	603,821	(475,633)	128,188
Equipment under capital lease	154,532	(57,950)	96,582
Vehicles and property management equipment	40,647	(6,097)	34,550
	55,557,588	(3,539,686)	52,017,902

			January 1, 2011
	Cost	Accumulated amortization	Net book value
	$	$	$
Buildings and leaseholds	52,650,459	-	52,650,459
Furniture and fixtures	420,709	(42,071)	378,638
Computers and office equipment	583,126	(320,506)	262,620
Equipment under capital lease	154,532	(19,317)	135,215
Vehicles and property management equipment	40,647	(2,032)	38,615
	53,849,473	(383,926)	53,465,547

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Accounts payable and other	**754,777**	640,614	3,862,349
Construction holdbacks	**-**	246,696	3,454,659
Government remittances	**2,445**	3,291	2,263
	757,222	890,601	7,319,271

Included in Accounts payable and accrued liabilities is a liability of $50,000 (December 31, 2011 - $50,000; January 1, 2011 - $37,500) for paid leave to be taken during 2013 by a current employee, in accordance with his employment contract.

7. Long-term debt

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
i) Construction facilities	**7,173,932**	8,795,000	8,700,000
ii) Sustainable energy loan	**857,500**	955,500	980,000
iii) Obligation under capital lease	**67,923**	106,203	142,730
Total credit facilities	**8,099,355**	9,856,703	9,822,730
Less: current portion			
Construction facilities	**2,363,932**	1,795,000	-
Sustainable energy loan	**98,000**	98,000	24,500
Obligation under capital lease	**40,116**	38,280	36,528
Current portion of long-term debt	**2,502,048**	1,931,280	61,028
Long-term debt	**5,597,307**	7,925,423	9,761,702

Construction facilities are comprised of:

(a) $7.0 million credit facility from a Canadian chartered financial institution, bearing interest at Prime Rate of the Canadian chartered financial institution, and;

(b) $4.52 million credit facility from a Canadian chartered financial institution, bearing interest at Prime Rate of the Canadian chartered financial institution plus 1.25%.

On January 13, 2012, Evergreen renegotiated its credit facilities with a Canadian chartered financial institution. 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 a Canadian chartered financial institution; 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 2012, Evergreen incurred interest costs of $257,994 (2011 - $342,156) relating to the construction facilities.

7. Long-term debt (continued)

i) 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:

	$
2013	98,000
2014	98,000
2015	98,000
2016	98,000
2017	98,000
Thereafter	367,500
	857,500

The loan is secured against certain specific equipment of Evergreen.

ii) On September 3, 2010, Evergreen entered into a capital lease arrangement with a Canadian chartered financial institution. The lease has a four year term and payments are calculated on the four year lease base rate of the Canadian chartered financial institution. Minimum annual lease payments are as follows:

	$
2013	42,448
2014	28,298
	70,746
Less: amount representing interest	(2,823)
	67,923
Less: current portion	(40,116)
	27,807

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 $21.6 million from other donors.

Deferred capital contributions represent the unamortized amount of donations and grants received to date from 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:

	2012	2011
	$	$
Balance, beginning of year, January 1,	**43,359,699**	41,367,423
Capital contributions received during the year	**2,074,415**	5,403,310
Amortization for the year	**(3,266,180)**	(2,958,607)
Deferred capital contributions recognized as other revenue	**(269,281)**	(452,427)
Balance, end of year, December 31,	**41,898,653**	43,359,699

9. Invested in capital assets

Invested in capital assets consist of:

	December 31, 2012	December 31, 2011	January 1, 2011
	$	$	$
Capital assets, net book value (Note 5)	**49,158,283**	52,017,902	53,465,547
Deferred capital contributions (Note 8)	**(41,898,653)**	(43,359,699)	(41,367,423)
Construction holdbacks (Note 6)	**-**	(246,696)	(3,454,659)
Long-term debt used to purchase capital assets	**(7,201,416)**	(8,266,146)	(8,363,771)
	58,214	145,361	279,694

The invested in capital assets balance of $58,214 (December 31, 2011 - $145,361; January 1, 2011 - $279,694) consists of the net book value of the non Brick Works capital assets of $126,137 (December 31, 2011 - $251,564; January 1, 2011 - $422,424), less the capital lease obligation of $67,923 (December 31, 2011 - $106,203; January 1, 2011 - $142,730 - (Note 7)). The invested in capital assets balance for the Brick Works Project is $Nil (December 31, 2011 - $Nil; January 1, 2011 - $Nil), as the net book value has been fully funded by deferred capital contributions, construction holdbacks and long-term debt.

10. Flood reserve

During 2011, Evergreen agreed with 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 a flood.

11. Commitments

	2013	2014	2015	2016	2017	Thereafter
	$	$	$	$	$	$
Office equipment	14,916	14,916	14,916	3,729	-	-
Leased premises	25,000	5,000				
	39,916	19,916	14,916	3,729	-	-

12. 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 insurance coverage has a limit of $5,000,000 for the policy covered. 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.