

Financial Statements of

EVERGREEN

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Directors of Evergreen

Opinion

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

- the statement of financial position as at December 31, 2018
- the statement of operations and changes in fund balances 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 December 31, 2018, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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.

Auditors' 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 auditors' 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.



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- 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 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 auditors' 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 auditors' 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 15, 2019

EVERGREEN

Statement of Financial Position

December 31, 2018, with comparative information for 2017

| | 2018 | | | | | 2017 | | | | |
|---|--------------|---|---|---------------------|---------------|--------------|---|---|---------------------|---------------|
| | General Fund | Evergreen Brick Works Capital Assets Fund | TD Future Cities Centre Capital Assets Fund | Capital Assets Fund | Total | General Fund | Evergreen Brick Works Capital Assets Fund | TD Future Cities Centre Capital Assets Fund | Capital Assets Fund | Total |
| Assets | | | | | | | | | | |
| Current assets: | | | | | | | | | | |
| Cash | \$ 1,029,046 | \$ - | \$ 3,339,760 | \$ - | \$ 4,368,806 | \$ 785,998 | \$ - | \$ 3,389,009 | \$ - | \$ 4,175,007 |
| Short-term investments | 122,100 | - | - | - | 122,100 | 121,622 | - | - | - | 121,622 |
| Accounts and pledges receivable (note 3) | 2,365,014 | - | 905,000 | - | 3,270,014 | 1,796,752 | - | - | - | 1,796,752 |
| Prepaid expenses and other | 422,591 | - | - | - | 422,591 | 574,314 | - | - | - | 574,314 |
| | 3,938,751 | - | 4,244,760 | - | 8,183,511 | 3,278,686 | - | 3,389,009 | - | 6,667,695 |
| Pledges receivable (note 3) | - | - | 875,000 | - | 875,000 | - | - | - | - | - |
| Capital assets (note 4) | - | 30,491,510 | 15,683,492 | 1,286,949 | 47,461,951 | - | 33,266,994 | 5,546,050 | 1,781,220 | 40,594,264 |
| | \$ 3,938,751 | \$ 30,491,510 | \$ 20,803,252 | \$ 1,286,949 | \$ 56,520,462 | \$ 3,278,686 | \$ 33,266,994 | \$ 8,935,059 | \$ 1,781,220 | \$ 47,261,959 |
| Liabilities | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable and accrued liabilities (note 5) | \$ 2,587,388 | \$ - | \$ 2,312,598 | \$ - | \$ 4,899,986 | \$ 1,604,122 | \$ - | \$ 1,261,681 | \$ - | \$ 2,865,803 |
| Deferred revenue | 1,178,903 | - | 820,964 | - | 1,999,867 | 1,503,104 | - | 2,127,328 | - | 3,630,432 |
| Current portion of long-term debt (note 6) | - | 614,000 | 1,041,404 | 58,453 | 1,713,857 | - | 614,000 | - | 69,104 | 683,104 |
| | 3,766,291 | 614,000 | 4,174,966 | 58,453 | 8,613,710 | 3,107,226 | 614,000 | 3,389,009 | 69,104 | 7,179,339 |
| Deferred capital contributions (note 7) | - | 29,227,968 | 15,559,279 | 445,487 | 45,232,734 | - | 31,888,936 | 5,546,050 | 758,855 | 38,193,841 |
| Long-term debt (note 6) | - | 1,891,500 | 1,069,007 | 113,767 | 3,074,274 | - | 2,505,500 | - | 172,213 | 2,677,713 |
| Fund balances (note 8) | 172,460 | (1,241,958) | - | 669,242 | (400,256) | 171,460 | (1,741,442) | - | 781,048 | (788,934) |
| Commitments (note 9) | | | | | | | | | | |
| | \$ 3,938,751 | \$ 30,491,510 | \$ 20,803,252 | \$ 1,286,949 | \$ 56,520,462 | \$ 3,278,686 | \$ 33,266,994 | \$ 8,935,059 | \$ 1,781,220 | \$ 47,261,959 |

See accompanying notes to financial statements.

