



Grain Financial Protection Board 2009/10 Fiscal Year Annual Report

Table of Contents

1.0	Preface	4
2.0	Description of activities	5
	Mandate	5
	Meetings, Purpose and Results	5
	Board staff and Key activities	5
3.0	Board appointments	7
4.0	Analysis of Operational Performance	8
5.0	Discussion of Performance Targets Achieved and of Action to be Taken	9
	Summary of key accomplishments regarding priorities	9
	Performance Measures and Targets	9
	Targets achieved/not achieved and action to be taken.....	9
6.0	Analysis of Financial Performance.....	11
	Financial Statement.....	11
	Appendix 1 – Audited Financial Statements	12

Address from Chair to Minister

TO THE HONOURABLE CAROL MITCHELL, MINISTER OF AGRICULTURE, FOOD AND RURAL AFFAIRS

On behalf of the Grain Financial Protection Board (Board), I am pleased to present to you the Board's Annual Report for the year ending March 31, 2010.

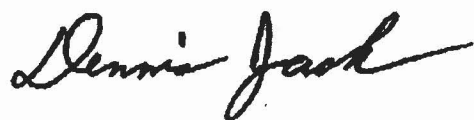
This past year, the Board continued to lay a foundation for growth despite a challenging environment. The Board gained invaluable experience in early 2009 in dealing with a default claim situation and received clarity regarding their roles/responsibilities and stakeholder issues. Notice of changes regarding government directives, program funding shifts and potential legislative amendments were provided to the Board. These changes may impact agreements, funding requirements, operational budgets, processes, and procedures.

Moving forward, the Board, in its capacity as a "Trust Agency", will continue to demonstrate accountability, transparency, reporting and standardized risk identification and management under the Agency Establishment and Accountability Directive (AEAD) issued by the Management Board of Cabinet.

This reporting period was also a period of economic downturn. The Board retained the services of Ernst and Young to conduct a review of the Funds the Board is responsible for administering. The report provided the members and its stakeholders comfort that the Funds are sufficiently funded with very little probability of insolvency. It also recommended that the future funding shifts and additional costs to be born by the Funds may require adjustments so that the impacts to the Canola Funds remain minimal.

The Board is expecting a year of transition ahead, given the legislative and funding shifts that are anticipated and look forward to collaborating with our industry stakeholders and partner organizations in the fulfillment of our mandate.

Respectfully submitted,



Dennis Jack
Chair, Grain Financial Protection Board

1.0 Preface

The Grain Financial Protection Board (Board) is classified as a Trust Agency established in 1984 under the authority of the Farm Products Payments Act (FPPA). The Agency operates as authorized by the FPPA and its regulations thereunder.

At the time of the development of this report, the Board was still operating under the Memorandum of Understanding between the Minister and the Board dated September 29th, 2005. The new MOU, which will cover a 5 year term, will be finalized by OMAFRA in the fall of 2010.

The Board's vision is to protect the financial interests of Ontario producers who have sold grain corn, soybeans, wheat and canola through licensed grain dealers or owners who stored grain with licensed elevator operators. The vision supports OMAFRA's priorities to strengthen Ontario's agri-food sector and strengthen Ontario's rural communities.

As an agency of the Ministry of Agriculture, Food and Rural Affairs (Ministry), the Board's annual report is subject to the following mandatory reporting requirements established in the Agency Establishment and Accountability Directive (AEAD), including:

- description of activities over the year;
- analysis of operational performance;
- analysis of financial performance;
- discussion of performance measures, targets achieved/not achieved and action to be taken;
- names of appointees, including date when first appointed and when the current term of appointment expires; and
- financial statements that have been audited or subject to the appropriate level of external assurance.

This report covers the fiscal year April 1, 2009 to March 31, 2010.

2.0 Description of activities

The Board operates at “arm’s length” from the Ministry but is accountable to the Minister of Agriculture, Food and Rural Affairs (Minister) in exercising its mandate.

Mandate

The Board’s annual activities are directly related to fulfilling its mandate, which is outlined in the FPPA as follows:

- to administer its funds;
- to investigate all claims made to it under this Act and to determine the extent of their validity;
- to grant or refuse the payment of all claims or any part thereof and determine the amounts and manner of payment; and
- to recover any money to which it is entitled under the Act by suit in a court of competent jurisdiction or otherwise.

The affairs of the Board are subject to an annual audit by the Provincial Auditor. Audited financial statements are typically made available by the Provincial Auditor 6 to 8 months after the end of a program year.

