

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

FINANCIAL STATEMENTS

MARCH 31, 2016

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

SUMMARY

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INDEPENDENT AUDITOR'S REPORT

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

We 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, 2016, and the statement of operations, the statement of changes in net assets and the cash flow 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

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 the Quebec Farmers' Association / Association des fermiers du Québec, as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting norms for Not-for-profit Associations.

SCF Montérégie Inc.

SCF Montérégie Inc.¹

Saint-Hyacinthe
September 19th, 2016

¹ Manon Gemme, CPA auditor, CGA

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

**STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016**

						2016	2015
	General Operations	Translation Services	Advocate	Warren Grapes	Projects	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Government grants and contributions	63 750		21 250		7 500	92 500	86 746
Memberships	15 631		8 052			23 683	21 995
Subscriptions			142			142	659
Advertising			75 112			75 112	75 531
Contracts			24 412			24 412	35 330
Translation services		23 942				23 942	24 833
Donations and sponsorships				2 940	7 600	10 540	5 604
Insurance	414					414	761
Product sales	351					351	390
Miscellaneous	352					352	240
	80 498	23 942	128 968	2 940	15 100	251 448	252 089
Expenditures							
Salaries and Benefits							
	36 975	3 329	26 486		5 008	71 798	119 633
Professionnal Fees- Honoraria							
Advertising sales			27 216			27 216	27 398
Desktop publishing layout			13 595			13 595	13 595
Editing services			3 900			3 900	-
Auditors	2 521	687	1 375			4 583	4 486
Bookkeeping	6 560	1 789	3 578			11 927	11 498
Translators	32	17 240	8 799			26 071	23 679
Writers			11 323			11 323	4 598
Other (AGM, web site, consultants,etc.)		300	632		8 435	9 367	4 225
	9 113	20 016	70 418	-	8 435	107 982	89 479
Travel and representation							
Directors expenses	1 693					1 693	1 478
Staff and Consultants	778					778	45
	2 471	-	-	-	-	2 471	1 523
Publicity							
			134		54	188	1 367
Operating Costs							
Rent and storage	2 166	524	1 047		1 756	5 493	6 260
Equipment rental					108	108	590
Insurance	525	143	286			954	959
Printing	54	12	19 047			19 113	19 214
Postage	224	8	16 461			16 693	16 811
Telecommunications	1 997	312	639		65	3 013	3 753
Bank charges and interest	1 803					1 803	1 780
Office expenses	783	32	630			1 445	901
Bursaries				2 250		2 250	1 920
	7 552	1 031	38 110	2 250	1 929	50 872	52 188
Depreciation							
	282					282	402
	56 393	24 376	135 148	2 250	15 426	233 593	264 592
Excess (deficiency) of revenues over expenses							
	24 105	(434)	(6 180)	690	(326)	17 855	(12 503)

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

**STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2016**

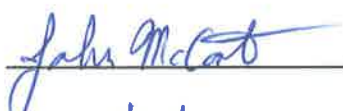
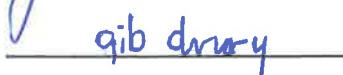
	Invested in capital assets	Restricted for educational purposes	Accumulated Profit / (Loss)	2016 Total	2015 Total
Balance at beginning of the year	\$ 939	\$ 10 799	\$ (99 031)	\$ (87 293)	\$ (74 790)
Investments in capital assets	-	-	-	-	-
Excess (deficiency) of revenues over expenses	(282)	690	17 447	17 855	(12 503)
Balance at end of the year	<u>\$ 657</u>	<u>\$ 11 489</u>	<u>\$ (81 584)</u>	<u>\$ (69 438)</u>	<u>\$ (87 293)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016**

	2016	2015
ASSETS		
Current		
Cash	\$ 2 481	\$ 13 931
Cash - restricted	16 490	16 887
Accounts receivable - Note 4	26 917	17 629
Prepaid expenses	449	443
	46 337	48 890
Capital assets - Note 5	657	939
	\$ 46 994	\$ 49 829
LIABILITIES		
Current		
Accounts payable - Note 6	\$ 20 210	\$ 33 330
Deferred revenue - Note 8	21 995	25 965
Deferred revenue - restricted	5 000	5 000
Current portion of long-term debt - Note 9	3 600	3 600
	50 805	67 895
Long-term debt - Note 9	65 627	69 227
NEGATIVE EQUITY		
Invested in capital assets	657	939
Restricted for educational purposes - Note 11	11 489	10 799
Accumulated loss	(81 584)	(99 031)
	(69 438)	(87 293)
	\$ 46 994	\$ 49 829

Approved on behalf of the board:

 DIRECTOR
 DIRECTOR

The accompanying notes form part of this statement.