On behalf of the Board:



Anne Brace, Treasurer



Helen Burstyn, Chair, Board of Directors

EVERGREEN

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

| | 2018 | | | | | 2017 | | | | |
|---|----------------|-----------------------------------|---|---------------------|----------------|----------------|-----------------------------------|---|---------------------|----------------|
| | General Fund | Evergreen Brick Works Assets Fund | TD Future Cities Centre Capital Assets Fund | Capital Assets Fund | Total | General Fund | Evergreen Brick Works Assets Fund | TD Future Cities Centre Capital Assets Fund | Capital Assets Fund | Total |
| Revenue: | | | | | | | | | | |
| Donations, grants and sponsorships | \$ 7,501,065 | \$ - | \$ - | \$ - | \$ 7,501,065 | \$ 6,470,137 | \$ - | \$ - | \$ - | \$ 6,470,137 |
| Program services and fees | 11,127,171 | - | - | - | 11,127,171 | 10,362,994 | - | - | - | 10,362,994 |
| | 18,628,236 | - | - | - | 18,628,236 | 16,833,131 | - | - | - | 16,833,131 |
| Amortization of deferred capital contributions (note 7) | - | 2,660,968 | - | 472,618 | 3,133,586 | - | 2,660,968 | - | 514,024 | 3,174,992 |
| | 18,628,236 | 2,660,968 | - | 472,618 | 21,761,822 | 16,833,131 | 2,660,968 | - | 514,024 | 20,008,123 |
| Expenses: | | | | | | | | | | |
| National programs: | | | | | | | | | | |
| Salaries and benefits | 2,691,616 | - | - | - | 2,691,616 | 2,453,000 | - | - | - | 2,453,000 |
| Program costs | 2,866,681 | - | - | - | 2,866,681 | 2,246,397 | - | - | - | 2,246,397 |
| Communications and marketing | 443,429 | - | - | - | 443,429 | 266,768 | - | - | - | 266,768 |
| | 6,001,726 | - | - | - | 6,001,726 | 4,966,165 | - | - | - | 4,966,165 |
| Evergreen Brick Works programs: | | | | | | | | | | |
| Salaries and benefits | 2,447,356 | - | - | - | 2,447,356 | 2,137,182 | - | - | - | 2,137,182 |
| Cost of sales, services and programs | 5,361,724 | - | - | - | 5,361,724 | 5,001,589 | - | - | - | 5,001,589 |
| Property management | 1,183,392 | - | - | - | 1,183,392 | 1,435,216 | - | - | - | 1,435,216 |
| Communications and marketing | 303,641 | - | - | - | 303,641 | 316,183 | - | - | - | 316,183 |
| | 9,296,113 | - | - | - | 9,296,113 | 8,890,170 | - | - | - | 8,890,170 |
| Administration and fundraising: | | | | | | | | | | |
| Office and administration | 1,718,749 | - | - | - | 1,718,749 | 1,624,333 | - | - | - | 1,624,333 |
| Fundraising | 742,297 | - | - | - | 742,297 | 547,226 | - | - | - | 547,226 |
| Interest | - | 102,799 | - | 11,602 | 114,401 | - | 102,166 | - | 7,079 | 109,245 |
| Amortization | - | 2,775,484 | - | 724,374 | 3,499,858 | - | 2,777,472 | - | 712,334 | 3,489,806 |
| | 2,461,046 | 2,878,283 | - | 735,976 | 6,075,305 | 2,171,559 | 2,879,638 | - | 719,413 | 5,770,610 |
| | 17,758,885 | 2,878,283 | - | 735,976 | 21,373,144 | 16,027,894 | 2,879,638 | - | 719,413 | 19,626,945 |
| Excess (deficiency) of revenue over expenses | 869,351 | (217,315) | - | (263,358) | 388,678 | 805,237 | (218,670) | - | (205,389) | 381,178 |
| Fund balance, beginning of year | 171,460 | (1,741,442) | - | 781,048 | (788,934) | (80,248) | (2,120,397) | 266,956 | 763,577 | (1,170,112) |
| Interfund transfers (note 11) | (868,351) | 716,799 | - | 151,552 | - | (553,529) | 597,625 | (266,956) | 222,860 | - |
| Fund balance, end of year | \$ 172,460 | \$ (1,241,958) | \$ - | \$ 669,242 | \$ (400,256) | \$ 171,460 | \$ (1,741,442) | \$ - | \$ 781,048 | \$ (788,934) |

