Ontario

MINISTRY OF AGRICULTURE, FOOD AND RURAL AFFAIRS

Grain Financial Protection Board 2014/15 Annual Report

Table of Contents

1. Message from the Chair

The vision of the Board is to protect the financial interests of Ontario producers who have sold grain corn, soybeans, wheat, and canola and owners who stored grain with elevator operators. This is directly linked to one of the Ministry's goals of ensuring the sustainability of agriculture in Ontario.

The Grain Financial Protection Program (GFPP) was introduced in the mid-1980's following a series of grain elevator bankruptcies. GFPP consists of two components which are:

1. The annual licensing of grain dealers and elevator operators under the Grains Act. Agricorp, is under contract with OMAFRA to administer the program.
2. The administration of the Funds. The Board is responsible for the administration of the Funds. All income held in the Funds comes from producer check-off fees and investment income. The purpose of the Funds is to provide producers/owners with financial compensation in the event that a dealer or elevator defaults on their obligation or if there is a storage shortfall.

This year the Board continued to focus on managing the Funds to ensure long-term sustainability and ability to provide producers/owners with an effective risk management tool.

The Board conducts an annual review each year on the performance of the Funds. The balances and growth rates are compared to the recommendations in the 2011 actuarial report. Historically, all of the Funds with the exception of the soybean Fund have met the established target balances as outlined in the actuarial report. The soybean Fund has been below the targeted balance, but has been growing at a steady rate in the past two years. Based on the 2014/15 audited financial statements, the soybean Fund achieved a growth rate of eight per cent, which meets the growth target recommendation in the actuarial report. If the Fund continues to receive check-off fees at this level, and no claims are paid, the soybean Fund will reach its target balance in the next two years.

The Board worked with the Minister through out the year on re-appointing members to the Board. Two Board members were re-appointed in 2014-15. By working collaboratively with the Ministry, the Board was able to continue to operate effectively and ensure appropriate governance was in place to fulfill its mandate.

Looking forward, the Board will continue to focus on ensuring the long-term sustainability of the Funds.

Respectfully submitted,

Jim Campbell
Chair, Grain Financial Protection Board

Preface

The Grain Financial Protection Board (Board) was established in 1985 and is classified as a Board-Governed Provincial Agency under the Agencies and Appointments Directive (AAD). The Board, "administers funds or other assets for beneficiaries named under statute." The Board's mandate, strategies and activities have always been focused on prudent management of the Funds to ensure financial compensation is available to grain corn, soybean, wheat, and canola producers/owners when required. The Board's mandate of administering the Funds, investigating, granting or refusing claims, and recovering money is directly linked to one of the Ministry's 2014/2015 goals of ensuring the sustainability of agriculture in Ontario.

2. Governance

The Board members are accountable to the Minister of Agriculture Food and Rural Affairs (the Minister), through the Chair, for setting goals, objectives, and the strategic direction for the Board. It operates under authority as outlined by the Farm Products Payments Act (FPPA) and in accordance with the Memorandum of Understanding (MOU) between the Minister and the Chair. The Board and Minister approved a revised MOU in March 2011 for a term of five years. The MOU sets out the operational and reporting relationship between the Board and the Minister, and also outlines the administrative, financial, and auditing arrangements with the Ontario Ministry of Agriculture Food and Rural Affairs (OMAFRA).

This report covers the fiscal year April 1, 2014 to March 31, 2015.

3. Board Objectives and Activities

The Board's primary focus is on the prudent management of the Funds and preparing for claims when they occur. Claims are infrequent; however, the Board remains current on the claims procedure and is prepared to adjudicate claims when required. The Board makes decisions on claims based on the evidence and the law and if applicable payments to producers and owners are made after the Board has approved the claim.

