

Financial Statements

Ontario Federation of Agriculture

August 31, 2022

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Independent Auditor's Report

To the Members of Ontario Federation of Agriculture

Opinion

We have audited the financial statements of Ontario Federation of Agriculture (the Federation), which comprise the statement of financial position as at August 31, 2022, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at August 31, 2022 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Federation 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 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 Federation'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 Federation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Federation'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 scepticism 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 Federation'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 Federation'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 Federation 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Guelph, Ontario
November 11, 2022

Ontario Federation of Agriculture Statement of Operations

Year ended August 31	Budget 2022 (Note 9)	2022	2021
Income			
Revenue (Page 19)	\$ 8,892,000	\$ 9,051,690	\$ 8,719,993
Project Management revenues (Note 12)	0	584,107	448,150
Other (Page 19)	1,385,000	1,984,387	2,173,975
	<u>10,277,000</u>	<u>11,620,184</u>	<u>11,342,118</u>
Expenses			
Organizational (Page 20)	2,469,000	2,252,540	2,016,253
Departmental (Page 20)	6,819,500	6,092,773	5,175,210
Grants, dues and projects (Page 20)	997,500	1,083,882	913,460
Project management expenses (Note 12)	0	584,107	448,150
Pension liability (Note 8)	330,000	69,908	(27,395)
Employee future benefits (Note 10)	19,000	14,500	56,200
	<u>10,635,000</u>	<u>10,097,710</u>	<u>8,581,878</u>
Excess of income over expenses	\$ (358,000)	\$ 1,522,474	\$ 2,760,240

The accompanying notes are an integral part of these financial statements.

Ontario Federation of Agriculture Statement of Changes in Net Assets

Year ended August 31

	2022			2021
	Unrestricted Net Assets	Invested in Net Assets	Total	Total
Balance, beginning of year	\$ 15,131,950	\$ 3,199,043	\$ 18,330,993	\$ 14,608,183
Excess (deficiency) of income over expenses	1,752,178	(229,704)	1,522,474	2,760,240
Unrealized market increase in pension obligation (Note 10)	(4,542,304)	0	(4,542,304)	962,570
Net transfer for purchase of capital assets	(132,602)	132,602	0	0
Excess of income over expenses	\$ 12,209,222	\$ 3,101,941	\$ 15,311,163	\$ 18,330,993

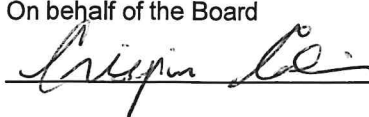
The accompanying notes are an integral part of these financial statements.

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

Year ended August 31	2022	2021
Assets		
Current		
Cash (Note 3)	\$ 1,398,881	\$ 1,796,499
Short term deposits (Note 3)	2,500,000	700,000
Project funds receivable (Note 13)	183,010	250,077
Receivables	107,258	66,695
Employee future benefits obligation (Note 10)	28,500	4,223,700
Prepaid expenses and other assets	82,243	99,237
	<u>4,299,892</u>	<u>7,136,208</u>
Capital assets (Note 4)	4,280,034	4,421,173
Investments, at fair value (Note 5)	4,470,745	4,754,217
Investments, at amortized cost (Note 6)	4,640,750	4,040,750
Cash surrender value life insurance (Note 7)	288,007	280,507
	<u>\$ 17,979,428</u>	<u>\$ 20,632,855</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 906,267	\$ 432,333
Current portion of long-term debt (Note 14)	1,178,093	1,222,130
Project funds received in advance (Note 13)	495,205	536,335
	<u>2,579,565</u>	<u>2,190,798</u>
Pension liability (Note 8)	88,700	111,064
	<u>2,668,265</u>	<u>2,301,862</u>
Net assets		
Net assets invested in capital assets	3,101,941	3,199,043
Unrestricted net assets	12,209,222	15,131,950
	<u>15,311,163</u>	<u>18,330,993</u>
	<u>\$ 17,979,428</u>	<u>\$ 20,632,855</u>

Commitments (Note 11)

On behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements.

