

**Tree Canada/Arbres Canada
Financial Statements
For the Year Ended March 31, 2022**

Contents

Independent Auditor's Report	1 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10
Schedules	11 - 12



Tél./Tel: 613-237-9331
Télééc./Fax: 613-237-9779
www.bdo.ca

BDO Canada s.r.l./S.E.N.C.R.L./LLP
180 Kent Street
Suite 1700
Ottawa ON K1P 0B6 Canada

Independent Auditor's Report

To the board of directors of Tree Canada/Arbres Canada

Opinion

We have audited the financial statements of Tree Canada/Arbres Canada (the 'Organization'), which comprise the statement of financial position as at March 31, 2022, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Ontario
August 24, 2022

**Tree Canada/Arbres Canada
Statement of Financial Position**

March 31	Operating Fund	Restricted Fund	2022	2021
Assets				
Current				
Cash	\$ 5,658,457	\$ -	\$ 5,658,457	\$ 3,718,881
Temporary investments (Note 2)	1,931,000	-	1,931,000	611,151
Accounts receivable	530,544	9,838	540,382	39,438
Inventories	84,416	-	84,416	89,624
Prepaid expenses	66,421	-	66,421	135,869
	<u>8,270,838</u>	<u>9,838</u>	<u>8,280,676</u>	<u>4,594,963</u>
Long-term investments (Note 2)	353,537	-	353,537	1,359,660
Tangible capital assets (Note 3)	122,068	-	122,068	114,147
	<u>\$ 8,746,443</u>	<u>\$ 9,838</u>	<u>\$ 8,756,281</u>	<u>\$ 6,068,770</u>

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities	\$ 103,004	\$ 339,106	\$ 442,110	\$ 94,436
Interfund payable and receivable	<u>6,869,391</u>	<u>(6,869,391)</u>	<u>-</u>	<u>-</u>
	<u>6,972,395</u>	<u>(6,530,285)</u>	<u>442,110</u>	<u>94,436</u>

**Contractual obligations
(Note 5)**

Fund Balances

Invested in tangible capital assets	122,068	-	122,068	114,147
Restricted fund	-	6,540,123	6,540,123	4,369,486
Internally restricted (Note 4)	400,000	-	400,000	400,000
Unrestricted	<u>1,251,980</u>	<u>-</u>	<u>1,251,980</u>	<u>1,090,701</u>
	<u>1,774,048</u>	<u>6,540,123</u>	<u>8,314,171</u>	<u>5,974,334</u>
	<u>\$ 8,746,443</u>	<u>\$ 9,838</u>	<u>\$ 8,756,281</u>	<u>\$ 6,068,770</u>

On behalf of the Board:


Chair, Finance & Audit Committee


Director

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

Tree Canada/Arbres Canada
Statement of Operations and Changes in Fund Balances

For the year ended March 31	Operating Fund	Restricted Fund	2022	2021
Revenue				
Programs	\$ -	\$ 7,435,817	\$ 7,435,817	\$ 4,233,315
Donations	1,089,963	-	1,089,963	619,406
Sales	28,907	-	28,907	62,449
Investments	48,578	-	48,578	43,390
	<u>1,167,448</u>	<u>7,435,817</u>	<u>8,603,265</u>	<u>4,958,560</u>
Expenses				
Communication expenses (Schedule 1)	340,807	-	340,807	276,310
Fundraising expenses (Schedule 2)	513,546	-	513,546	393,235
General and administrative expenses (Schedule 3)	709,884	-	709,884	618,150
Program expenses (Schedule 4)	-	4,699,191	4,699,191	2,804,815
Admin fee transfer	(565,989)	565,989	-	-
	<u>998,248</u>	<u>5,265,180</u>	<u>6,263,428</u>	<u>4,092,510</u>
Excess of revenues over expenses	169,200	2,170,637	2,339,837	866,050
Fund balances beginning of year	1,604,848	4,369,486	5,974,334	5,108,284
Fund balances end of year	\$ 1,774,048	\$ 6,540,123	\$ 8,314,171	\$ 5,974,334

