



Financial statements

Ontario Federation of Agriculture

August 31, 2013

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Independent Auditor's Report

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To the Members of
Ontario Federation of Agriculture

We have audited the accompanying financial statements of Ontario Federation of Agriculture which comprise the statement of financial position as at August 31, 2013, the statements of operations, changes in net assets and 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 misstatement, whether due to fraud or error.

Auditor's 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 auditor considers 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Federation of Agriculture at August 31, 2013, 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Ontario Federation of Agriculture adopted Canadian accounting standards for not-for-profit organizations on September 1, 2012 with a transition date of September 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at August 31, 2012 and September 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended August 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Grant Thornton LLP

Mississauga, Canada
November 12, 2013

Chartered Accountants
Licensed Public Accountants

Ontario Federation of Agriculture Statement of Operations

Year ended August 31	Budget 2013 (Note 16)	2013	2012 (Unaudited)
Income			
Revenue (Page 21)	\$ 6,622,736	\$ 9,698,692	\$ 6,739,613
Project management revenues (Note 15)	-	1,369,847	1,772,889
Other (Page 21)	<u>934,000</u>	<u>1,354,588</u>	<u>991,625</u>
	<u>7,556,736</u>	<u>12,423,127</u>	<u>9,504,127</u>
Expenses			
Organizational (Page 22)	2,233,000	2,600,360	2,096,785
Departments (Page 22)	4,665,128	4,581,306	4,447,949
Grants and dues (Page 22)	437,000	451,793	459,818
Project management expenses (Note 15)	-	1,369,847	1,772,889
Pension liability (Note 10)	24,000	7,513	8,486
Employee future benefits (Note 12)	<u>203,198</u>	<u>14,200</u>	<u>374,800</u>
	<u>7,562,326</u>	<u>9,025,019</u>	<u>9,160,727</u>
Excess (deficiency) of income over expenses	\$ <u>(5,590)</u>	\$ <u>3,398,108</u>	\$ <u>343,400</u>

See accompanying notes to the financial statements.

Ontario Federation of Agriculture Statement of Changes in Net Assets

Year ended August 31

	2013			2012
	Invested in Capital Assets	Unrestricted Net Assets	Total	Total (Unaudited)
Balance, beginning of year	\$ 118,854	\$ 1,511,294	\$ 1,630,148	\$ 1,286,748
Excess of income over expenses	(96,025)	3,494,133	3,398,108	343,400
Transfer for purchase of capital assets	71,515	(71,515)	-	-
Payment of capital lease obligation	<u>3,380</u>	<u>(3,380)</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>97,724</u>	\$ <u>4,930,532</u>	\$ <u>5,028,256</u>	\$ <u>1,630,148</u>

See accompanying notes to the financial statements.

Ontario Federation of Agriculture
(Incorporated under the Corporations Act of Ontario)
Statement of Financial Position

	August 31, 2013	August 31, 2012	September 1, 2011
		(Unaudited)	(Unaudited)
Assets			
Current			
Cash and cash equivalents	\$ 2,657,504	\$ 3,141,842	\$ 4,501,527
Project funds receivable	500,839	229,073	25,586
Receivables	224,004	95,180	108,532
Prepaid expenses and other assets	62,416	49,807	74,349
Prepaid county funding	-	388,980	383,190
	<u>3,444,763</u>	<u>3,904,882</u>	<u>5,093,184</u>
Capital assets (Note 4)	111,709	136,218	161,435
Investments, at fair value (Note 5)	2,148,808	1,701,444	1,618,945
Investments, at amortized cost (Note 6)	1,117,350	617,350	558,950
Cash surrender value life insurance (Note 7)	<u>570,507</u>	<u>561,014</u>	<u>546,014</u>
	<u>\$ 7,393,137</u>	<u>\$ 6,920,908</u>	<u>\$ 7,978,528</u>
Liabilities			
Current			
Outstanding cheques (Note 8)	\$ 144,011	\$ 119,059	\$ 153,483
Payables and accruals	476,623	516,397	393,332
Project funds received in advance	852,718	1,136,833	1,621,861
Deferred revenue (Note 9)	19,545	2,281,507	2,457,654
Pension liability (Note 10)	223,800	240,000	255,400
Current portion of capital lease obligation (Note 11)	<u>5,880</u>	<u>5,880</u>	<u>5,880</u>
	<u>1,722,577</u>	<u>4,299,676</u>	<u>4,887,610</u>
Employee future benefit obligation (Note 12)	634,200	979,600	1,789,800
Obligations under capital lease (Note 11)	<u>8,104</u>	<u>11,484</u>	<u>14,370</u>
	<u>2,364,881</u>	<u>5,290,760</u>	<u>6,691,780</u>
Net assets			
Net assets invested in capital assets	97,724	118,854	141,185
Unrestricted net assets	<u>4,930,532</u>	<u>1,511,294</u>	<u>1,145,563</u>
	<u>5,028,256</u>	<u>1,630,148</u>	<u>1,286,748</u>
	<u>\$ 7,393,137</u>	<u>\$ 6,920,908</u>	<u>\$ 7,978,528</u>

