

**ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA**

ANNUAL FINANCIAL REPORT

AS AT MARCH 31, 2011

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FÉDÉRATION BIOLOGIQUE DU CANADA**

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REVIEW ENGAGEMENT REPORT

**To the board of directors of
ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA**

We have reviewed the balance sheet of ORGANIC FEDERATION OF CANADA / FÉDÉRATION BIOLOGIQUE DU CANADA as at March 31, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

The previous year financial statements of ORGANIC FEDERATION OF CANADA / FÉDÉRATION BIOLOGIQUE DU CANADA have been reviewed by another auditor on August 15, 2010.

apsv Société de comptables agréés inc.

APSV chartered accountants firm inc.¹

Montreal, September 28, 2011

¹ By Sébastien Vandal, CA auditor

**ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2011**

(Unaudited)

	2011	2010
	\$	(restated) \$
REVENUES		
Subsidies		
Agriculture and Agri-Food Canada	1,639,865	317,028
Canadian Food Inspection Agency	16,223	33,464
	<u>1,656,088</u>	<u>350,492</u>
Membership fees	51,111	100,000
Translation	23,746	-
Organic value chain Round table (OVCRT)	-	15,372
Miscellaneous	1,800	14,208
	<u>1,732,745</u>	<u>480,072</u>
EXPENSES		
Contributions - Growing Canadian Agri-Innovations Program (note 7)	1,621,063	300,017
Salaries and fringe benefits	57,926	54,537
Bad debt	54,947	-
Standards revision and interpretation	11,223	23,222
Travel fees	7,856	1,071
Translation	5,341	-
Amortization of fixed assets	4,637	4,286
Telecommunication	3,498	2,150
Rent and other occupation fees	3,251	3,600
Professional fees	998	5,203
Publicity	986	1,402
Office fees	420	512
Bank charges	178	181
OVCRT Survey	-	2,297
Training	-	568
	<u>1,772,324</u>	<u>399,046</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>(39,579)</u>	<u>81,026</u>

ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2011
(Unaudited)

	2011			2010 (restated)
	Invested in fixed assets	Unrestricted	Total	Total
	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR				
As previously reported	-	90,519	90,519	5,207
Restatement of prior year's (note 2)	14,999	-	14,999	19,285
BALANCE, BEGINNING OF YEAR AFTER RESTATEMENT	14,999	90,519	105,518	24,492
Excess (deficit) of revenues over expenses	(4,637)	(34,942)	(39,579)	81,026
Acquisition of fixed assets	1,401	(1,401)	-	-
BALANCE, END OF YEAR	11,763	54,176	65,939	105,518

**ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA**

BALANCE SHEET

**AS AT MARCH 31, 2011
(Unaudited)**

	2011	2010 (restated)
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	16,048	-
Accounts receivable (Note 4)	702,535	382,317
Prepaid expenses	-	134
	718,583	382,451
FIXED ASSETS (Note 5)	11,763	14,999
	730,346	397,450
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	-	4,384
Accounts payable and accrued charges (Note 6)	664,407	287,548
	664,407	291,932
NET ASSETS		
INVESTED IN FIXED ASSETS	11,763	14,999
UNRESTRICTED	54,176	90,519
	65,939	105,518
	730,346	397,450

On behalf of the board:

Director

Director

ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011
(Unaudited)

	<u>2011</u>	<u>2010</u> <u>(restated)</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficit) of revenues over expenses	(39,579)	81,026
Items not affecting cash:		
Amortization of fixed assets	4,637	4,286
	<u>(34,942)</u>	<u>85,312</u>
Net change in non-cash working capital items		
Accounts receivable	(320,218)	(291,674)
Prepaid expenses	134	274
Accounts payable and accrued charges	376,859	205,894
	<u>56,775</u>	<u>(85,506)</u>
Cash (outflow) from operating activities	<u>21,833</u>	<u>(194)</u>
INVESTMENT ACTIVITIES		
Acquisition of fixed assets and cash (outflow) from investment activities	<u>(1,401)</u>	<u>-</u>
FINANCING ACTIVITIES		
Repayment of advance without interest or reimbursement terms and cash (outflow) from financing activities	<u>-</u>	<u>(10,000)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,432	(10,194)
CASH AND CASH EQUIVALENTS, beginning of year	(4,384)	5,810
CASH AND CASH EQUIVALENTS, end of year	<u>16,048</u>	<u>(4,384)</u>
Cash and cash equivalents consist of the following:		
Cash	16,048	-
Bank overdraft	<u>-</u>	<u>(4,384)</u>
	<u>16,048</u>	<u>(4,384)</u>

ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2011
(Unaudited)

1 - LEGAL STATUS AND NATURE OF ACTIVITIES

ORGANIC FEDERATION OF CANADA/FÉDÉRATION BIOLOGIQUE DU CANADA is a not-for-profit organization formed under part II of the Canadian corporation law, on November 23, 2006 and is exempt from income taxes.

Its objective is to represent the Canadian organic industry while working with provincial, territorial and federal governments as partners on national organic regulatory issues.

2- RESTATEMENT OF THE PRIOR YEAR

The organization has exceeded the average revenues of \$ 500,000 for the past two years in 2011, therefore it has the obligation to change its policie regarding fixed assets specifically capitalize them in the balance sheet and amortize them on the basis of their useful life. Therefore previous year's financial statements have been restated to account for these changes.

As a result of this change in accounting policie the fixed assets and net assets as at March 31, 2010 have been increased by an amount of \$ 14,999, the excess of revenues over expenses for the period then ended has been decreased by an amount of \$ 4,286 and the net assets as at April 1st, 2009 have been increased by an amount of \$ 19,285.

3 - SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The amounts accounted for and the information provided on the basis of these estimates and assumptions could be different from the actual results.

Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenues in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ORGANIC FEDERATION OF CANADA
FÉDÉRATION BIOLOGIQUE DU CANADA
NOTES TO THE FINANCIAL STATEMENTS
AS AT MARCH 31, 2011
(Unaudited)

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

Membership revenues are recognized on a straight-line basis over the period covered by the membership.

Fixed assets

Fixed assets are accounted for at cost. Depreciation is based on their useful life using the following method and periods:

	<u>Method</u>	<u>Period</u>
Computer equipment and software	straight-line	2 years
Office equipment	straight-line	3 years
Web site	straight-line	5 years

Contributed supplies and services

Volunteers contribute many hours every year to assist the organization in carrying out its services. These services are not accounted for in the results of the organization.

Financial instruments

Financial instruments include cash, accounts receivable and accounts payable. Fair value of these instruments approximates their carrying values, given that they will mature shortly. Management believes that these financial instruments do not expose the organization to significant risk of interest rates, currencies or credit.

4 - ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
	\$	\$
Subsidy - Agriculture and Agri-Food Canada	665,793	317,029
Subsidy - Canadian Food Inspection Agency	22,790	8,590
Membership fees	12,303	54,947
Sales taxes	1,649	1,751
	<u>702,535</u>	<u>382,317</u>

ORGANIC FEDERATION OF CANADA
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NOTES TO THE FINANCIAL STATEMENTS
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5 - FIXED ASSETS

	2011		2010 (restated)	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment and software	1,229	1,014	215	-
Office equipment	3,258	2,423	835	-
Web site	21,428	10,715	10,713	14,999
	<u>25,915</u>	<u>14,152</u>	<u>11,763</u>	<u>14,999</u>

6 - ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2011	2010
	\$	\$
Nova Scotia Agricultural College	646,121	279,585
Accounts payable	15,486	-
Accrued liabilities	2,800	2,800
Accrued salaries and fringe benefits	-	5,163
	<u>664,407</u>	<u>287,548</u>

7- CONTRIBUTIONS - GROWING CANADIAN AGRI-INNOVATIONS PROGRAM (DETAILS OF EXPENSES)

	2011	2010
	\$	\$
Research and management	1,602,720	300,017
Organic Federation of Canada accepted expenses		
Travel fees	8,322	-
Treasurer and president fees	4,100	-
Auditor and accounting fees	2,331	-
Communication	2,120	-
Liability insurance	1,151	-
Translation	319	-
	<u>1,621,063</u>	<u>300,017</u>