Meetings, Purpose and Results

The Board held 4 meetings over the 2009/10 fiscal year that focused on:

- review of the adjudication process
- the actuarial soundness of the Funds and communicating those results to industry stakeholders
- pricing and payment issues
- relationship and capacity building
- business planning
- staying current regarding stakeholder issues
- operational planning, budgets and Board services
- understanding the key responsibilities, applications and impacts of upcoming Board obligations and allocations as a result of funding shifts, legislative amendments and revised directives

Board staff and Key activities

The Board does not have its own staff. The Ministry, however funds AgriCorp (Agricorp) to provide the Board with the following support services necessary to fulfill its mandate including:

Governance, secretariat and financial services

Agricorp provided governance, secretariat, financial and adjudication support to the Board under contract with the Ministry. This support included, but was not limited to:

- Board meeting planning, attendance and preparation of board minutes.
- The integration of upcoming Board obligations and allocations as a result of funding shifts, legislative amendments and revised directives into Board documents and practices;

- Development of required reports (annual report, business plan, procurement report, financial reports and Chief Inspector report);
- Fund administration (delegated by the Board to administer the fund for grain and oilseeds producers);
- Received and deposited producer fees ;
- Financial updates and provision of annual financial statements;
- Prepared documentation for annual audits;
- Claims processing
- Adjudication services

Legal services

Legal services have been retained through Ministry of the Attorney General, Legal Services Branch, assigned to the Ministry. The Board's lawyer provides the Board with advice,, legal assistance in Judicial Reviews of Board decisions, the recovery of monies owed to the Board and assists in the continual education of Board members.

Investigative support

The Ministry of Natural Resources (MNR) provided investigative services for the Board.

Board Key Activities

Priority activities included:

1. Business Plan approval
2. Performance reporting
3. Review of Financial Statements
4. Actuarial Study acceptance
5. Attendance at Industry Stakeholder Meeting
6. Awareness and understanding of deferred payment issue
7. Budget and operational planning - 2010/11
8. Annual Report approval
9. Appointment process management

3.0 Board appointments

Board Structure

The FPPA requires that the Board be composed of not fewer than five members appointed by the Minister. The membership of the Board has traditionally comprised nominees from each of the Ontario Agri Business Association, Ontario Corn Producers' Association, Ontario Soybean Growers, the Ontario Wheat Producers' Marketing Board and the Ontario Canola Growers' Association. The independent chair's position is a Minister's appointment.

As of 2010, Ontario Wheat Producers' Marketing Board, Ontario Corn Producers' Association and the Ontario Soybean Growers amalgamated to form the Grain Farmers of Ontario (GFO).

Below please find the appointees for the period:

Member Name	Position	Tenure
Dennis Jack	Chair	04-APR-2005 - 03-APR-2011
Jim Campbell	Vice Chair	2-APR-2005 - 29-JUL-2011
Fred Wagner	Member	06-MAR-2007 - 05-MAR-2010
Matthew Gardiner	Member	28-OCT-2004 - 27-OCT-2010
Marc Roszell	Member	06-MAR-2008 - 05-MAR-2011
Lynne Cohoe	Member	22-APR-2008 - 21-APR-2011
John Johnston	Member	22-APR-2008 - 21-APR-2011
Jeff Kobe	Member	19-JUL-2007 - 18-JUL-2011
Robert Norris	Member	28-OCT-2008 - 27-OCT-2011
John Morrison	Member	03-NOV-2005 - 13-NOV-2011

4.0 Analysis of Operational Performance

The Board's operational performance has focused on effectiveness, efficiency and reliability.

Although there were no claims against the Funds in this fiscal year, the Board dedicated significant time in reviewing the claims process to ensure that future claims investigations and hearings can operate in an efficient and effective manner.

An industry stakeholder consultation meeting was held. The meeting has resulted in a Board that has greater awareness of the current and emerging issues in the grains and oilseeds sector. This type of cross-sectional stakeholder meeting allows for more informed decision making for the Board.

Two facilitated sessions were held which allowed members to share their individual strengths/experiences, discuss industry issues, set current and upcoming priorities. The sessions also included training which focused on relevant legislation, governance, roles and responsibilities, the claims process and common practices and procedures.

The Board followed through with its strategic plan and began to deliver on the goals and priorities outlined in the Business Plan. The table in Section 5 outlines the Board's performance targets. In all cases targets were met.

5.0 Discussion of Performance Targets Achieved and of Action to be Taken

Summary of key accomplishments regarding priorities

The Minister has designated Agricorp to deliver the Grain Licensing and Inspection Program under the Grains Act. Agricorp has also been contracted by the Minister to provide governance, secretariat and financial support services to the Board.