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

| | 2018 | | | | | 2017 | | | | |
|---|--------------|---|---|---------------------|--------------|--------------|---|---|---------------------|--------------|
| | General Fund | Evergreen Brick Works Capital Assets Fund | TD Future Cities Centre Capital Assets Fund | Capital Assets Fund | Total | General Fund | Evergreen Brick Works Capital Assets Fund | TD Future Cities Centre Capital Assets Fund | Capital Assets Fund | Total |
| Cash provided by (used in): | | | | | | | | | | |
| Operating activities: | | | | | | | | | | |
| Excess (deficiency) or revenue over expenses | \$ 869,351 | \$ (217,315) | \$ – | \$ (263,358) | \$ 388,678 | \$ 805,237 | \$ (218,670) | \$ – | \$ (205,389) | \$ 381,178 |
| Items not involving cash: | | | | | | | | | | |
| Amortization of capital assets | – | 2,775,484 | – | 724,374 | 3,499,858 | – | 2,777,472 | – | 712,334 | 3,489,806 |
| Amortization of deferred capital contributions | – | (2,660,968) | – | (472,618) | (3,133,586) | – | (2,660,968) | – | (514,024) | (3,174,992) |
| | 869,351 | (102,799) | – | (11,602) | 754,950 | 805,237 | (102,166) | – | (7,079) | 695,992 |
| Change in non-cash operating working capital: | | | | | | | | | | |
| Accounts and pledges receivable | (568,262) | – | (905,000) | – | (1,473,262) | (584,863) | 13,750 | 266,956 | – | (304,157) |
| Prepaid expenses and other | 151,723 | – | – | – | 151,723 | (194,857) | – | – | – | (194,857) |
| Accounts payable and accrued liabilities | 983,266 | – | 1,050,917 | – | 2,034,183 | 122,404 | – | 1,261,681 | – | 1,384,085 |
| Deferred revenue | (324,201) | – | (1,306,364) | – | (1,630,565) | 602,887 | – | 2,127,328 | – | 2,730,215 |
| | 1,111,877 | (102,799) | (1,160,447) | (11,602) | (162,971) | 750,808 | (88,416) | 3,655,965 | (7,079) | 4,311,278 |
| Financing activities: | | | | | | | | | | |
| Addition to long-term debt | – | – | 2,000,000 | – | 2,000,000 | – | – | – | – | – |
| Repayment of long-term debt | – | (614,000) | (13,802) | (69,097) | (696,899) | – | (614,000) | – | (55,440) | (669,440) |
| Interfund transfers | (868,351) | 716,799 | – | 151,552 | – | (553,529) | 597,625 | (266,956) | 222,860 | – |
| Deferred capital contributions received/committed | – | – | 9,783,171 | 159,250 | 9,942,421 | – | – | 5,279,094 | 13,283 | 5,292,377 |
| | (868,351) | 102,799 | 11,769,369 | 241,705 | 11,245,522 | (553,529) | (16,375) | 5,012,138 | 180,703 | 4,622,937 |
| Investing activities: | | | | | | | | | | |
| Increase in short-term investments | (478) | – | – | – | (478) | (4,141) | – | – | – | (4,141) |
| Increase in long-term pledges receivable | – | – | (875,000) | – | (875,000) | – | – | – | – | – |
| Deposit returned | – | – | – | – | – | – | 100,000 | – | – | 100,000 |
| Capital assets additions | – | – | (9,783,171) | (230,103) | (10,013,274) | – | – | (5,279,094) | (173,674) | (5,452,768) |
| | (478) | – | (10,658,171) | (230,103) | (10,888,752) | (4,141) | 100,000 | (5,279,094) | (173,674) | (5,356,909) |
| Increase in cash | 243,048 | – | (49,249) | – | 193,799 | 193,138 | (4,791) | 3,389,009 | (50) | 3,577,306 |
| Cash, beginning of year | 785,998 | – | 3,389,009 | – | 4,175,007 | 592,860 | 4,791 | – | 50 | 597,701 |
| Cash, end of year | \$ 1,029,046 | \$ – | \$ 3,339,760 | \$ – | \$ 4,368,806 | \$ 785,998 | \$ – | \$ 3,389,009 | \$ – | \$ 4,175,007 |
| Supplemental cash flow information: | | | | | | | | | | |
| Capital assets acquired through obligations under capital leases (note 6) | \$ – | \$ – | \$ 124,313 | \$ – | \$ 124,213 | \$ – | \$ – | \$ – | \$ 193,056 | \$ 193,056 |
| Contributed capital assets | – | – | 230,058 | – | 230,058 | – | – | – | – | – |

See accompanying notes to financial statements.

