

Financial Statements of

FORESTS ONTARIO

And Independent Auditor's Report thereon

Year ended September 30, 2024

**KPMG LLP**

Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada
Telephone 905 265 5900
Fax 905 265 6390

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Forests Ontario

Opinion

We have audited the financial statements of Forests Ontario (the Entity), which comprise:

- the statement of financial position as at September 30, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2024, and its results of operations and its 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 auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Entity'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 Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

January 27, 2025

FORESTS ONTARIO

Statement of Financial Position

September 30, 2024, with comparative information for 2023

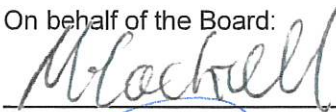
	2024	2023
Assets		
Current assets:		
Cash	\$ 6,373,712	\$ 3,656,536
Short-term investments (note 2)	32,000	33,000
Program and other receivables	264,282	1,771,807
Inventory (note 3)	447,512	429,492
Prepaid expenses	1,239	8,246
	<u>7,118,745</u>	<u>5,899,081</u>
Investments (note 2)	191,600	203,650
Capital assets and intangible assets (note 4)	73,214	53,629
	<u>\$ 7,383,559</u>	<u>\$ 6,156,360</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,864,004	\$ 2,167,114
Deferred revenue (notes 5 and 6)	2,950,545	1,880,368
	<u>4,814,549</u>	<u>4,047,482</u>
Net assets:		
Invested in capital assets	73,214	53,629
Internally restricted (note 7)	799,060	704,999
Unrestricted	1,696,736	1,350,250
	<u>2,569,010</u>	<u>2,108,878</u>
Commitments (note 8)		
Economic dependence (note 9)		
	<u>\$ 7,383,559</u>	<u>\$ 6,156,360</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

FORESTS ONTARIO

Statement of Operations

Year ended September 30, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Grants:		
Federal	\$ 7,401,553	\$ 7,114,290
Provincial	1,022,835	2,922,151
Not-for-profit organizations	2,620,366	618,577
Donations and sponsorships	654,805	636,559
Other (note 3)	348,865	410,555
Investment income	58,886	6,816
Unrealized gain on investments	17,077	—
	12,124,387	11,708,948
Expenses:		
Programs	8,203,794	8,284,696
Human resources	2,280,451	1,807,594
Communications	595,305	566,132
General and administrative	240,896	246,809
Professional fees	189,252	197,302
Fundraising	104,273	88,424
Amortization	13,936	40,201
Cost of seeds sold	18,588	29,509
Trustee	17,760	9,348
Unrealized loss on investments	—	6,879
	11,664,255	11,276,894
Excess of revenue over expenses	\$ 460,132	\$ 432,054

See accompanying notes to financial statements.

FORESTS ONTARIO

Statement of Changes in Net Assets

Year ended September 30, 2024, with comparative information for 2023

	2024			2023	
	Invested in capital assets	Internally restricted (note 7)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 53,629	\$ 704,999	\$ 1,350,250	\$ 2,108,878	\$ 1,676,824
Excess (deficiency) of revenue over expenses	(13,936)	–	474,068	460,132	432,054
Additions to capital assets and intangible assets	33,521	–	(33,521)	–	–
Interfund transfer (note 7)	–	94,061	(94,061)	–	–
Net assets, end of year	\$ 73,214	\$ 799,060	\$ 1,696,736	\$ 2,569,010	\$ 2,108,878

See accompanying notes to financial statements.

FORESTS ONTARIO

Statement of Cash Flows

Year ended September 30, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 460,132	\$ 432,054
Items not involving cash:		
Amortization	13,936	40,201
Unrealized loss (gain) on investments	(17,077)	6,879
Change in non-cash operating working capital:		
Program and other receivables	1,507,525	(955,151)
Inventory	(18,020)	(4,367)
Prepaid expenses	7,007	(623)
Accounts payable and accrued liabilities	(303,110)	701,978
Deferred revenue	1,070,177	447,286
	2,720,570	668,257
Financing activities:		
Long-term accounts payable	—	(39,507)
Investing activities:		
Investments, net	30,127	(6,545)
Additions to capital assets and intangible assets	(33,521)	(40,135)
	(3,394)	(46,680)
Increase in cash	2,717,176	582,070
Cash, beginning of year	3,656,536	3,074,466
Cash, end of year	\$ 6,373,712	\$ 3,656,536

See accompanying notes to financial statements.

