



Financial Statements
For the year ended December 31, 2007

Canadian Organic Growers Inc. - National Office
Financial Statements
For the year ended December 31, 2007

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Auditors' Report

To the Members of Canadian Organic Growers Inc.

We have audited the balance sheet of Canadian Organic Growers Inc. (COG) - National Office as at December 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of COG - National Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Certain COG - National Office revenue may be sourced from its chapters. Under the terms of our engagement we have not performed audit procedures on the accounting records of the chapters nor were we required to satisfy ourselves concerning those revenues by alternative means. Therefore we were not able to obtain sufficient and appropriate audit evidence with respect to the completeness of COG - National Office's revenue. Accordingly, our verification of revenue was limited to the amounts recorded in COG - National Office's records and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, assets and net assets. In addition, because we have not performed audit procedures on the accounting records of the chapters nor were we able to satisfy ourselves concerning their financial activities including their financial position, results of operations and cash flows by alternative means, we were not able to determine the impact of the departure from Canadian generally accepted accounting principles with respect to the required disclosure of COG's chapters as described in the following paragraph.

The accompanying summary of significant accounting policies describe COG - National Office's accounting and presentation policy with respect to COG chapters. The policy entitled "Basis of Presentation" indicates a departure from Canadian generally accepted accounting principles, the impact of which has not been determined nor is it readily available to COG - National Office management, nor were we able to determine the impact of the departure as explained in the preceding paragraph.

(Continued on next page)

Auditors' Report

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In our opinion, except for the effect of adjustments, if any, which we may have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue and the disclosure of chapter financial activities as described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of COG - National Office as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied, except for the changes in accounting policies and standards for financial instruments as explained in the summary of significant accounting policies accompanying the financial statements and after giving retrospective effect to the changes in accounting policies, restatements and reclassifications as explained in Notes 12 and 13 to the financial statements, on a basis consistent with that of the preceding year.

The comparative amounts presented in these financial statements as at December 31, 2006 and for the year then ended are based on the financial statements reported on by COG - National Office's previous auditors whose report dated February 3, 2007 stated that the verification of revenue was limited to the amounts recorded in the records of COG - National Office thereby expressing an opinion with a reservation with respect to the completeness of revenue.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

March 12, 2008

Canadian Organic Growers Inc. - National Office Balance Sheet

December 31 2007 2006

Assets

Current

Cash (Note 1)	\$	41,796	\$	24,114
Investments (Note 2)		80,815		23,803
Accounts receivable (Notes 3 and 4)		71,997		7,889
Inventory of publications		116,380		120,910
Prepaid expenses		2,817		8,136

313,805 184,852

Capital assets (Note 5)

2,201 3,389

\$ 316,006 \$ 188,241

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities (Note 4)	\$	90,937	\$	26,706
Deferred contributions (Note 6)		92,049		21,540
Deferred membership revenue (Note 7)		32,863		34,868
Deferred contributions related to inventory of publications (Note 8)		45,062		48,428

260,911 131,542

Deferred membership revenue (Note 7)

4,312 7,261

265,223 138,803

Net assets

Invested in inventory of publications (Note 9)		71,318		72,482
Invested in capital assets		2,201		3,389
Unrestricted (deficit)		(22,736)		(26,433)

50,783 49,438

\$ 316,006 \$ 188,241

On behalf of the Board:



President



Treasurer

Canadian Organic Growers Inc. - National Office
Statement of Changes in Net Assets

For the year ended December 31

2007

2006

	Invested in Inventory of Publications (Note 9)	Invested in Capital Assets	Unrestricted (Deficit)	Total	Total
Balance , beginning of year, as previously reported	\$ -	\$ -	\$ 98,920	\$ 98,920	\$ 101,952
Reclassification (Note 12)	114,685	3,389	(118,074)	-	-
Restatements (Note 13)	(42,203)	-	(7,279)	(49,482)	(45,536)
Balance , beginning of year, as restated	72,482	3,389	(26,433)	49,438	56,416
Excess (deficiency) of revenue over expenses for the year (2006 restated - Note 13)	-	(2,619)	3,964	1,345	(6,978)
Decrease in investment in inventory of publications net of change in related deferred contributions	(1,164)	-	1,164	-	-
Investment in capital assets	-	1,431	(1,431)	-	-
Balance , end of year	\$ 71,318	\$ 2,201	\$ (22,736)	\$ 50,783	\$ 49,438