Ontario Federation of Agriculture Statement of Cash Flows

Year ended August 31	2022	2021
Cash from operations		
Excess of income over assets	\$ 1,522,474	\$ 2,760,240
Non-cash items		
Depreciation	229,704	232,448
Realized loss (gain) on investments	21,932	(91,875)
Unrealized loss (gain) on investments	428,038	(553,368)
Member loyalty payment received in shares	(600,000)	(332,000)
Defined benefit asset	4,195,200	(1,242,600)
Unrealized change in pension valuation allowance	(4,542,304)	962,570
Pension liability (Note 8)	(22,364)	(46,536)
Cash surrender value of life insurance	(7,500)	(7,500)
	<u>1,225,180</u>	<u>1,681,379</u>
Net change in non-cash operating working capital		
Receivables	(40,563)	130,740
Project funds receivable	67,067	144,377
Prepaid expenses and other assets	16,994	24,640
Accounts payable and accrued liabilities	473,934	(380,372)
Project funds received in advance	(41,130)	12,423
	<u>1,701,482</u>	<u>1,613,187</u>
Investing activities		
Purchase of investments	(3,338,588)	(2,630,696)
Proceeds from sale of investments	3,172,090	1,927,684
Purchase of capital assets	(88,565)	(560,737)
	<u>(255,063)</u>	<u>(1,263,749)</u>
Financing activities		
Loan repayments	(44,037)	(32,210)
	<u>(44,037)</u>	<u>(32,210)</u>
Net increase in cash and cash equivalents	1,402,382	317,228
Cash and cash equivalents, beginning of year	<u>2,496,499</u>	<u>2,179,271</u>
Cash and cash equivalents, end of year	\$ <u>3,898,881</u>	\$ <u>2,496,499</u>
Represented by:		
Cash	\$ 1,398,881	\$ 1,796,499
Cash equivalents; short term deposit	2,500,000	700,000
	\$ <u>3,898,881</u>	\$ <u>2,496,499</u>

The accompanying notes are an integral part of these financial statements.

Ontario Federation of Agriculture

Notes to the Financial Statements

Year ended August 31, 2022

1. Nature of operations

The Ontario Federation of Agriculture (the "Federation" and/or the "OFA") was incorporated without share capital August 23, 1956 under the laws of Ontario and 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

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.

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.

Ontario Federation of Agriculture

Notes to the Financial Statements

Year ended August 31, 2021

2. Summary of significant accounting policies (continued)

Project funds received in advance are for ongoing projects under contract from various sources. The sources will advance the Federation funds before the actual expenditure is incurred. The money advanced is recorded as a liability until the related expense is paid.

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

Cash and cash equivalents

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

Capital assets

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

Furniture and equipment	- 20% declining balance
Computer hardware	- 3 years straight line
Computer software	- 3 years straight line
Buildings	- 4% declining balance

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.

Investments

Bonds, equities, and mutual funds shares are classified as held for trading and are carried at fair value. Investments in shares included in long-term investments for which there is no active market have been designated as available-for-sale and are recorded at cost. If the value of an investment has permanently declined, the investment is written down to net realizable value.

Employee future benefits 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.

The unrealized market related decrease (increase) in the pension obligation and the valuation allowance have been charged directly to net assets. Market volatility surrounding investments on pension assets and bond rates used to determine pension liabilities will have a significant impact on the funded status of the plan in any given year.

Ontario Federation of Agriculture

Notes to the Financial Statements

Year ended August 31, 2022

2. Summary of significant accounting policies (continued)

Current year benefit costs, interest on accrued benefit obligation, administrative costs and interest on plan assets 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

In preparing the Federation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. Actual results could differ from these estimates.

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 amortization of capital assets, valuation of investments and employee future benefit obligation.

Financial instruments

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.

