

**Ontario Agri-Food Education Inc.**  
**Financial Statements**  
*December 31, 2015*

## Independent Auditors' Report

To the Members of Ontario Agri-Food Education Inc.:

We have audited the accompanying financial statements of Ontario Agri-Food Education Inc., which comprise the statement of financial position as at December 31, 2015, and 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.

### *Auditors' 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 auditors' 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 qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many charitable organizations, Ontario Agri-Food Education Inc. derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Ontario Agri-Food Education Inc. and we are not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenses, assets, and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ontario Agri-Food Education Inc. as at December 31, 2015 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.

### *Other Matter*

The financial statements of Ontario Agri-Food Education Inc. for the year end December 31, 2014 were audited by MacGillivray & Co. Chartered Professional Accountants who expressed a qualified opinion on those statements on April 20, 2015.

Waterloo, Ontario

June 6, 2016

**MNP LLP**

Chartered Professional Accountants

Licensed Public Accountants

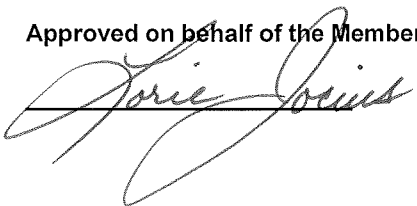
**MNP**

**Ontario Agri-Food Education Inc.**  
**Statement of Financial Position**

*As at December 31, 2015*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<i>2015</i>	<i>2014</i>
<b>Assets</b>					
<b>Current</b>					
Cash	141,248	36,188	-	177,436	164,689
Accounts receivable	71,661	-	36	71,697	20,866
Marketable securities (Note 3)	798	980,413	812,140	1,793,351	2,097,667
Prepaid expenses	49,488	-	-	49,488	29,286
Interfund receivable	-	-	810	810	3,660
	263,195	1,016,601	812,986	2,092,782	2,316,168
<b>Capital assets (Note 4)</b>	7,926	29,783	-	37,709	14,856
	271,121	1,046,384	812,986	2,130,491	2,331,024
<b>Liabilities</b>					
<b>Current</b>					
Bank indebtedness (Note 5)	64,861	-	-	64,861	-
Accounts payable and accruals	6,912	2,702	-	9,614	10,257
Deferred OMAFRA grant	100,000	-	-	100,000	100,000
Deferred special project funding	14,500	-	-	14,500	10,000
Deferred membership revenue	21,650	-	-	21,650	26,250
Deferred Business of Food Project revenue	15,721	-	-	15,721	-
Interfund payable	445	365	-	810	3,660
	224,089	3,067	-	227,156	150,167
<b>Net Assets</b>					
Operating Fund	47,032	-	-	47,032	74,177
Healthy Eating Program Fund	-	1,043,317	-	1,043,317	1,251,122
Reserve Fund	-	-	812,986	812,986	855,558
	47,032	1,043,317	812,986	1,903,335	2,180,857
	271,121	1,046,384	812,986	2,130,491	2,331,024

Approved on behalf of the Members




**Ontario Agri-Food Education Inc.**  
**Statement of Operations**  
For the year ended December 31, 2015

	Operating Fund	Healthy Eating Program Fund	Reserve Fund	2015	2014
<b>Revenue</b>					
OMAFRA grant	400,000	-	-	400,000	400,000
Business of food project (Note 10)	60,668	-	-	60,668	-
Memberships and donations	104,070	-	200	104,270	89,050
Special project funding	15,000	-	-	15,000	88,625
Sponsorships	37,436	-	-	37,436	40,210
Other revenue and recoveries	7,019	-	-	7,019	6,418
Summer student program	2,875	-	-	2,875	2,989
Summer student experience grant	2,871	-	-	2,871	2,626
AGM revenue	4,500	-	-	4,500	2,015
Resource sales	112	-	-	112	465
Investment income	10	24,702	16,336	41,048	57,523
Unrealized gain on marketable securities	-	-	-	-	20,994
<b>Total revenue</b>	<b>634,561</b>	<b>24,702</b>	<b>16,536</b>	<b>675,799</b>	<b>710,915</b>

