

AUDITOR'S REPORT

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ONTARIO PROCESSING VEGETABLE GROWERS
(General Fund)
Financial Statements
Year Ended December 31, 2013

Gee, Lambert & Courneya LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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LARRY D. GEE, CA
(1944 - 2007)

DOUGLAS W. LAMBERT
Professional Corporation

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Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Processing Vegetable Growers (General Fund)

We have audited the accompanying financial statements of Ontario Processing Vegetable Growers, (General Fund), which comprise the statement of financial position as at December 31, 2013 and the statements of revenues and expenditures, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of Ontario Processing Vegetable Growers *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Processing Vegetable Growers, (General Fund), as at December 31, 2013 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.

London, Ontario
March 5, 2014

Gee, Lambert & Courneya LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

ONTARIO PROCESSING VEGETABLE GROWERS
(General Fund)
Statement of Financial Position
December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 1,169,060	\$ 2,562,780
Short term investments (Note 2)	182,056	270,148
Accounts receivable	6,785,851	10,606,031
Due from Board funds (Note 8)	9,716	103,645
Prepaid expenses	3,436	4,366
	<u>8,150,119</u>	<u>13,546,970</u>
CAPITAL ASSETS (Note 4)	4,691	9,797
LONG TERM INVESTMENTS (Note 2)	<u>679,440</u>	<u>575,400</u>
	<u>\$ 8,834,250</u>	<u>\$ 14,132,167</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 374,831	\$ 1,691,099
Demand loan - FCC (Note 3)	6,412,243	10,232,124
	<u>6,787,074</u>	<u>11,923,223</u>
RESERVE FOR BURSARIES	<u>27,620</u>	<u>29,000</u>
	<u>6,814,694</u>	<u>11,952,223</u>
NET ASSETS		
General fund	2,014,865	2,170,147
Capital assets	4,691	9,797
	<u>2,019,556</u>	<u>2,179,944</u>
	<u>\$ 8,834,250</u>	<u>\$ 14,132,167</u>

ON BEHALF OF THE BOARD

Bruce Shackleton, Chairman

Phil Richards, Past-Chairman

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS
(General Fund)

Statement of Revenues and Expenditures
Year Ended December 31, 2013

	Budget 2013	2013	2012
LICENSE FEES			
Tomatoes	\$ 680,050	\$ 476,503	\$ 777,127
Green peas	199,020	175,749	194,619
Cucumbers	103,243	92,015	91,797
Sweet corn	82,460	94,237	97,596
Green and wax beans	56,000	55,321	83,837
Carrots	48,312	44,114	43,339
Lima beans	41,310	29,222	45,178
Pumpkins and squash	13,067	4,559	14,584
Cauliflower	4,746	3,901	-
Red beets	565	522	620
	<u>1,228,773</u>	<u>976,143</u>	<u>1,348,697</u>
OTHER REVENUES			
Interest and other income	21,000	23,171	21,297
Federal research and development funding	217,675	228,122	75,943
	<u>238,675</u>	<u>251,293</u>	<u>97,240</u>
EXPENSES			
Staff salaries, benefits, and related services	449,000	447,199	450,531
Research	253,632	267,431	80,120
Grading expense	157,400	146,184	163,305
Board members fees and related costs	123,900	122,202	112,255
Board members travel and meeting expenses	100,000	85,374	89,469
Office expense, stationery, postage, subscriptions	73,850	50,852	49,853
Office rent, utilities, maintenance and improvements	59,350	58,384	59,526
Staff travel and meeting expenses	40,000	31,892	40,146
Legal fees	35,000	28,350	35,480
Acreage measurement	33,550	30,006	32,897
Other conventions and meetings	29,000	28,139	30,001
Consulting fees	25,000	17,980	12,700
Annual industry conference	18,744	17,685	22,816
Amortization	15,000	6,405	10,732
Membership fees	14,000	13,009	12,519
Negotiations and arbitration meetings	13,900	22,810	13,558
Audit fees	11,500	11,186	9,051
Public relations and promotions	1,000	2,736	805
Bad debts	-	-	6,508
District Grants	-	-	49,652
	<u>1,453,826</u>	<u>1,387,824</u>	<u>1,281,924</u>
EXCESS (DEFICIENCY) OF LICENSE FEES OVER EXPENSES	<u>\$ 13,622</u>	<u>\$ (160,388)</u>	<u>\$ 164,013</u>

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS**(General Fund)****Statement of Changes in Net Assets****Year Ended December 31, 2013**

	General Fund	Capital Assets	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ 2,170,147	\$ 9,797	\$ 2,179,944	\$ 2,015,931
Deficiency of license fees over expenses	(155,282)	(5,106)	(160,388)	164,013
NET ASSETS - END OF YEAR	\$ 2,014,865	\$ 4,691	\$ 2,019,556	\$ 2,179,944

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS**(General Fund)****Statement of Cash Flows****Year Ended December 31, 2013**

	2013	2012
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (160,388)	\$ 164,013
Item not affecting cash:		
Amortization of capital assets	6,405	10,732
	(153,983)	174,745
Changes in non-cash working capital:		
Accounts receivable	3,820,180	(1,444,383)
Accounts payable and accrued liabilities	(1,316,267)	625,903
Prepaid expenses	930	(9)
Due from Board funds	93,928	4,502
	2,598,771	(813,987)
Cash flow from (used by) operating activities	2,444,788	(639,242)
INVESTING ACTIVITIES		
Purchase of capital assets	(1,299)	(2,134)
Long term Investments	(104,040)	(75,400)
Cash flow used by investing activities	(105,339)	(77,534)
FINANCING ACTIVITIES		
Demand loan - FCC	(3,819,881)	1,493,553
Bursaries, net	(1,380)	(2,000)
Cash flow from (used by) financing activities	(3,821,261)	1,491,553
INCREASE (DECREASE) IN CASH FLOW	(1,481,812)	774,777
Cash - beginning of year	2,832,928	2,058,151
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,351,116	\$ 2,832,928
CASH CONSISTS OF:		
Cash	\$ 1,169,060	\$ 2,562,780
Short term investments	182,056	270,148
	\$ 1,351,116	\$ 2,832,928

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS
(General Fund)

Notes to Financial Statements
Year Ended December 31, 2013

DESCRIPTION OF OPERATIONS

The Ontario Processing Vegetable Growers (OPVG) is incorporated under the regulations of the Farm Products Marketing Act. OPVG was formed to represent processing vegetable growers in the three districts across Ontario. There are 13 regulated processing vegetables in the Province. OPVG is a non profit organization under the Income Tax Act and, accordingly, is exempt from income taxes under Section 149 (1)(e) of the Income Tax Act.

