

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

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NATIONAL FARMERS UNION - ONTARIO

AUDITORS' REPORT AND FINANCIAL STATEMENTS

for the year ended September 30, 2016



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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, 2016, 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 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 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)

(continued from previous page)

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, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Saskatoon, Saskatchewan
February 16, 2017


Chartered Accountants

NATIONAL FARMERS UNION - ONTARIO

BALANCE SHEET as at September 30, 2016

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT:		
Bank	\$ 53,494	\$ 57,187
Accounts receivable	<u>1,761</u>	<u>465</u>
	55,255	57,652
EQUIPMENT:	<u>1,540</u>	<u>2,175</u>
	<u>\$ 56,795</u>	<u>\$ 59,827</u>

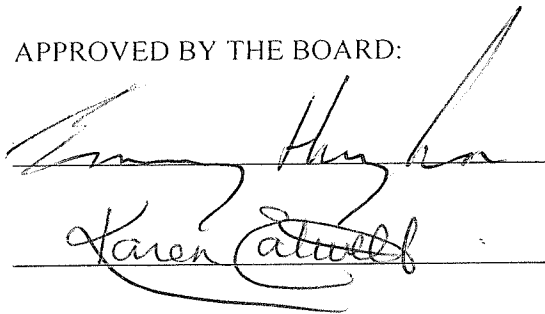
LIABILITIES

CURRENT:		
Accounts payable	\$ 2,506	\$ 220
HST payable	<u>-</u>	<u>60</u>
	<u>2,506</u>	<u>280</u>

MEMBERS' EQUITY

MEMBERS' EQUITY	<u>54,289</u>	<u>59,547</u>
	<u>\$ 56,795</u>	<u>\$ 59,827</u>

APPROVED BY THE BOARD:



Karen Atwell

NATIONAL FARMERS UNION - ONTARIO

STATEMENT OF OPERATIONS
for the year ended September 30, 2016

	<u>2016</u>	<u>2015</u>
REVENUE:		
Farm Business Registration fees (Note 1(f))	\$ 294,060	\$ 279,435
Registration fees refunded	(5,265)	(6,630)
	288,795	272,805
Membership revenue	<u>12,105</u>	<u>11,190</u>
	300,900	283,995
Allocation to locals	(69,615)	(66,788)
Allocation to NFU	<u>(136,906)</u>	<u>(131,972)</u>
Net revenue	94,379	85,235
OTHER REVENUE:		
Donations	3,414	8,218
Special funding	18,890	-
Grant	7,043	-
Interest & Dividends	536	245
Reimbursement	4,600	4,600
Convention	4,475	4,623
Sundry	641	432
Debt forgiveness	1,599	-
OMAF Funding revenue (Note 3)	<u>-</u>	<u>29,455</u>
	<u>135,577</u>	<u>132,808</u>
EXPENSE:		
Advertising	786	4,932
Agricorp administration fee	13,421	12,754
Amortization	635	575
Bank charges and interest	778	642
Council expense	9,672	5,046
Special funding expenses	21,608	-
Francophone fee	4,092	3,925
Insurance	900	900
Local support	7,186	6,646
Newsletter	4,054	2,036
Office expense	7,206	5,855
Wages	62,582	42,023
Professional fees	3,200	4,000
Rent expense	106	180
Travel, conventions and trade shows	3,609	7,088
Youth project	1,000	500
OMAF Funding expense (Note 3)	<u>-</u>	<u>30,024</u>
	<u>140,835</u>	<u>127,126</u>
SURPLUS (DEFICIT) FOR THE YEAR	(5,258)	5,682
MEMBER EQUITY, BEGINNING OF YEAR	<u>59,547</u>	<u>53,865</u>
MEMBER EQUITY, END OF YEAR	<u>\$ 54,289</u>	<u>\$ 59,547</u>

NATIONAL FARMERS UNION - ONTARIO

STATEMENT OF CASH FLOW
for the year ended September 30, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Net income (loss) for the year	\$(5,258)	\$ 5,682
Items not involving cash		
Amortization	<u>635</u>	<u>575</u>
	(<u>4,623</u>)	<u>6,257</u>
Change in noncash working capital balances related to operations:		
HST receivable (payable)	(60)	34
Accounts payable	2,286	(9,367)
Accounts receivable	(1,296)	652
Deferred contributions	<u> </u>	<u>(29,455)</u>
Total from operating activities	<u>930</u>	<u>(38,136)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR THE YEAR	(3,693)	(31,879)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>57,187</u>	<u>89,066</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 53,494</u>	<u>\$ 57,187</u>
CASH AND EQUIVALENTS CONSIST OF:		
Bank	<u>\$ 53,494</u>	<u>\$ 57,187</u>

NATIONAL FARMERS UNION - ONTARIO

NOTES TO THE FINANCIAL STATEMENTS
for the year ended September 30, 2016

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 not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

(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 or restrictions met. Unspent amounts are recorded in deferred contributions.

(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*.

NATIONAL FARMERS UNION - ONTARIO

NOTES TO THE FINANCIAL STATEMENTS
for the year ended September 30, 2016

2. **SIGNIFICANT ACCOUNTING POLICIES: (continued)**

(f) 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 included in deferred revenue. Unrestricted revenue is recognized as revenue when received.

Registration fees are received directly from the Farm Business Registration (FBR) and are recorded as revenue upon receipt.

The registration fees are refundable to the contributing farmer upon request.

Membership revenue is recorded upon receipt.

The details of the net revenue consists of the following:

1,508 registration fees received at \$195	\$ 294,060
<u>27</u> registration fees refunded at \$195	<u>(5,265)</u>
1,481	283,795
4 membership fees received at \$150	600
<u>59</u> membership fees received at \$195	<u>11,505</u>
<u>1,544</u>	300,900
Revenue allocation to NFU-O's locals	(69,615)
Revenue allocation to NFU	<u>(136,906)</u>
	<u>\$ 94,379</u>

3. **DEFERRED CONTRIBUTIONS AND REVENUE:**

Deferred contributions related to expenses of future periods represent unspent externally restricted funding for the purposes of paying expenditures in future periods. The organization received funding from the Ontario Minister of Agriculture and Food (OMAF) to support the provincial interest in ensuring individual farming businesses are aware of options when choosing which accredited organization will best represent their interests.

Contributions received:

OMAF Funding	\$ 50,000
Less: Amount recognized as revenue during 2014	<u>(20,545)</u>
Deferred contributions, September 30, 2014	29,455
Less: Amount recognized as revenue during 2015	<u>(29,455)</u>
Deferred contributions, September 30, 2015	<u>\$ Nil</u>