

**QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC**

FINANCIAL STATEMENTS

MARCH 31, 2012

**QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC**

SUMMARY

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Manon Gemme

Chartered Professional Accountant, CGA

INDEPENDENT AUDITOR'S REPORT

To the Membres of the
Quebec Farmers' Association / Association des fermiers du Québec,

I have audited the financial statements of the Quebec Farmers' Association / Association des fermiers du Québec, which comprise the statement of financial position at March 31, 2012, and the statement of operations and the statement of changes in net assets 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 norms for Not-for-profit Associations, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

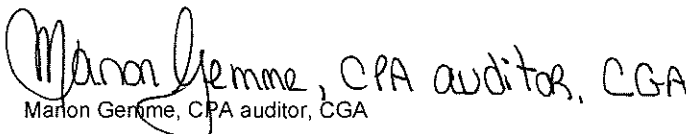
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Quebec Farmers' Association / Association des fermiers du Québec, as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting norms for Not-for-profit Associations.

Comparative information

Without modifying my opinion, I draw attention to Note 3 of the financial statements, which states that the Quebec Farmers' Association / Association des fermiers du Québec adopted the Canadian accounting norms for Not-for-profit Associations in April 1, 2011. These norms have been applied retrospectively by the management to the comparative information, in these financial statements, including the financial position at March 31, 2011 and April 1, 2010, and the statement of operations and the statement of changes in the net assets for the years ended March 31, 2011, and other explanatory information. I had not been given a mandat to audit the adjusted comparative information, so that information have not been verified.


Manon Gemme, CPA auditor, CGA

Saint-Hyacinthe, Québec
October 11th, 2012

**QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC**

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2012**

					2012	2011
	General Operations	Translation Services	Advocate	Warren Grapes	Total	Total
	\$	\$	\$	\$	\$	\$
Revenues						
Government grants and contributions	63 000	-	22 000	-	85 000	79 050
Memberships	12 312	-	6 342	-	18 654	20 400
Subscriptions	-	-	242	-	242	375
Advertising	-	-	72 648	-	72 648	71 378
Contracts	-	-	36 564	-	36 564	42 990
Translation services	-	57 603	-	-	57 603	57 972
Donations and sponsorships	2 950	-	-	840	3 790	2 150
Insurance	918	-	-	-	918	756
Product sales	810	-	-	-	810	867
Miscellaneous	356	-	-	1	357	828
	80 346	57 603	137 796	841	276 586	276 766
Expenditures						
<i>Salaries and Benefits</i>	40 051	855	34 843	-	75 749	79 929
<i>Professionnal Fees- Honoraria</i>						
Advertising sales	-	-	26 000	-	26 000	25 651
Desktop publishing layout	-	-	13 989	-	13 989	13 756
Auditors	2 261	617	1 233	-	4 111	347
Bookkeeping	7 573	2 065	4 131	-	13 769	16 458
Translators	-	42 063	10 059	-	52 122	59 174
Writers	-	-	9 343	-	9 343	7 831
Other (AGM, web site, etc.)	19 559	2 090	439	-	22 088	21 687
	29 393	46 835	65 194	-	141 422	144 904
<i>Travel</i>						
Board	1 618	-	-	-	1 618	3 280
Staff and Consultants	3 466	-	292	-	3 758	3 723
	5 084	-	292	-	5 376	7 003
<i>Publicity</i>	1 150	-	-	-	1 150	1 334
<i>Operating Costs</i>						
Rent and storage	4 796	515	1 031	-	6 342	3 983
Equipment rental	735	-	-	-	735	668
Insurance	509	137	274	-	920	1 069
Printing	655	-	17 473	-	18 128	18 165
Postage	1 077	202	18 062	-	19 341	19 250
Telecommunications	2 805	294	926	-	4 025	4 238
Bank charges and interest	1 843	-	-	-	1 843	2 041
Office expenses	1 130	101	478	-	1 709	1 214
Bursaries	-	-	-	1 500	1 500	2 075
	13 550	1 249	38 244	1 500	54 543	52 703
<i>Depreciation</i>	191	-	-	-	191	272
	89 419	48 939	138 573	1 500	278 431	286 145
Excess (Deficiency) of Revenues Over Expenses	(9 073)	8 664	(777)	(659)	(1 845)	(9 379)

**QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC**

**STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2012**

	Invested in Capital Assets	Restricted for Educational Purposes	Accumulated Profit / (Loss)	2012 Total	2011 Total
Balance at Beginning of the Year	\$ 635	\$ 8 292	\$ (93 868)	\$ (84 941)	\$ (75 562)
Excess (Deficiency) of Revenues Over Expenses	(191)	(659)	(995)	(1 845)	(9 379)
Balance at End of the Year	<u>\$ 444</u>	<u>\$ 7 633</u>	<u>\$ (94 863)</u>	<u>\$ (86 786)</u>	<u>\$ (84 941)</u>

**QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC**

**STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012**

	2012	2011	APRIL 1, 2010
ASSETS			
Current			
Cash	\$ 26 849	\$ 7 962	\$ -
Cash - restricted	13 721	14 380	12 107
Term deposits - restricted	-	-	3 596
Accrued interest - restricted	-	-	128
Accounts receivable - Note 5	20 080	32 715	96 192
Prepaid expenses	436	570	1 209
	61 086	55 627	113 232
Capital assets - Note 6	445	635	907
	61 531	56 262	114 139
LIABILITIES			
Current			
Cheques issued in excess of cash funds	-	-	5 507
Accounts payable - Note 7	23 423	29 619	69 478
Deferred revenue	36 267	22 057	25 189
Deferred revenue - restricted	5 000	5 000	5 000
Current portion of long-term debt - Note 9	3 600	84 527	75 000
	68 290	141 203	180 174
Long-term debt - Note 9	80 027	-	9 527
NEGATIVE EQUITY			
Invested in capital assets	444	635	907
Restricted for educational purposes - Note 11	7 633	8 292	9 810
Accumulated loss	(94 863)	(93 868)	(86 279)
	(86 786)	(84 941)	(75 562)
	\$ 61 531	\$ 56 262	\$ 114 139

Approved on behalf of the board:

_____ DIRECTOR

_____ DIRECTOR

The accompanying notes form part of this statement.

**QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

1 - INCORPORATION AND NATURE OF ACTIVITIES

The Québec Farmers' Association / Association des fermiers du Québec was incorporated on April 4, 1957 under the Professional Syndicates' Act for the study, defence and promotion of the economic, social and moral interests of its members. The Association is exempt from tax on its operations as it is incorporated on a "not for profit" basis. These financial statements include the Warren Grapes Agricultural Education Fund, which is a registered charity.

2 - SIGNIFICANT ACCOUNTING STANDARDS

The financial statements have been prepared in accordance with the Accounting Standards for Not-for-Profit Associations made by the Canadian Institute of Chartered Accountants (CICA) and reflect the following policies:

USE OF ESTIMATES

The preparation of financial statements in accordance with Accounting Standards for Not-for-Profit Associations requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Association may undertake in the future. Actual results may differ from these estimates.

REVENUE RECOGNITION

The Association follows the deferral method of accounting for grants and contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Association's principal other sources of revenue comprise advertising, translation service, contracts and membership fees. Revenues are recognized when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- Services have been rendered;
- The price to the buyer is fixed or determinable;
- Collection is reasonably assured.

CASH AND CASH EQUIVALENTS

The entity's policy is to present within the cash, the banking balance including the bank overdraft whose balance often fluctuates between positive and negative.

INVESTMENT

The investments are accounted at cost.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

2 - SIGNIFICANT ACCOUNTING STANDARDS (continued)

CAPITAL ASSETS

Capital assets are accounted at cost, and are amortized over their estimated useful lives according to the method of depreciation on a diminishing balance, at the following annual rates:

Computers	30%
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FINANCIAL INSTRUMENTS

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Subsequently, financial assets and liabilities are measured and recognized as follows :

Help for trading

Cash, cash restricted, accounts receivable and prepaid expenses are classified as held for trading financial assets. Held for trading financial assets are measured at their fair value and the change in fair value is recognized in revenues and expenses.

Loans and receivables and other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method (including any impairment in the case of financial assets). The interest on other financial liabilities is calculated using the effective interest method and is presented in revenues and expenses under administrative expenses.

3 - MODIFICATION OF ACCOUNTING ARRANGEMENT

The present financial report is the first financial report that the Association has applied the Canadian accounting norms for Not-for-profit Associations. The initial application of this new reference has no impact on the excedent of revenues over expenses of the Association for the period ending on March 31, 2011, or on the net assets on the transition date of April 1, 2010.