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Notes to Financial Statements

Year ended December 31, 2018

1. Nature of organization:

(a) Incorporation and objects:

Evergreen was incorporated without share capital under the Canada Corporations Act on April 5, 1991 and was continued under the Canada Not-for-profit Corporations Act on December 12, 2013. Evergreen is registered as a charitable organization under the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

(b) National programs:

Evergreen engages Canadians in creating greener, more sustainable cities. Evergreen works with diverse partners from all sectors to build, support, test and scale bold new ideas to solve pressing urban issues.

(c) Evergreen Brick Works' programs:

Evergreen Brick Works is 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.

Evergreen has secured the land and existing structures of the Don Valley Brick Works at a nominal amount from the City of Toronto, under a 21-year lease, which expires on March 2, 2030.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Fund accounting:

The General Fund reflects general fundraising, investing, programming and administrative activities and reports on unrestricted resources available for immediate use.

The Evergreen Brick Works Capital Assets Fund reflects restricted funds arising from fundraising, investing and administrative activities associated with the building of Evergreen Brick Works.

The TD Future Cities Centre Capital Assets Fund (previously the Building 16 Capital Assets Fund) reflects restricted funds arising from fundraising, investing and administrative activities associated with the capital redevelopment of TD Future Cities Centre in the north east corner of the Evergreen Brick Works site.

The Capital Assets Fund reflects capital assets purchased and used in the organization.

(b) Revenue recognition:

Evergreen follows the deferral method of accounting for contributions which include donations, sponsorships and grants. Unrestricted contributions are recognized as revenue when received or receivable. Revenue is recognized when the amount to be received can be reasonably estimated and collection is assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Revenue received that relates to future periods is 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.

Pledges are recognized as receivable when a signed agreement exists, and when the amount can be reasonably estimated and ultimate collection is reasonably assured.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

Evergreen recognizes revenue from short-term facility rental, parking, workshops, camp, classes, consulting engagements 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 the straight-line basis over the term of the lease.

(c) 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 approximates their fair value due to their short-term nature.

(d) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

| | Remaining term of land lease at the date asset is put into use |
|--|--|
| Building and leasehold improvements | |
| Furniture and fixtures | 5 years |
| Computers and office equipment | 3 - 5 years |
| Equipment under capital leases | 4 years |
| Vehicles and property management equipment | 10 years |
| Site improvements | 3 years |
| Licenses | 3 years |

(e) Use of estimates:

The preparation of the 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. Significant items subject to such estimates and assumptions include pledges receivable, amortization of deferred capital contributions and amortization of capital assets. Actual results could differ from those estimates.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Accounts and pledges receivable:

Accounts and pledges receivable consist of the following balances:

| | 2018 | 2017 |
|--|---------------------|---------------------|
| General Fund: | | |
| Accounts and other receivables | \$ 2,126,850 | \$ 1,506,576 |
| Recoverable sales tax | 63,824 | 108,195 |
| Unamortized tenant inducement | 174,340 | 181,981 |
| | <u>2,365,014</u> | <u>1,796,752</u> |
| TD Future Cities Centre Capital Assets Fund: | | |
| Pledges receivable | 905,000 | — |
| Long-term pledges receivable | 875,000 | — |
| | <u>\$ 4,145,014</u> | <u>\$ 1,796,752</u> |

4. Capital assets:

Evergreen Brick Works Capital Assets Fund

| | | | 2018 | 2017 |
|--|----------------------|--------------------------|----------------------|----------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Building and leasehold improvements | \$ 53,261,801 | \$ 22,774,532 | \$ 30,487,269 | \$ 33,262,753 |
| Furniture and fixtures | 867,436 | 867,436 | — | — |
| Vehicles and property management equipment | 16,964 | 12,723 | 4,241 | 4,241 |
| | <u>\$ 54,146,201</u> | <u>\$ 23,654,691</u> | <u>\$ 30,491,510</u> | <u>\$ 33,266,994</u> |

TD Future Cities Centre Capital Assets Fund

| | | | 2018 | 2017 |
|--|----------------------|--------------------------|----------------------|---------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Building and leasehold improvements - under construction | \$ 15,329,121 | \$ — | \$ 15,329,121 | \$ 5,546,050 |
| Equipment under capital lease | 354,371 | — | 354,371 | — |
| | <u>\$ 15,683,492</u> | <u>\$ —</u> | <u>\$ 15,683,492</u> | <u>\$ 5,546,050</u> |

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Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Capital assets (continued):

Building and leasehold improvements under construction will not be amortized until such time that the construction is complete and the asset is put to use.

