

National Farmers Union - Ontario
Financial Statements
September 30, 2019

National Farmers Union - Ontario Contents

For the year ended September 30, 2019

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Independent Auditor's Report

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, 2019, 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, 2019, 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, 2019 and September 30, 2018, and net assets as at September 30, 2019 and September 30, 2018.

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 18, 2020

Chartered Professional Accountants

Licensed Public Accountants

National Farmers Union - Ontario

Statement of Financial Position

As at September 30, 2019

	2019	2018
Assets		
Current		
Cash	108,284	47,641
Accounts receivable	24	13,373
	108,308	61,014
Capital assets (Note 4)	761	965
	109,069	61,979
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	21,658	72,706
Deferred contributions (Note 6)	29,347	130
Current portion of long-term debt (Note 7)	4,551	-
	55,556	72,836
Long-term debt (Note 7)	31,862	-
	87,418	72,836
Net Assets		
Net assets, end of year	21,651	(10,857)
	109,069	61,979

Approved on behalf of the Board

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, 2019

	2019	2018
Revenue		
Farm Business Registration fees, net of refunds	336,600	337,920
Memberships	8,213	11,865
Allocation to locals	(49,439)	(82,913)
Allocation to NFU	(152,650)	(166,141)
Net revenue (Note 8)	142,724	100,731
Other revenue		
Special funding	70,688	76,804
Grants (Note 6)	14,534	15,198
Donations	30,444	8,654
Convention	11,727	5,427
Reimbursement	4,600	4,600
Sundry	2,193	4,262
Debt forgiveness	660	651
Interest and dividends	215	268
	135,061	115,864
Total revenue	277,785	216,595
Expenses		
Advertising	-	298
Agricorp administration fee	15,433	15,513
Amortization	204	253
Bank charges and interest	1,032	1,368
Council	8,020	8,682
Francophone fee	5,069	4,393
Insurance	972	937
Local support	7,106	7,461
Newsletter	1,608	2,113
Office	6,680	8,785
Professional fees	8,604	11,055
Rent	310	337
Special funding	14,078	53,117
Travel, conventions and trade shows	12,181	8,143
Wages (Note 6)	140,934	140,879
Youth project	23,046	1,493
Total expenses	245,277	264,827
Excess (deficiency) of revenue over expenses	32,508	(48,232)
Net assets, beginning of year	(10,857)	37,375
Net assets, end of year	21,651	(10,857)

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, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	32,508	(48,232)
Amortization	204	253
	32,712	(47,979)
Changes in working capital accounts		
Accounts receivable	13,349	(497)
Accounts payable and accrued liabilities	(51,048)	68,150
Deferred contributions	29,217	130
	24,230	19,804
Advance of long-term debt	36,413	-
Increase (decrease) in cash resources	60,643	19,804
Cash resources, beginning of year	47,641	27,837
Cash resources, end of year	108,284	47,641

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.

	Rate
Computer equipment	30 %
Furniture and fixtures	20 %

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, accounts receivable.

Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities and long-term debt.

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*.

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
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4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>	<i>2018 Net book value</i>
Computer equipment	2,360	2,284	76	109
Furniture and fixtures	11,779	11,094	685	856
	14,139	13,378	761	965

5. Accounts payable and accrued liabilities

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

	<i>2019</i>	<i>2018</i>
HST	651	-
Employee source deductions	3,453	3,967
WSIB	131	282
	4,235	4,249

6. Grants

During the year the Organization received the following government assistance:

Effective March 1, 2019 the Organization was approved for a conditional climate action fund grant up to \$83,606. An advance payment of \$66,885 was received in fiscal 2019. Unspent funds as at September 30, 2019 in the amount of \$4,197 were recorded as deferred contributions. The remaining \$16,721 will be received in fiscal 2020 and recognized once the related expenditures have been incurred.

The Organization has received restricted funding from the McLean Foundation and the Gosling Foundation for conducting a series of land-linking workshops of \$30,000 during the year. Unspent funds as at September 30, 2019 in the amount of \$25,000 were recorded as deferred contributions. The related costs for this project in the year are reflect in the wage expense in the amount of \$5,000.

During the year the Organization received grant funding from the Minister of Agriculture and Agri-Food to cover \$14,534 of staff wages under an internship program. These related costs are recorded in wages expense.

National Farmers Union - Ontario
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7. Long-term debt

During the year National Farmers Union Ontario and National Farmers Union resolved a difference in membership fee allocation through the issuance of a loan repayable over the next six years for \$36,413 plus interest at 3.98%.

	2019	2018
3.98% loan payable to National Farmers Union	36,413	-
	36,413	-
Less: Current portion	4,551	-
	31,862	-

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	<i>Principal</i>
2020	4,551
2021	4,732
2022	6,920
2023	7,196
2024	7,482
Subsequent	5,532
	36,413

There was no interest expensed during the current year.

8. Revenue

Details over net revenue are as follows:

1,525	registration fees received at \$225	343,125
(29)	registration fees refunded at \$225	(6,525)
<u>1,496</u>	Total Registration fees	<u>336,600</u>
1	membership fees received at \$113	113
<u>36</u>	membership fees received at \$225	<u>8,100</u>
<u>37</u>	Total Memberships	<u>8,213</u>
1,533	Revenue allocation to NFU-O's locals	344,813
	Revenue allocation to NFU	(49,439)
	Net revenue	<u>(152,650)</u>
		142,724

9. 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.