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 financial instruments measured at amortized cost are cash and cash equivalents, project funds receivable, receivables, investments other than bonds, equities and mutual funds, cash surrender value of life insurance, payables and accruals, and project funds received in advance.

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.

Ontario Federation of Agriculture

Notes to the Financial Statements

Year ended August 31, 2022

3. Cash

The Federation's bank account is held at one credit union.

The Federation has access to an operating loan of \$500,000 to assist with day-to-day operating expenses. The facility bears interest at the prime rate plus 0.75%. As security for the operating loan, there is a general security agreement providing a first charge over the assets of the Federation. Also, the Federation has provided an assignment of investments held with RBC Dominion Securities Inc. for an amount not less than \$500,000. At August 31, 2022, the Federation has not accessed this facility.

The Federation has three term deposits as of August 31, 2022, for \$1,000,000 bearing interest at 1.975% per annum and maturing November 04, 2022, \$1,000,000 bearing interest at 2.603% per annum and maturing September 29, 2022, and \$500,000 bearing interest at 2.551% per annum and maturing September 15, 2022.

4. Capital assets

			<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and equipment	\$ 406,273	\$ 285,311	\$ 120,962	\$ 139,638
Land	668,109	0	668,109	668,109
Buildings	3,720,991	282,707	3,438,284	3,539,253
Computer hardware	462,789	422,822	39,967	57,789
Computer software	565,997	553,285	12,712	16,384
	<u>\$ 5,824,159</u>	<u>\$ 1,544,125</u>	<u>\$ 4,280,034</u>	<u>\$ 4,421,173</u>

Depreciation on capital assets of \$229,704 (2021 - \$232,448) has been expensed during the year.

In 2018, the Federation purchased a parcel of vacant land to build their own office building. The land was purchased for a total cost of \$668,109. The land address is 200 Hanlon Creek Blvd, Guelph Ontario.

Ontario Federation of Agriculture Notes to the Financial Statements

Year ended August 31, 2022

5. Investments, at fair value

	<u>2022</u>	<u>2021</u>
Bonds:		
Fairfax Financial Holdings Ltd 2.520% yield to maturity Due December 6, 2027	\$ 175,617	\$ 200,530
Fairfax Financial Holdings Ltd 2.880% yield to maturity Due June 14, 2029	434,014	502,799
Greater Toronto Airport Authority 2.550% yield to maturity Due August 2, 2030	79,854	91,810
Greater Toronto Airport Authority 2.550% yield to maturity due August 2, 2030	42,137	48,446
Royal Bank of Canada 3.850% yield to maturity Due July 5, 2023	869,554	0
Royal Bank of Canada 2.95% yield to maturity Due March 17, 2025	771,551	0
Equities:		
Great West Lifeco Inc 10,025 (2021 – 22,250) 5.15% Non-Cumulative 1 st preferred shares series T at \$21.30 (2021 - \$26.77) per share	213,533	590,279
Bombardier Inc. 28,475 (2021-20,250) 6.25% Cumulative preferred shares series 4 at \$18.05 (2021 - \$17.99) per share	513,974	364,298
Royal Bank of Canada 3,112 (2021 – 4,990) common shares at \$122.13 (2021 - \$129.60) per share	380,068	646,704
Brookfield Asset Management 34,680 (2021- 25,400) 4.9% Cumulative class A preferred shares S37 at \$20.31 (2021 - \$25.64) per share	704,351	651,256

Ontario Federation of Agriculture Notes to the Financial Statements

Year ended August 31, 2022

5. Investments, at fair value (continued)

Riocan Real Estate Investment Trust Units Nil (2021 – 31,000 units at \$22.41 per unit)	0	694,710
AT&T Inc Nil (2021 - 18,440 shares at \$34.59 per share)	0	637,766
Northwest Healthcare, Properties Real Estate Investment Trust units Nil (2021 - 24,575 units at \$13.25 per unit)	0	325,619
Bombardier Inc. 15,850 6.25% Cumulative preferred shares series 4 at \$18.05 per share	<u>286,092</u>	<u>0</u>
	<u>\$ 4,470,745</u>	<u>\$4,754,217</u>

The cost base of the above investments consists of bonds of \$2,469,211 (2021 - \$843,639) and equities of \$2,344,953 (2021 - \$3,573,186).