Mandate

The Board is responsible to the Minister and is constituted under the authority of the FPPA, R.S.O. 1990, c. F. 10, as amended and its regulations:

- Reg. 70/12 Payments From Funds For Grain Producers
- Reg. 321/11 Fees Payable to Boards

The Board's legislative mandate is outlined in section 4 of the FPPA as:
It is the function of a board and it has power,

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

Business Plan

To assist the Board with achieving their mandate , they have established goals with corresponding objectives and activities. For 2014-15, the Board established the following five goals:

1. Long-term sustainability of the Funds - The Board has hired Agricorp for the day to day administration of the Funds; however, the Board is ultimately responsible for the oversight and management of the Funds. The Board regularly reviews and approves policy decisions, and reviews financial statements and risk assessment reports quarterly. All Board policies, guidelines and By-laws were reviewed and updated as required this year.
2. Maintain an adjudication process that is simple, fair and accessible with minimal delays-The Board has approved claim adjudication guidelines and has established operational procedures to assist with the processing of claims. The Board has received five claims from four claimants originating from the fiscal year 2014-15.
3. Ensure agreements and directives are understood and documentation required under the MOU is in place -The Board endeavors to ensure that it remains in compliance with the MOU and that the

members fully understood what documentation is required to be on file. Legal counsel is available to assist the Board with any needed agreements.

4. Ensure a high performing Board - Tenures of members are regularly reviewed and the Board works with OMAFRA and stakeholder groups to seek recommendations of qualified candidates at least six months prior to the expiry of a term. The Board also maintains an orientation manual which is reviewed by the Board on an annual basis and is updated as required. New members to the Board will receive training within two months of being appointed. This year, two members were re-appointed to the Board.
5. To consult with industry stakeholders- The Board participates in meetings with stakeholders as required.

The affairs of the Board are subject to an annual audit by the Office of the Auditor General of Ontario. The Office of the Auditor General of Ontario typically makes audited financial statements available four months after the fiscal year end.

Board key activities

The Board held three meetings over the 2014/15 fiscal year that focused on:

- reviewing quarterly financial statements
- business planning and risk assessment
- performance reporting
- appointment process management
- reviewing the adjudication guidelines
- staying current regarding stakeholder issues
- reviewing and updating policies and by-laws.

Board staff

The Board does not have staff. The Board has contracted with Agricorp for Governance/Secretariat and Financial Support Services.

Legal services

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

Investigative services

The Regulatory Compliance Unit of OMAFRA provides investigative services for the Board.

4. Board Appointments

Board structure

The FPPA requires that the Board be composed of no fewer than five members appointed by the Minister. The membership of the Board has been traditionally comprised of nominees from each of the Ontario Canola Growers' Association, the Ontario Agri Business Association and the Grain Farmers of Ontario. Both the chair and the vice chair position are filled by the Minister's appointment.

Two members were re-appointed to the Board in 2014-15. Listed below are the appointees for April 1, 2014 to March 31, 2015.

Member Name	Position	Tenure
Jim Campbell	Chair	12 April 2005 - 03 April 2017
Fred Wagner	Vice Chair	06 March 2007 - 12 December 2015
David Buttenham	Member	22 March 2011 - 21 March 2017

Jeff Kobe	Member	19 July 2007 - 18 July 2016
Darcy Oliphant	Member	30 July 2011 - 29 July 2017
Barry Senft	Member	22 April 2011 - 21 April 2017
Jeff Davis	Member	19 April 2012 - 18 April 2015
Henry Van Ankum	Member	19 April 2012 - 18 April 2018
Mark Brock	Member	22 August 2012 - 21 August 2015
Lynne Cohoe	Member	22 April 2008 - 21 August 2015

5. Analysis of Operational Performance

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

The Board conducted its annual review of the Funds in June 2014. This review showed that the corn, canola, and wheat Funds continue to meet the minimum target balances as outlined in the 2011 actuarial report. The soybean Fund still remains below the target balance; however, this past year it continued to grow annually at a rate of eight per cent which meets the recommendations in the actuarial report.

The Board annually reviews their established policies to ensure they are current. In 2013-14, the Board recommended to adjust the expense allocation policy. No changes to the established policies were recommended this year, however the Board did implement the changes to the expense allocation policy that were recommended in the previous year. The Board's investment policy is aligned with the MOU and the Board conducted a review of the policy and MOU to ensure it remains relevant.

It has been a best practice of the Board to conduct an actuarial review on the Funds every five years to ensure that they still remain actuarially sound. The next review is scheduled for 2016, and the Board is preparing for this review.

The Board annually reviews the claim adjudication guidelines to ensure members are familiar with the claim process. The Board infrequently (once every four or five years on average), receives claims and a regular review of the guidelines helps members stay up to date on the claims process and will assist with ensuring that the adjudication process is fair and has minimal delays.

The Board continued to work collaboratively with the Minister and stakeholder groups to fill a number of vacant positions. Two member positions were filled in the past year. The Board has the appropriate governance in place to fulfill its mandate.