FORESTS ONTARIO

Notes to Financial Statements

Year ended September 30, 2024

Forests 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. The Organization was incorporated as Trees Ontario Foundation on March 22, 1994 under the Corporations Act (Ontario) as a not-for-profit organization without share capital. In 2016, the Organization legally changed its name to Forests Ontario.

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.

Subsequent to year end, on October 1, 2024, the membership of Forests Ontario voted to change its name to Forests Canada and move the Organization to a federal jurisdiction. Forests Canada was continued under the Canada Not-for-profit Corporations Act on October 28, 2024.

1. Significant accounting policies:

The financial statements of the Organization have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(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. Investment income is recognized when the income has been earned.

(b) Financial instruments:

The Organization initially measures its financial assets and financial liabilities at fair value and subsequently measures all of its financial liabilities at amortized cost.

Financial assets measured at fair value include cash, program and other receivables and investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

FORESTS ONTARIO

Notes to Financial Statements (continued)

Year ended September 30, 2024

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

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

(c) Capital assets and intangible assets:

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. Intangible assets consist of website costs, and are recorded at cost less accumulated amortization.

Amortization is provided over the estimated useful lives of the assets at the following annual rates:

Telephone system	20% declining balance
Computers	30% declining balance
Office equipment	20% declining balance
Website	3 years straight line

Capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital assets and intangibles are less than their net carrying amounts.

FORESTS ONTARIO

Notes to Financial Statements (continued)

Year ended September 30, 2024

1. Significant accounting policies (continued):

(d) Inventory:

Inventory consists of harvested seeds for consumption in meeting the goals of the Organization's mandate and donated inventory for the purpose of resale to third parties. Inventory is recorded on the statement of financial position at the lower of cost or net realizable value. The cost of inventory is determined on a weighted average cost basis. Donated inventory for resale is initially recognized at fair value (note 1(e)) and subsequently measured at the lower of carrying value or net realizable value. Cost of donated seeds sold includes all cost of inventory recognized as expense in the year.

(e) Contributed materials and services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

Contributed materials are recognized as revenue when received, and when fair value can be reasonably estimated, when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased.

(f) 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.

FORESTS ONTARIO

Notes to Financial Statements (continued)

Year ended September 30, 2024

2. Investments:

The short-term investments of \$32,000 (2023 - \$33,000) and long-term investments of \$191,600 (2023 - \$203,650) comprise:

	2024	2023
Canadian fixed income (short-term)	\$ 32,000	\$ 33,000
Canadian fixed income (long-term)	191,600	203,650
	<u>\$ 223,600</u>	<u>\$ 236,650</u>

The short-term fixed income securities bear a yield to maturity of 2.25% (2023 -3.5%).

The long-term fixed income securities bear a yield to maturity ranging from 2.15% to 3.60% (2023 - 2.10% to 3.60%) with maturity dates ranging from June 2026 to September 2033 (2023 - June 2025 to September 2033).

3. Inventory:

Inventory comprises harvested and donated seeds.

Included in other revenue is \$140,399 (2023 - \$108,053) of seed sales during the year.

4. Capital assets and intangible assets:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Telephone system	\$ —	\$ —	\$ —	\$ 127
Computers	53,399	30,315	23,084	29,817
Office equipment	28,199	23,110	5,089	6,361
Website	51,970	6,929	45,041	17,324
	<u>\$ 133,568</u>	<u>\$ 60,354</u>	<u>\$ 73,214</u>	<u>\$ 53,629</u>

FORESTS ONTARIO

Notes to Financial Statements (continued)

Year ended September 30, 2024

5. Planting commitments:

(a) The 50 Million Tree Program was established to work with planting partners and landowners to plant trees to increase forest cover and connect existing forests in Ontario, and promote tree planting, forest stewardship and forestry. As at September 30, 2024, the Organization has a deferred revenue balance of \$460,417 (2023 - \$540,051) from funding received from the Ministry of Natural Resources and Forestry to continue to deliver the Organization's 50 Million Tree Program.