OPVG employs Fund Accounting. For each fund established by legal, contractual or voluntary actions of the Board there is a self balancing set of accounts. Elements of a fund include assets, liabilities, net assets, revenues and expenses. Fund accounting involves an accounting segregation, although not necessarily a physical segregation, of resources.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations .

Cash Equivalents

OPVG defines cash to include cash on hand, cash in the bank and short term guaranteed investment certificates with maturities or rights to redeem of less than 3 months.

Financial instruments

OPVG's financial instruments consist of cash, short term deposits, accounts receivable, accounts payable and demand loan-FCC. OPVG initially measures its financial assets and liabilities at fair value. OPVG subsequently measures all financial assets and liabilities at cost or amortized cost.

Revenue Recognition

Licence Fees are levied by processing crop on licensed producers at a rate per delivered ton. The licensed processors collect the fees and remit to OPVG. Licence Fees are recognized as income in the fiscal year of delivery.

Interest income is recorded on an accrual basis.

Research and Development Funding from Government are recognized when the corresponding research expense has been incurred.

Contributions

OPVG accounts for contributions using the deferral method:

(i) Government Funding

Funding is granted for specific research. Accrual accounting is employed to account for the contributions in the contract period and to match the reported funding to the related expenditures.

(continues)

ONTARIO PROCESSING VEGETABLE GROWERS
(General Fund)

Notes to Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

General Fund

The General Fund reports unrestricted resources available for the Board's general operating activities. The OPVG presents consolidated financial statements that combine all of the resources of all funds where it has an economic interest.

Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods.

Furniture and equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Leasehold improvements	5 years	straight-line method

Short Term and Long Term Investments

It is OPVG's policy to hold investments to maturity. The funds are invested for income and OPVG is not attempting to make gains on short term swings in interest rates.

As at December 31, 2013, OPVG's cost of investments is equal to maturity value and there are no impaired positions in the portfolio.

OPVG accounts for the investments at cost and accounts for income on an accrual basis.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

ONTARIO PROCESSING VEGETABLE GROWERS

(General Fund)

Notes to Financial Statements

Year Ended December 31, 2013

2. INVESTMENTS, at cost

	<u>2013</u>
Investment cash account	\$ 56
GIC Pacific & Western 2.11%, due Oct. 3, 2014	125,000
GIC Home Trust 1.91%, due Oct 7, 2014	57,000
GIC Mont. Trust 2.30%, due Oct. 3, 2015	125,000
GIC CIBC 2.54%, due Oct. 3, 2016, non-redeemable	125,000
GIC CIBC 2.76%, due Mar. 22, 2017	100,400
GIC Cdn West 2.55%, due Oct. 4, 2017	100,000
GIC B2B 2.65%, due Aug. 7, 2018	114,640
GIC Equitable 2.91%, due Oct. 9, 2018	<u>114,400</u>
Subtotal	861,496
Less: Investments due within one year	<u>(182,056)</u>
Long term investments	<u>\$ 679,440</u>
Market Value	<u>\$ 862,263</u>

3. DEMAND LOAN - FCC

OPVG has arranged a demand credit with Farm Credit Canada ("FCC") for the purpose of financing grower payments on behalf of a processor. As at December 31, 2013, the processor owed OPVG \$6,629,026. In support of this obligation to OPVG, the processor has provided a letter of credit in the amount of \$12,550,000. This security has been assigned by OPVG to FCC.

OPVG has no net interest or bank charges resulting from this arrangement.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Furniture and equipment	\$ 150	\$ -	\$ 150	\$ 250
Computer equipment	30,558	28,208	2,350	4,840
Leasehold improvements	12,582	10,391	2,191	4,707
	<u>\$ 43,290</u>	<u>\$ 38,599</u>	<u>\$ 4,691</u>	<u>\$ 9,797</u>

The amortization was \$6,405 for 2013 (\$10,732 for 2012)

ONTARIO PROCESSING VEGETABLE GROWERS
(General Fund)
Notes to Financial Statements
Year Ended December 31, 2013

5. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were payable at year end:

	<u>2013</u>	<u>2012</u>
HST Payable	\$ 89,236	\$ 143,113
Employee deductions payable	12,815	11,362
EHT Payable	<u>1,401</u>	<u>1,164</u>
	<u>\$ 103,452</u>	<u>\$ 155,639</u>

6. CONTRACTUAL OBLIGATIONS

OPVG is committed under the terms of an operating lease for office space to September 30, 2015. The base rate applies plus a proportionate share of common area expenses and taxes. OPVG also entered into a 5.5 year photocopy lease during the current year.

Contractual obligation repayment schedule:

2014	\$ 32,901
2015	25,422
2016	2,985
2017	<u>2,985</u>
	<u>\$ 64,293</u>

OPVG has contracted with a web portal service provider for an initial term from September 1, 2013 and ending August 31, 2018 at the rate of \$975 per month. OPVG has contracted with Upgrade Consulting Ltd. to provide grading inspection and dispute resolution services for revolving three-year terms, subject to a one-year notice clause. The expense is accounted for as "grading expense". The fixed cost component in 2013 was \$ 170,120 and agreement has been reached to reduce the fixed component going forward proportionately with any reduction in future tomato processing intake.