Over the past year, the Board implemented its business plan and has delivered on its goals and objectives. The table in Section 5 summarizes the Board's performance targets and results. The Board was able to either meet all of its objectives, or was able to implement strategies to assist it in meeting its objectives in the future.

6. Performance Measures and Targets

The Board's principal activities are to manage the Funds effectively and prepare for claims when they occur.

The Board's principal objectives for the period ending March 31, 2015 were as follows:

1. Maintain a solvent compensation Fund managed in the interest of grain producers
2. Maintain minimum target Fund balances as per Actuarial Review
3. Conduct adjudicatory hearings and issue decisions in a fair and timely manner
4. Grant or refuse claims and seek recovery of amounts paid
5. Ensure that the Board is compliant with directives, policies, and agreements.

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

Performance Measure	Baseline	Target 14/15	Actual 14/15	Target 15/16	Target 16/17	Target 17/18
Objective 1: To maintain a solvent compensation Fund managed in the interest of grain producers.						
	Unqualified	Unqualified	Achieved	Unqualified	Unqualified	Unqualified

Annual financial audit achieves an unqualified audit opinion in accordance with Canadian generally accepted accounting principles						
Minimum Target Fund Balances are maintained as per Actuarial Review. Note soybean fund is the only one that has a annual growth target due to the fact that it has been below the minimum fund balance the past few years.						
Grain Corn target Fund balance	Minimum Fund balance $4,600,000 maintained	Minimum Fund balance $4,600,000 maintained	Achieved-Balance $5,943,654	Minimum Fund balance $4,600,000 maintained	Minimum Fund balance $4,600,000 maintained	Minimum Fund balance $4,600,000 maintained
Wheat target Fund balance	Minimum Fund balance $2,200,000 maintained	Minimum Fund balance $2,200,000 maintained	Achieved-Balance $3,406,045	Minimum Fund balance $2,200,000 maintained	Minimum Fund balance $2,200,000 maintained	Minimum Fund balance $2,200,000 maintained
Canola target Fund balance	Minimum Fund balance $900,000 maintained	Minimum Fund balance $900,000 maintained	Achieved-Balance $988,044 Achieved-Balance $988,044	Minimum Fund balance $900,000 maintained	Minimum Fund balance $900,000 maintained	Minimum Fund balance $900,000 maintained
Soybean target Fund balance	Minimum Fund balance $4,400,000 maintained	Minimum Fund balance $4,400,000 maintained	Not Achieved - Balance $4,124,906 Check-off fees increased and Fund increasing	Minimum Fund balance $4,400,000 maintained	Minimum Fund balance $4,400,000 maintained	Minimum Fund balance $4,400,000 maintained
Soybean target Fund balance	2% Annual growth in Fund balance	2% Annual growth in Fund balance	Achieved - actual annual growth rate of 8%	2% Annual growth in Fund balance	2% Annual growth in Fund balance	2% Annual growth in Fund balance
Receipt and review Fund financial statements from Agricorp	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly

Performance Measure	Baseline	Target 14/15	Actual 14/15	Target 15/16	Target 16/17	Target 17/18
Objective 2: To conduct adjudicatory hearings and issue decisions in a fair and timely manner.						
Claims processed with minimal delays	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Achieved - no claims submitted	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim
Claims are adjudicated fairly	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established	Achieved - no claims submitted	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established

Claimants received notification of Board decision	Within 10 days of a Board decision	Within 10 days of a Board decision	Achieved - no claims submitted	Within 10 days of a Board decision	Within 10 days of a Board decision	Within 10 days of a Board decision

Performance Measure	Baseline	Target 14/15	Actual 14/15	Target 15/16	Target 16/17	Target 17/18
Objective 3: To grant or refuse claims and to seek recovery of amounts paid.						
Claims are reviewed to determine their validity	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Achieved - no claims received.	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims
Recover any money to which the Board is entitled to under the FPPA	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action	N/A	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action

