

**Tree Canada/Arbres Canada**  
**Financial Statements**  
**For the Year Ended March 31, 2024**

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## Independent Auditor's Report

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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, 2024, 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, 2024, 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.

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**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.

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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.

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## Tree Canada/Arbres Canada Statement of Financial Position

March 31	Operating Fund	Restricted Fund	2024	2023
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	\$10,078,269	\$ -	\$10,078,269	\$ 8,965,833
Short-term investments (Note 2)	1,306,007	-	1,306,007	654,009
Accounts receivable	165,569	3,075,116	3,240,685	289,791
Inventories	-	-	-	39,811
Prepaid expenses	145,546	-	145,546	199,830
	11,695,391	3,075,116	14,770,507	10,149,274
Long-term investments (Note 2)	630,414	-	630,414	1,296,726
Tangible capital assets (Note 3)	41,457	-	41,457	77,366
	\$12,367,262	\$ 3,075,116	\$15,442,378	\$ 11,523,366
<b>Liabilities and Fund Balances</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	\$ 213,830	\$ 1,385,722	\$ 1,599,552	\$ 216,281
Interfund payable (receivable)	9,941,242	(9,941,242)	-	-
	10,155,072	(8,555,520)	1,599,552	216,281
<b>Contractual obligations (Note 5)</b>				
<b>Fund Balances</b>				
Invested in tangible capital assets	41,457	-	41,457	77,366
Externally restricted	-	11,630,636	11,630,636	9,366,092
Internally restricted (Note 4)	650,000	-	650,000	400,000
Unrestricted	1,520,733	-	1,520,733	1,463,627
	2,212,190	11,630,636	13,842,826	11,307,085
	\$12,367,262	\$ 3,075,116	\$15,442,378	\$ 11,523,366

On behalf of the Board:

Bill Knight Chair, Finance & Audit Committee

Scott D'Cunha 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	2024	2023
<b>Revenue</b>				
Programs	\$ -	\$ 12,538,091	\$ 12,538,091	\$ 9,631,804
Donations	1,626,658	-	1,626,658	1,116,835
Investment income	146,747	-	146,747	40,703
Sales	416	-	416	6,916
	<u>1,773,821</u>	<u>12,538,091</u>	<u>14,311,912</u>	<u>10,796,258</u>
<b>Expenses</b>				
Communication expenses	640,988	-	640,988	436,758
Fundraising expenses	998,182	-	998,182	802,467
General and administrative expenses	1,010,775	-	1,010,775	710,845
Program expenses	-	9,126,226	9,126,226	5,853,274
Administrative fee (recovery)	(1,147,321)	1,147,321	-	-
	<u>1,502,624</u>	<u>10,273,547</u>	<u>11,776,171</u>	<u>7,803,344</u>
<b>Excess of revenues over expenses</b>	<u>271,197</u>	<u>2,264,544</u>	<u>2,535,741</u>	<u>2,992,914</u>
<b>Fund balances beginning of year</b>	<u>1,940,993</u>	<u>9,366,092</u>	<u>11,307,085</u>	<u>8,314,171</u>
<b>Fund balances end of year</b>	<u>\$ 2,212,190</u>	<u>\$ 11,630,636</u>	<u>\$ 13,842,826</u>	<u>\$ 11,307,085</u>

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	2024	2023
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 2,535,741	\$ 2,992,914
Items not affecting cash:		
Amortization of tangible capital assets	47,972	50,169
Unrealized (gain) loss on investments	(107,132)	230
	<u>2,476,581</u>	<u>3,043,313</u>
Changes in non-cash working capital:		
Accounts receivable	(2,950,892)	250,590
Inventories	39,811	44,605
Prepaid expenses	54,284	(133,409)
Accounts payable and accrued liabilities	1,383,269	(225,828)
	<u>1,003,053</u>	<u>2,979,271</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(535,686)	(1,700,075)
Proceeds of disposal of investments	657,132	2,033,647
Purchase of tangible capital assets	(12,063)	(5,467)
	<u>109,383</u>	<u>328,105</u>
<b>Net increase in cash</b>	<b>1,112,436</b>	<b>3,307,376</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>8,965,833</b>	<b>5,658,457</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$10,078,269</b>	<b>\$ 8,965,833</b>

