

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

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NATIONAL FARMERS UNION - ONTARIO

AUDITORS' REPORT AND FINANCIAL STATEMENTS

for the year ended September 30, 2013



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Independent Auditors' Report

To the Board of Directors of National Farmers Union - Ontario.

Report on the Financial Statements

We have audited the accompanying financial statements of National Farmers Union - Ontario, which comprise the statement of financial position as at September 30, 2013, and the statement of operations and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continued on next page)

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Independent Auditors' Report (continued)

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Basis for Qualified Opinion

In common with many non-profit organizations, the Organization derives revenue from the public in the form of memberships and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation or membership revenues, excess of revenue over expenditures, and net assets.

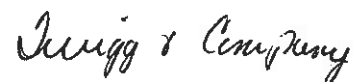
Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of National Farmers Union - Ontario, as at September 30, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 3 in the financial statements which describes uncertainty to the National Farmers Union – Ontario's ability to continue as a going concern.

Saskatoon, Saskatchewan
February 2, 2014



Chartered Accountants

BALANCE SHEET as at September 30, 2013ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT:		
Bank	\$ 34,611	\$ 61,298
HST receivable	<u> -</u>	<u> 2,283</u>
	34,611	63,581
EQUIPMENT:	<u> 3,481</u>	<u> 4,543</u>
	<u>\$ 38,092</u>	<u>\$ 68,124</u>

LIABILITIES

CURRENT:		
Accounts payable	\$ 8,158	\$ 613
HST payable	<u> 226</u>	<u> -</u>
	<u> 8,384</u>	<u> 613</u>

MEMBERS' EQUITY

MEMBERS' EQUITY	<u> 29,708</u>	<u> 67,511</u>
	<u>\$ 38,092</u>	<u>\$ 68,124</u>

APPROVED BY THE BOARD:

For a signed copy of the 2012-2013 audited
financial statement, please contact the office.

STATEMENT OF OPERATIONS
for the year ended September 30, 2013

	<u>2013</u>	<u>2012</u>
REVENUE:		
Farm Business Registration fees	\$ -	\$ 438,750
Registration fees refunded	<u>-</u>	<u>56,160</u>
		382,590
Membership revenue	<u>98,864</u>	<u>52,260</u>
	98,864	434,850
Allocation to locals	20,914	101,334
Allocation to NFU	<u>49,042</u>	<u>232,604</u>
Net revenue	28,908	100,912
OTHER REVENUE:		
Donations	15,872	9,450
Interest	610	2,058
Reimbursement	4,692	8,294
Sundry	<u>417</u>	<u>-</u>
	<u>50,499</u>	<u>120,714</u>
EXPENSE:		
Advertising	-	6,948
Agricorp administration fee	-	20,025
Amortization	1,062	1,248
Bank charges and interest	204	184
Council expense	5,456	5,454
Francophone fee	-	7,076
Gate signs	-	2,432
Rent expense	720	720
Local support	2,205	10,714
Newsletter	15,156	12,061
Office expense	3,382	3,568
Wages	36,511	13,560
Professional fees	18,929	6,000
Travel, conventions and trade shows	4,177	8,792
Youth project	<u>500</u>	<u>1,500</u>
	<u>88,302</u>	<u>100,282</u>
SURPLUS (DEFICIT) FOR THE YEAR	(37,803)	20,432
MEMBER EQUITY, BEGINNING OF YEAR	<u>67,511</u>	<u>47,079</u>
MEMBER EQUITY, END OF YEAR	<u>\$ 29,708</u>	<u>\$ 67,511</u>

STATEMENT OF CASH FLOW
for the year ended September 30, 2013

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES:		
Net income (loss) for the year	\$(37,803)	\$ 20,432
Items not involving cash		
Amortization	<u>1,062</u>	<u>1,248</u>
	<u>(36,741)</u>	<u>21,680</u>
Change in noncash working capital balances related to operations:		
HST receivable	2,509	(2,283)
Accounts payable	<u>7,545</u>	<u>497</u>
Total from operating activities	<u>10,054</u>	<u>(1,786)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR THE YEAR	(26,687)	19,894
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>61,298</u>	<u>41,404</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 34,611</u>	<u>\$ 61,298</u>
CASH AND EQUIVALENTS CONSIST OF:		
Bank	<u>\$ 34,611</u>	<u>\$ 61,298</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended September 30, 2013

1. PURPOSE OF ORGANIZATION:

The Organization was incorporated under the laws of the Province of Ontario during May, 2002. The purpose of the Organization is to represent persons carrying on a farming business in Ontario so as to promote the betterment of farmers in the attainment of their economic and social goals.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and include the following significant accounting policies:

(a) Revenue Recognition

The Organization follows the deferral method of accounting for revenue. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or restrictions met. Unspent amounts are recorded as deferred revenue. Unrestricted revenue is recognized as revenue when received.

(b) Equipment

Equipment is stated at cost and is being amortized using the declining balance method at the following rates:

Office equipment	20%
Computer equipment	30%

(c) Financial instruments:

The Company initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets subsequently measured at amortized cost include cash. Financial liabilities subsequently measured at amortized cost include accounts payable. The fair value of the cash, and accounts payable approximates their carrying value due to their short-term nature.

It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(d) Use of Estimates

The preparation of the financial statements in conformity with Canadian accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, any disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(e) Income Taxes

The Organization qualifies as a tax exempt organization under section 149 of the *Income Tax Act*.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended September 30, 2013

3. CONTINGENCY:

On December 19, 2012, Ontario Agriculture, Food and Rural Affairs Appeal Tribunal denied the National Farmers Union – Ontario (NFU-O) accreditation under the Ontario Farm Registration and Farm Organizations Funding Act. The Tribunal released the reasons for the decision on April 15, 2013.

The revenue generated by this registration fee is a significant percentage of the Union's membership fees and as a result of the above action these membership fees were lost for the year ended September 30, 2013.

The NFU-O appealed the decision of the Tribunal to the Ontario Superior Court of Justice. The appeal was successful and on October 16, 2013 the court ordered the Tribunal to accredit the NFU-O.