Performance Measure	Baseline	Target 14/15	Actual 14/15	Target 15/16	Target 16/17	Target 17/18
Objective 4: To ensure that the Board is compliant with directives, policies and agreements.						
Updated MOU in place (expiry March 8, 2016)	Updated as per the Agencies and Appointments Directive section 1.9.1	N/A	Valid MOU in place.	Updated as per the Agencies and Appointments Directive section 1.9.1	Updated as per the Agencies and Appointments Directive section 1.9.1	Updated as per the Agencies and Appointments Directive section 1.9.1
Submit Annual Report	Annually	July 31, 2015		July 31, 2016	July 31, 2017	July 31, 2018
Submit Business Plan	Annually	March 2014	Achieved	March 2015	March 2016	March 2017
Submit Quarterly AAD (AEAD Report for 2014-15)	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly
Submit Quarterly Risk Assessment Report	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly

7. Analysis of Financial Performance

The Office of the Auditor General of Ontario finalized the 2014/15 financial statements in July 2015 and the Board submitted the Annual Report to the Minister shortly there after.

Annually, the Board conducts a full review of their investment strategies, including the investigation of alternate strategies, to ensure that returns are maximized within the investment framework. The Board concluded that they are maximizing their return on investments, and no changes in investment strategies were recommended this year. The amount of interest earned this year is five per cent below what was earned last year; however, it is 13 per cent above what was budgeted, and considered an acceptable rate of return for the market conditions.

The Board also reviews the level of check off fees received for each commodity. This year, there was a 35 per cent reduction in the amount of wheat check-off fees received and a 18 per cent increase in the amount of soybean check off fees received, resulting in overall check off fees for all four commodities being similar to the previous years. In 2014, there was a large amount of the winter wheat crop which received winter damage and had to be reseeded in the spring. Given the delayed spring, some producers elected to reseed these crops into soybeans, which is reflected in the increase in soybean check off fees.

The Board only incurred expenses for the administration of the Funds this year. The Board did not pay any claims. Expenses for secretariat services is significantly reduced this year as a result of a one time credit applied from the previous year. The amount expensed for financial services is slightly lower than budgeted due to increased efficiencies. The Board anticipates that these efficiencies will continue in future years.

2014/15 Fiscal Year	Budget 2013/14	Actual 2013/14	Budget 2014/15	Actual 2014/15
Revenue				
Fees	250,000	413,584	375,000	414,162
Interest	271,748	293,551	242,565	279,016
Recoveries	0	0	0	0
Total Revenue	521,748	707,135	617,565	693,178
Expenses				
Claims	0	0	263,000	0
Governance/Secretariat Services	61,200	34,485	45,000	5,954
Financial Services	47,940	15,408	30,000	23,527
Costs of Determining Financial Responsibility	181,170	179,327	181,440	176,075
Total Expense	290,310	229,220	519,440	205,557
Net Balance (Total Revenue - Expenses	231,438	477,915	98,125	487,622
Beginning of Year Fund Balances	13,587,387	13,501,425	13,860,829	13,979,340
Adjustment on the adoption of the financial instrument standard	0	0	0	0
End of Year Fund Balance	13,818,825	13,979,340	13,860,829	14,466,962

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Financial Statements For the Year Ended March 31, 2015

	Grain Corn $	Soybeans $	Canola $	Wheat $	2015 $	2014 $
Assets						
Current Cash	28,603	67,748	6,233	20,485	123,069	71,584
Current Accounts receivable	431	27,262	500	1,646	29,839	18,119
Current Short-term investments (Note 4)	3,534,944	2,685,978	617,956	2,174,963	9,013,841	5,506,355
Total Current Assets	3,563,978	2,780,988	624,689	2,197,094	9,166,749	5,596,058
Long-term investments (Note 4	2,451,468	1,399,263	372,724	1,241,690	5,465,145	8,548,173
Total Assets	6,015,446	4,180,251	997,413	3,438,784	14,631,894	14,144,231
Liabilities and Fund Balances						
Accounts payable	20,717	25,468	1,435	5,892	53,512	57,911
Total Liabilities	20,717	25,468	1,435	5,892	53,512	57,911
Fund Balances	5,945,811	4,127,061	988,044	3,406,046	14,466,962	13,979,340

Accumulated re-measurement gains	48,918	27,722	7,934	26,846	111,420	106,980
Total Liabilities and Fund Balances	6,015,446	4,180,251	997,413	3,438,784	14,631,894	14,144,231

See accompanying notes to financial statements.