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**Ontario Agri-Food Education Inc.**  
**Statement of Operations**  
For the year ended December 31, 2015

	Operating Fund	Healthy Eating Program Fund	Reserve Fund	2015	2014
<b>Total revenue</b> <i>(Continued from previous page)</i>	<b>634,561</b>	<b>24,702</b>	<b>16,536</b>	<b>675,799</b>	<b>710,915</b>
<b>Expenses</b>					
Salaries, contracts and benefits	422,056	126,515	-	548,571	454,964
Rent	43,884	-	-	43,884	43,025
Office and general	40,756	10,082	-	50,838	62,039
Teacher ambassador program	25,327	-	-	25,327	47,085
Program development and training	1,687	-	-	1,687	6,110
Special projects and resource development	39,371	26,215	-	65,586	70,098
National program and events	3,226	-	-	3,226	4,454
Program surveys and reporting	338	-	-	338	1,161
Professional fees	6,912	2,702	-	9,614	8,943
Board expenses	5,533	-	-	5,533	3,410
Marketing and communications	78	15,277	-	15,355	37,721
Educational resource marketing	1,503	-	-	1,503	1,581
AGM expenses	5,740	-	-	5,740	6,459
Summer experience program	5,491	-	-	5,491	5,594
Insurance	3,321	-	-	3,321	3,082
Membership and fundraising	3,076	-	-	3,076	1,935
Farms food fun website	-	-	-	-	961
Investment advisor fees	-	3,941	4,741	8,682	9,243
Amortization	3,031	1,170	-	4,201	5,014
Unrealized loss on marketable securities	-	46,605	54,367	100,972	-
Business of food project <i>(Note 10)</i>	50,376	-	-	50,376	-
<b>Total expenses</b>	<b>661,706</b>	<b>232,507</b>	<b>59,108</b>	<b>953,321</b>	<b>772,879</b>
<b>Deficiency of revenue over expenses</b>	<b>(27,145)</b>	<b>(207,805)</b>	<b>(42,572)</b>	<b>(277,522)</b>	<b>(61,964)</b>

The accompanying notes are an integral part of these financial statements

**Ontario Agri-Food Education Inc.**  
**Statement of Changes in Net Assets**  
*For the year ended December 31, 2015*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<i>2015</i>	<i>2014</i>
Net assets, beginning of the year	74,177	1,251,122	855,558	2,180,857	2,242,821
Deficiency of revenue over expenses	(27,145)	(207,805)	(42,572)	(277,522)	(61,964)
Net assets, end of year	47,032	1,043,317	812,986	1,903,335	2,180,857

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

**Ontario Agri-Food Education Inc.**  
**Statement of Cash Flows**

*For the year ended December 31, 2015*

	<i>Operating Fund</i>	<i>Healthy Eating Program Fund</i>	<i>Reserve Fund</i>	<i>2015</i>	<i>2014</i>
<b>Cash provided by (used for) the following activities</b>					
<b>Operating</b>					
Deficiency of revenue over expenses	(27,145)	(207,805)	(42,572)	(277,522)	(61,964)
Amortization	3,031	1,170	-	4,201	5,014
Unrealized loss (gain) on marketable securities	-	46,605	54,367	100,972	(20,994)
	(24,114)	(160,030)	11,795	(172,349)	(77,944)
Changes in working capital accounts					
Accounts receivable	(51,260)	32	397	(50,831)	(6,763)
Interfund receivable and payable	4,105	(3,295)	(810)	-	-
Prepaid expenses	(20,202)	-	-	(20,202)	(16,893)
Deferred special project funding	4,500	-	-	4,500	(27,513)
Deferred membership revenue	(4,600)	-	-	(4,600)	(1,800)
Deferred Business of Food project revenue	15,721	-	-	15,721	-
Accounts payable and accruals	(852)	208	-	(644)	135
	(76,702)	(163,085)	11,382	(228,405)	(130,778)
<b>Investing</b>					
Proceeds on disposal (purchases) of marketable securities	144	214,582	(11,382)	203,344	76,886
Purchase of capital assets	-	(27,053)	-	(27,053)	(4,178)
	144	187,529	(11,382)	176,291	72,708
<b>Increase (decrease) in cash resources</b>	<b>(76,558)</b>	<b>24,444</b>	<b>-</b>	<b>(52,114)</b>	<b>(58,070)</b>
<b>Cash resources, beginning of year</b>	<b>152,945</b>	<b>11,744</b>	<b>-</b>	<b>164,689</b>	<b>222,759</b>
<b>Cash resources, end of year</b>	<b>76,387</b>	<b>36,188</b>	<b>-</b>	<b>112,575</b>	<b>164,689</b>
<b>Cash resources are comprised of:</b>					
Cash	141,248	36,188	-	177,436	164,689
Bank indebtedness	(64,861)	-	-	(64,681)	-

