

Financial Statements of

TREES ONTARIO

Year ended March 31, 2009



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AUDITORS' REPORT

To the Board of Trustees of Trees Ontario

We have audited the statement of financial position of Trees Ontario as at March 31, 2009 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for March 31, 2008 were audited by another firm of chartered accountants.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

May 29, 2009

TREES ONTARIO

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

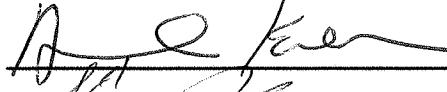
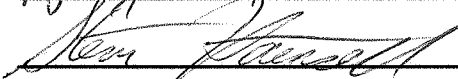
	2009	2008
Assets		
Current assets:		
Cash	\$ 81,164	\$ 1,833,225
Accrued interest	15,837	14,592
Program receivables (note 6)	3,324,297	29,411
Inventory	82,388	55,257
Prepaid	2,730	18,290
	<u>3,506,416</u>	<u>1,950,775</u>
Investments (notes 2 and 3)	2,573,054	1,003,711
Capital assets (note 4)	7,380	9,989
	<u>\$ 6,086,850</u>	<u>\$ 2,964,475</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 128,362	\$ 129,098
Program accruals (note 5)	2,609,682	-
Deferred revenue (note 6)	2,897,749	2,683,889
	<u>5,635,793</u>	<u>2,812,987</u>
Long-term program accruals (note 6)	72,849	-
Net assets:		
Unrestricted	370,828	141,499
Invested in capital assets	7,380	9,989
	<u>378,208</u>	<u>151,488</u>
	<u>\$ 6,086,850</u>	<u>\$ 2,964,475</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

TREES ONTARIO

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Grants:		
Provincial	\$ 5,577,927	\$ 1,864,565
Not-for-profit organizations	130,111	3,620
Donations	528,067	50,956
Other	4,131	359
Investment income	168,587	34
Unrealized net gains on investments (note 2)	14,218	—
	<u>6,423,041</u>	<u>1,919,534</u>
Expenses:		
Programs	4,954,393	891,714
Communications	438,548	340,868
Fundraising	158,942	170,518
General and administrative	144,131	72,329
Human resources	462,037	359,445
Professional fees	44,633	48,714
Travel and meetings	26,242	26,975
Trustee	6,092	5,382
Amortization	2,609	3,589
	<u>6,237,627</u>	<u>1,919,534</u>
Excess of revenue over expenses	<u>\$ 185,414</u>	<u>\$ —</u>

See accompanying notes to financial statements.

TREES ONTARIO

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

			2009	2008
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	\$ 9,989	\$ 141,499	\$ 151,488	\$ 151,488
Excess (deficiency) of revenue over expenses	(2,609)	188,023	185,414	--
Change in accounting policy - net unrealized investment gains (note 2)	--	41,306	41,306	--
Net assets, end of year	\$ 7,380	\$ 370,828	\$ 378,208	\$ 151,488

See accompanying notes to financial statements.

TREES ONTARIO

Notes to Financial Statements

Year ended March 31, 2009

Trees Ontario (the "Organization") was established to receive and maintain a fund or funds and to apply funds to support the implementation of tree-establishment projects by organizations with similar objectives in the Province of Ontario. The Organization was incorporated as Trees Ontario Foundation on March 22, 1994 under the Ontario Corporations Act as a non-profit organization without share capital. The name was changed to Trees Ontario in the prior year to better reflect the Organization's planning and coordinating role with its tree-planting partners.

The Organization is a registered charity within the meaning of the Income Tax Act (Canada). It is exempt from income taxes and may issue receipts to donors for income tax purposes.

1. Significant accounting policies:

The financial statements of the Organization have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Investment income is recognized when the income has been earned.

(b) Investments:

Investments are classified as held-for-trading and stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of operations as unrealized net gains on investments.

Fair values of the investments are determined using the last quoted bid prices (note 3). Where quoted bid prices are not available, estimated fair values are calculated using comparable securities. Transaction costs are expensed as incurred.

The Organization does not enter into any derivative financial instruments for speculative purposes.