Canadian Organic Growers Inc. - National Office Statement of Operations

For the year ended December 31	2007	2006
Revenue (Note 4)		
Memberships	\$ 64,208	\$ 58,959
Corporate sponsorships	24,820	-
Grants and contributions		
Projects (Note 6)	485,407	195,727
Inventory of publications (Note 8)	3,366	7,236
Donations	15,115	15,349
Sales	89,268	78,325
Other	30,222	4,918
	712,406	360,514
Expenses (Note 4)		
Salaries and benefits	194,462	151,903
Consultants, subcontractors and other professional fees	231,016	72,761
Travel	90,612	7,204
Printing and shipping	54,321	31,882
Meetings and conferences	44,111	13,335
Office expenses, accommodation and library	50,130	42,267
Amortization of capital assets	2,619	5,115
Chapters' share of memberships and donations	20,585	12,225
Scholarship	4,000	4,000
Other	19,205	26,800
	711,061	367,492
Excess (deficiency) of revenue over expenses for the year		
(2006 restated - Note 13)	\$ 1,345	\$ (6,978)

Canadian Organic Growers Inc. - National Office Statement of Cash Flows

For the year ended December 31	2007	2006
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 1,345	\$ (6,978)
Adjustment for item not requiring the use of cash		
Amortization of capital assets	<u>2,619</u>	5,115
	3,964	(1,863)
Changes in non-cash working capital balances representing an increase (decrease) in cash		
Accounts receivable	(64,108)	128,543
Inventory	4,530	(12,098)
Prepaid expenses	5,319	(5,738)
Accounts payable and accrued liabilities	64,231	(49,571)
Deferred contributions	70,509	(97,077)
Deferred membership revenue - current	(2,005)	9,776
Deferred contributions related to inventory of publications	<u>(3,366)</u>	6,764
	79,074	(21,264)
Increase (decrease) in deferred membership revenue - non-current	<u>(2,949)</u>	3,720
	<u>76,125</u>	<u>(17,544)</u>
Cash flows from investing and financing activities		
Net decrease (increase) in investments	(57,012)	8,904
Purchase of capital assets	<u>(1,431)</u>	(2,607)
	<u>(58,443)</u>	6,297
Increase (decrease) in cash during the year	17,682	(11,247)
Cash, beginning of year	<u>24,114</u>	<u>35,361</u>
Cash, end of year	<u>\$ 41,796</u>	<u>\$ 24,114</u>

Canadian Organic Growers Inc. - National Office Summary of Significant Accounting Policies

December 31, 2007

Nature of Business

Canadian Organic Growers Inc. (COG) is a national not-for-profit organization founded by Letters Patent, issued by the Minister of Consumer and Corporate Affairs Canada and incorporated under the Canada Corporations Act. COG's mission is to lead local and national communities towards sustainable organic stewardship of land, food and fibre while respecting nature, upholding social justice and protecting natural resources. COG has members in the regions of Canada and is connected to these regions through fifteen local chapters and three affiliated organizations. COG is a registered charitable organization and is exempt from income taxes.

Basis of Presentation

These financial statements represent the financial position, results of operations and cash flows of COG - National Office only. They do not include the financial position, results of operations and cash flows of the local chapters that are controlled by COG. Under COG's bylaws, COG's Board of Directors may from time to time establish chapters throughout Canada to promote and carry out the objects of COG and may revoke a chapter's status and cause a dissolution of the same. A chapter's assets and liabilities remain with COG upon dissolution. A chapter may secede from COG and cease using COG as their name or part of their name, however, all remaining assets and property become the property of COG.