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

**Ontario Agri-Food Education Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2015*

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**1. Incorporation and nature of operations**

Ontario Agri-Food Education Inc. (the "Charity") is incorporated without share capital under the laws of the Province of Ontario and is a registered charity under the Income Tax Act of Canada. The Charity has operated since 1992 and works to build awareness and understanding of the agriculture and food industry in Ontario classrooms and for the general public.

**2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

***Fund accounting***

The Charity follows the deferral method of accounting for contributions and reports using fund accounting, and maintains three funds: Operating Fund, Healthy Eating Program Fund, and Reserve Fund.

The Operating Fund reports the Charity's program delivery and administrative activities. This Fund reports unrestricted resources and operating grants.

The Healthy Eating Program Fund, formerly described as the "Vitamin Settlement Fund", was established in 2006 to hold funds received by the Charity as part of the settlement of class action lawsuits brought against a number of defendants alleging that they had conspired to fix prices and markets for vitamins in Canada (referred to as the Canadian National Settlement of Vitamins Class Action). The Healthy Eating Program will fund opportunities to promote and supply health eating initiatives throughout Ontario.

The Reserve Fund is an internally restricted fund established by the Board of Directors to develop the financial resources necessary to ensure the long-term viability of the Charity through donations, fundraising and investment income.

***Revenue recognition***

The Charity uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are recognized as revenue of the appropriate fund 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.

Membership revenue is recognized as revenue in the period for which the membership is for. Membership revenue received prior to year end is recorded as deferred revenue and then recognized in the subsequent period.

Investment income is recognized as revenue when earned. Investment income includes realized and unrealized gains and losses, dividends and interest income.

***Allocation of expenses***

The Charity engages in training programs, resource development, and project support activities for other organizations. The costs of these programs include the costs of personnel, premises and other expenses that are directly related to the program. The Charity also incurs a number of general office expenses that are common to the administration of the Charity and each of its programs.

Support expenses that are directly related to a program or service will be allocated in full to that project. This includes the allocation of salary and travel expenses that are related to the specific project.



2. **Significant accounting policies** *(Continued from previous page)*

**Financial instruments**

The Charity recognizes its financial instruments when the Charity becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Charity may irrevocably elect to subsequently measure any financial instrument at fair value. The Charity has not made such an election during the year. Fair value is determined by reference to recent arm's length transactions.

The Charity subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Charity's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

**Financial asset impairment**

The Charity assesses impairment of all of its financial assets measured at cost or amortized cost. The Charity groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factors, or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Charity determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Charity reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets, the amount that could be realized by selling the assets, and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year operations

The Charity reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

**Capital assets**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Rate</b>
Computer equipment	30 %
Furniture and fixtures	20 %
Website	20 %

**Ontario Agri-Food Education Inc.**  
**Notes to the Financial Statements**  
For the year ended December 31, 2015

2. **Significant accounting policies** (Continued from previous page)

**Measurement uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Amortization is calculated based on the estimated useful lives of capital assets. Accruals are made for expenses that have occurred, but have not yet been billed.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods for which they become known.