Capital Assets Fund

| | | | 2018 | 2017 |
|--|--------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Building and leasehold improvements | \$ 826,092 | \$ 187,166 | \$ 638,926 | \$ 490,921 |
| Furniture and fixtures | 548,944 | 337,899 | 211,045 | 285,935 |
| Computers and office equipment | 923,858 | 807,440 | 116,418 | 236,752 |
| Equipment under capital leases | 30,226 | 29,196 | 1,030 | 3,091 |
| Vehicles and property management equipment | 166,938 | 77,465 | 89,473 | 97,094 |
| Site improvements | 41,990 | 29,225 | 12,765 | 15,551 |
| Licenses | 1,303,752 | 1,086,460 | 217,292 | 651,876 |
| | \$ 3,841,800 | \$ 2,554,851 | \$ 1,286,949 | \$ 1,781,220 |

5. Accounts payable and accrued liabilities:

There are no government remittances payable in 2018 and 2017.

6. Long-term debt:

| | 2018 | 2017 |
|--|--------------|--------------|
| Evergreen Brick Works Capital Assets Fund | | |
| Credit facility (a) | \$ 2,236,000 | \$ 2,752,000 |
| Sustainable energy loan (b) | 269,500 | 367,500 |
| | 2,505,500 | 3,119,500 |
| Less current portion: | | |
| Credit facility | 516,000 | 516,000 |
| Sustainable energy loan | 98,000 | 98,000 |
| | 614,000 | 614,000 |
| | \$ 1,891,500 | \$ 2,505,500 |

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Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Long-term debt (continued):

| | 2018 | 2017 |
|--|---------------------|-------------------|
| TD Future Cities Centre Capital Assets Fund | | |
| Credit facility (c) | \$ 2,000,000 | \$ – |
| Obligation under capital leases (d) | 110,411 | – |
| | <u>2,110,411</u> | <u>–</u> |
| Less current portion: | | |
| Credit facility | 1,000,000 | – |
| Obligation under capital lease | 41,404 | – |
| | <u>1,041,404</u> | <u>–</u> |
| | <u>\$ 1,069,007</u> | <u>\$ –</u> |
| | 2018 | 2017 |
| Capital Assets Fund | | |
| Obligation under capital leases (d) | \$ 172,220 | \$ 241,317 |
| Less current portion: | | |
| Obligation under capital leases | 58,453 | 69,104 |
| | <u>\$ 113,767</u> | <u>\$ 172,213</u> |

- (a) On December 19, 2014, Evergreen entered into a credit facility with a Canadian chartered financial institution for \$4.3 million, bearing interest at the Canadian chartered financial institution's prime rate plus 0.5%. The facility includes monthly principal repayments of \$43,000 over eight years and four months, with final payment due on April 15, 2023.

The credit facility is 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 a Canadian chartered financial institution, the City of Toronto, Toronto & Region Conservation Authority ("TRCA") and Evergreen. The City of Toronto and TRCA have provided a guarantee of up to \$4.6 million.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Long-term debt (continued):

Repayments are due as follows:

| | | |
|------|----|-----------|
| 2019 | \$ | 516,000 |
| 2020 | | 516,000 |
| 2021 | | 516,000 |
| 2022 | | 516,000 |
| 2023 | | 172,000 |
| | | <hr/> |
| | \$ | 2,236,000 |

On May 17, 2017, the credit facility was amended to include a \$1,000,000 line of credit, bearing interest at the Canadian chartered financial institution prime rate plus 1.0%. The facility is guaranteed by a third party. As at December 31, 2018 and 2017, no amount has been drawn.

- (b) 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 10-year, interest-free facility with quarterly repayments of \$24,500, which commenced on October 1, 2011, and is subordinate to the above-noted facilities.

Repayments are due as follows:

| | | |
|------|----|---------|
| 2019 | \$ | 98,000 |
| 2020 | | 98,000 |
| 2021 | | 73,500 |
| | | <hr/> |
| | \$ | 269,500 |

The loan is secured against certain specific equipment of Evergreen.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Long-term debt (continued):

- (c) On May 4, 2018, Evergreen entered into loan agreements with six community foundations for a total term loan of \$2,000,000, bearing interest at prime plus 0.5%. Repayment of the first \$1,000,000 is required on or before December 31, 2019 and the remaining \$1,000,000 on or before December 31, 2020. In the event of default, a third party foundation will donate the outstanding value to each of the six community foundation lenders.