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

Tree Canada/Arbres Canada Statement of Cash Flows

For the year ended March 31	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 2,339,837	\$ 866,050
Items not affecting cash:		
Amortization of tangible capital assets	43,650	23,209
Loss on disposal of tangible capital assets	8,536	-
Unrealized income on investments	(21,341)	(16,994)
	<u>2,370,682</u>	<u>872,265</u>
Changes in non-cash working capital:		
Accounts receivable	(500,944)	5,457
Inventories	5,208	11,465
Prepaid expenses	69,448	(10,119)
Accounts payable and accrued liabilities	347,674	7,734
	<u>2,292,068</u>	<u>886,802</u>
Cash flows from investing activities		
Purchase of investments	(924,877)	(1,143,696)
Proceeds from investments	611,151	950,000
Purchase of tangible capital assets	(51,865)	(115,337)
Disposal of tangible capital assets	13,097	-
	<u>(352,494)</u>	<u>(309,033)</u>
Net increase in cash	1,939,574	577,769
Cash, beginning of the year	<u>3,718,883</u>	<u>3,141,114</u>
Cash, end of the year	\$ 5,658,457	\$ 3,718,883

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

Tree Canada/Arbres Canada Notes to Financial Statements

March 31, 2022

1 . Significant Accounting Policies

Nature and Purpose of Organization	<p>Tree Canada/Arbres Canada (the "Organization") is a registered charity incorporated without share capital and is exempt from income taxes under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors. The Organization was established to address the issue of global warming by encouraging Canadians to conserve, plant and maintain trees in urban and rural Canada. This has been achieved through the contributions of corporate sponsors, individual and the public sector.</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.</p>
Fund Accounting	<p>The Organization follows the restricted fund method of accounting for contributions.</p> <p>The Operating Fund accounts for the Organization's administrative activities. This fund reports unrestricted resources.</p> <p>Investment revenue comprises interest from cash, interest from fixed income investments and unrealized gains and losses on investments. Interest income is recorded when earned. Investment revenues are recorded in the Operating Fund and are unrestricted.</p> <p>Sales revenue is recognized in the Operating fund upon provision of the goods and services if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>The Restricted Fund reports only restricted resources that are to be used for tree planting programs.</p>
Revenue Recognition	<p>Restricted contributions are recognized as revenue in the Restricted Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. However, if no appropriate restricted fund is presented, then the restricted contribution is recognized as revenue of the Operating Fund in the year in which the related expenses are incurred.</p> <p>Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p>

Tree Canada/Arbres Canada Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Financial Instruments Financial Instruments are recorded at fair value at initial recognition.

In subsequent periods, equities traded in an active market are reported at fair value, with any change in fair value reported in income. All other financial instruments are reported at cost or amortized cost. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Inventories Inventories are valued at the lower of cost and net realizable value. The cost of supplies and finished products is established using the first in, first out method.

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization. Amortization based on the useful life of the asset is calculated as follows:

	Method	Rate
Computer hardware	Straight-line	3 years
Equipment	Straight-line	5 years
Furniture	Straight-line	5 years
Leasehold improvements	Straight-line	lease term
Software	Straight-line	4 years

Contributed Services and Materials Trees, services and volunteer time are contributed each year to assist the Organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services and materials are not recognized in the financial statements.

Tree Canada/Arbres Canada Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include the measurement of revenues, accounts receivable, accounts payable and accrued liabilities and deferred revenue. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

2. Investments

The Organization holds fixed income investments consisting of guaranteed investment certificates bearing interest at 0.70% to 2.43% (2021 - 1.12% to 2.80%) and mature between April 2022 to April 2023 (2021 - September 2022 to April 2023). The Organization's long-term investments also include common shares with a value of \$330 (2021 - \$660).

3. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$ 82,322	\$ 36,607	\$ 42,794	\$ 20,537
Equipment	1,930	1,074	1,930	688
Furniture	15,694	3,401	3,357	2,372
Leasehold improvements	7,068	707	20,165	10,082
Software	90,948	34,105	90,948	11,368
	197,962	75,894	159,194	45,047
		\$ 122,068		\$ 114,147

Tree Canada/Arbres Canada Notes to Financial Statements

March 31, 2022

4. Internal Restrictions on Net Assets

Included in the internal restrictions on the Operating Fund balance is an internal restriction of \$400,000 (2021 - \$400,000). The internal restriction represents contingency funds that would be used in the case of an unforeseen downturn in the Organization's revenues or some other financial contingency.