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

**CASH FLOW
AS AT MARCH 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 17 855	\$ (12 503)
Items not affecting cash :		
Depreciation	282	402
	<u>18 137</u>	<u>(12 101)</u>
Net change in non-cash working capital items	(26 384)	14 690
FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(3 600)</u>	<u>(3 600)</u>
INCREASE (DECREASE) IN CASH	(11 847)	(1 011)
CASH AT BEGINNING OF YEAR	<u>30 818</u>	<u>31 829</u>
CASH AT END OF YEAR	<u><u>\$ 18 971</u></u>	<u><u>\$ 30 818</u></u>
NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS		
DECREASE (INCREASE)		
Accounts receivable	\$ (9 288)	\$ 23 563
Prepaid expenses	(6)	-
INCREASE (DECREASE)		
Accounts payable	(13 120)	(17 711)
Deferred revenue	(3 970)	8 838
Deferred revenue - restricted	-	-
	<u>(26 384)</u>	<u>14 690</u>
	<u><u>\$ (26 384)</u></u>	<u><u>\$ 14 690</u></u>
CASH FLOW		
Cash	\$ 2 481	\$ 13 931
Cash - restricted	16 490	16 887
	<u>18 971</u>	<u>30 818</u>
	<u><u>\$ 18 971</u></u>	<u><u>\$ 30 818</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016**

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, 2016**

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:

Held 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, 2016**

4 - ACCOUNTS RECEIVABLE

	2016	2015
Accounts receivable	\$ 18 417	\$ 13 379
Contributions to be received	8 500	4 250
	<u>\$ 26 917</u>	<u>\$ 17 629</u>

5 - CAPITAL ASSETS

	Cost	Accumulated Amortization	2016 Net	2015 Net
Computers	<u>\$ 4 536</u>	<u>\$ 3 879</u>	<u>\$ 657</u>	<u>\$ 939</u>

The amortization of the period is \$ 282 (2015 – \$ 402).

6 - ACCOUNTS PAYABLE

	2016	2015
Suppliers and expenses	\$ 14 514	\$ 23 140
Salaries and fringe benefits	2 813	4 574
Warren Grapes Agricultural Education Fund	-	1 088
Sales taxes	2 883	4 528
	<u>\$ 20 210</u>	<u>\$ 33 330</u>

7 - OVERDRAFT PROTECTION

The Association maintains an overdraft protection 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, 2016.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016**

8 - DEFERRED REVENUE

	2016	2015
Memberships	\$ 13 166	\$ 17 136
New Canadian Farmers Incubator Project	8 829	8 829
	\$ 21 995	\$ 25 965

9 - LONG-TERM DEBT

	2016	2015
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.	\$ 69 227	\$ 72 827
Less current portion	3 600	3 600
	\$ 65 627	\$ 69 227

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

2017	\$	3 600
2018	\$	3 600
2019	\$	3 600
2020	\$	3 600
2021	\$	3 600

During the year, the Association reimbursed \$ 3 600 (2015 - \$ 3 600) 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 \$ 3,389 and is readjusted each year. The lease is automatically renewed.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016**

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 \$ 95,812 for technical support, insurance, rent and services. The revenue for translation and services received from the UPA and La Terre de chez nous is \$ 110,054. 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 \$ 6,146. The accounts payable that have yet to be paid for these operations are included in the creditors and represent a total amount of \$ 9,491.

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.

**QUÉBEC FARMERS' ASSOCIATION
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**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016**

13 - FINANCIAL INSTRUMENTS (continued)

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.

QUÉBEC FARMERS' ASSOCIATION
ASSOCIATION DES FERMIERS DU QUÉBEC
 Additional information
 YEARS ENDED MARCH 31, 2016

	2016	2015	
	Farm Food Forum	Pacte rural	Total
	\$	\$	\$
Revenues from projects			
Government grants and contributions	7 500		1 746
Donations and sponsorships	7 600		2 075
	<u>7 600</u>	<u>7 500</u>	<u>3 821</u>
Expenditures			
Salaries and benefits	5 008	5 008	9 283
Professional fees - Honoraria	937	7 498	1 370
Publicity	54	54	
Operating costs	1 929	1 929	2 089
	<u>7 928</u>	<u>7 498</u>	<u>12 742</u>