

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

FINANCIAL STATEMENTS

MARCH 31, 2013

**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, 2013, 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

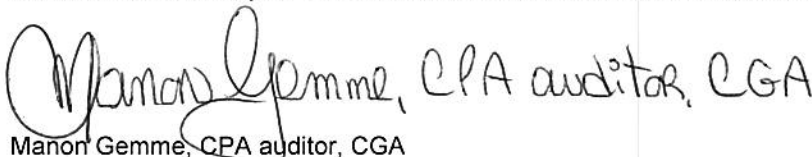
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting norms for Not-for-profit Associations.


Manon Gemme, CPA auditor, CGA

Saint-Hyacinthe, Québec
November 6th, 2013

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

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2013**

						2013	2012
	General Operations	Translation Services	Advocate	Warren Grapes	Projects	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Government grants and contributions	50 150	-	22 100	-	12 750	85 000	85 000
Memberships	15 229	-	7 845	-	-	23 074	18 654
Subscriptions	-	-	1 300	-	-	1 300	242
Advertising	-	-	85 168	-	-	85 168	72 648
Contracts	-	-	36 227	-	-	36 227	36 564
Translation services	-	82 797	-	-	-	82 797	57 603
Donations and sponsorships	2 650	-	-	615	7 200	10 465	3 790
Insurance	904	-	-	-	-	904	918
Product sales	855	-	-	-	-	855	810
Miscellaneous	608	-	-	1	-	609	357
	70 396	82 797	152 640	616	19 950	326 399	276 586
Expenditures							
Salaries and Benefits							
	23 126	947	45 947	-	21 315	91 335	75 749
Professionnal Fees- Honoraria							
Advertising sales	-	-	30 702	-	-	30 702	26 000
Desktop publishing layout	-	-	14 831	-	-	14 831	13 989
Auditors	2 323	633	1 267	-	-	4 223	4 111
Bookkeeping	6 804	1 856	3 711	-	-	12 371	13 769
Translators	-	63 614	8 290	-	-	71 904	52 122
Writers	-	-	8 958	-	-	8 958	9 343
Other (AGM, web site, consultants, etc.)	17 615	2 495	455	-	2 841	23 406	22 088
	26 742	68 598	68 214	-	2 841	166 395	141 422
Travel							
Board	2 712	-	-	-	-	2 712	1 618
Staff and Consultants	1 174	-	52	-	620	1 846	3 758
	3 886	-	52	-	620	4 558	5 376
Publicity							
	1 669	-	103	-	-	1 772	1 150
Operating Costs							
Rent and storage	2 706	516	1 033	-	1 650	5 905	6 342
Equipment rental	550	-	-	-	-	550	735
Insurance	514	140	279	-	-	933	920
Printing	117	-	22 216	-	-	22 333	18 128
Postage	288	100	13 046	-	32	13 466	19 341
Telecommunications	1 609	296	952	-	88	2 945	4 025
Bank charges and interest	1 556	-	-	-	-	1 556	1 843
Office expenses	1 290	-	258	-	186	1 734	1 709
Bursaries	-	-	-	700	-	700	1 500
	8 630	1 052	37 784	700	1 956	50 122	54 543
Depreciation							
	416	-	-	-	-	416	191
	64 469	70 597	152 100	700	26 732	314 598	278 431
Excess (Deficiency) of Revenues Over Expenses							
	5 927	12 200	540	(84)	(6 782)	11 801	(1 845)

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

**STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2013**

	Invested in Capital Assets	Restricted for Educational Purposes	Accumulated Profit / (Loss)	2013 Total	2012 Total
Balance at Beginning of the Year	\$ 445	\$ 7 633	\$ (94 864)	\$ (86 786)	\$ (84 941)
Investments in capital assets	1 886	-	(1 886)	-	-
Excess (Deficiency) of Revenues Over Expenses	(416)	(84)	12 301	11 801	(1 845)
Balance at End of the Year	<u>\$ 1 915</u>	<u>\$ 7 549</u>	<u>\$ (84 449)</u>	<u>\$ (74 985)</u>	<u>\$ (86 786)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013**