The Board's principal activities are to adjudicate claims, administer the compensation funds, recover any monies paid out in claims and grant or refuse the payment of claims.

The Board's principal objectives for the period ending March 31, 2010 were as follows:

- Objective #1: To conduct adjudicatory hearings and issue decisions in a timely, fair, and legally supportable manner.
- Objective #2: To undertake investment of the funds to ensure liquidity and maximization of investment income.
- Objective #3: To ensure solvency of the funds.

Performance Measures and Targets

The following indicators define the outcomes the Board is committed to achieving. These indicators are the basis for measuring and evaluating impact.

Objective #1: To conduct adjudicatory hearings and issue decisions in a timely, fair, and legally supportable manner.			
Performance measure	Baseline	Actual 09/10	Targets achieved/not achieved and action to be taken
Number of days from the conclusion of investigation to issue decisions on cases in which hearings are held	30	No hearings this fiscal period	NA
Board training plan developed and implemented.		2 training sessions conducted	Achieved
Stakeholders updated and informed of Board activities		1 stakeholder update conducted	Achieved

Objective #2: To undertake investment of the funds to ensure liquidity and maximization of investment income. ¹

Performance measure	Baseline	Actual 09/10	Targets achieved/not achieved and action to be taken
Annual financial audit achieves an unqualified audit opinion in accordance with generally accepted Canadian accounting principles	Annual financial audit achieves an unqualified audit opinion in accordance with generally accepted Canadian accounting principles and practices.	Annual financial audit achieves an unqualified audit opinion in accordance with generally accepted Canadian accounting principles and practices.	Achieved
Account balances maintained at the actuarial recommended level:		Achieved	Achieved
Grain Corn Fund		\$ 5,779,086	Achieved
Wheat Fund		\$ 2,453,136	Achieved
Canola Fund		\$ 855,093	Achieved
Soybean Fund		\$ 3,464,574	Achieved

Objective #3: To ensure solvency of the funds.

Performance measure	Baseline	Actual 09/10	Targets achieved/not achieved and action to be taken
All Board expenses and claims are met from the Funds	100% achieved	100% achieved	Achieved
Review and approve the Board's audited financial statements ²		Jan 2011	Not Achieved – timelines were dependent on Auditor General's Office

¹ The Board has delegated investment of the Funds to Agricorp

² Timelines dependent on Auditor General

6.0 Analysis of Financial Performance

Financial Statement

2009/10 Fiscal Year	Budget	Actual	Budget	Actual
Year	2008/09	2008/09	2009/10	2009/10
Revenue \$M				
Fees	0.230	0.248	0.248	0.264
Interest (budget @ 5%)	0.563	0.879	0.603	0.405
Recoveries		0.267		
Total Revenue	0.793	1.393	0.851	0.669
Expenses \$M				
Board expenses ¹	0.003	0.046	0.009	0.009
Claims ²		0.732		
Total Expense	0.003	0.778	0.009	0.009
Fund balance – B of Y	11.270	11.441	12.056	12.056
Increase in Funds	0.790	0.616	0.842	0.660
Fund balance – E of Y	12.060	12.056	12.898	12.716

¹Includes administrative expense for actuarial study in 2008/09. Board expenses are budgeted assuming three meetings in 09/10 and two meetings in 10/11, 11/12.

²Claims made in 2008/09 that were unbudgeted.

Appendix 1 – Audited Financial Statements



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

January 13, 2011

Mr. Dennis Jack, Chair
Grain Financial Protection Board
c/o Cynthia Meikle, Account Lead
1 Stone Road West, 3rd Floor NW
Box 3660
Guelph, Ontario
N1H 8M4

Dear Mr. Jack:

The financial statements for the *Funds for Producers of Grain Corn and Soybeans*, the *Fund for Producers of Canola*, and the *Fund for Producers of Wheat*, for the year ended March 31, 2010 are enclosed for your review. If you concur, could you please sign balance sheet for each the statements attached and return them in the preaddressed envelope enclosed. The signed statements, along with the Auditor's Report will then be finalized for distribution to the members and officials of the Board.

If you have any questions or concerns, please contact me at (416) 327-1371.