Commitments and contingency (Notes 13 and 14)

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements.

Ontario Federation of Agriculture

Statement of Cash Flows

Year ended August 31

2013

2012

(Unaudited)

Increase (decrease) in cash and cash equivalents

Operating activities

Excess of income over expenses	\$ 3,398,108	\$ 343,400
Non-cash items		
Depreciation and amortization	96,025	90,502
Realized gain on investments	(12,948)	(11,504)
Unrealized loss (gain) on investments	64,769	(70,993)
Member loyalty payment received in shares	(500,000)	(168,100)
Pension expense	14,200	374,800
Cash surrender value of life insurance	(9,493)	(15,000)
	<u>3,050,661</u>	<u>543,105</u>
Net change in non-cash operating working capital		
Receivables	(128,824)	13,352
Project funds receivable	(271,766)	(203,487)
Prepaid expenses and other assets	(12,609)	24,539
Prepaid county funding	388,980	(5,790)
Payables and accruals	(39,774)	123,071
Project funds received in advance	(284,115)	(485,029)
Deferred revenue	(2,261,962)	(176,150)
Contributions to pension plan	(359,598)	(1,185,000)
Pension liability	(16,200)	(15,400)
	<u>64,793</u>	<u>(1,366,789)</u>

Financing activity

Repayment of capital lease obligations	<u>(3,380)</u>	<u>(2,890)</u>
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Investing activities

Purchase of investments	(1,280,974)	(1,220,164)
Proceeds from sale of investments	781,786	1,220,167
Proceeds from share redemption	-	109,700
Purchase of capital assets	(71,515)	(65,285)
	<u>(570,703)</u>	<u>44,418</u>

Decrease in cash and cash equivalents (509,290) (1,325,261)

Cash and cash equivalents, beginning of year 3,022,783 4,348,044

Cash and cash equivalents, end of year \$ 2,513,493 \$ 3,022,783

Represented by:

Cash and cash equivalents	\$ 2,657,504	\$ 3,141,842
Outstanding cheques	<u>(144,011)</u>	<u>(119,059)</u>
	<u>\$ 2,513,493</u>	<u>\$ 3,022,783</u>

See accompanying notes to the financial statements.

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

1. Nature of operations

The Ontario Federation of Agriculture (the “Federation” and/or the “OFA”) works collaboratively towards a profitable, sustainable future for Ontario farmers.

The Federation is an accredited general farm organization under the *Farm Registration and Farm Organizations Funding Act, 1993* (the “Act”).

2. Summary of significant accounting policies

Basis of presentation

The Federation has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). The following is a summary of significant accounting policies adopted by the Federation in the preparation of the financial statements.

Revenue recognition

The registration year is coincidental with the calendar year. In prior years registration and membership fees were considered to be the same and were recognized evenly over the year to which they relate. This resulted in deferred revenue at August 31 each year for the membership revenue that was received in the fiscal year but not yet earned as the services would not be provided to members until subsequent to year-end.

During fiscal 2013, the Federation received an accreditation ruling from the Agriculture, Food and Rural Affairs Appeals Tribunal (the Tribunal). The Tribunal ruled that farmers who have paid the Farm Business Registration (FBR) fee to OFA are supporters of OFA. They are not members of OFA until they have signed a membership agreement with the OFA. Accordingly, commencing in 2013, the OFA has established a two-step process, whereby when the farmer pays their registration fee they are sent a membership agreement. If they sign and return the membership agreement, then they become eligible for membership benefits. There is no additional fee required. The difference between a member and a supporter is voting rights. A supporter who returns their membership agreement becomes a member and has voting rights.