ONTARIO PROCESSING VEGETABLE GROWERS

(General Fund)

Notes to Financial Statements

Year Ended December 31, 2013

7. FINANCIAL INSTRUMENTS

OPVG is exposed to various risks through its financial instruments. The following analysis provides a measure of OPVG's risk exposure and concentrations at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. OPVG's main credit risks relate to the collection of licence fees. OPVG manages this risk by reviewing what entities are licensed, obtaining letters of credit for large amounts and the constant monitoring and evaluation of the accounts.

Liquidity Risk

Liquidity risk is the risk that OPVG will encounter difficulty in meeting obligations associated with financial liabilities. OPVG is exposed to this risk mainly in respect of its demand loan and accounts payable. OPVG expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. OPVG is mainly exposed to interest rate risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. OPVG is not exposed to currency risk.

ii) Interest Rate

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In seeking to minimize the risks from interest rate fluctuations, OPVG manages exposure through its normal operating and financing activities. OPVG is exposed to interest rate risk primarily through its investments.

iii) Other Price Risk

Other 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 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. OPVG is not exposed to other price risk.

8. DUE FROM (TO) BOARD FUNDS

	2013	2012
Ontario Tomato Research Institute	\$ 4,158	\$ 95,874
Ontario Processing Vegetable Growers (A Trust Fund)	7,634	9,847
Tomato Grading Reserve Fund	(2,076)	(2,076)
	<u>\$ 9,716</u>	<u>\$ 103,645</u>

Transfers between boards are non-interest bearing with no set terms of repayment.

ONTARIO PROCESSING VEGETABLE GROWERS

(General Fund)

Notes to Financial Statements

Year Ended December 31, 2013

9. BUDGET FIGURES

The budgeted figures are presented for comparison purposes as prepared and approved by OPVG. They have not been audited or reviewed by the auditor.

ONTARIO PROCESSING VEGETABLE GROWERS
(A Trust Fund)
THE RESERVE FUND FOR
PROCESSING-VEGETABLE PRODUCERS
Financial Statements
Year Ended December 31, 2013

Gee, Lambert & Courneya LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Processing Vegetable Growers (A Trust Fund)

We have audited the accompanying financial statements of Ontario Processing Vegetable Growers, (A Trust Fund), which comprise the statement of financial position as at December 31, 2013 and the statements of revenues and expenditures, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of Ontario Processing Vegetable Growers (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Processing Vegetable Growers, (A Trust Fund), as at December 31, 2013 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.

London, Ontario
March 5, 2014

Gee, Lambert & Courneya LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

ONTARIO PROCESSING VEGETABLE GROWERS
(A Trust Fund)
Statement of Financial Position
December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 1,312	\$ 11
Accrued interest	<u>16,879</u>	<u>16,474</u>
	18,191	16,485
LONG TERM INVESTMENTS (Market Value - \$2,636,257; 2012 - \$2,744,628)	<u>2,604,287</u>	<u>2,687,231</u>
	<u>\$ 2,622,478</u>	<u>\$ 2,703,716</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,450	\$ 1,901
Due to general fund	<u>7,634</u>	<u>9,847</u>
	<u>9,084</u>	<u>11,748</u>
NET ASSETS		
Restricted net assets	2,528,856	2,528,856
Unrestricted net assets	<u>84,538</u>	<u>163,112</u>
	<u>2,613,394</u>	<u>2,691,968</u>
	<u>\$ 2,622,478</u>	<u>\$ 2,703,716</u>

ON BEHALF OF THE BOARD

Bruce Shackleton, Chairman

Phil Richards, Past-Chairman

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS**(A Trust Fund)****Statement of Revenues and Expenditures****Year Ended December 31, 2013**

	2013	2012
REVENUES		
Interest	\$ 64,916	\$ 100,140
Gain on sale of investments	-	67,518
	64,916	167,658
EXPENSES		
Audit and accounting	1,450	1,900
Amortization of bond purchase premium	670	7,955
	2,120	9,855
EXCESS OF REVENUES OVER EXPENSES	\$ 62,796	\$ 157,803

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS**(A Trust Fund)****Statement of Changes in Net Assets****Year Ended December 31, 2013**

	Restricted Net Assets	Unrestricted Net Assets	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ 2,528,856	\$ 163,112	\$ 2,691,968	\$ 2,635,664
Excess of revenues over expenses	-	62,796	62,796	157,803
	2,528,856	225,908	2,754,764	2,793,467
Research	-	(94,012)	(94,012)	(101,499)
Education	-	(47,358)	(47,358)	-
NET ASSETS - END OF YEAR	\$ 2,528,856	\$ 84,538	\$ 2,613,394	\$ 2,691,968

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS**(A Trust Fund)****Statement of Cash Flows****Year Ended December 31, 2013**

	2013	2012
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 62,796	\$ 157,803
Changes in non-cash working capital:		
Accrued interest	(405)	(2,510)
Accounts payable	(451)	200
	(856)	(2,310)
Cash flow from operating activities	61,940	155,493
INVESTING ACTIVITY		
Long term Investments	82,944	(55,772)
FINANCING ACTIVITIES		
Research	(94,012)	(101,499)
Education	(47,358)	-
Advances from (to) members	(2,213)	1,700
Cash flow used by financing activities	(143,583)	(99,799)
INCREASE (DECREASE) IN CASH FLOW	1,301	(78)
Cash - beginning of year	11	89
CASH - END OF YEAR	\$ 1,312	\$ 11

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS

(A Trust Fund)

Notes to Financial Statements

Year Ended December 31, 2013

PURPOSE AND TERMS OF RESERVE FUND (FUND)

Under a 1992 agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs, the Ontario Processing Vegetable Growers (OPVG) administers this fund as a separate trust. The fund capital consists of the funds available from the wind-up of the Processing-Vegetable Financial Protection Board. The terms of the agreement stipulate that the Ontario Processing Vegetable Growers shall not have access to the restricted capital and shall spend the interest only for the purposes of research, market development and education projects of benefit to the entire processing-vegetable industry.