Sincerely,

Gerard Fitzmaurice
Office of the Auditor General

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Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Funds for Producers of Grain Corn and Soybeans
Financial Statements
For the Year Ended March 31, 2010

Funds for Producers of Grain Corn and Soybeans

Balance Sheet

As at March 31, 2010

	Grain Corn	Soybeans	2010	2009
	\$	\$	\$	\$
Assets				
Current				
Cash	56,495	34,112	90,607	10,141
Accounts receivable	404	5,445	5,849	7,583
Short-term investments (Note 4)	1,953,898	1,170,378	3,124,076	2,011,272
Due from related parties (Note 5)	525	—	525	669
	<u>2,011,122</u>	<u>1,209,935</u>	<u>3,221,057</u>	<u>2,029,665</u>
Long Term				
Long-term investments (Note 4)	<u>3,777,617</u>	<u>2,263,042</u>	<u>6,040,659</u>	<u>7,036,653</u>
	<u>5,788,739</u>	<u>3,472,977</u>	<u>9,261,716</u>	<u>9,066,318</u>
Liabilities				
Accounts payable and accrued liabilities	9,653	8,403	18,056	17,416
Surplus	<u>5,779,086</u>	<u>3,464,574</u>	<u>9,243,660</u>	<u>9,048,902</u>
	<u>5,788,739</u>	<u>3,472,977</u>	<u>9,261,716</u>	<u>9,066,318</u>

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Funds for Producers of Grain Corn and Soybeans

Statement of Fund Operations and Surplus For the year ended March 31, 2010

	Grain Corn	Soybeans	2010	2009
	\$	\$	\$	\$
Revenues				
Fees from producers	4,432	47,957	52,389	47,371
Interest income	182,262	120,050	302,312	334,149
Claim recoveries	—	—	—	267,000
	<u>186,694</u>	<u>168,007</u>	<u>354,701</u>	<u>648,520</u>
Expenses				
Claims paid	—	—	—	731,797
Board members' fees and expenses	4,183	3,672	7,855	21,580
Professional fees	—	—	—	17,416
	<u>4,183</u>	<u>3,672</u>	<u>7,855</u>	<u>770,773</u>
Excess (deficiency) of revenues over expenses	182,511	164,335	346,846	(122,253)
Opening unrealized gain from change in accounting policy (Note 2B)	—	—	—	167,343
Change in fair value of assets classified as available-for-sale (Note 2B)	(96,362)	(55,726)	(152,088)	167,816
Surplus, beginning of year	<u>5,692,937</u>	<u>3,355,965</u>	<u>9,048,902</u>	<u>8,835,996</u>
Surplus, end of year	<u>5,779,086</u>	<u>3,464,574</u>	<u>9,243,660</u>	<u>9,048,902</u>

See accompanying notes to financial statements.

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements

March 31, 2010

1. Establishment of the Funds

The Funds for Producers of Grain Corn and Soybeans were established effective November 3, 1984, by regulations made under the *Farm Products Payments Act*. These regulations designated the Grain Financial Protection Board as the Board to administer the Funds.

The purpose of the Funds is to protect grain corn and soybean producers against loss through default in payment by a dealer. Producers of grain corn and soybeans are reimbursed, respectively 95% and 90% of an approved claim for any defaults in payment by dealers. The Board attempts to recover any such claims paid from the dealers.

2. Significant Accounting Policies

(A) GENERAL

The financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(B) FINANCIAL INSTRUMENTS

The Funds' financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, amounts due from related parties, accounts payable and accrued liabilities. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories - available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments.

Commencing April 1, 2008, the Funds for Producers of Grain Corn and Soybeans have designated all short-term and long-term investments as available-for-sale and are carried at their fair value. Changes in the fair value of investments are determined using quoted market bid prices and are recorded as unrealized gains and losses that directly impact the fund balance. Realized gains and losses on sale of investments are reclassified from the fund balance and recorded in the statement of fund operations. The change in accounting policy resulted in an increase of \$167,343 to the opening fund balance as of April 1, 2008. This adjustment related to an unrealized gain arising from the increase in carrying value of investments to their fair value.

The Funds have classified cash as held-for-trading, which is measured at fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Funds for Producers of Grain Corn and Soybeans have elected to use settlement date accounting for purchases and sales of financial assets.

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements

March 31, 2010

1. Establishment of the Funds

The Funds for Producers of Grain Corn and Soybeans were established effective November 3, 1984, by regulations made under the *Farm Products Payments Act*. These regulations designated the Grain Financial Protection Board as the Board to administer the Funds.

The purpose of the Funds is to protect grain corn and soybean producers against loss through default in payment by a dealer. Producers of grain corn and soybeans are reimbursed, respectively 95% and 90% of an approved claim for any defaults in payment by dealers. The Board attempts to recover any such claims paid from the dealers.