As a result of the Tribunal ruling, the characteristics of the fee has changed to only be a FBR fee for which OFA does not have to provide any benefits; hence this becomes a contribution which is recognized as revenue when received.

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The Federation follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted by the donor are deferred when received and recognized as revenue in the year in which the related expenses are recognized.

Management fees and other income are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred revenue includes unearned sponsorships and registration fees for the annual convention held after year-end and in prior years included unearned registration fees.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and other institutions and term deposits with maturities of three months or less.

Prepaid county funding

Historically, the Federation made county funding payments on a yearly membership basis (January 1 to December 31) therefore prepaid expenses for four months were set up. Concurrent with the Tribunal decision described above, all payments made during the fiscal year have been expensed in the year paid.

Capital assets

Capital assets are recorded at cost. Depreciation and amortization are recorded as follows:

Tangible

Furniture and equipment	- 20% declining balance
Office equipment under capital lease	- straight line over the term of the lease
Leasehold improvements	- straight line over the remaining term of the lease
Computer hardware	- 3 years straight line

Intangible

Computer software	- 3 years straight line
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When a capital asset no longer has any long-term service potential to the Federation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

2. Summary of significant accounting policies (continued)

Employee future benefit obligation

The Federation uses the immediate recognition approach to account for its defined benefit pension plans. The accrued benefit obligations are determined using the most recent actuarial valuation report prepared for funding purposes.

Plan assets are measured at fair value.

The Federation recognizes the plan's unfunded deficit, which is the net amount of the accrued benefit obligations and the fair value of plan assets on the statement of financial position.

Actuarial gains and losses and past service costs are included in the cost of the plan for the year in the statement of operations.

Income taxes

The Federation is a non-profit Federation and is exempt from income taxes under section 149(1)(e) of the Income Tax Act.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess of income over expenses as appropriate in the year they become known.

Items subject to significant management estimates include valuation of investments and employee future benefit obligation.

Financial instruments

Initial measurement

The Federation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees. Financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

2. Summary of significant accounting policies (continued)

Financial Instruments (continued)

Subsequent measurement

At each reporting date, the Federation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The Federation has irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of the organization's investments in bonds are recorded in the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, project funds receivable, receivables, investments other than bonds, cash surrender value of life insurance, payables and accruals, project funds received in advance and obligations under capital lease.

For financial assets measured at cost or amortized cost, the Federation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Federation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

3. First time adoption of accounting standards for not-for-profit organizations

These financial statements are the first financial statements for which Ontario Federation of Agriculture has applied Canadian accounting standards for not-for-profit organizations (ASNPO). Comparative period information was prepared in accordance with ASNPO and the provisions set out in Section 1501 of the CICA Handbook - First-time adoption by not-for-profit organizations.

The adoption of ASNPO resulted in adjustments to the previously reported assets, liabilities, net assets, and excess of income over expenses of the Federation. The transition to ASNPO did not result in any adjustments to the statement of cash flows. The changes to net assets at the date of transition of September 1, 2011 are outlined below.

These financial statements of the Federation have been prepared using policies specified by those standards that are in effect at the end of the reporting period ended August 31, 2013. The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 2. These accounting policies have been used throughout all periods presented in the financial statements, except where the Federation has applied certain accounting policy exemptions to full retrospective application upon transition to ASNPO.

Section 1501 - First-time Adoption by Not-for-Profit Organizations, contains optional exemptions to full retrospective application of ASNPO which the Federation may use upon transition. The Federation elected the use of the following exemption at the date of transition to ASNPO:

- (a) Employee future benefits

The Federation has elected to recognize all accumulated actuarial gains and losses and unamortized past service costs in net assets at the date of transition.