The fund employs Fund Accounting. For each fund established by legal, contractual or voluntary actions of the association there is a self balancing set of accounts. Elements of a fund include assets, liabilities, net assets, revenues and expenses. Fund accounting involves an accounting segregation, although not necessarily a physical segregation, of resources.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations .

Financial instruments policy

The fund's financial instruments consist of cash, accounts receivable, accrued interest, accounts payable and investments. The fund initially measures its financial assets and liabilities at fair value. The fund subsequently measures all financial assets and liabilities at cost or amortized cost.

Revenue Recognition

The fund reports income on the accrual basis of accounting with interest income being recognized as earned .

The Fund

The Fund reports resources available for the fund's general operating activities. The association presents consolidated financial statements that combine all of the resources of all funds where the OPVG has an economic interest.

(continues)

ONTARIO PROCESSING VEGETABLE GROWERS
(A Trust Fund)
Notes to Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Long Term Investments

The funds are invested for income and fund management may sell before maturity based on their judgement, however normally investments are held to maturity.

The accounting policies for the bond portfolio are:

- The bond premium (discount) paid upon purchase is amortized over the term of the bond, resulting in reported income being representative of the effective rate of interest at the time of purchase.
- The bonds are carried on the balance sheet at amortized cost and impairment is tested annually by comparing to market. A write-down to market would be recorded in the year OPVG determines the investment to be impaired.
- A current portion is not shown based on 2013 maturities since all investments are restricted and must be re-invested for income.

ONTARIO PROCESSING VEGETABLE GROWERS

(A Trust Fund)

Notes to Financial Statements

Year Ended December 31, 2013

2. FINANCIAL INSTRUMENTS

The fund is exposed to various risks through its financial instruments. The following analysis provides a measure of the fund's risk exposure and concentrations at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. There is some risk that the bond and interest bearing investments will not pay at redemption date, however the investments are made in high grade securities and the risk is considered low.

Liquidity Risk

Liquidity risk is the risk that the fund will encounter difficulty in meeting obligations associated with financial liabilities. The fund is exposed to this risk mainly in respect of its demand loan and accounts payable. The fund expects to meet these obligations as they come due by generating sufficient cash flow from operations

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The fund is mainly exposed to interest rate risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is not exposed to currency risk.

ii) Interest Rate

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In seeking to minimize the risks from interest rate fluctuations, the fund manages exposure through its normal operating and financing activities. The fund is exposed to interest rate risk primarily through its investments.

iii) Other Price Risk

Other 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 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 fund is not exposed to other price risk.

3. FUND MANAGEMENT

The Ontario Processing Vegetable Growers has assigned the day-to-day custody and management of the assets of the Reserve Fund to CIBC Wood Gundy. CIBC on a segregated and separate basis in investments as authorized under the Trustee Act of the Province of Ontario and in accordance with the general investment policy stipulated by the Board.

ONTARIO TOMATO RESEARCH INSTITUTE
***(Incorporated under the Agricultural
and Horticultural Organizations Act)***
Financial Statements
Year Ended December 31, 2013

Gee, Lambert & Courneya LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

244 PALL MALL ST., STE. 401, LONDON, ONTARIO N6A 5P6 (519) 673-1421 FAX: (519) 679-8540

LARRY D. GEE, CA
(1944 - 2007)

DOUGLAS W. LAMBERT
Professional Corporation

ROBERT G. COURNEYA, CPA, CA

LLOYD R. DAVENPORT
Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Tomato Research Institute (Incorporated under the Agricultural and Horticultural Organizations Act)

We have audited the accompanying financial statements of Ontario Tomato Research Institute, (Incorporated under the Agricultural and Horticultural Organizations Act), which comprise the statement of financial position as at December 31, 2013 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of Ontario Tomato Research Institute *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Tomato Research Institute, (Incorporated under the Agricultural and Horticultural Organizations Act), as at December 31, 2013 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.

London, Ontario
March 5, 2014

Gee, Lambert & Courneya LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

ONTARIO TOMATO RESEARCH INSTITUTE
(Incorporated under the Agricultural and Horticultural Organizations Act)
Statement of Financial Position
December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 151,652	\$ 54,001
Accounts Receivable - ACC - research funding	-	86,168
	<u>\$ 151,652</u>	<u>\$ 140,169</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 2)	\$ 85,041	\$ 6,404
Due to General fund	4,158	95,874
	<u>89,199</u>	<u>102,278</u>
NET ASSETS		
Ontario fruit & vegetable processors association	31,226	18,945
Ontario processing vegetable growers	31,227	18,946
	<u>62,453</u>	<u>37,891</u>
	<u>\$ 151,652</u>	<u>\$ 140,169</u>

ON BEHALF OF THE MEMBERS

_____ *Walt Brown, OPVG*

_____ *Doug Buttl, Processor Representative*

See accompanying notes

ONTARIO TOMATO RESEARCH INSTITUTE
(Incorporated under the Agricultural and Horticultural Organizations Act)
Statement of Operations
Year Ended December 31, 2013

	2013	2012
REVENUES		
Ontario Fruit & Vegetable Processors Association levies	\$ 76,708	\$ 77,156
Ontario Processing Vegetable Growers levies	76,708	77,156
Federal Grant (Agricultural Adaptation Council)	37,466	37,323
Ontario Tomato Seedling Growers' Marketing Board	5,000	5,000
Interest income	304	341
	<u>196,186</u>	<u>196,976</u>
EXPENSES		
Research	170,187	164,331
Audit	989	989
Meetings and office	448	-
	<u>171,624</u>	<u>165,320</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 24,562</u>	<u>\$ 31,656</u>