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Commencing April 1, 2008, the Funds for Producers of Grain Corn and Soybeans have designated all short-term and long-term investments as available-for-sale and are carried at their fair value. Changes in the fair value of investments are determined using quoted market bid prices and are recorded as unrealized gains and losses that directly impact the fund balance. Realized gains and losses on sale of investments are reclassified from the fund balance and recorded in the statement of fund operations. The change in accounting policy resulted in an increase of \$167,343 to the opening fund balance as of April 1, 2008. This adjustment related to an unrealized gain arising from the increase in carrying value of investments to their fair value.

The Funds have classified cash as held-for-trading, which is measured at fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Funds for Producers of Grain Corn and Soybeans have elected to use settlement date accounting for purchases and sales of financial assets.

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements

March 31, 2010

2. Significant Accounting Policies (Continued)

(C) RECOVERIES

Claim recoveries are recorded when received due to the inherent uncertainty regarding the amount and timing of any recovery.

(D) FUTURE CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

In March 2010, the Accounting Standards Board (AcSB) issued an exposure draft which proposes, subject to comments received, to issue Part III of the CICA Accounting Handbook as accounting standards for not-for-profit organizations in the private sector. Those organizations reporting in accordance with the proposed Part III would describe their financial statements as being in accordance with Canadian accounting standards for not-for-profit organizations. The AcSB has also decided to permit not-for-profit organizations to apply International Financial Reporting Standards (IFRSs), which are in Part I of the CICA Accounting Handbook. The AcSB proposes that not-for-profit organizations select one of the two available sets of accounting standards. The standards in Part V of the CICA Accounting Handbook currently applicable to not-for-profit organizations will remain in effect until organizations have adopted either the standards in Part I or the standards in Part III.

As well, in March 2010, the Public Sector Accounting Board (PSAB) issued an exposure draft, subject to comments received, to incorporate the 4400 series from the CICA Accounting Handbook into the CICA Public Sector Accounting (PSA) Handbook. This third option brings the 4400 series into the PSA Handbook and will result in government not-for-profit organizations such as the Funds continuing to apply the 4400 series of standards that they are familiar with while using the PSA Handbook as a financial reporting foundation instead of the CICA Accounting Handbook.

Both AcSB and PSAB expect that the final standards will be issued late 2010, and both exposure drafts are expected to be in effect for fiscal years beginning on or after January 1, 2012.

3. Administrative Expenses

Since 1997/98, administrative expenses for determining financial responsibility of grain dealers have been paid for by the Funds. In June 2005, the Ministry of Agriculture, Food and Rural Affairs determined that a retroactive amendment to the *Farm Products Payments Act* is required for payment of these expenses by the Funds. Until a legislative amendment is made, most administrative expenses incurred by the Funds will be paid by the Ministry and are not included in the Statement of Fund Operations and Surplus.

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements

March 31, 2010

4. Investments and Management of Capital

The main objective of the Funds when managing capital is to safeguard their ability to remain a going concern, so that they can continue to deliver financial protection to producers of grain corn and soybeans in Ontario.

The Board undertakes investment of the Funds to ensure security, liquidity and the maximization of investment income. Board policy restricts investments to high-grade financial instruments such as government bonds and other investment instruments issued, guaranteed or endorsed by domestic financial institutions. In order to ensure liquidity and manage interest rate risk, the Board allocates approximately one fifth of the fund to investments in short-term financial instruments, with the remainder of the fund invested on a laddered basis for 1 to 5 years. Accordingly, the Board believes that the Funds are not exposed to significant investment, credit, liquidity or interest rate risk.

(A) PORTFOLIO PROFILE

	2010	2009
	Carrying Amount and Fair Value	Carrying Amount and Fair Value
	\$	\$
Short-term	3,124,076	2,011,272
Long-term		
Government of Canada	1,264,054	3,489,318
Province of Ontario	2,898,668	1,729,088
Provincial Utilities	1,877,937	1,818,249
	6,040,659	7,036,653
Total	9,164,735	9,047,925

(B) MATURITY PROFILE

	2009/10	2008/09
	\$	\$
<1 Year	3,124,076	2,011,272
1-3 Years	4,928,731	5,721,905
3-5 Years	1,111,928	1,314,748
	9,164,735	9,047,925

(C) INVESTMENT PERFORMANCE

As of March 31, 2010 interest rates on investments ranged from 0.27% to 4.62%, with an effective average interest rate for the year of 3.5% (2009 – 3.7%)

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements

March 31, 2010

5. Due from related parties

The Funds for Producers of Grain Corn and Soybeans share a common board of directors with the Fund for Producers of Canola and the Fund for Producers of Wheat under the Grain Financial Protection Program. The amount due from related parties represents their portion of board expenses paid for by the Funds that is subsequently reimbursed to the Funds.

