

National Farmers Union - Ontario
Financial Statements
September 30, 2020

National Farmers Union - Ontario Contents

For the year ended September 30, 2020

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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, 2020, 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, 2020, 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, 2020 and September 30, 2019, and net assets as at September 30, 2020 and September 30, 2019.

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 16, 2021

MNP LLP

Chartered Professional Accountants

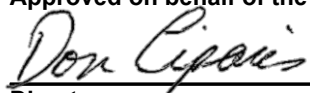
Licensed Public Accountants

National Farmers Union - Ontario Statement of Financial Position

As at September 30, 2020

	2020	2019
Assets		
Current		
Cash	136,236	108,284
Accounts receivable (Note 7)	117,060	24
	253,296	108,308
Capital assets (Note 4)	601	761
	253,897	109,069
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	8,540	21,658
Deferred contributions (Note 7)	92,105	29,347
Current portion of long-term debt (Note 8)	32,497	4,551
	133,142	55,556
Long-term debt (Note 8)	-	31,862
CEBA loan payable (Note 9)	26,814	-
	159,956	87,418
Significant event (Note 11)		
Net Assets		
Net assets, end of year	93,941	21,651
	253,897	109,069

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, 2020

	2020	2019
Revenue		
Farm Business Registration fees, net of refunds	351,780	336,600
Memberships	9,450	8,213
Allocation to locals	(51,512)	(49,439)
Allocation to NFU	(157,387)	(152,650)
Net revenue (Note 10)	152,331	142,724
Other revenue		
Special funding (Note 6)	107,813	70,688
Grants	-	14,534
Convention	6,173	11,727
Donations	7,015	30,444
Reimbursement	4,600	4,600
Sundry	2,600	2,193
Interest and dividends	467	215
Debt forgiveness	97	660
	128,765	135,061
Total revenue	281,096	277,785
Expenses		
Advertising	40	-
Agricorp administration fee	23,010	15,433
Amortization	160	204
Bank charges and interest	2,775	1,032
Council	4,513	8,020
Francophone fee	5,056	5,069
Insurance	950	972
Local support	7,133	7,106
Newsletter	1,815	1,608
Office	6,229	6,680
Professional fees	3,927	8,604
Rent	382	310
Special funding	13,368	14,078
Travel, conventions and trade shows	8,801	12,181
Wages	155,761	140,934
Youth project	580	23,046
Total expenses	234,500	245,277
Excess of revenue over expenses before other items	46,596	32,508
Government assistance (Note 7)	25,694	-
Excess of revenue over expenses	72,290	32,508
Net assets, beginning of year	21,651	(10,857)
Net assets, end of year	93,941	21,651

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, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	72,290	32,508
Amortization	160	204
Government loan gain	(13,186)	-
	59,264	32,712
Changes in working capital accounts		
Accounts receivable	(117,036)	13,349
Accounts payable and accrued liabilities	(13,117)	(51,049)
Deferred contributions	62,758	29,217
	(8,131)	24,229
Advance of long-term debt	-	36,414
Repayment of long-term debt	(3,917)	-
Proceeds of CEBA loan payable	40,000	-
Increase (decrease) in cash resources	27,952	60,643
Cash resources, beginning of year	108,284	47,641
Cash resources, end of year	136,236	108,284

The accompanying notes are an integral part of these financial statements

National Farmers Union - Ontario

Notes to the Financial Statements

For the year ended September 30, 2020

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, long-term debt 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*.

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, 2020

4. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2020 Net book value</i>	<i>2019 Net book value</i>
Computer equipment	2,360	2,307	53	76
Furniture and fixtures	11,779	11,231	548	685
	14,139	13,538	601	761

5. Accounts payable and accrued liabilities

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

	<i>2020</i>	<i>2019</i>
HST	-	651
Employee source deductions	-	3,453
WSIB	229	131
	229	4,235

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. The remaining funds are expected to be received and spent in fiscal 2021.

As at year-end the Organization has incurred expenses of \$61,895 and received funding of \$43,054. Included in revenue for special funding at September 30, 2020 is \$61,895 related to the reimbursement of the expenses incurred.

The remaining \$110,946 receivable is included in accounts receivable and \$92,105 is recorded in deferred contributions. The deferred contributions will be recognized into income as the related expenses are incurred.

National Farmers Union - Ontario
Notes to the Financial Statements
For the year ended September 30, 2020

7. Government assistance

Government assistance received in fiscal 2020 is as follows:

Canada Summer Jobs program	8,860
During the year the Organization received grant funding from the Minister of Employment and Social Development to cover \$8,860 of two staff wages under the Canada Summer Jobs program.	
Temporary Wage Subsidy	3,648
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.	
Canada Emergency Business Account	13,186
\$10,000 forgivable portion and \$3,186 fair value adjustment, for additional details see note 9.	
	25,694

8. Long-term debt

In 2019, National Farmers Union Ontario and National Farmers Union resolved a difference in membership fee allocation through the issuance of a loan repayable in the amount of \$36,413 bearing interest at a 3.98%. Subsequent to the year-end, the balance of the loan has been fully repaid. Interest expense related to the note was \$2,083 (2019 - \$NIL).

	2020	2019
3.98% loan payable to National Farmers Union	32,497	36,413
	32,497	36,413
Less: Current portion	32,497	4,551
	-	31,862

9. CEBA Loan

During the year in response to the COVID-19 pandemic, the Organization was approved for 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. The CEBA loan is non-interest bearing, can be repaid at any time without penalty and is valid until December 31, 2020.

On January 1, 2021, the outstanding balance of the CEBA loan will automatically convert to a 2-year interest free term loan ("CEBA Term Loan"). The CEBA Term Loan may be repaid at any time without notice or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement date is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven. If on December 31, 2022, the Organization exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining.

The Organization has recorded the fair value of \$26,814 as at September 10, 2020, the initial recognition date of the CEBA loan using an effective interest rate of 5%. The difference of \$13,186 including the forgivable portion of the loan of \$10,000 and the fair value adjustment is recorded as government assistance for the year ended September 30, 2020.

National Farmers Union - Ontario
Notes to the Financial Statements
For the year ended September 30, 2020

10. Revenue

Details of net revenue are as follows:

	4 registration fees received at \$225	900
1,487	registration fees received at \$240	356,880
<u>(25)</u>	registration fees refunded at \$240	<u>(6,000)</u>
<u>1,466</u>	Total Registration fees	<u>351,780</u>
<u>42</u>	membership fees received at \$225	<u>9,450</u>
<u>42</u>	Total Memberships	<u>9,450</u>
1,508		361,230
	Revenue allocation to NFU-O's locals	(51,512)
	Revenue allocation to NFU	<u>(157,387)</u>
	Net revenue	<u>152,331</u>

11. Significant event

During the fiscal year, there was a 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.