4 - GOVERNMENT CONTRIBUTION

The Quebec Farmers' Association/Association des Fermiers du Québec entered into a contribution agreement with the federal department of Canadian Heritage.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

5 - ACCOUNTS RECEIVABLE

	2012	2011
Accounts receivable	\$ 15 830	\$ 28 715
Contributions to be received	4 250	4 000
	<u>\$ 20 080</u>	<u>\$ 32 715</u>

6 - CAPITAL ASSETS

	Cost	Accumulated Amortization	2012 Net	2011 Net
Computers	<u>\$ 2 650</u>	<u>\$ 2 205</u>	<u>\$ 445</u>	<u>\$ 635</u>

The amortization of the period is \$ 191 (2011 – \$ 272).

7 - ACCOUNTS PAYABLE

	2012	2011
Suppliers and expenses	\$ 11 107	\$ 20 306
Salaries and fringe benefits	4 518	2 655
Warren Grapes Agricultural Education Fund	1 088	1 088
Sales taxes	6 710	5 570
	<u>\$ 23 423</u>	<u>\$ 29 619</u>

8 - LINE OF CREDIT

The Association maintains a line of credit with a banking institution having a limit of \$ 20,000, at an annual interest of prime plus 6 per cent. The loan is guaranteed by unrestricted revenues. The line of credit is renegotiable prior to July 31, 2012.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

9 - LONG-TERM DEBT

	2012	2011
The Association has a loan with the fonds de defense professionnelle of the Union des producteurs agricoles in the amount of \$ 84,527 without interest to be reimbursed in equal monthly payments of \$ 300, beginning January, 2012. The full amount may be paid in advance without penalty.	\$ 83 627	\$ 84 527
Less current portion	3 600	84 527
	\$ 80 027	\$ -

The minimum capital payments for the next 5 years are as follows:

2013		\$	3 600
2014		\$	3 600
2015		\$	3 600
2016		\$	3 600
2017		\$	3 600

During the year, the Association reimbursed \$ 900 (2011 - \$ 0) in capital.

10 - CONTRACTUAL COMMITMENT

Lease

The Association rents office space by means of an annual lease. The lease can be cancelled three months prior to the end date. The minimum annual rent is \$ 3,438 and is readjusted each year. The lease is automatically renewed.

11 - RESTRICTIONS FOR EDUCATIONAL PURPOSES

The net assets restricted for educational purposes were established when the Association received a donation in memory of former president Warren Grapes. Each year, the Association receives donations on behalf of the Warren Grapes Agricultural Education Fund. The Fund awards bursaries to college students according to criteria established from time to time by the Fund's trustees. The Fund is registered as a charitable Association under number 871285045 RR 0001.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012**

12 - RELATED PARTY TRANSACTIONS

During this fiscal period, the Association committed to pay the Union des Producteurs agricoles (UPA), the Maison de l'UPA and La Terre de Chez Nous \$ 97,778 for technical support, insurance, rent and services. The revenue for translation and services received from the UPA and La Terre de Chez Nous is \$ 100,423. The UPA has, among other things, the role of promoting, defending and developing the economic and social interests of the Association. These operations took place during the normal course of activities and are measured against the value established and agreed upon by both parties. The accounts receivable that have yet to be received for these operations are included in the debtors and represent a total amount of \$ 3,929. The accounts payable that have yet to be paid for these operations are included in the creditors and represent a total amount of \$ 1,322.

13 - FINANCIAL INSTRUMENTS

The Association is exposed to various financial risks resulting from both its operations and its investments activities. The Association's management manages financial risks.

The Association does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

INTEREST RATE RISK

The Association uses a line of credit and assumes a long term debt with variable interest rates. Consequently, the Association runs a risk from the fluctuation of the prime interest rate. However, a fluctuation of 1% of the prime interest rate would not have a significant impact on the Association's results and financial situation.

The Association's long term debt has a fixed interest rate and, as a result, is exposed to minimal risks.

CREDIT RISK

The Association is not exposed to any major risk with regards to any particular client or third party. The Association continually evaluates the financial health of its clients and examines the credit history of any large new clients. The Association establishes a provision for doubtful accounts while taking into account the credit risk of particular clients, credit history and other relevant information.

FAIR VALUE

The cash book value, the accounts receivable as well as the accounts payable and the accrued liability come close to their fair value despite the fact that these elements have a short term maturity date.

14 - CASH FLOWS

A statement of cash flows has not been prepared because any additional information is readily apparent from the other statements.