

National Farmers Union - Ontario
Financial Statements
September 30, 2021

National Farmers Union - Ontario Contents

For the year ended September 30, 2021

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To the members of National Farmers Union - Ontario:

Qualified Opinion

We have audited the financial statements of National Farmers Union - Ontario (the "Organization"), which comprise the statement of financial position as at September 30, 2021, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many non-profit organizations, the Organization derives revenue from the public in the form of 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 revenues, excess of revenue over expenses and its cash flows for the years ended September 30, 2021 and September 30, 2020, and net assets as at September 30, 2021 and September 30, 2020.

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

Those charged with governance are responsible for overseeing the Organization'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 these 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 Organization's internal control.
- 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 Organization'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 Organization 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.

We 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.

London, Ontario

February 15, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

National Farmers Union - Ontario

Statement of Financial Position

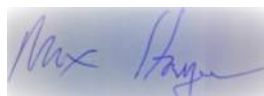
As at September 30, 2021

	2021	2020
Assets		
Current		
Cash	117,608	136,236
Accounts receivable (Note 6), (Note 7)	29,875	117,060
Prepaid expenses	610	-
	148,093	253,296
Capital assets	-	601
	148,093	253,897
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	12,339	8,540
Deferred contributions (Note 5)	8,193	92,105
Current portion of long-term debt	-	32,497
	20,532	133,142
CEBA loan payable (Note 8)	35,864	26,814
	56,396	159,956
Net Assets		
Net assets, end of year	91,697	93,941
	148,093	253,897

Approved on behalf of the Board

Don Ciparis

Director



Director

The accompanying notes are an integral part of these financial statements

National Farmers Union - Ontario

Statement of Operations and Changes in Net Assets

For the year ended September 30, 2021

	2021	2020
Revenue		
Farm Business Registration fees, net of refunds	354,225	351,780
Memberships	7,088	9,450
Allocation to locals	(52,126)	(51,512)
Allocation to NFU	(157,764)	(157,387)
Net revenue (Note 9)	151,423	152,331
Other Revenue		
Special funding (Note 6)	136,627	107,813
Donations	27,127	7,015
Reimbursement	4,600	4,600
Sundry	2,049	2,600
Convention	1,265	6,173
Interest and dividends	188	467
Debt forgiveness	-	97
	171,856	128,765
	323,279	281,096
Expenses		
Advertising	13,787	40
Agricorp administration fee	23,260	23,010
Amortization	-	160
Bank charges and interest	593	2,775
Council	1,682	4,513
Francophone fee	5,277	5,056
Insurance	599	950
Local support	7,560	7,133
Office	5,160	8,426
Professional development	21,513	-
Professional fees	7,035	3,927
Special funding	39,546	13,368
Travel, conventions and trade shows	1,567	8,801
Wages	233,400	155,761
Youth project	-	580
Total expenses	360,979	234,500
Excess of revenue over expenses before other items	(37,700)	46,596
Government assistance		
Government assistance (Note 7)	36,057	25,694
Loss on disposal of capital assets	(601)	-
Excess of revenue over expenses	(2,244)	72,290
Net assets, beginning of year	93,941	21,651
Net assets, end of year	91,697	93,941

The accompanying notes are an integral part of these financial statements

National Farmers Union - Ontario Statement of Cash Flows

For the year ended September 30, 2021

	2021	2020
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	(2,244)	72,290
Amortization	-	160
Government loan gain	(10,950)	(13,186)
Loss on disposal of capital assets	601	-
	(12,593)	59,264
Changes in working capital accounts		
Accounts receivable	87,185	(117,036)
Prepaid expenses	(610)	-
Accounts payable and accrued liabilities	3,799	(13,117)
Deferred contributions	(83,912)	62,758
	(6,131)	(8,131)
Repayment of long-term debt	(32,497)	(3,917)
Proceeds of CEBA loan payable	20,000	40,000
Increase (decrease) in cash resources	(18,628)	27,952
Cash resources, beginning of year	136,236	108,284
Cash resources, end of year	117,608	136,236

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

National Farmers Union - Ontario (the "Organization") was incorporated under the laws of the Province of Ontario in May, 2002 and is registered as a not-for-profit organization.

The Organization's purpose 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 and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions, including special funding and grants, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including donations and other revenue are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Registration fees are received directly from the Farm Business Registration and are recorded as revenue upon receipt. The registration fees are refundable to the contributing farmer upon request up until May 30th each year.

Membership revenue and other revenue is recorded upon receipt.

Cash

The Organization follows a policy of including its credit union shares in its cash balance.

Capital assets

Purchased equipment is recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities and CEBA loan payable.