See accompanying notes

ONTARIO TOMATO RESEARCH INSTITUTE
(Incorporated under the Agricultural and Horticultural Organizations Act)
Statement of Changes in Net Assets
Year Ended December 31, 2013

	Ontario Fruit & Vegetable Processors Association		Ontario Processing Vegetable Growers		2013	2012
NET ASSETS - BEGINNING OF YEAR	\$	18,945	\$	18,946	\$ 37,891	\$ 6,235
Excess of revenues over expenses		12,281		12,281	24,562	31,656
NET ASSETS - END OF YEAR	\$	31,226	\$	31,227	\$ 62,453	\$ 37,891

See accompanying notes

ONTARIO TOMATO RESEARCH INSTITUTE
(Incorporated under the Agricultural and Horticultural Organizations Act)
Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 24,562	\$ 31,656
Changes in non-cash working capital:		
Accounts Receivable - ACC - research funding	86,168	(3,605)
Accounts payable and accrued liabilities	78,637	(49,655)
	164,805	(53,260)
Cash flow from (used by) operating activities	189,367	(21,604)
FINANCING ACTIVITY		
Advances from OPVG - General Fund	(91,716)	(4,126)
INCREASE (DECREASE) IN CASH FLOW	97,651	(25,730)
Cash - beginning of year	54,001	79,731
CASH - END OF YEAR	\$ 151,652	\$ 54,001

See accompanying notes

ONTARIO TOMATO RESEARCH INSTITUTE
(Incorporated under the Agricultural and Horticultural Organizations Act)
Notes to Financial Statements
Year Ended December 31, 2013

DESCRIPTION OF BUSINESS

The Institute is a not-for-profit entity that conducts research on behalf of the Ontario tomato growers and processors. The net receipts over disbursements earned by this entity are restricted special purpose funds.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (GAAP).

Financial instruments policy

OTRI's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. OTRI initially measures its financial assets and liabilities at fair value. OTRI subsequently measures all financial assets and liabilities at cost or amortized cost.

Revenue Recognition

OF&VPA pays current levies based on prior year contract tons of member processors @ .15 (2012 - .15). OPVG matches the amount.

Federal grant revenues are recognized when the corresponding research expense has been incurred.

Interest income is recorded on an accrual basis.

Contributions

The restricted fund accounts for contributions using the deferral method:

(i) Government Funding

Funding is granted for specific research. It is accounted for in the fund in accordance with the contract terms. Accrual accounting is employed and results in a matching of funding to similar expenditures in the year.

(ii) Levies

OPVG and OF&VPA contribute equally to levies. The amount is based on delivered tons at rates determined annually by the Board of Directors.

(iii) Ontario Tomato Seedling Growers' Marketing Board

The Seedling Growers contribute annually to the research projects.

The Fund

The Fund reports resources available for the fund's general operating activities. The association presents consolidated financial statements that combine all of the resources of all funds where the OPVG has an economic interest.

(continues)

ONTARIO TOMATO RESEARCH INSTITUTE
(Incorporated under the Agricultural and Horticultural Organizations Act)
Notes to Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were payable at year end:

	<u>2013</u>	<u>2012</u>
HST Payable	<u>\$ 5,176</u>	<u>\$ 5,415</u>

ONTARIO TOMATO RESEARCH INSTITUTE
(Incorporated under the Agricultural and Horticultural Organizations Act)
Notes to Financial Statements
Year Ended December 31, 2013

3. FINANCIAL INSTRUMENTS

OTRI is exposed to various risks through its financial instruments. The following analysis provides a measure of OTRI's risk exposure and concentrations at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. OTRI has limited risk given receivables are from OPVG.

Liquidity Risk

Liquidity risk is the risk that OTRI will encounter difficulty in meeting obligations associated with financial liabilities. OTRI is exposed to this risk mainly in respect of its accounts payable. OTRI expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. OTRI is mainly exposed to interest rate risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. OTRI is not exposed to currency risk.

ii) Interest Rate

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In seeking to minimize the risks from interest rate fluctuations, OTRI manages exposure through its normal operating and financing activities. OTRI is exposed to interest rate risk primarily through its investments.

iii) Other Price Risk

Other 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 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. OTRI is not exposed to other price risk.

ONTARIO CUCUMBER RESEARCH COMMITTEE
(A Joint Venture Fund)
Financial Statements
Year Ended December 31, 2013

Gee, Lambert & Courneya LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

244 PALL MALL ST., STE. 401, LONDON, ONTARIO N6A 5P6 (519) 673-1421 FAX: (519) 679-8540

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ROBERT G. COURNEYA, CPA, CA

LLOYD R. DAVENPORT
Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Cucumber Research Committee (A Joint Venture Fund)

We have audited the accompanying financial statements of Ontario Cucumber Research Committee, (A Joint Venture Fund), which comprise the statement of financial position as at December 31, 2013 and the statements of revenues and expenditures, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of Ontario Cucumber Research Committee (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Cucumber Research Committee, (A Joint Venture Fund), as at December 31, 2013 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.