	2013	2012
ASSETS		
Current		
Cash	\$ 9 513	\$ 26 849
Cash - restricted	13 637	13 721
Accounts receivable - Note 4	31 564	20 080
Prepaid expenses	435	436
	55 149	61 086
Capital assets - Note 5	1 915	445
	57 064	61 531
LIABILITIES		
Current		
Accounts payable - Note 6	20 236	23 423
Deferred revenue - Note 8	26 786	36 267
Deferred revenue - restricted	5 000	5 000
Current portion of long-term debt - Note 9	3 600	3 600
	55 622	68 290
Long-term debt - Note 9	76 427	80 027
NEGATIVE EQUITY		
Invested in capital assets	1 915	444
Restricted for educational purposes - Note 11	7 549	7 633
Accumulated loss	(84 449)	(94 863)
	(74 985)	(86 786)
	\$ 57 064	\$ 61 531

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, 2013**

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

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with Canadian accounting standards for non-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

USE OF ESTIMATES

The preparation of financial statements in accordance with Accounting Standards for Non-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.

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

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

2 - SIGNIFICANT ACCOUNTING STANDARDS (continued)

INVESTMENT

The investments are accounted at cost.

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 - 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
ASSOCIATION DES FERMIERS DU QUÉBEC**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

4 - ACCOUNTS RECEIVABLE

	2013	2012
Accounts receivable	\$ 27 314	\$ 15 830
Contributions to be received	4 250	4 250
	<u>\$ 31 564</u>	<u>\$ 20 080</u>

5 - CAPITAL ASSETS

	Cost	Accumulated Amortization	2013 Net	2012 Net
Computers	<u>\$ 4 536</u>	<u>\$ 2 621</u>	<u>\$ 1 915</u>	<u>\$ 445</u>

The amortization of the period is \$ 416 (2012 – \$ 191).

6 - ACCOUNTS PAYABLE

	2013	2012
Suppliers and expenses	\$ 9 746	\$ 11 107
Salaries and fringe benefits	3 419	4 518
Warren Grapes Agricultural Education Fund	1 088	1 088
Sales taxes	5 983	6 710
	<u>\$ 20 236</u>	<u>\$ 23 423</u>

7 - 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, 2013.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

8 - DEFERRED REVENUE

	2013	2012
Memberships	\$ 10 957	\$ 17 438
Traduction	-	10 000
FCC Ag Safety project finish on latest December 2014 for total of \$14 000	7 000	-
New Canadian Farmers incubator	8 829	8 829
	\$ 26 786	\$ 36 267

9 - LONG-TERM DEBT

	2013	2012
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 and maturity on 2035. The full amount may be paid in advance without penalty.	\$ 80 027	\$ 83 627
Less current portion	3 600	3 600
	\$ 76 427	\$ 80 027

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

2014	\$ 3 600
2015	\$ 3 600
2016	\$ 3 600
2017	\$ 3 600
2018	\$ 3 600

During the year, the Association reimbursed \$ 3 600 (2012 - \$ 900) 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 \$ 3,442 and is readjusted each year. The lease is automatically renewed.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

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.

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 \$ 100,878 for technical support, insurance, rent and services. The revenue for translation and services received from the UPA and La Terre de Chez Nous is \$ 116,724. 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 \$ 6,642. The accounts payable that have yet to be paid for these operations are included in the creditors and represent a total amount of \$ 1,316.

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 at zero 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.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

13 - FINANCIAL INSTRUMENTS (continued)

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.

QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC
 Additional information
 YEARS ENDED MARCH 31, 2013

	<u>2013</u>			<u>2012</u>	
	<u>Revenue generation project</u>	<u>Farm Safety</u>	<u>Farm Food Forum</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Revenues from projects					
Government grants and contributions		12 750		12 750	12 750
Donations and sponsorships			7 200	7 200	1 700
Miscellaneous					22
		<u>12 750</u>	<u>7 200</u>	<u>19 950</u>	<u>14 472</u>
Expenditures					
Salaries and Benefits	7 105	8 526	5 684	21 315	17 178
Professionnal Fees- Honoraria			2 841	2 841	3 974
Travel		560	60	620	2 280
Publicity					596
Operating Costs		32	1 924	1 956	3 378
	<u>7 105</u>	<u>9 118</u>	<u>10 509</u>	<u>26 732</u>	<u>27 406</u>