2. Significant accounting policies (continued from previous page)

Financial asset impairment:

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write down reflects the difference between the carrying amount and the higher of:

- a. the present value of the cash flows expected to be generated by the asset or group of assets;
- b. the amount that could be realized by selling the assets or group of assets;
- c. the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the event occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Contributed services

Directors and members volunteer their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

Income Taxes

The Organization qualifies as a tax exempt organization under section 149(1)(l) of the *Income Tax Act*.

Government assistance

Government assistance is recognized where there is reasonable assurance that the Organization has complied and will continue to comply with all conditions of the assistance. Government assistance toward current expenses is recognized in income for the period as revenue.

3. Financial instruments and risks

Unless otherwise noted it is management's opinion that the Organization is not exposed to any significant risk arising from its financial instruments. There have been no changes from management's risk assessment in the prior year.

Credit Risk

The financial instrument that potentially subject the Organization to credit risk consist of cash. The Organization mitigates its exposure to credit risk by placing its cash with high quality institutions.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they become due. The Organization reduces its exposure to liquidity risk by establishing budgets.

National Farmers Union - Ontario
Notes to the Financial Statements
For the year ended September 30, 2021

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at year end includes the following amounts of government remittances payable:

	2021	2020
WSIB	261	229
	261	229

5. Deferred contributions

Deferred contributions consist of unspent contributions externally restricted by the terms of any related agreements. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2021	2020
Balance, beginning of year	92,105	29,347
Amount received during the year	15,059	43,054
Less: Amount recognized as revenue during the year	(105,621)	(91,242)
Less: Additional amounts receivable during the year	6,650	110,946
Balance, end of year	8,193	92,105

6. Ontario Labour Market Partnership

During the year the Organization received government assistance from the Ministry of Labour, Training and Skills Development. Effective February 14, 2020 the Organization was approved for the Ontario Labour Market Partnership fund grant for a total of \$154,000. These funds have been fully spent as at September 30, 2021.

Included in special funding expense and wage expense are costs of \$92,105 related to the grant during the year ended September 30, 2021 (2020 - \$61,895). Included in special funding revenue is \$92,105 related to the reimbursement of these expenses incurred during the year ended September 30, 2021 (2020 - \$61,895). Funding received up to September 31, 2021 is \$138,600 with the remaining \$15,400 receivable included in accounts receivable (2020 - \$110,946).

National Farmers Union - Ontario
Notes to the Financial Statements
For the year ended September 30, 2021

7. Government assistance

Government assistance received in fiscal 2021 is as follows:

	2021	2020
Canada Summer Jobs program During the year the Organization received grant funding from the Minister of Employment and Social Development to cover summer staff wages under the Canada Summer Jobs program.	8,957	8,860
Temporary Wage Subsidy The 10% Temporary Wage Subsidy ("TWS") program provides relief for eligible employers through a 10% reduction in payroll deductions paid between March 18,2020 to June 19, 2020, up to \$1,375 for each eligible employee.	-	3,648
Canada Emergency Business Account \$10,000 forgivable portion and \$950 fair value adjustment, for additional details see note 8.	10,950	13,186
Canada-Ontario Job Grant During the year the Organization received grant funding from Employment Ontario to cover specified training costs. Included in accounts receivable at year-end is \$6,650 related to the Canada-Ontario Job Grant.	16,150	-
	36,057	25,694

8. CEBA Loan

In the previous year, the Organization was approved and received a \$40,000 loan payable ("CEBA loan") with Kawartha Credit Union under the Canada Emergency Business Account ("CEBA") program funded by the Government of Canada. During the current year, the Organization has qualified for the additional \$20,000 extension of the CEBA loan.

The CEBA loan is non-interest bearing, can be repaid at any time without penalty and is valid until December 31, 2023. If \$40,000 of the CEBA loan is repaid on or before December 31, 2023, the repayment of the remaining \$20,000 shall be forgiven. If on December 31, 2023, the Organization exercises the option for a 2 -year term extension, 5% interest during the term extension period will apply on any balance remaining.

The Company has recorded a fair value loan adjustment and forgivable portion of \$10,950 (2020 - \$13,186) for an ending fair value loan balance of \$35,864 as at September 30, 2021, using an effective interest rate of 5%.

9. Revenue

Details of net revenue are as follows:

	1 registration fees received at \$225	225
1,504	registration fees received at \$240	360,960
(29)	registration fees refunded at \$240	(6,960)
<u>1,476</u>	Total Registrations fees	<u>354,225</u>
1	membership fees received at \$113	113
<u>31</u>	membership fees received at \$225	<u>6,975</u>
<u>32</u>	Total Memberships	<u>7,088</u>
1,508	Revenue allocation to NFU-O's locals	361,313
	Revenue allocation to NFU	(53,674)
	Net revenue	<u>(157,764)</u>
		149,875

10. Significant event

During the fiscal year, there was an ongoing global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

11. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.