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

3. First time adoption of accounting standards for not-for-profit organizations (continued)

Reconciliation to previously reported amounts:

Statement of financial position as at September 1, 2011 (unaudited):

	Note	Previous GAAP	Effect of Transition	ASNPO
Assets				
Current				
Cash and cash equivalents		\$ 4,501,527	\$ -	\$ 4,501,527
Project funds receivable		25,586	-	25,586
Receivables		108,532	-	108,532
Prepaid expenses and other assets		74,349	-	74,349
Prepaid county funding		<u>383,190</u>	-	<u>383,190</u>
		5,093,184	-	5,093,184
Capital assets				
Investments, at fair value		161,435	-	161,435
Investments, at amortized cost		1,618,945	-	1,618,945
Cash surrender value life insurance		<u>558,950</u>	-	<u>558,950</u>
		<u>546,014</u>	-	<u>546,014</u>
		<u>\$ 7,978,528</u>	<u>\$ -</u>	<u>\$ 7,978,528</u>
Liabilities				
Current				
Outstanding cheques		\$ 153,483	\$ -	\$ 153,483
Payables and accruals		393,332	-	393,332
Project funds received in advance		1,621,861	-	1,621,861
Deferred revenue		2,457,654	-	2,457,654
Pension liability		255,400	-	255,400
Current portion of capital lease obligation		<u>5,880</u>	-	<u>5,880</u>
		4,887,610	-	4,887,610
Employee future benefit obligation (a)		42,100	1,747,700	1,789,800
Obligations under capital lease		<u>14,370</u>	-	<u>14,370</u>
		<u>4,944,080</u>	<u>1,747,700</u>	<u>6,691,780</u>
Net assets				
Net assets invested in capital assets		141,185	-	141,185
Unrestricted net assets (a)		<u>2,893,263</u>	<u>(1,747,700)</u>	<u>1,145,563</u>
		<u>3,034,448</u>	<u>(1,747,700)</u>	<u>1,286,748</u>
		<u>\$ 7,978,528</u>	<u>\$ -</u>	<u>\$ 7,978,528</u>

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

3. First time adoption of accounting standards for not-for-profit organizations (continued)

Statement of financial position as at August 31, 2012 (unaudited):

	Note	Previous GAAP	Effect of Transition	ASNPO
Assets				
Current				
Cash and cash equivalents		\$ 3,141,842	\$ -	\$ 3,141,842
Project funds receivable		229,073	-	229,073
Receivables		95,180	-	95,180
Prepaid expenses and other assets		49,807	-	49,807
Prepaid county funding		<u>388,980</u>	<u>-</u>	<u>388,980</u>
		3,904,882	-	3,904,882
Capital assets				
Capital assets		136,218	-	136,218
Employee future benefits		756,373	(756,373)	-
Investments, at fair value		1,701,444	-	1,701,444
Investments, at amortized cost		617,350	-	617,350
Cash surrender value life insurance		<u>561,014</u>	<u>-</u>	<u>561,014</u>
		<u>\$ 7,677,281</u>	<u>\$ (756,373)</u>	<u>\$ 6,920,908</u>
Liabilities				
Current				
Outstanding cheques		\$ 119,059	\$ -	\$ 119,059
Payables and accruals		516,397	-	516,397
Project funds received in advance		1,136,833	-	1,136,833
Deferred revenue		2,281,507	-	2,281,507
Pension liability		240,000	-	240,000
Current portion of capital lease obligation		<u>5,880</u>	<u>-</u>	<u>5,880</u>
		4,299,676	-	4,299,676
Employee future benefit obligation (a)		-	979,600	979,600
Obligations under capital lease		<u>11,484</u>	<u>-</u>	<u>11,484</u>
		<u>4,311,160</u>	<u>979,600</u>	<u>5,290,760</u>
Net assets				
Net assets invested in capital assets		118,854	-	118,854
Unrestricted net assets (a)		<u>3,247,267</u>	<u>(1,735,973)</u>	<u>1,511,294</u>
		<u>3,366,121</u>	<u>(1,735,973)</u>	<u>1,630,148</u>
		<u>\$ 7,677,281</u>	<u>\$ (756,373)</u>	<u>\$ 6,920,908</u>

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

3. First time adoption of accounting standards for not-for-profit organizations (continued)

Statement of Operations for the year ended August 31, 2012 (unaudited):

	<u>Note</u>	<u>Previous GAAP</u>	<u>Effect of Transition</u>	<u>ASNPO</u>
Income				
Revenue		\$ 6,739,613	\$ -	\$ 6,739,613
Project management revenues		1,772,889	-	1,772,889
Other		<u>991,625</u>	-	<u>991,625</u>
		<u>9,504,127</u>	-	<u>9,504,127</u>
Expenses				
Organizational		2,096,785	-	2,096,785
Departments		4,447,949	-	4,447,949
Grants and dues		459,818	-	459,818
Project management expenses		1,772,889	-	1,772,889
Pension liability		8,486	-	8,486
Employee future benefits	(a)	<u>386,527</u>	<u>(11,727)</u>	<u>374,800</u>
		<u>9,172,454</u>	<u>(11,727)</u>	<u>9,160,727</u>
Excess of income over expenses		<u>\$ 331,673</u>	<u>\$ 11,727</u>	<u>\$ 343,400</u>