Under Canadian generally accepted accounting principles (GAAP), controlled not-for-profit organizations should be reported by consolidating the controlled organizations or by providing disclosure of the controlled organizations. This disclosure would include the total assets, liabilities and net assets as well as the revenues, expenses and cash flows of the controlled organizations. Disclosure is also required of any restrictions on the controlled organizations' resources as well as any significant differences in the accounting policies followed by the controlled organizations. A group of controlled organizations may be excluded from consolidation or the alternative disclosure set out above if the group of organizations excluded are a large number of organizations that are individually immaterial.

The chapters have not been consolidated, which is an acceptable accounting policy under GAAP, however, the alternative disclosures have not been provided and since it is unlikely that all the chapters are individually immaterial, these financial statements lack the required disclosure under GAAP. At the present time, the required information to comply with the GAAP disclosure requirements is not readily available to COG - National Office management.

Canadian Organic Growers Inc. - National Office Summary of Significant Accounting Policies

December 31, 2007

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Changes in Accounting Policies and Standards

Effective January 1, 2007, COG - National Office adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement. The new accounting standards for financial instruments require that all financial assets and financial liabilities be classified according to their characteristics, management's intentions, or the choice of category in certain circumstances. When initially recognized, all financial assets and financial liabilities are recorded at fair value. In subsequent periods, financial assets and financial liabilities will be measured at fair value, except for those financial instruments with long-term maturities and for which COG - National Office has the intent and ability to hold these financial instruments to maturity which will be measured at amortized cost using the effective interest rate method. Gains and losses arising from a change in the fair value of a financial asset or financial liability that is carried at fair value are recognized in operations as they occur. Previously COG - National Office's financial assets and financial liabilities were recorded at cost and gains and losses were only recognized when realized. Since fair value of COG - National Office's financial instruments approximate carrying values due to the previous accounting for investments which was at cost plus accrued interest which approximated fair value, this change in accounting policy did not have an impact on COG - National Office's financial statements, so the required retrospective application of this change in accounting policy was not necessary.

Effective January 1, 2007, COG - National Office also adopted CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, which establishes standards for presentation and disclosure of financial instruments.

Financial Instruments

COG - National Office's financial instruments consist of cash, investments, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that COG - National Office is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Canadian Organic Growers Inc. - National Office Summary of Significant Accounting Policies

December 31, 2007

Financial Risk Management

COG - National Office manages its investment portfolio to earn investment income and invests only in low risk investments. COG - National Office is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Investments

Investments are recorded at cost plus accrued interest which approximates fair value.

Inventory of Publications

Inventory of publications is stated at the lower of cost and net realizable value. Cost is generally determined on an average cost basis and includes the costs paid to printers for producing and printing organic reference books.

Capital Assets

Capital assets are recorded at cost. Amortization is based on the estimated useful life of the asset and is provided using the following annual rates:

Office furniture, equipment and computer hardware	4 years straight-line basis
Computer software	2 years straight-line basis

Revenue Recognition

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

Membership fees are recognized as revenue in the year in which they pertain to.

Interest and investment revenue is recognized as revenue when it is earned on a time proportion basis.

Donated Materials and Services

The value of materials and services donated to COG - National Office is not reflected in these financial statements.

Canadian Organic Growers Inc. - National Office Summary of Significant Accounting Policies

December 31, 2007

Future Changes in Accounting Standards

The CICA has reissued CICA Handbook Section 3861 as Sections 3862 and 3863, Financial Instruments - Disclosure of Financial Instruments - Presentation, respectively, which establish standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. In addition the CICA has issued Section 1535, Capital Disclosures which establishes standards for the disclosure of information related to an entity's objectives, policies and processes for managing capital. These sections must be adopted for COG - National Office's December 31, 2008 fiscal year. The effect of adopting these sections has not yet been determined.

The CICA also issued CICA Handbook Section 3031, Inventories, which provides additional guidance in the measurement and disclosure of inventories. In terms of measurement, the revised standard requires inventories to be presented at the lower of cost and net realizable value, which is consistent with the COG - National Office's current policy. This change is effective for fiscal periods commencing on or after January 1, 2008 and will be adopted for COG - National Office's fiscal period beginning on January 1, 2008. Management does not believe that the measurement portion of this new section will have a material impact on COG - National Office's financial statements; however, additional disclosures may be required.