5. Contractual Obligations

The Organization entered into a lease agreement for its office premises. The lease was for a seven year term, commencing October 1, 2021 and ending January 31, 2029. The Organization has also entered in to information technology support contracts for starting January 4, 2021 and ending April 1, 2023

The future minimum lease payments, for rent, inclusive of any additional rental costs, and information technology support costs are as follows:

	Rent	IT Support	Total
2023	\$ 33,346	\$ 21,560	\$ 54,906
2024	44,462	-	44,462
	\$ 77,808	\$ 21,560	\$ 99,368

6. Financial Instruments

The Organization has a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The risks that arise from financial instruments include credit risk and interest rate risk.

Credit risk

Financial instruments potentially exposed to credit risk include cash, accounts receivable and investments. Management considers its exposure to credit risk over cash and investments to be remote as the Organization holds cash and investments at a major Canadian bank and financial institution. There has been no change in the credit risk exposure from the prior year.

Interest rate risk

The Organization is exposed to interest rate risk from fluctuations in interest rates depending on prevailing rates at renewal of investments. There have not been any changes in the risk from the prior year.

Tree Canada/Arbres Canada
Schedule 1 - Communication Expenses

For the year ended March 31	2022	2021
Annual impact report	\$ 2,796	\$ 4,957
Awards and programs	-	1,140
Branding	7,084	1,042
Education and resources	177	7,143
Marketing	4,634	5,758
Memberships	30	-
National Tree Day	18,367	-
Office support and software	1,351	77
Online presence	62,604	10,308
Public relations	29,769	43,843
Salaries and benefits	200,121	192,617
Staff development	2,852	-
Translation	11,022	9,425
	\$ 340,807	\$ 276,310

Tree Canada/Arbres Canada
Schedule 2 - Fundraising Expenses

For the year ended March 31	2022	2021
Cost of goods sold	\$ 12,844	\$ 23,203
Individual/corporate giving	72,622	410
Memberships	3,394	1,182
Merchant fees	26,971	27,859
Office support and software	-	208
Printing and postage	1,117	4,652
Salaries and benefits	384,399	292,818
Staff development	6,181	-
Subcontractor services	-	41,918
Translation	730	110
Travel	5,288	875
	\$ 513,546	\$ 393,235

Tree Canada/Arbres Canada
Schedule 3 - General and Administrative Expenses

For the year ended March 31	2022	2021
Amortization of tangible capital assets	\$ 43,650	\$ 23,209
Audit fees	18,781	19,548
Bank charges and interest	2,765	1,513
Computer leases and support	64,527	59,834
Courier and postage	1,358	838
Insurance	5,914	6,545
Legal fees	5,933	3,819
Loss on disposal of tangible capital assets	8,536	-
Memberships and subscriptions	252	440
Miscellaneous and moving expenses	13,182	2,687
Office supplies	1,130	1,045
Office support and software	7,454	5,922
Payroll costs	13,354	9,667
Printing	1,976	2,431
Professional fees	53,369	130
Rent	111,637	128,100
Rent - building maintenance	1,368	1,166
Salaries and benefits	241,104	260,973
Staff development	1,033	-
Subcontractor services	91,014	76,460
Telephone and internet	11,058	11,234
Translation	163	-
Travel - Advisor	-	1,952
Travel - Board	9,157	-
Travel - Staff	1,169	637
	<u>\$ 709,884</u>	<u>\$ 618,150</u>

Tree Canada/Arbres Canada
Schedule 4 - Program Expenses

For the year ended March 31	2022	2021
General program costs	\$ 43,420	\$ 40,234
Memberships	911	837
Office expenses	13,114	8,227
Other direct costs	324,062	3,177
Salaries and benefits	450,136	460,894
Staff development	4,233	3,574
Subcontractor fees	27,325	1,829
Travel	1,006	-
Tree planting costs	3,834,984	2,286,043
	<u>\$ 4,699,191</u>	<u>\$ 2,804,815</u>