6. Statement of Cash Flows

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Fund for Producers of Canola
Financial Statements
For the Year Ended March 31, 2010

Fund for Producers of Canola

Balance Sheet

As at March 31, 2010

	2010 \$	2009 \$
Assets		
Current		
Cash	10,534	2,196
Accounts receivable	1,120	1,481
Short-term investments (Note 4)	238,572	191,888
	<u>250,226</u>	<u>195,565</u>
Long-Term		
Long-term investments (Note 4)	605,126	637,972
	<u>855,352</u>	<u>833,537</u>
Liabilities		
Accounts payable and accrued liabilities	259	235
	<u>259</u>	<u>235</u>
Surplus	<u>855,093</u>	<u>833,302</u>
	<u>855,352</u>	<u>833,537</u>

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Fund for Producers of Canola
Statement of Fund Operations and Surplus
For the year ended March 31, 2010

	2010	2009
	\$	\$
Revenues		
Fees from producers	7,323	8,211
Interest income	28,053	29,278
	<u>35,376</u>	<u>37,489</u>
Expenses		
Board members' fees and expenses	96	153
Professional fees	—	214
	<u>96</u>	<u>367</u>
Excess of revenues over expenses	35,280	37,122
Surplus, beginning of year	833,302	764,418
Opening unrealized gain from change in accounting policy (Note 2B)	—	15,021
Changes in fair value of assets classified as available-for-sale (Note 2B)	(13,489)	16,743
Surplus, end of year	<u>855,093</u>	<u>833,302</u>

See accompanying notes to financial statements.

Fund for Producers of Canola

Notes to Financial Statements

March 31, 2010

1. Establishment of the Fund

The Fund for Producers of Canola was established effective July 22, 1989, by regulation made under the *Farm Products Payments Act*. This regulation designated the Grain Financial Protection Board as the Board to administer the Fund.

The purpose of the Fund is to protect canola producers against loss through default in payment by a dealer. Producers are reimbursed 90% of an approved claim for any defaults in payment by dealers. The Board attempts to recover any such claims paid from the dealers.

2. Significant Accounting Policies

(A) GENERAL

The financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(B) FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories - available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments.

Commencing April 1, 2008, the Fund for Producers of Canola has designated all short-term and long-term investments as available-for-sale and are carried at their fair value. Changes in the fair value of investments are determined using quoted market bid prices and are recorded as unrealized gains and losses that directly impact the fund balance. Realized gains and losses on sale of investments are reclassified from the fund balance and recorded in the statement of fund operations. The change in accounting policy resulted in an increase of \$15,021 to the opening fund balance as of April 1, 2008. This adjustment related to an unrealised gain arising from the increase in carrying value of investments to their fair value.

The Fund has classified cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Fund for Producers of Canola has elected to use settlement date accounting for purchases and sales of financial assets.

Fund for Producers of Canola

Notes to Financial Statements

March 31, 2010

2. Significant Accounting Policies (Continued)

(C) FUTURE CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

In March 2010, the Accounting Standards Board (AcSB) issued an exposure draft which proposes, subject to comments received, to issue Part III of the CICA Accounting Handbook as accounting standards for not-for-profit organizations in the private sector. Those organizations reporting in accordance with the proposed Part III would describe their financial statements as being in accordance with Canadian accounting standards for not-for-profit organizations. The AcSB has also decided to permit not-for-profit organizations to apply International Financial Reporting Standards (IFRSs), which are in Part I of the CICA Accounting Handbook. The AcSB proposes that not-for-profit organizations select one of the two available sets of accounting standards. The standards in Part V of the CICA Accounting Handbook currently applicable to not-for-profit organizations will remain in effect until organizations have adopted either the standards in Part I or the standards in Part III.

As well, in March 2010, the Public Sector Accounting Board (PSAB) issued an exposure draft, subject to comments received, to incorporate the 4400 series from the CICA Accounting Handbook into the CICA Public Sector Accounting (PSA) Handbook. This third option brings the 4400 series into the PSA Handbook and will result in government not-for-profit organizations such as the Fund continuing to apply the 4400 series of standards that they are familiar with while using the PSA Handbook as a financial reporting foundation instead of the CICA Accounting Handbook.

Both AcSB and PSAB expect that the final standards will be issued late 2010, and both exposure drafts are expected to be in effect for fiscal years beginning on or after January 1, 2012.