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat Statement of Operations and Fund Balances for the year ended March 31, 2015

	Grain Corn $	Soybeans $	Canola $	Wheat $	2015 $	2014 $
Revenues						
Fees from Producers	6,355	321,102	5,414	81,291	414,162	413,584
Interest Income	119,277	77,345	18,725	63,669	279,016	293,551
Total Revenue	125,632	398,447	24,139	144,960	693,178	707,135
Expenses (Note 3)						
Financial Responsibility Review	67,070	83,578	4,999	20,492	176,139	179,327
Governance and Secretariat	579	3,689	491	1,131	5,890	34,485
Financial Services	9,186	10,912	630	2,799	23,527	15,408
Total Expenses	76,835	98,179	6,120	24,422	205,556	229,220
Excess of revenues over expenses	48,797	300,268	18,019	120,538	487,622	477,915
Fund balances, beginning of year	5,897,014	3,826,793	970,025	3,285,508	13,979,340	13,501,425
Fund balances, end of year	5,945,811	4,127,061	988,044	3,406,046	14,466,962	13,979,340

See accompanying notes to financial statements.

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Statement of Remeasurement Gains and Losses for the year ended March 31, 2014

	Grain Corn $	Soybeans $	Canola $	Wheat $	2015 $	2014 $
Accumulated remeasurement gains, beginning of year	48,837	29,601	6,627	21,915	106,980	126,996
Unrealized gains (losses) during the year: Change in value of portfolio investments	81	(1,879)	1,307	4,931	4,440	(20,016)
Accumulated remeasurement gains, end of year	48,918	27,722	7,934	26,846	111,420	106,980

See accompanying notes to financial statements.

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Statement of Cash Flows for the Year Ended March 31, 2014

	Grain Corn $	Soybeans $	Canola $	Wheat $	2014 $	2013 $
Cash provided by operating activities: Excess of revenues over expenses	48,797	300,268	18,019	120,538	487,622	477,915
Changes in non-cash working capital: Accounts receivable	161	(13,059)	(6)	1,184	(11,720)	(7,195)
Changes in non-cash working capital: Accounts payable	(7,447)	1,237	986	825	(4,399)	(7,514)
Total	41,511	288,446	18,999	122,547	471,503	463,206
Investing activities: (Acquisition)/disposition of investments	(6,983)	(284,639)	(20,725)	(107,671)	(420,018)	(423,965)
Increase (decrease) in cash	34,528	3,807	(1,726)	14,876	51,485	(20,016)
Cash, beginning of year	(5,925)	63,941	7,959	5,609	71,584	52,359
Cash, end of year	28,603	67,748	6,233	20,485	123,069	71,584

See accompanying notes to financial statements.

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat

Notes to Financial Statements - March 31, 2015

1. Establishment of the Funds

The purpose of the Funds (through regulations made under the Farm Products Payments Act) is to protect producers (grain corn, soybean, canola and wheat) against loss through default in payment by a dealer. Effective July 1, 2012, all producersare reimbursed 95% of an approved claim for any defaults by dealers. The Grain Financial Protection Board (the Board) attempts to recover any claims paid from the dealers.

The regulations also designated the Board to administer the Funds. The following Funds were established to operate on a not-for-profit basis on behalf of producers:

- Funds for Producers of Grain Corn and Soybeans - established effective November 3, 1984;
- The Fund for Producers of Canola - established effective July 22, 1989; and
- The Fund for Producers of Wheat - established effective December 13, 2004. The Ontario Wheat Producers' Marketing Board made a $1 million non-recurring unrestricted contribution to establish the Fund.

The Funds receive revenue through producer "check off fees" that they receive under the Farm Products Payments Act and the interest earned thereon. On the sale of grain by a producer (i.e. canola, grain corn, soybeans and wheat), check off fees are paid to either the Ontario Canola Growers Association (OCGA) or the Grain Farmers of Ontario (GFO), as designated by the Regulation. The OCGA and GFO then remit the fees to the Board.

2. Significant Accounting Policies

(A) Basis of Accounting

The financial statements are prepared by management in accordance with Canadian public sector accounting standards.

(B) Financial Instruments

The Funds’ financial instruments consist of cash, short-term investments, long-term investments, accounts receivable and accounts payable.

All financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

The carrying value of cash, accounts receivable and accounts payable are recorded at cost which approximates fair value given the short term nature of the maturities.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and fund balances.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and fund balances. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value of investments is based upon quoted market values (Level 1).