4. Capital assets

		<u>August 31, 2013</u>	August 31, <u>2012</u>	September 1 <u>2011</u>
			(Unaudited)	(Unaudited)
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Tangible				
Furniture and equipment	\$ 203,309	\$ 203,309	\$ -	\$ 29,882
Leasehold improvements	82,064	58,983	23,081	40,608
Computer hardware	169,814	141,147	28,667	30,400
Assets under capital lease	-	-	-	19,254
			14,946	
Intangible				
Computer software	<u>259,979</u>	<u>200,018</u>	<u>59,961</u>	<u>36,061</u>
	<u>\$ 715,166</u>	<u>\$ 603,457</u>	<u>\$ 111,709</u>	<u>\$ 161,435</u>

Depreciation on capital assets for the year was \$96,025 (2012 - \$90,502) and has been included in overhead expense.

Ontario Federation of Agriculture Notes to the Financial Statements

August 31, 2013

5. Investments, at fair value

	<u>August 31, 2013</u>	August 31, <u>2012</u> (Unaudited)	September 1 <u>2011</u> (Unaudited)
Bonds:			
Province of Quebec 4.16% yield to maturity, due December 1, 2025	\$ 250,503	\$ 253,687	\$ -
Province of Quebec 4.40% yield to maturity, due December 1, 2028	458,442	469,883	-
Province of Ontario Bond 3.53% yield to maturity, due December 2, 2021	207,393	209,036	-
Province of Quebec 4.09% yield to maturity, due December 1, 2024	421,903	-	-
RES C.I.B.C CARS & PARS 3.21% yield to maturity, callable June 6, 2018	316,198	-	-
Province of British Columbia 1.89% yield to maturity, due November 22, 2015	494,369	-	-
Province of Quebec 3.3% yield to maturity, due October 1, 2020	-	448,799	410,285
Province of Ontario Bond 3.45% yield to maturity, due March 8, 2018	-	320,039	-
Province of Ontario Bond 4.12% yield to maturity, due December 2, 2021	-	-	244,700
Province of Quebec 4.61% yield to maturity, due March 21, 2021	-	-	459,920
Province of Ontario Bond 4.20% yield to maturity, due June 2, 2018	-	-	504,040
	<u>\$ 2,148,808</u>	<u>\$ 1,701,444</u>	<u>\$ 1,618,945</u>

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

6. Investments, at amortized cost

	<u>Share Holdings</u>	<u>August 31, 2013</u>	August 31, <u>2012</u> (Unaudited)	September 1 <u>2011</u> (Unaudited)
The Co-operators Group Limited Class D Shares (2012 – 4,972; September 1, 2011 – 2,194) (See below for terms)	9,972	\$ 997,200	\$ 497,200	\$ 219,400
The Co-operators Group Limited Member Participation Shares (2012 – nil; September 1, 2011 – 2,194) (See below for terms)	-	-	-	219,400
Debentures:				
Gay Lea Foods Co-operative				
3.75% due November 30, 2013		6,000	-	-
3.75% due November 30, 2012		-	6,000	-
3.75% due November 30, 2011		-	-	6,000
Central 1 Credit Union				
Common shares	100	100	100	100
The Co-operators Group Limited				
Common shares	12,500	1,250	1,250	1,250
Class B, series "A" preferred shares	1,127	112,700	112,700	112,700
Ag Energy Co-operative				
Common shares	1	100	100	100
		\$ 1,117,350	\$ 617,350	\$ 558,950

The Co-operators Group Limited Class D shares are automatically redeemable five years from issuance and they pay an annual dividend. The dividend rate for 2013 was 5% (August 31, 2012 – 5%, September 1, 2011 – 5%). These shares can be sold to or purchased from other members of the Co-operators Group Limited.

The Co-operators Group Limited Member Participation Shares pay an annual dividend of 5%. Commencing in 2009, 25% of the total Member Participation Shares held by the Federation are redeemable annually for cash or Class D shares in the Co-operators Group Limited. In 2012, the Federation redeemed 2,194 Member Participation Shares for \$219,400 in cash.