Ontario Federation of Agriculture

Notes to the Financial Statements

Year ended August 31, 2022

6. Investments, at amortized cost

	2022		2021
	Share Holdings	Cost	Cost
Debtentures:			
Gay Lea Foods Co-operative 5.00% due November 30, 2022		\$ 6,000	\$ 6,000
Central 1 Credit Union Common shares	100	100	100
The Co-operators Group Limited			
Member shares	12,500	1,250	1,250
Class B, series "A" preferred shares	1,127	112,700	112,700
Class D, series 2016	1,097	109,700	109,700
Class D, series 2017	1,681	0	168,100
Class D, series 2017	5,640	0	564,000
Class D, series 2018	3,930	393,000	393,000
Class D, series 2018	5,000	500,000	500,000
Class D, series 2019	1,793	179,300	179,300
Class D, series 2019	3,090	309,000	309,000
Class D, series 2020	6,760	676,000	676,000
Class D, series 2020	2,895	289,500	289,500
Class D, series 2021	3,320	332,000	332,000
Class D, series 2021	4,000	400,000	400,000
Class D, series 2022	1,681	168,100	0
Class D, series 2022	5,640	564,000	0
Class D, series 2022	6,000	600,000	0
Ag Energy Co-operative Common shares	1	<u>100</u>	<u>100</u>
		<u>\$ 4,640,750</u>	<u>\$ 4,040,750</u>

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 2022 was 5% (2021 – 5%). These shares can be sold to or purchased from other members of the Co-operators Group Limited.

The Co-operators Group Limited Class B Preferred Shares pay an annual dividend. The dividend rate for 2022 was 5% (2021 – 5%).

Ontario Federation of Agriculture Notes to the Financial Statements

Year ended August 31, 2022

7. Cash surrender value life insurance

Included in this account is one life insurance policy held by the Federation. The remaining balance of \$288,007 (2021 - \$280,507) has been presented at the cash surrender value and presented as long-term asset on the statement of financial position.

8. 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 4.40% (2021 -2.70%) the future liability of the top-up to 90% for the retirees of the Federation has been estimated at \$88,700 (2021 - \$111,064). During the year ended August 31, 2022, voluntary payments of \$14,871 (2021- \$19,141) were made to retirees of the Federation who are only receiving 67% of their original pension entitlement from the insolvent plan. An additional top-up payment of \$77,401 (2021 - \$NIL) was made due to the change in the benefit formula to the final five year average. A recovery of \$22,364 (2021 - \$46,536) has been recorded in the financial statements reflecting a change in the present value of the liability during the year.

9. Budget

The budget figures as presented were approved by the Board of Directors at the June 15, 2021 Board meeting and are unaudited.

10. Employee future benefits 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. As of January 1, 2022, the benefit formula changed to final five year average. The latest actuarial valuation for funding purposes was performed as at January 1, 2022. The fair value of plan assets and accrued benefit obligation are as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets	\$ 12,793,800	\$ 14,122,800
Accrued benefit obligation	(12,765,300)	(9,591,200)
Valuation allowance	<u>0</u>	<u>(307,900)</u>
Employee future benefit obligation	<u>\$ 28,500</u>	<u>\$ 4,223,700</u>

The effective date of the next required actuarial valuation for funding purposes is January 1, 2025.