**Contributed materials**

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Charity's operations and would otherwise have been purchased.

3. **Marketable securities**

	2015	2014
<b>Measured at fair value:</b>		
Cash and cash equivalents in broker accounts	9,092	6,170
Shares	1,192,383	1,193,369
Accrued interest	12,097	20,570
Guaranteed investment certificates, with effective interest rates of 2.06% to 2.60% (2014 - 2.06% to 3.65%), maturing June 14, 2016 to June 4, 2019	579,779	877,558
	1,793,351	2,097,667

4. **Capital assets**

	2015	2014		
	<i>Cost</i>	<i>Accumulated amortization</i>		
	<i>Net book value</i>	<i>Net book value</i>		
Computer equipment	97,154	88,548	8,606	12,294
Furniture and fixtures	19,929	17,879	2,050	2,562
Website	27,053	-	27,053	-
	144,136	106,427	37,709	14,856

The website has a carrying value of \$27,053. No amortization of this asset has been recorded during the current year because it is currently under development.

5. **Bank indebtedness**

The Charity has an operating line of credit of \$100,000 from TD Canada Trust, which was unutilized at year end (2014 - \$0). The operating line of credit is due on demand, bears interest at prime + 1.00% and is secured by a general security agreement with the bank.

The Charity has another operating of credit of \$174,000 (2014 - \$0) from TD Canada Trust of which \$64,861 was utilized at year end. The operating line of credit is due on demand, bears interest at prime + 1.00% and is secured by the grant receivable.

**Ontario Agri-Food Education Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2015*

**6. Commitments**

The Charity currently has lease payments on a building and a photocopier. The estimated minimum lease payments are as follows:

	2016	45,684
	2017	45,684
	2018	47,001
	2019	47,457
	2020	47,954
		233,780

**7. Allocation of expenses to the Healthy Eating Program Fund**

Expenditures of the Healthy Eating program include all costs that are directly related to providing the program. Certain personnel and general support expenses are identified on an appropriate basis and allocated consistently each year.

The allocation included in the financial statements is as follows:

	2015	2014
<b>Allocation to HEP Fund:</b>		
Salaries and benefits	126,515	75,389
Office expenses	10,000	10,000
	136,515	85,389

**8. Financial instruments**

The Charity, as part of its operations, carries a number of financial instruments. It is management's opinion that the Charity is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an impact on the cash flows associated with financial assets and liabilities, known as cash flow risk, and on the fair value of financial assets or liabilities, known as price risk.

The Charity has investments in marketable securities that are traded on the open market and therefore subject to varying interest rate. The Charity also has a line of credit which is subject to a rate of prime plus 1% that fluctuates based on the prime rate set.

***Liquidity risk***

Liquidity risk is the risk that the Charity will encounter difficulty in meeting obligations associated with financial liabilities and other transactions. The Charity will enter into contracts where they will need to repay various amounts at certain maturity dates. The Charity meets its liquidity requirements by preparing and monitoring detailed annual budgets, anticipating investing and financing activities and holding assets that can be readily converted into cash.

***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 rate risk or foreign 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 Charity's investments in publicly-traded securities and corporate bonds exposes the Charity to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

**Ontario Agri-Food Education Inc.**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2015*

**9. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

**10. Business of Food Project - Schedule of Revenue and Expenses**

The Charity entered into an agreement with the Agricultural Adaptation Council to help build Automated e-Training Modules for use by teachers and students. This project is 55% funded by a Growing Forward 2 grant with the remaining funds to be raised internally. This schedule shows the amount of revenue and expenses that were allocated to this project.

	2015	2014
<b>Revenue</b>		
Designated donations	1,000	-
Business of food eLearning sponsors	32,000	-
Growing Forward 2 grant revenue	27,668	-
	60,668	-
<b>Expenses</b>		
Content development	6,764	-
Hosting fees	7,812	-
Training	9,858	-
Creative	20,788	-
Project management salary	4,900	-
Office	205	-
Bank fees	49	-
	50,376	-
	10,292	-