The Co-operators Group Limited Class B Preferred Shares pay an annual dividend. The dividend rate for 2013 was 5% (August 31, 2012 – 5%, September 1, 2011 – 5%).

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

7. Cash surrender value life insurance

	<u>August 31, 2013</u>	August 31, <u>2012</u> (Unaudited)	September 1, <u>2011</u> (Unaudited)
Matured December 2000	\$ 350,000	\$ 348,007	\$ 340,507
Matured December 2011	<u>220,507</u>	<u>213,007</u>	<u>205,507</u>
	<u>\$ 570,507</u>	<u>\$ 561,014</u>	<u>\$ 546,014</u>

The life insurance policies are valued at their cash surrender value.

8. Outstanding cheques

Outstanding cheques represent cheques issued prior to the year-end but have not yet cleared the bank.

9. Deferred revenue

In prior years deferred revenue was comprised of unearned registration fees (previously the same as membership fees), sponsorships and registration fees for the annual convention held after year-end. As detailed in Note 2, the nature of the registration fees changed during the year from being for provision of services to a contribution, which is recognized when received. Registration fees included in deferred revenue at August 31, 2013 are \$Nil (2012 - \$2,186,470; September 1, 2011 - \$2,349,591).

10. Pension liability

The OFA is making voluntary top-up payments to retirees of the Ontario Trusteed Pension Plan ("the insolvent plan") that was wound up in 2012. Using a discount rate of 4% (2012 - 4%; September 1, 2011 - 3%) the future liability of the top-up to 90% for the retirees of the Federation has been estimated at \$223,800 (2012 - \$240,000; September 1, 2011 - \$255,400). During the year ended August 31, 2013 voluntary payments of \$23,713 (2012 - \$23,713; September 1, 2011 - \$23,713) were made to retirees of the Federation who are only receiving 67% of their original pension entitlement from the insolvent plan. A recovery of \$16,200 (2012 - \$15,400) has been recorded in the financial statements reflecting a change in the present value of the liability during the year.

Ontario Federation of Agriculture Notes to the Financial Statements

August 31, 2013

11. Obligations under capital lease

The Federation leases office equipment under a long term capital lease with an implicit interest rate of 15.76%.

Future minimum lease payments under the capital leases are as follows:

2014	\$	5,880
2015		5,880
2016		<u>5,880</u>
		17,640
Less: Amount representing interest at 15.76%		<u>3,656</u>
		13,984
Current portion		<u>5,880</u>
	\$	<u>8,104</u>

12. Employee future benefit obligation

The Federation has a single employer defined benefit pension plan. Benefits are based upon a percentage of an employee's best average earnings multiplied by pensionable service. The date of the most recent actuarial valuation for funding purposes was as at April 1, 2010. The fair value of plan assets and accrued benefit obligation are as follows:

	<u>August 31, 2013</u>	August 31, <u>2012</u> (Unaudited)	September 1, <u>2011</u> (Unaudited)
Fair value of plan assets	\$ 5,415,900	\$ 4,486,100	\$ 1,975,200
Assets transferred from Ontario Trusteed Pension Plan	-	-	1,167,200
Accrued benefit obligation	<u>(6,050,100)</u>	<u>(5,465,700)</u>	<u>(4,932,200)</u>
Employee future benefit obligation	\$ <u>(634,200)</u>	\$ <u>(979,600)</u>	\$ <u>(1,789,800)</u>

The effective date of the next required actuarial valuation for funding purposes is April 1, 2013.

The total benefit cost recognized for the year is as follows:

	<u>2013</u>	<u>2012</u> (Unaudited)
Current year benefit cost	\$ 83,200	\$ 92,700
Interest on accrued benefit obligation	308,000	278,600
Actual (return) loss on plan assets	<u>(377,000)</u>	<u>3,500</u>
Employee future benefits expense	\$ <u>14,200</u>	\$ <u>374,800</u>

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

12. Employee future benefits (continued)

Plan assets by asset category are as follows:

	<u>2013</u>	<u>2012</u> (Unaudited)
Canadian Fixed Income	36.4%	40.6%
Canadian Equity	46.5%	44.2%
US Equity	8.7%	7.6%
International Equity	<u>8.4%</u>	<u>7.6%</u>
	<u>100%</u>	<u>100%</u>