Ontario Federation of Agriculture Notes to the Financial Statements

Year ended August 31, 2022

10. Employee future benefits obligation (continued)

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

	<u>2022</u>	<u>2021</u>
Current year benefit cost	\$ 231,100	\$ 182,300
Interest on accrued benefit obligation	544,600	510,200
Administrative costs	2,900	27,600
Interest on valuation allowance	16,900	0
Interest on plan assets	<u>(781,000)</u>	<u>(663,900)</u>
Employee future benefit expenses	\$ <u>14,500</u>	\$ <u>56,200</u>

The total re-measurements and other items recognized in the statement of net assets are as follows:

	<u>2022</u>	<u>2021</u>
Actual return on plan assets	\$ (1,480,200)	\$ 1,908,300
Change in valuation allowance	324,800	(307,900)
Interest income on plan assets	(814,904)	(637,830)
Actuarial gains (losses)	<u>(2,572,000)</u>	<u>0</u>
	\$ <u>(4,542,304)</u>	\$ <u>962,570</u>

Plan assets by asset category are as follows:

	<u>2022</u>	<u>2021</u>
Canadian Fixed Income	39%	40%
Canadian Equity	30%	28%
US Equity	16%	16%
International Equity	<u>15%</u>	<u>16%</u>
	<u>100%</u>	<u>100%</u>

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

	<u>2022</u>	<u>2021</u>
Discount rate	5.25%	5.50%
Expected long-term rate of return on plan assets	5.50%	5.50%
Rate of compensation increase	3.00%	3.00%

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

	<u>2022</u>	<u>2021</u>
Employer contributions	\$ 327,700	\$ 362,300
Employee contributions	333,100	368,600
Benefits paid	506,700	389,400

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.

Ontario Federation of Agriculture Notes to the Financial Statements

Year ended August 31, 2022

11. Commitments

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 all accredited general farm organizations.

12. Project management revenues

The Federation is engaged by various parties to administer programs. The Federation's involvement varies by program and is outlined in the respective agreements. The fees earned for these activities are included in 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.

13. Project funds received in advance

Project funds received in advance represents unspent project funds. Project funds receivable represent expenditures incurred before funding received. The ending project balances are as follows:

	<u>2022</u>	<u>2021</u>
Project funds received in advance	\$495,205	\$536,335
Project funds receivable	<u>(183,010)</u>	<u>(250,077)</u>
Net project funds received in advance	\$312,195	\$286,258

Project expenditures incurred and project funding received during the year are noted as follows:

Net project funds received in advance, opening	\$286,258	\$128,058
Project expenditures incurred	(584,107)	(448,150)
Project funding received	<u>610,044</u>	<u>605,350</u>
Net project funds received in advance, closing	\$312,195	\$286,258

Ontario Federation of Agriculture

Notes to the Financial Statements

Year ended August 31, 2022

14. Long-Term Debt

During the year, the Federation converted its non-revolving construction loan with Scotiabank to a non-revolving term loan. The loan balance as at August 31, 2022 is as follows:

	<u>2022</u>	<u>2021</u>
Scotiabank – Non-revolving term loan, interest at 1.8%, blended monthly payments of \$5,158, due January 2023.	1,178,093	1,222,130
Less: current portion	<u>(1,178,093)</u>	<u>(1,222,130)</u>
Long-term portion	<u>0</u>	<u>0</u>

The non-revolving term loan is secured by a general security agreement providing second charge over the assets and a collateral mortgage of \$4,000,000 over the property at 200 Hanlon Creek Boulevard in Guelph, Ontario. The carrying amount of the land and building as at August 31, 2022 is \$4,106,393 (2021 - \$4,207,362).

The Federation is required to meet a debt service coverage ratio of at least 1.25 to 1.0.

15. Financial instruments risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Federation is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The Federation's financial instruments that are exposed to concentrations of credit risk relate primarily to project funds receivable and receivables. This risk has not changed from the previous year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Federation is exposed to other price risks on its investments, which include investments in shares and bonds and on the accrued pension obligation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Federation is exposed to interest rate cash flow risk due to the construction loan bearing interest at a floating rate. Fluctuations in this rate will impact the cost of financing incurred in the future.