London, Ontario
March 5, 2014

Gee, Lambert & Courneya LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

ONTARIO CUCUMBER RESEARCH COMMITTEE
(A Joint Venture Fund)
Statement of Financial Position
December 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	<u>\$ 52,456</u>	<u>\$ 58,550</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	<u>\$ 4,462</u>	<u>\$ 452</u>
NET ASSETS		
Ontario fruit & vegetable processors association (OF&VPA)	23,997	29,049
Ontario processing vegetable growers (OPVG)	<u>23,997</u>	<u>29,049</u>
	<u>47,994</u>	<u>58,098</u>
	<u>\$ 52,456</u>	<u>\$ 58,550</u>

ON BEHALF OF THE MEMBERS

_____ *John Lugtigheid, Chairman*

See accompanying notes

ONTARIO CUCUMBER RESEARCH COMMITTEE**(A Joint Venture Fund)****Statement of Revenues and Expenditures****Year Ended December 31, 2013**

	2013	2012
REVENUES		
Ontario Fruit & Vegetable Processors Association levies	\$ 13,417	\$ 14,079
Ontario Processing Vegetable Growers levies	13,417	14,079
Interest income	273	314
	<u>27,107</u>	<u>28,472</u>
EXPENSES		
Research	36,750	34,250
Audit	461	452
	<u>37,211</u>	<u>34,702</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ (10,104)</u>	<u>\$ (6,230)</u>

See accompanying notes

ONTARIO CUCUMBER RESEARCH COMMITTEE**(A Joint Venture Fund)****Statement of Changes In Net Assets****Year Ended December 31, 2013**

	Ontario Fruit & Vegetable Processors Association		Ontario Processing Vegetable Growers		2013	2012		
NET ASSETS - BEGINNING OF YEAR	\$	29,049	\$	29,049	\$	58,098	\$	64,328
Deficiency of revenues over expenses		(5,052)		(5,052)		(10,104)		(6,230)
NET ASSETS - END OF YEAR	\$	23,997	\$	23,997	\$	47,994	\$	58,098

See accompanying notes

ONTARIO CUCUMBER RESEARCH COMMITTEE
(A Joint Venture Fund)
Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (10,104)	\$ (6,230)
Change in non-cash working capital:		
Accounts payable and accrued liabilities	4,010	10
DECREASE IN CASH FLOW	(6,094)	(6,220)
Cash - beginning of year	58,550	64,770
CASH - END OF YEAR	\$ 52,456	\$ 58,550

See accompanying notes

ONTARIO CUCUMBER RESEARCH COMMITTEE
(A Joint Venture Fund)
Notes to Financial Statements
Year Ended December 31, 2013

DESCRIPTION OF BUSINESS

The Ontario Cucumber Research Committee is a not-for-profit entity that conducts research on behalf of the Ontario cucumber growers and processors.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (GAAP).

Financial instruments policy

OCRI's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. OCRI initially measures its financial assets and liabilities at fair value. OCRI subsequently measures all financial assets and liabilities at cost or amortized cost.

Revenue Recognition

The OF&VPA pays current levies based on prior year delivered tons @ .50 (2012 - .75). The OPVG matches the amount.

Interest income is recorded on an accrual basis.

Contributions

The restricted fund accounts for contributions using the deferral method:

(i) Government Funding

Funding is granted for specific research. It is accounted for in the fund in accordance with the contact terms. Accrual accounting is employed and results in a matching of funding to similar expenditures in the year.

(ii) Levies

OPVG and OF&VPA contribute equally to levies. The amount is based on delivered tons at rates determined annually by the Board of Directors.

(iii) Ontario Tomato Seedling Growers' Marketing Board

The Seedling Growers contribute annually to the research projects.

The Fund

The Fund reports resources available for the fund's general operating activities. The association presents consolidated financial statements that combine all of the resources of all funds where the OPVG has an economic interest.

(continues)

ONTARIO CUCUMBER RESEARCH COMMITTEE
(A Joint Venture Fund)
Notes to Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. FINANCIAL INSTRUMENTS

OCRI is exposed to various risks through its financial instruments. The following analysis provides a measure of OCRI's risk exposure and concentrations at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. OCRI is not exposed to credit risk.

Liquidity Risk

Liquidity risk is the risk that OCRI will encounter difficulty in meeting obligations associated with financial liabilities. OCRI is exposed to this risk mainly in respect of its accounts payables. OCRI expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. OCRI is mainly exposed to interest rate risk.

i) **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. OCRI is not exposed to currency risk.

ii) **Interest Rate**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In seeking to minimize the risks from interest rate fluctuations, OCRI manages exposure through its normal operating and financing activities. OCRI is exposed to interest rate risk primarily through its investments.

iii) **Other Price Risk**

Other 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 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. OCRI is not exposed to other price risk.

ONTARIO PROCESSING VEGETABLE GROWERS
Consolidated Financial Statements
Year Ended December 31, 2013

Gee, Lambert & Courneya LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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DOUGLAS W. LAMBERT
Professional Corporation

ROBERT G. COURNEYA, CPA, CA

LLOYD R. DAVENPORT
Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Processing Vegetable Growers

We have audited the accompanying consolidated financial statements of Ontario Processing Vegetable Growers, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of revenues and expenditures, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Members of Ontario Processing Vegetable Growers *(continued)*

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ontario Processing Vegetable Growers as at December 31, 2013 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.

London, Ontario
March 5, 2014

Gee, Lambert & Courneya LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

ONTARIO PROCESSING VEGETABLE GROWERS
Consolidated Statement of Financial Position
December 31, 2013