The significant assumptions adopted in measuring the Federation's accrued benefit obligation are as follows:

	<u>2013</u>	<u>2012</u> (Unaudited)
Discount rate	5.35%	4.0%
Expected long-term rate of return on plan assets	5.5%	5.5%
Rate of compensation increase	3.0%	3.0%

Other information about the Federation's defined benefit plan is as follows:

	<u>2013</u>	<u>2012</u> (Unaudited)
Employer contributions	\$ 359,600	\$ 1,185,200
Employee contributions	223,000	203,900
Benefits paid	<u>29,800</u>	<u>41,900</u>

The Federation's plan provides that annual contributions to the plan (excluding top-up payments) will be split on a 50/50 basis between employees and the Federation.

13. Commitments

a) The Federation is committed to leasing office space and equipment under various operating leases. The minimum annual payments under these leases are as follows:

2014	\$ 193,462
2015	192,107
2016	<u>138,744</u>
	<u>\$ 524,313</u>

b) The Federation has an operating line of credit of \$500,000 which was unused at August 31, 2013. As security for the operating line of credit the Federation has provided an assignment of bond investments held with RBC Dominion Securities Inc. Bonds equivalent to approximately \$500,000 have been provided as security for the operating line.

Ontario Federation of Agriculture

Notes to the Financial Statements

August 31, 2013

13. Commitments (continued)

- c) As an accredited farm organization the Federation has a commitment to pay to the L'Union Des Cultivateurs Franco-Ontariens ("UCFO") each year an amount equal to 1.5% of its registration revenue less refunds from the payments received from all farming businesses pursuant to the Farm Registration and Farm Organizations Funding Act 1993 (the 'Act'). This commitment exists for accredited general farm organizations.
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14. Contingency

As outlined in the grant agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs (the "Ministry") relating to a program to pay producers (farmers) for beneficial practices incentives under the Environmental Farm Plan Program and the Canada-Ontario National Farm Stewardship Program, the Federation is obligated to reimburse any advances under the grants that are not used to cover eligible expenses. Under the agreement the Federation is responsible for ensuring only eligible expenditures are claimed under the grant, and this determination is subject to approval by the Ministry. If expenditures are deemed by the Ministry to be ineligible the Federation would be liable for refunding the ineligible amount. In those circumstances the Federation may have an offsetting claim with the delivery agent for the grant program.

15. Project management

The Federation is engaged by various parties to administer the following programs. The Federation's involvement varies by program and is outlined in the respective agreements. The fees earned for these activities are included in other income. Where the Federation is active in managing and/or delivering the program, the related revenue and expenses are reported in the statement of operations. Where the Federation has an oversight or an administrative role and the delivery is provided by another party, the activities related to these contracts are reflected in the transactions reported through the project fund accounts of the Federation, and are not included in the statement of operations.

Project management revenues and expenses are comprised of the following:

	August 31, 2013	August 31, 2012 (Unaudited)
Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA)	(A) \$ 295,736	\$ 541,059
Other	1,074,111	1,231,830
	\$ 1,369,847	\$ 1,772,889

Ontario Federation of Agriculture Notes to the Financial Statements

August 31, 2013

15. Project management (continued)

- A) The Federation was engaged by OMAFRA to facilitate the development and delivery of conservation technology activities under the direction of the Best Management Practices Project Team. These activities have been carried out in accordance with the Agreement Respecting Support for Technology Transfer Activities under the Canada/Ontario Environmental Sustainability Agreement. These contracts are ongoing.
- B) Effective April 1, 2009 the Federation operated under an agreement with OMAFRA which expired on March 31, 2013. The purpose of the program was to pay producers (farmers) for beneficial management practices incentives under the Environmental Farm Plan Program and the Canada-Ontario National Farm Stewardship Program. In turn, as permitted in the main agreements, the Federation entered into agreements with a Delivery Agent, the Ontario Soil and Crop Improvement Association (OSCIA) to assist with the responsibilities under the main agreements. The Federation has responsibility for the contract management including the advance of funds, ensuring that activities and expenses comply with the terms of the main agreement and recovery of any related amounts with regards to ineligible expenses. The OSCIA has responsibility for delivery of the programs.