3. Administrative Expenses

Since 1997/98, administrative expenses for determining financial responsibility of grain dealers have been paid for by the Fund. In June 2005, the Ministry of Agriculture, Food and Rural Affairs determined that a retroactive amendment to the *Farm Products Payments Act* is required for payment of these expenses by the Fund. Until a legislative amendment is made, the administrative expenses incurred by the Fund will be paid by the Ministry and are not included in the Statement of Fund Operations and Surplus.

4. Investments and Management of Capital

The main objective of the Fund for Producers of Canola when managing capital is to safeguard its ability to remain a going concern, so that it can continue to deliver financial protection to the producers of canola in Ontario.

Fund for Producers of Canola

Notes to Financial Statements

March 31, 2010

4. Investments and Management of Capital (Continued)

The Board undertakes investment of the Fund to ensure security, liquidity and the maximization of investment income. Board policy restricts investments to high-grade financial instruments such as government bonds and other investment instruments issued, guaranteed or endorsed by domestic financial institutions. In order to ensure liquidity and manage interest rate risk, the Board allocates about one fifth of the fund to investments in short term financial instruments, with the remainder of the fund invested on a laddered basis for 1 to 5 years. Accordingly, the Board believes that the Fund is not exposed to significant investment, credit, liquidity or interest rate risk.

(A) PORTFOLIO PROFILE

	<u>2010</u>	<u>2009</u>
	<u>Carrying</u>	<u>Carrying</u>
	<u>Amount and</u>	<u>Amount and</u>
	<u>Fair Value</u>	<u>Fair Value</u>
	<u>\$</u>	<u>\$</u>
Short-term	<u>238,572</u>	<u>191,888</u>
Long-term		
Government of Canada	116,055	272,584
Province of Ontario	230,939	115,460
Provincial utilities	<u>258,132</u>	<u>249,928</u>
	<u>605,126</u>	<u>637,972</u>
Total	<u>843,698</u>	<u>829,860</u>

(B) MATURITY PROFILE

	<u>2009/10</u>	<u>2008/09</u>
	<u>\$</u>	<u>\$</u>
<1 Year	238,572	191,888
1-3 Years	377,443	517,263
3-5 Years	<u>227,683</u>	<u>120,709</u>
	<u>843,698</u>	<u>829,860</u>

(C) INVESTMENT PERFORMANCE

As of March 31, 2010 interest rates on investments ranged from 0.3% to 4.6%, with an effective average interest rate for the year of 3.5% (2009 – 3.6%)

Fund for Producers of Canola

Notes to Financial Statements

March 31, 2010

5. Statement of Cash Flows

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Fund for Producers of Wheat
Financial Statements
For the Year Ended March 31, 2010

Fund for Producers of Wheat

Balance Sheet As at March 31, 2010

	2010 \$	2009 \$
Assets		
Current		
Cash	138,585	16,647
Accounts receivable	13,517	54,829
Short-term investments (Note 4)	683,881	583,634
	<u>835,983</u>	<u>655,110</u>
Long-Term		
Long-term investments (Note 4)	1,620,004	1,559,427
	<u>2,455,987</u>	<u>2,214,537</u>
Liabilities		
Accounts payable and accrued liabilities	2,370	2,370
Due to related party (Note 5)	481	648
	<u>2,851</u>	<u>3,018</u>
Surplus	<u>2,453,136</u>	<u>2,211,519</u>
	<u>2,455,987</u>	<u>2,214,537</u>

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Fund for Producers of Wheat
Statement of Fund Operations and Surplus
For the year ended March 31, 2010

	2010 \$	2009 \$
Revenues		
Fees from producers	204,589	229,563
Interest income	74,806	79,290
	<u>279,405</u>	<u>308,853</u>
Expenses		
Board members' fees and expenses	1,069	4,708
Professional fees	—	2,370
	<u>1,069</u>	<u>7,078</u>
Excess of revenues over expenses	278,336	301,775
Opening unrealized gain from change in accounting policy (Note 2B)	—	43,946
Changes in fair value of assets classified as available-for-sale (Note 2B)	(36,719)	25,437
Surplus, beginning of year	<u>2,211,519</u>	<u>1,840,361</u>
Surplus, end of year	<u>2,453,136</u>	<u>2,211,519</u>

See accompanying notes to financial statements.

Fund for Producers of Wheat

Notes to Financial Statements

March 31, 2010

1. Establishment of the Fund

The Fund for Producers of Wheat was established effective December 13, 2004, by regulation made under the *Farm Products Payments Act*. This regulation designated the Grain Financial Protection Board as the Board to administer the Fund. The Ontario Wheat Producers' Marketing Board made a \$1 million non-recurring unrestricted contribution to establish the Fund.