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

## Tree Canada/Arbres Canada Notes to Financial Statements

March 31, 2024

### 1 . Significant Accounting Policies

<b>Nature and Purpose of Organization</b>	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.
<b>Basis of Accounting</b>	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
<b>Fund Accounting</b>	<p>The Operating Fund accounts for the Organization's administrative activities. This fund reports unrestricted resources.</p> <p>Investment revenue comprises interest from cash, 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>
<b>Revenue Recognition</b>	<p>The Organization follows the restricted fund method of accounting for contributions.</p> <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, 2024

#### 1. Significant Accounting Policies (continued)

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

In subsequent periods, investments are recorded at the fair value, with any change in fair value reported in the statement of operations. 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 the statement of operations. 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 the statement of operations.

**Cash and Cash Equivalents** Cash and cash equivalents consist of cash on hand and money market instruments, and term deposits that are readily convertible to cash on short notice.

**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, 2024

### 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. 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 and bearing interest at rates between 3.80% to 5.05% (2023 - 1.85% to 5.07%) and mature between June 2024 and December 2025 (2023 - April 2023 and December 2025).

### 3. Tangible Capital Assets

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$ 95,560	\$ 79,763	\$ 87,789	\$ 59,405
Equipment	6,222	2,221	1,930	1,460
Furniture	15,694	8,938	15,694	6,236
Leasehold improvements	7,068	3,534	7,068	2,120
Software	90,948	79,579	90,948	56,842
	215,492	174,035	203,429	126,063
Net carrying amount	\$ 41,457		\$ 77,366	

## Tree Canada/Arbres Canada

### Notes to Financial Statements

March 31, 2024

#### 4. Internally Restricted Fund Balance

As at March 31, 2024, the Internally Restricted Fund of the Operating Fund has a balance of \$650,000 (2023 - \$400,000), which consists of a contingency reserve of \$400,000 (2023 - \$400,000), and a winddown reserve of \$250,000 (2023 - \$nil). The contingency reserve can be used in the case of an unforeseen downturn in the Organization's revenues or some other financial contingencies. The winddown reserve can be used for operational expenses and any other liabilities the Organization could incur upon winddown. During the year, the board approved a transfer of \$250,000 from the Unrestricted Fund to a Winddown Reserve Fund.

#### 5. Contractual Obligations

The Organization entered into a lease agreement for its office premises. The lease started in October 2021 and ends in January 2029. The Organization has also entered into information technology support contracts started in April 2023 and end in May 2025.

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
2025	\$ 81,592	\$ 34,619	\$ 116,211
2026	81,624	3,147	84,771
2027	81,656	-	81,656
2028	81,690	-	81,690
2029	68,104	-	68,104
	<u>\$ 394,666</u>	<u>\$ 37,766</u>	<u>\$ 432,432</u>

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## Tree Canada/Arbres Canada Notes to Financial Statements

March 31, 2024

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### 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, interest rate risk, and currency risk.

#### Credit risk

Financial instruments potentially exposed to credit risk include cash and accounts receivable. The Organization provides credit to its clients in the normal course of its operations, reviews the outstanding accounts receivable aging listing on a regular basis and will set up an appropriate allowance for doubtful accounts when needed. The Organization is also exposed to credit risk as amount of cash held at each financial institution exceeds the coverage of the Canada Deposit Insurance Corporation (CDIC). There has been no change in the credit risk exposure from the prior year. Management considers its exposure to credit risk over cash to be remote as the Organization holds its cash at Canadian chartered banks.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed financial instruments. Fixed-interest instruments subject the to a fair value risk while the floating rate instruments subject it to a cash flow risk. There have not been any changes in the risk from the prior year.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some investments are exposed to foreign exchange fluctuations. As at year end, investment balances of \$496,726 (2023 - \$nil) is denominated in US dollars and converted into Canadian dollars. There has been an increase in currency risk due to the higher amount of investment denominated in foreign currency.

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