(C) Revenue Recognition

All transactions are recorded on the accrual basis except for claim recoveries which are recorded when received due to the inherent uncertainty regarding the amount and timing of the recovery.

(D) Expense Allocation

Expenses, excluding claims, are allocated to the four funds based on the proportionate value of each crop sold. A minimum proportion of 3% was set for Canola in fiscal year 2014-15 which will increase by 1% per year until it reaches 5%.

(E) Use of Estimates

The preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards 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. Significant estimates are used to allocate expenses across funds.

3. Related Party Transactions

Effective November 1, 2010, a Memorandum of Understanding between the Board and the then Minister of Agriculture, Food and Rural Affairs established that the Funds are financially responsible for the cost of their Governance, Secretariat and Financial Support Services. The Funds are also responsible for determining financial responsibility for grain dealers and contributing to the Financial Responsibility Review Committee. The Board negotiated an agreement with Agricorp to supply these services. These costs are included in the statement of operations and fund balances.

Certain administrative expenses, such as the cost of the Board of Directors meetings, are absorbed by the Ministry of Agriculture, Food and Rural Affairs and are not included in the statement of operations and fund balances.

4. Investments

(A) Portfolio Profile

	Grain Corn and Soybeans		Canola		Wheat		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	Carrying Amount	Carrying Amount	Carrying Amount	Carrying Amount	Carrying Amount	Carrying Amount	Carrying Amount	Carrying Amount

	and Fair Value $	and Fair Value $	and Fair Value $	and Fair Value $	and Fair Value $	and Fair Value $	and Fair Value $	and Fair Value $
Short Term	6,220,922	3,519,896	617,956	436,537	2,174,963	1,549,922	9,013,841	5,506,355
Long-term: Province of Ontario	1,861,620	4,316,820	240,051	402,373	837,729	1,359,104	2,939,400	6,078,297
Long-term: Province of Quebec	1,989,111	1,945,113	132,673	129,738	403,961	395,025	2,525,745	2,469,876
	3,850,731	6,261,933	372,724	532,111	1,241,690	1,754,129	5,465,145	8,548,173
Total	10,071,653	9,781,829	990,680	968,648	3,416,653	3,304,051	14,478,986	14,054,528

(B) Maturity Profile

	Grain Corn and Soybeans		Canola		Wheat		Total	
	2015 $	**2014 $**	**2015 $**	**2014 $**	**2015 $**	**2014 $**	**2015 $**	**2014 $**
<1 Year	6,220,922	3,519,896	617,956	436,537	2,174,963	436,537	9,013,841	5,506,355
1-3 Years	3,850,731	4,464,343	372,724	300,316	1,241,690	945,213	5,465,145	5,709,872
3-5 Years	-	1,797,590	-	231,795	-	808,916	-	2,838,301
Total	10,071,653	9,781,829	990,680	968,648	3,416,653	3,304,051	14,478,986	14,054,528

(C) Investment Performence

As of March 31, 2015, interest rates on investments ranged from 0.95% to 2.65% (2014: 1.5% to 3.15%) for all funds.

5. Financial Instruments Risk Management

The main objective of the Board is to safeguard the Funds' ability to remain as a going concern, so that they can continue to deliver financial protection to producers of grain corn, and soybeans, canola and wheat in Ontario.

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Funds' cash flows, financial position and their operations. Fluctuations in interest rates have a direct impact on the market valuation of the Funds' fixed income securities portfolio. The average return on investments is 1.96% (2014 was 2.15%). Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if liquidation of long-term investments are required to meet obligations. In order to ensure liquidity and manage interest rate risk, the Board allocates a significant amount of the fund to investments in short-term financial instruments, with the remainder of the fund invested for up to 2 years. Bonds that matured during the 2015 fiscal year were invested in high interest savings accounts and 1 year GIC's.

b) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. The Funds are exposed to credit risk principally through balances receivable from the Ontario Canola Growers Association and Grain Farmers of Ontario as well as through investment securities.

Credit risk on balances receivable arises from the possibility that the entities which owe money to the Funds may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts, if necessary, is established to recognize the impairment risks identified.

Credit risk on investment securities arises from the Fund's positions in government bonds and other investments. 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, which significantly reduces credit risk.

For more information:

Toll Free: 1-877-424-1300
E-mail: ag.info.omafra@ontario.ca