TREES ONTARIO

Notes to Financial Statements (continued)

Year ended March 31, 2009

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at acquisition cost. Amortization is provided on the declining-balance basis over the estimated useful lives of the assets at the following annual rates:

Telephone system	20%
Computers	30%

(d) Change in future accounting standards:

The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations - Recent amendments to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirement with respect to various elements of financial statement presentation. These amendments include:

- (i) reporting certain revenue at its gross amount in the statement of operations;
- (ii) the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets; and
- (iii) when a not-for-profit organization classifies its expenses by function and allocates some of its general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from general support costs to other functions.

The new standard applies to financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization is evaluating the impact of the amendments on its financial statements.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and 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 year. Actual results could differ from those estimates.

TREES ONTARIO

Notes to Financial Statements (continued)

Year ended March 31, 2009

2. Change in accounting policy:

Effective April 1, 2008, the Organization adopted CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Organization has designated all of its investments as held-for-trading and carries them at fair value.

The impact of this change is to adjust unrestricted net assets as at April 1, 2008 for the net unrealized gains on investments of \$41,306 and to recognize as revenue in the current year unrealized net gains of \$14,218.

The change has been applied on a retroactive basis without restatement. The 2008 investments are stated at carrying value.

3. Investments:

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	\$ 1,503,791	\$ 1,503,791	\$ 1,003,711	\$ 1,045,017
Canadian fixed income	1,013,739	1,069,263	–	–
	<u>\$ 2,517,530</u>	<u>\$ 2,573,054</u>	<u>\$ 1,003,711</u>	<u>\$ 1,045,017</u>

The fixed income securities bear a yield to maturity range of 4.0% to 6.1% (2008 - 4.0% to 6.1%) with maturity dates ranging from three years to nine years (2008 - three years to nine years).

(a) Market and credit risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions and developments within the specific companies or governments that issued the securities.

TREES ONTARIO

Notes to Financial Statements (continued)

Year ended March 31, 2009

3. Investments (continued):

(b) Interest rate risk:

The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities.

(c) Foreign currency risk:

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

4. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Telephone system	\$ 6,705	\$ 3,604	\$ 3,101	\$ 3,876
Computers	11,821	7,542	4,279	6,113
	<u>\$ 18,526</u>	<u>\$ 11,146</u>	<u>\$ 7,380</u>	<u>\$ 9,989</u>

5. Planting commitments:

The Organization has entered into planting commitments of \$2,276,526 for the 2009/2010 fiscal year related to the 50 Million Trees Program.

TREES ONTARIO

Notes to Financial Statements (continued)

Year ended March 31, 2009

6. Deferred revenue:

Deferred revenue represents unspent monies that have been externally restricted for various planting programs received in the current year that are related to a subsequent year. Changes in the balances are noted below:

	2009				2008	
	50 Million Trees Program	Trees Ontario Program	Ontario Trillium Foundation	Oak Ridges Moraine Foundation	Total	Total
Balance, beginning of year	\$ 625,931	\$ 2,030,112	\$ -	\$ 27,846	\$ 2,683,889	\$ 1,447,443
Amount received or receivable relating to the program ^(a)	5,929,610	492,091	240,099	64,259	6,726,059	2,995,500
Amount recognized as expenses in the year ^(b)	(4,736,166)	(1,705,744)	(79,714)	(13,875)	(6,535,499)	(1,864,565)
Net investment income ^(c)	23,300	-	-	-	23,300	105,511
Balance, end of year	\$ 1,842,675	\$ 816,459	\$ 160,385	\$ 78,230	\$ 2,897,749	\$ 2,683,889

^(a) Represents amounts received in the current year related to funding contracts and accrued receivables for payments to be received in future.

^(b) Represents expenditures paid during the year and accrued commitments.

^(c) Represents deferred investment income earned on program funds.

TREES ONTARIO

Notes to Financial Statements (continued)

Year ended March 31, 2009

6. Deferred revenue (continued):

The Minister of Natural Resources ("MNR") has established the 50 Million Trees Program to regreen Ontario.

MNR has entered into an agreement with the Organization on September 1, 2007 to support this program by funding the Organization for the purpose of facilitating the planting of native trees on private and public lands as well as conducting a communications, public education and outreach program.

The agreement, which expires on April 30, 2009, provides for total funding of \$3,830,000, of which \$2,872,000 (2008 - \$958,000) was received in the current year.

During the year, the agreement was amended with a new expiry date of March 31, 2010. The amended agreement provides for additional funding of \$3,063,600, of which \$2,144,520 will be received in the next year, and the remainder in the year ending March 31, 2011.