The grants provided to the OSCIA, who then administered them to the producers, are reflected in the activity through the project funds received in advance/receivable accounts as follows:

	<u>August 31, 2013</u>	August 31, <u>2012</u> (Unaudited)	September 1, <u>2011</u> (Unaudited)
Balance payable, beginning of year	\$ (23,206)	\$ (57,356)	\$ (58,295)
Funds received from OMAFRA	(5,571,899)	(11,577,751)	(8,928,349)
Unspent advances - OSCIA (Spending in advance of funding - OSCIA)	-	2,291,051	(1,035,455)
Eligible costs – OSCIA	5,590,400	9,190,662	9,851,350
Eligible costs (recovery) – OFA	(3,175)	15,188	(1,603)
Administrative costs charged by the OFA	<u>7,880</u>	<u>115,000</u>	<u>114,996</u>
Total balance payable, end of year	\$ <u>-</u>	\$ <u>(23,206)</u>	\$ <u>(57,356)</u>

The balance is included in project funds received in advance.

16. Budget

The budget figures as presented were approved by the Board of Directors at the August, 2012 Board meeting and are unaudited.

Ontario Federation of Agriculture

Schedule of Income

Year ended August 31, 2013

	Budget 2013 (Note 16)	Actual 2013	Actual 2012 (Unaudited)
Revenue			
Registration income	\$ 7,075,476	\$ 10,264,734	\$ 7,183,315
Registration refunds – 2,362 refunds (2012 – 1,783)	(318,396)	(462,879)	(320,409)
Registration administration fee	(362,844)	(368,691)	(347,685)
Individual farm members and associate members	214,500	250,528	209,892
Commodity, Co-operative, Educational	<u>14,000</u>	<u>15,000</u>	<u>14,500</u>
	\$ 6,622,736	\$ 9,698,692	\$ 6,739,613
Other income			
Insurance finders' fee	\$ 90,000	\$ 75,985	\$ 85,285
Investment (loss) income, fair value	80,000	(51,821)	82,497
Investment income, amortized cost	80,000	49,958	41,005
Co-operators Group Limited loyalty program	280,000	903,148	336,319
Project management fees (net of costs of \$59,204, 2012 - \$Nil)	130,000	19,880	174,000
Cash surrender value of life insurance (Note 7)	20,000	9,493	15,000
Convention revenue	154,500	162,143	151,692
Hydro/energy program	-	-	73
Member benefit programs	89,500	147,180	53,187
Miscellaneous	<u>10,000</u>	<u>38,622</u>	<u>52,567</u>
	\$ 934,000	\$ 1,354,588	\$ 991,625

Ontario Federation of Agriculture Schedule of Expenses

Year ended August 31, 2013

	Budget 2013 (Note 16)	Actual 2013	Actual 2012 (Unaudited)
Organizational			
Convention	\$ 223,400	\$ 242,639	\$ 226,448
Canadian Federation of Agriculture meetings	66,800	31,044	53,114
County funding	1,110,785	1,489,470	1,127,700
Executive members	244,275	261,423	253,822
Board of directors	293,740	289,332	259,150
Policy Advisory Council Meetings	72,000	78,649	66,046
Events	132,000	113,423	110,505
Projects	90,000	94,380	-
	<u>\$ 2,233,000</u>	<u>\$ 2,600,360</u>	<u>\$ 2,096,785</u>
Departments			
Research and policy	\$ 596,400	\$ 582,802	\$ 580,783
Member relations and systems group	263,350	264,302	254,337
Drive forward campaign	105,000	126,867	-
Communications	426,000	360,067	419,146
Finance and administration	975,300	962,474	914,612
Field services	1,640,480	1,590,434	1,570,951
Overhead	658,598	694,360	708,120
	<u>\$ 4,665,128</u>	<u>\$ 4,581,306</u>	<u>\$ 4,447,949</u>
Grants and dues			
Canadian Federation of Agriculture	\$ 280,000	\$ 283,732	\$ 278,169
L'Union des Cultivateurs			
Franco-Ontariens	100,000	102,558	110,524
Agricultural Leadership Trust	12,000	12,000	12,000
Farm and Food Care	20,000	20,000	20,000
Agri Food Technologies	2,500	2,500	2,500
Ontario Agri Food Education	5,000	5,000	5,000
AGCare	-	-	18,000
Donations and contributions	12,500	21,003	8,625
L.I.C.C. grant	5,000	5,000	5,000
	<u>\$ 437,000</u>	<u>\$ 451,793</u>	<u>\$ 459,818</u>