(b) On August 30, 2022, the Organization and Natural Resources Canada ("NRCan") executed a new four-year agreement to continue to support the program for the period from April 1, 2022 to March 31, 2026. Total program commitments for the agreement are \$12,731,538. On August 1, 2023, the Organization and NRCan executed a new eight-year agreement to continue to support the program for the period from April 1, 2023 to March 31, 2031. Total program commitments for the agreement are \$61,559,850.

As at September 30, 2024, planting contracts of \$157,215 (2023 - \$68,632) are included in accounts payable and accrued liabilities.

Accounts payable and accrued liabilities also include general trade amounts of \$1,702,149 (2023 - \$1,504,809) and the stock development fund of nil (2023 - \$593,673).

FORESTS ONTARIO

Notes to Financial Statements (continued)

Year ended September 30, 2024

6. Deferred revenue:

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

	2024										2023									
	50 Million																			
	HUB Federal	Trees Survival Assessment Fund	2 Billion Trees Federal	FRC Planting Program	Grasslands	OBS	Forest Ontario Event Programs	Miller Memorial Fund	McDougal Fund	OPFF Fund	Aware	Community Tree Plant	ITAF/FAI	ENVIRO	Total	Total	Total	Total	Total	Total
Balance, beginning of year	\$ -	\$ 540,051	\$ -	\$ 987,632	\$ 54,255	\$ 11,281	\$ 58,880	\$ 5,535	\$ 7,478	\$ 6,161	\$ 4,995	\$ 189,100	\$ 5,000	\$ 10,000	\$ 1,880,368	\$ 1,433,082				
Amount received or receivable relating to the program ^(a)	626,750	-	8,116,173	1,975,830	170,415	-	244,346	-	600	-	122,281	200,000	50,000	156,950	11,663,345	10,317,887				
Amount recognized as expenses in the year ^(b)	(351,377)	(79,634)	(6,909,092)	(2,510,785)	(164,656)	(9,682)	(141,716)	(1,000)	-	-	(124,776)	(130,000)	(55,000)	(115,450)	(10,593,168)	(9,870,601)				
Balance, end of year	\$ 275,373	\$ 460,417	\$ 1,207,081	\$ 452,677	\$ 60,014	\$ 1,599	\$ 161,510	\$ 4,535	\$ 8,078	\$ 6,161	\$ 2,500	\$ 259,100	\$ -	\$ 51,500	\$ 2,850,545	\$ 1,880,368				

^(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 expenditures.

FORESTS ONTARIO

Notes to Financial Statements (continued)

Year ended September 30, 2024

7. Internally restricted net assets:

Internally restricted net assets consist of the following:

	2024	2023
Future Operations	\$ 595,060	\$ 600,000
Seed Plant	204,000	104,999
	<u>\$ 799,060</u>	<u>\$ 704,999</u>

Internally restricted net assets are funds restricted by the Board of Directors and only available for use as directed by the Board of Directors. The Future Operations fund was created for financial stability in the event of unforeseen events, adverse financial conditions, and temporary cash flow fluctuations. During 2024, the Board of Directors approved a transfer of nil (2023 - \$250,525) from the unrestricted fund to the internally restricted Future Operations fund and a transfer of \$4,940 from the internally restricted Future Operations fund to the unrestricted fund. In 2023, the Board of Directors created an internally restricted fund specifically for Seed Plant operations. In 2024, the Board of Directors approved a transfer of \$99,001 (2023 - \$104,999) to the Seed Plant fund.

8. Commitments:

The Organization has the following commitments under operating leases:

2025	\$ 31,000
2026	28,000
	<u>\$ 59,000</u>

9. Economic dependence:

The Organization receives 69% (2023 - 86%) of its revenue from various ministries within the federal and provincial government. Currently the Organization's ability to deliver on planting programs is dependent on the continuance of support from these larger funding sources.

FORESTS ONTARIO

Notes to Financial Statements (continued)

Year ended September 30, 2024

10. Risk management:

Financial risks:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Organization believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments. There has been no change to the risk exposures from 2023.