Ontario Federation of Agriculture Notes to the Financial Statements

Year ended August 31, 2022

16. Comparative Figures

Certain prior year comparatives have been changed to conform with current year financial statement presentation.

Ontario Federation of Agriculture Schedule of Income

Year ended August 31, 2022

	Budget 2022 (Note 9)	Actual 2022	Actual 2021
Revenue			
Registration income	\$ 9,700,000	\$ 9,860,925	\$ 9,346,530
Registration refunds - 929 refunds (2021 - 1,000)	(293,000)	(239,655)	(240,000)
Registration administration fee	(727,000)	(760,310)	(601,747)
Individual farm members and associates	200,000	177,730	201,710
Commodity, Co-operative, Educational	12,000	13,000	13,500
Total membership fees	\$ 8,892,000	\$ 9,051,690	\$ 8,719,993
Other Income			
Insurance finders' fee	45,000	40,353	45,595
Investment income, fair value	60,000	(449,970)	553,368
Investment income, amortized cost	90,000	241,707	287,997
Co-operators group limited loyalty program	600,000	1,314,481	664,340
Project management fees	12,000	12,000	12,000
Cash surrender value of life insurance (Note 7)	5,000	7,500	7,500
Convention revenue	20,000	24,827	15,116
Dividend income	150,000	181,441	202,263
Member benefit programs	363,000	593,383	354,287
On Line Store Sales	0	2,937	0
Miscellaneous	40,000	15,728	31,509
Total Other Income	\$ 1,385,000	\$ 1,984,387	\$ 2,173,975

Ontario Federation of Agriculture Schedule of Expenses

Year ended August 31, 2022

	Budget 2022 (Note 9)	Actual 2022	Actual 2021
Organizational			
Convention	\$ 80,000	\$ 87,451	\$ 74,046
Canadian Federation of Agriculture meetings	46,000	32,333	2,544
County funding	1,299,000	1,343,405	1,342,215
Executive members	375,000	319,589	220,818
Board of directors	470,000	389,985	238,824
Policy Advisory Council meetings	96,000	44,422	14,001
Events	103,000	35,355	123,805
	<u>\$ 2,469,000</u>	<u>\$ 2,252,540</u>	<u>\$ 2,016,253</u>
Departments			
Farm Policy Research Group	\$ 1,155,000	\$ 880,581	\$ 842,769
Member Relations and Systems Group	130,000	149,245	128,708
Communications	811,000	782,334	188,548
Government relations	120,000	120,000	120,000
Finance and administration	1,927,000	1,618,165	1,700,055
Building costs	326,000	255,850	241,233
Field services	1,827,000	1,584,633	1,460,005
Overhead (Note 4)	523,500	701,965	493,892
	<u>\$ 6,819,500</u>	<u>\$ 6,092,773</u>	<u>\$ 5,175,210</u>
Grants, dues and projects			
Canadian Federation of Agriculture	\$ 345,000	\$ 332,986	\$ 328,040
L'Union des Cultivateurs Franco-Ontariens	142,000	135,497	134,950
Agriculture Leadership Trust	20,000	20,000	20,000
Farm and Food Care	30,000	30,000	30,000
Natural Science and engineering			
Research Council of Canada Project	25,000	25,000	25,000
4R Program	10,000	10,000	10,000
Agri-Food Technologies	0	0	2,500
AgScape - Grant	5,000	5,000	5,000
Donations and contributions	26,000	53,740	127,309
County Special Project Fund	160,000	141,319	59,937
Small Federation County Fund	34,500	1,500	2,500
Canadian Ag Human Resource Council	10,000	10,000	10,000
Research Grants	80,000	10,000	98,224
L.I.C.C. Grant	10,000	10,000	10,000
Public Trust Campaign	100,000	298,840	50,000
	<u>\$ 997,500</u>	<u>\$ 1,083,882</u>	<u>\$ 913,460</u>