	December 31 2013	December 31 2012
ASSETS		
CURRENT		
Cash	\$ 1,426,257	\$ 2,731,172
Short term investments	283,621	366,527
Accounts receivable	6,802,730	10,708,673
Prepaid expenses	3,436	4,366
	<u>8,516,044</u>	<u>13,810,738</u>
CAPITAL ASSETS (Note 3)	12,024	20,064
MANAGED INVESTMENTS (Market value \$3,498,538; 2012 - \$3,320,028)	<u>3,283,727</u>	<u>3,262,631</u>
	<u>\$ 11,811,795</u>	<u>\$ 17,093,433</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	\$ 466,165	\$ 1,700,230
Demand loan - FCC (Note 2)	6,412,243	10,232,124
Joint partner interest - Ontario Fruit & Vegetable Processors Association	136,409	130,084
	<u>7,014,817</u>	<u>12,062,438</u>
RESERVE FOR BURSARIES, net of current portion	<u>27,620</u>	<u>29,000</u>
	<u>7,042,437</u>	<u>12,091,438</u>
RESTRICTED RESERVES		
Reserve Fund - net assets	2,613,394	2,691,968
Ontario Tomato Research Institute Reserve	31,227	18,946
Ontario Cucumber Research Committee	23,997	29,049
Tomato Grading Reserve	81,186	82,088
	<u>2,749,804</u>	<u>2,822,051</u>
NET ASSETS		
Unrestricted reserve	2,007,530	2,159,880
Unrestricted net assets invested in capital assets	12,024	20,064
	<u>2,019,554</u>	<u>2,179,944</u>
	<u>4,769,358</u>	<u>5,001,995</u>
	<u>\$ 11,811,795</u>	<u>\$ 17,093,433</u>

ON BEHALF OF THE BOARD

Bruce Shackleton, Chairman

Phil Richards, Past-Chairman

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS
Consolidated Statement of Revenues and Expenditures
Year Ended December 31, 2013

	2013	2012
REVENUES		
Licence fees	\$ 976,143	\$ 1,348,697
Government research and development funding	265,588	113,266
Levies/checkoffs	95,125	96,235
Investment and other income	90,473	123,456
Gain on sale of investments	-	67,518
	<u>1,427,329</u>	<u>1,749,172</u>
EXPENSES		
Staff salaries/directors fees	569,401	562,786
Research	525,613	288,964
Grading expense	176,190	196,202
Travel and Meetings	117,567	129,615
Industry conference and other meetings	68,634	66,375
Professional fees	60,798	60,948
Office rent and utilities	58,832	59,526
Office expense	50,852	49,851
Membership fees	13,009	12,519
Amortization	9,338	13,665
Public relations and promotions	2,736	805
Bond premium amortization	670	7,955
Bad debts	-	6,508
District grants	-	49,652
	<u>1,653,640</u>	<u>1,505,371</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE JOINT PARTNER SHARE	(226,311)	243,801
JOINT PARTNER SHARE		
Ontario Fruit & Vegetable Processors Association	<u>6,326</u>	<u>11,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	\$ (232,637)	\$ 232,059

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS
Consolidated Statement of Changes in Net Assets
Year Ended December 31, 2013

	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ 5,001,995	\$ 4,769,936
Excess (deficiency) of revenues over expenses	<u>(232,637)</u>	<u>232,059</u>
NET ASSETS - END OF YEAR	<u>\$ 4,769,358</u>	<u>\$ 5,001,995</u>

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS**Consolidated Statement of Cash Flows****Year Ended December 31, 2013**

	2013	2012
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (232,637)	\$ 232,059
Item not affecting cash:		
Amortization of capital assets	9,338	13,665
	(223,299)	245,724
Changes in non-cash working capital:		
Accounts receivable	3,905,943	(1,448,422)
Accounts payable and accrued liabilities	(1,234,064)	576,466
Prepaid expenses	930	(9)
Demand loan - FCC	(3,819,881)	1,493,553
Joint partner interest - Ontario Fruit & Vegetable Processors Association	6,325	11,743
	(1,140,747)	633,331
Cash flow from (used by) operating activities	(1,364,046)	879,055
INVESTING ACTIVITIES		
Purchase of capital assets	(1,299)	(2,134)
Managed Investments	(21,096)	(131,172)
Cash flow used by investing activities	(22,395)	(133,306)
FINANCING ACTIVITY		
Bursaries, net	(1,380)	(2,000)
INCREASE (DECREASE) IN CASH FLOW	(1,387,821)	743,749
Cash - beginning of year	3,097,699	2,353,950
CASH - END OF YEAR	\$ 1,709,878	\$ 3,097,699
CASH CONSISTS OF:		
Cash	\$ 1,426,257	\$ 2,731,172
Short term investments	283,621	366,527
	\$ 1,709,878	\$ 3,097,699

See accompanying notes

ONTARIO PROCESSING VEGETABLE GROWERS

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

DESCRIPTION OF OPERATIONS

The Ontario Processing Vegetable Growers (OPVG) is incorporated under the regulations of the Farm Products Marketing Act. OPVG was formed to represent processing vegetable growers in the three districts across Ontario. There are 13 regulated processing vegetables in the Province. OPVG is a non profit organization under the Income Tax Act and, accordingly, is exempt from income taxes under Section 149 (1)(e) of the Income Tax Act.

OPVG employs Fund Accounting. For each fund established by legal, contractual or voluntary actions of the Board there is a self balancing set of accounts. Elements of a fund include assets, liabilities, net assets, revenues and expenses. Fund accounting involves an accounting segregation, although not necessarily a physical segregation, of resources.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The Consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Cash Equivalents

The organization defines cash to include cash on hand, cash in the bank and short term guaranteed investment certificates with maturities or rights to redeem of less than three months.

Financial instruments policy

The organization's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, and demand loan-FCC. The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all financial assets and liabilities at cost or amortized cost.

Revenue Recognition

Licence Fees are levied by processing crop on licensed producers at a rate per delivered ton. The licensed processors collect the fees and remit to OPVG. Licence Fees are recognized as income in the fiscal year of delivery.

OPVG has incurred bond premiums (net) on the purchase of in term bonds. The premium is a factor determined by market forces. The amounts are being amortized over the remaining term of the bond.

Interest income is recorded on an accrual basis.

Levies are calculated as a factor based on delivered tons in the prior year. Rate for 2013 is based on 2012 tons.

Research and Development Funding from the Government are recorded when there is reasonable assurance that OPVG had complied with and will continue to comply with, all the necessary conditions to obtain the grants and the corresponding research expense has been incurred.