Repayments are due as follows:

| | |
|------|--------------|
| 2019 | \$ 1,000,000 |
| 2020 | 1,000,000 |
| | <hr/> |
| | \$ 2,000,000 |

- (d) Lease payments are calculated on the lease base rate of the third parties.

Minimum annual lease payments are as follows:

| | |
|-----------------------------------|------------|
| 2019 | \$ 105,234 |
| 2020 | 83,767 |
| 2021 | 69,965 |
| 2022 | 35,302 |
| | <hr/> |
| | 294,268 |
| Less amount representing interest | 11,637 |
| | <hr/> |
| | 282,631 |
| Less current portion | 99,857 |
| | <hr/> |
| | \$ 182,774 |

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Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Deferred capital contributions:

Evergreen undertook an initial \$55 million redevelopment of the Evergreen Brick Works which was completed in 2010. Evergreen raised \$50.6 million to fund this phase of redevelopment. During 2017, Evergreen began redevelopment of the TD Future Cities Centre in the north east corner of the Brick Works site. At December 31, 2018, \$15,683,493 of costs were incurred which were fully funded. Deferred capital contributions represent the unamortized amount of donations and grants and pledges received or receivable. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and changes in fund balances.

Evergreen Brick Works Capital Assets Fund

| | 2018 | 2017 |
|----------------------------|---------------|---------------|
| Balance, beginning of year | \$ 31,888,936 | \$ 34,549,904 |
| Amortization | (2,660,968) | (2,660,968) |
| Balance, end of year | \$ 29,227,968 | \$ 31,888,936 |

TD Future Cities Centre Capital Assets Fund

| | 2018 | 2017 |
|--|---------------|--------------|
| Balance, beginning of year | \$ 5,546,050 | \$ 266,956 |
| Capital contributions received/committed | 10,013,229 | 5,279,094 |
| Balance, end of year | \$ 15,559,279 | \$ 5,546,050 |

Capital Assets Fund

| | 2018 | 2017 |
|--------------------------------|------------|--------------|
| Balance, beginning of year | \$ 758,855 | \$ 1,259,596 |
| Capital contributions received | 159,250 | 13,283 |
| Amortization | (472,618) | (514,024) |
| Balance, end of year | \$ 445,487 | \$ 758,855 |

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Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Reserve:

Included in the General Fund is a restricted flood reserve of \$100,000 as required by Evergreen's lease agreement with the City of Toronto and TRCA.

9. Commitments:

Evergreen has future minimum annual commitments under long-term contracts for office space and equipment as follows:

| | |
|------|-----------|
| 2019 | \$ 38,000 |
| 2020 | 3,000 |
| | <hr/> |
| | \$ 41,000 |

10. 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.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

11. Interfund transfers:

Interfund transfers reflect payment by the General Fund of unfunded transactions in the Evergreen Brick Works Capital Assets Fund, the TD Future Cities Centre Capital Assets Fund and the Capital Assets Fund. Interfund transfers comprise the following:

2018:

| | General Fund | EBW Fund | TD Future Cities Centre Fund | Capital Assets Fund |
|---|---------------------|-------------------|------------------------------|---------------------|
| Funding of long-term debt and interest repayments from operations | \$ (797,498) | \$ 716,799 | \$ – | \$ 80,699 |
| Net funding of capital asset purchases | (70,853) | – | – | 70,853 |
| | <u>\$ (868,351)</u> | <u>\$ 716,799</u> | <u>\$ –</u> | <u>\$ 151,552</u> |

2017:

| | General Fund | EBW Fund | TD Future Cities Centre Fund | Capital Assets Fund |
|---|---------------------|-------------------|------------------------------|---------------------|
| Funding of long-term debt and interest repayments from operations | \$ (778,685) | \$ 716,166 | \$ – | \$ 62,519 |
| Transfer to operations for pledges and deposits collected | 385,547 | (118,541) | (266,956) | (50) |
| Net funding of capital asset purchases | (160,391) | – | – | 160,391 |
| | <u>\$ (553,529)</u> | <u>\$ 597,625</u> | <u>\$ (266,956)</u> | <u>\$ 222,860</u> |

EVERGREEN

Notes to Financial Statements (continued)

Year ended December 31, 2018

12. Financial risks:

It is management's opinion that Evergreen is exposed to the following risks in respect to certain financial instruments held. The risk exposure has not changed since 2017. Evergreen manages its financial risks as follows:

(a) Market risk:

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.

(b) Liquidity risk:

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 6).

(c) Credit risk:

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.

(d) Interest rate risk:

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 borrowing agreements, as described in note 6.