The purpose of the Fund is to protect wheat producers against loss through default in payment by a dealer. Producers are reimbursed 95% of an approved claim for any defaults in payment by dealers. The Board attempts to recover any such claims paid from the dealers.

2. Significant Accounting Policies

(A) GENERAL

The financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(B) FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, accounts payable, accrued liabilities and amount due to related party. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories - available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments.

Commencing April 1, 2008, the Fund for Producers of Wheat has designated all short-term and long-term investments as available-for-sale and are carried at their fair value. Changes in the fair value of investments are determined using quoted market bid prices and are recorded as unrealized gains and losses that directly impact the fund balance. Realized gains and losses on sale of investments are reclassified from the fund balance and recorded in the statement of fund operations. The change in accounting policy resulted in an increase of \$43,946 to the opening fund balance as of April 1, 2008. This adjustment related to an unrealized gain arising from the increase in carrying value of investments to their fair value.

The Fund has classified cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and amount due to related party are classified as other financial liabilities, which are measured at amortized cost.

The Fund for Producers of Wheat has elected to use settlement date accounting for purchases and sales of financial assets.

Fund for Producers of Wheat

Notes to Financial Statements

March 31, 2010

2. Significant Accounting Policies (Continued)

(C) FUTURE CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

In March 2010, the Accounting Standards Board (AcSB) issued an exposure draft which proposes, subject to comments received, to issue Part III of the CICA Accounting Handbook as accounting standards for not-for-profit organizations in the private sector. Those organizations reporting in accordance with the proposed Part III would describe their financial statements as being in accordance with Canadian accounting standards for not-for-profit organizations. The AcSB has also decided to permit not-for-profit organizations to apply International Financial Reporting Standards (IFRSs), which are in Part I of the CICA Accounting Handbook. The AcSB proposes that not-for-profit organizations select one of the two available sets of accounting standards. The standards in Part V of the CICA Accounting Handbook currently applicable to not-for-profit organizations will remain in effect until organizations have adopted either the standards in Part I or the standards in Part III.

As well, in March 2010, the Public Sector Accounting Board (PSAB) issued an exposure draft, subject to comments received, to incorporate the 4400 series from the CICA Accounting Handbook into the CICA Public Sector Accounting (PSA) Handbook. This third option brings the 4400 series into the PSA Handbook and will result in government not-for-profit organizations such as the Fund continuing to apply the 4400 series of standards that they are familiar with while using the PSA Handbook as a financial reporting foundation instead of the CICA Accounting Handbook.

Both AcSB and PSAB expect that the final standards will be issued late 2010, and both exposure drafts are expected to be in effect for fiscal years beginning on or after January 1, 2012.

3. Administrative Expenses

Certain administrative expenses incurred by the Fund were absorbed by the Ministry of Agriculture, Food and Rural Affairs and are not included in the Statement of Fund Operations and Surplus.

4. Investments and Management of Capital

The main objective of the Fund for Producers of Wheat when managing capital is to safeguard its ability to remain a going concern, so that it can continue to deliver financial protection to the producers of wheat in Ontario.

The Board undertakes investment of the Fund to ensure security, liquidity and the maximization of investment income. Board policy restricts investments to high-grade financial instruments such as government bonds and other investment instruments issued, guaranteed or endorsed by domestic financial institutions. In order to ensure liquidity and manage interest rate risk, the Board allocates about one fifth of the fund to investments in short term financial instruments, with the remainder of the fund invested on a laddered basis for 1 to 5 years. Accordingly, the Board believes that the Fund is not exposed to significant investment, credit, liquidity or interest rate risk.

	Fair Value \$	Fair Value \$
Short-term	683,881	583,634
Long-term		
Government of Canada	515,919	516,743
Province of Ontario	740,397	690,555
Provincial utilities	363,688	352,129
	1,620,004	1,559,427
Total	2,303,885	2,143,061

(B) MATURITY PROFILE

	2009/10 \$	2008/09 \$
<1 Year	683,881	583,634
1-3 Years	723,850	1,042,684
3-5 Years	896,154	516,743
	2,303,885	2,143,061

(C) INVESTMENT PERFORMANCE

As of March 31, 2010 interest rates on investments ranged from 0.3% to 4.6%, with an effective average interest rate for the year of 3.2% (2009 – 3.6%)

5. Due to related party

The Fund for Producers of Wheat and the Funds for Producers of Grain Corn and Soybeans share a common board of directors under the Grain Financial Protection Program. The amount due to related party bears no interest and represents the Fund's portion of expenses paid for by the Funds for Producers of Grain Corn and Soybeans.

6. Statement of Cash Flows

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.