(continues)

ONTARIO PROCESSING VEGETABLE GROWERS

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Contributions

OPVG accounts for contributions using the deferral method:

(i) Government Funding

Funding is granted for specific research. It is accounted for in the appropriate restricted fund in accordance with the contact terms. Accrual accounting is employed and results in a matching of funding to the expenditure in the year.

(ii) Levies

OPVG and the Ontario Fruit and Vegetable Processors Association (OF&VPA) combine to equally fund projects in tomato research, cucumber research and to share the cost of the annual joint convention. The research levies are reported as income with OPVG share being eliminated upon consolidation. The cost of the annual convention is shown in expenses net of OF&VPA share.

(iii) Bursaries

Contributions received for the purpose of funding long term bursary programs is added to the liability in the balance sheet.

Capital Assets

Capital assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods.

Furniture and equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Leasehold improvements	5 years	straight-line method

Managed Investments

It is OPVG's policy to hold its managed investments to maturity. The funds are invested for income and OPVG is not attempting to make gains on short term swings in interest rates.

Based on the held to maturity program, the accounting policies are:

- The bond premium (discount) paid upon purchase is amortized over the term of the bond, resulting in reported income being representative of the effective rate of interest at the time of purchase.
- The bonds are carried on the balance sheet at amortized cost and impairment is tested annually by comparing to market. A write-down to market would be recorded in the year OPVG determines the investment to be impaired.
- A current portion is not shown as no investments in the General Fund mature in 2013. All investments in the Reserve Fund are restricted and must be re-invested for income. As such, the short term maturities have not been accounted for as current assets.

(continues)

ONTARIO PROCESSING VEGETABLE GROWERS

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Consolidated Funds

The purpose of the individual funds are:

General Fund - An unrestricted fund that derives the majority of its revenues from crop licence fees. The fund reports the use of resources for general operating activities.

Reserve Fund - A restricted fund. The original capital is maintained and invested for income. All resources are expended for research, market development and education projects of benefit to the entire processing vegetable industry.

Ontario Tomato Research Institute Reserve - A restricted fund. The fund conducts research on behalf of the Ontario tomato growers and processors.

Ontario Cucumber Research Committee - A restricted fund. The fund conducts research on behalf of the Ontario cucumber growers and processors.

Tomato Grading Reserve - A restricted fund. The fund acquires grading equipment and manages the tomato third party tomato grading system on behalf of growers and processors.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. DEMAND LOAN - FCC

OPVG has arranged a demand credit with Farm Credit Canada ("FCC") for the purpose of financing grower payments on behalf of a processor. As at December 31, 2013, the processor owed OPVG \$6,629,026. In support of this obligation to OPVG, the processor has provided a letter of credit in the amount of \$12,550,000. This security has been assigned by OPVG to FCC.

OPVG has no net interest or bank charges resulting from this arrangement.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Furniture and equipment	\$ 109,048	\$ 101,565	\$ 7,483	\$ 10,517
Computer equipment	30,558	28,208	2,350	4,840
Leasehold improvements	12,582	10,391	2,191	4,707
	<u>\$ 152,188</u>	<u>\$ 140,164</u>	<u>\$ 12,024</u>	<u>\$ 20,064</u>

The amortization was \$9,338 for 2013 (\$13,665 for 2012)

ONTARIO PROCESSING VEGETABLE GROWERS

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

4. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were payable at year end:

	2013	2012
HST Payable	\$ 94,412	\$ 146,452
Employee deductions payable	12,815	11,362
EHT Payable	1,401	1,164
	<u>\$ 108,628</u>	<u>\$ 158,978</u>

5. CONTRACTUAL OBLIGATIONS

OPVG is committed under the terms of an operating lease for office space to September 30, 2015. The base rate applies plus a proportionate share of common area expenses and taxes. OPVG also entered into a 5.5 year photocopy lease during the current year.

Contractual obligation repayment schedule:

2014	\$ 32,901
2015	25,422
2016	2,985
2017	2,985
	<u>\$ 64,293</u>

OPVG has contracted with a portal service provider for an initial term from September 1, 2013 and ending August 31, 2018 at the rate of \$975 per month. OPVG has contracted with Upgrade Consulting Ltd. to provide grading inspection and dispute resolution services for revolving three-year terms, subject to a one-year notice clause. The expense is accounted for as "grading expense". The fixed cost component in 2013 was \$170,120 and agreement has been reached to reduce the fixed component going forward proportionately with any reduction in future tomato processing intake.

ONTARIO PROCESSING VEGETABLE GROWERS

Notes to Consolidated Financial Statements

Year Ended December 31, 2013

6. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to the collection of licence fees. The organization manages this risk by reviewing what entities are licensed, obtaining letters of credit for large amounts and the constant monitoring and evaluation of the accounts.

Liquidity Risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its demand loan and accounts payable. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization is mainly exposed to interest rate risk.

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization is not exposed to currency risk.

ii) Interest Rate

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In seeking to minimize the risks from interest rate fluctuations, The organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its investments.

iii) Other Price Risk

Other 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 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 organization is not exposed to other price risk.

ONTARIO PROCESSING VEGETABLE GROWERS

2013 CASH FLOW ANALYSIS

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total</u>
Revenue	\$2,150	\$122,215	\$965	\$1,102,107	\$1,227,437
Expenses	<u>\$294,665</u>	<u>\$345,779</u>	<u>\$360,000</u>	<u>\$387,381</u>	<u>\$1,387,824</u>
Cash Requirements	<u>\$292,515</u>	<u>\$223,564</u>	<u>\$359,035</u>	<u>(\$714,726)</u>	<u>\$160,388</u>

Note: The major portion of the board's annual revenue is received in the 4th Quarter whereas significant expenditures occur in the first three quarters annually. It is necessary therefore to maintain a cash balance at December 31st to meet the cash requirements of the first three quarters.