Canadian Organic Growers Inc. - National Office Notes to Financial Statements

December 31, 2007

1. Cash

COG - National Office's bank accounts are held at one chartered bank. The operating bank account does not earn interest. The savings account did not have the minimum balance required during the year in order to earn interest.

2. Investments

Investments consist of a guaranteed investment certificate held by Montreal Trust Company of Canada with a face value of \$80,000, which matures August 30, 2008 and earns interest at an annual rate of 3.00%. The fair value at December 31, 2007 represents the market price quoted by COG - National Office's investment broker which includes accrued interest and approximates its carrying value in these financial statements.

3. Accounts Receivable

Included in accounts receivable are government contributions and grants receivable of \$53,698 which have been recognized as an asset since the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

Canadian Organic Growers Inc. - National Office

Notes to Financial Statements

December 31, 2007

4. Related Party Transactions and Balances

Transactions between COG - National Office and related parties, consisting of its chapters and affiliates, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Transactions and balances with related parties include:

	2007	2006
a. Revenue		
Grants and contributions	\$ 13,573	\$ 3,427
Sales	6,172	3,258
Other - administration fees	6,100	-
	\$ 25,845	\$ 6,685
b. Expenses		
Salaries and benefits	\$ 2,914	\$ 2,086
Consultants	29,933	15,828
Chapter's share of memberships and donations	20,585	12,225
	\$ 53,432	\$ 30,139
c. Assets		
Accounts receivable		
Grants	\$ 4,250	\$ -
Other	5,722	196
	\$ 9,972	\$ 196
d. Liabilities		
Accounts payable and accrued liabilities	\$ 25,632	\$ 3,423

In addition, COG - National office processes payroll for various chapters and is reimbursed for these costs which for 2007 was \$63,009 (2006 - \$47,600).

Canadian Organic Growers Inc. - National Office
Notes to Financial Statements

December 31, 2007

5. Capital Assets

	<u>2007</u>			<u>2006</u>		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture, equipment and computer hardware	\$ 10,591	\$ 8,626	\$ 1,965	\$ 9,481	\$ 7,113	\$ 2,368
Computer software	12,849	12,613	236	12,528	11,507	1,021
	\$ 23,440	\$ 21,239	\$ 2,201	\$ 22,009	\$ 18,620	\$ 3,389

6. Deferred Contributions

Deferred contributions consist of the following:

	<u>2007</u>		<u>2006</u>	
Farmer Transition Workshop - Metcalfe Foundation	\$ -		\$ 8,901	
Growing Up Organic - J.W. McConnell Foundation	70,991		7,566	
Practical Skills Series - British Columbia Investment Agriculture Foundation	21,058		-	
Practical Skills Series - Certified Organic Associations of British Columbia	-		5,073	
	\$ 92,049		\$ 21,540	

Deferred contributions include unspent resources with respect to contributions received in the current year which are externally restricted for specific projects that were in process or ongoing at year-end. Changes in the deferred contributions balance as they relate to all projects undertaken, not just the ones noted above, are as follows:

	<u>2007</u>		<u>2006</u>	
Balance, beginning of year	\$ 21,540		\$ 118,617	
Add: Current year funding	555,916		98,650	
Less: Contributions recognized as revenue	(485,407)		(195,727)	
Balance, end of year	\$ 92,049		\$ 21,540	

Canadian Organic Growers Inc. - National Office Notes to Financial Statements

December 31, 2007

6. Deferred Contributions (continued)

Funding Agreements

COG - National office has secured various funding agreements, as explained below, with various external sources which extend beyond the current fiscal year.

Standards Update Project

For the period November 20, 2006 to March 31, 2009 COG - National Office has secured multi-year funding for its Standards Update Project with the Ministry of Agriculture and Agri-Foods of Canada. The total funding, based on eligible costs incurred is on a not-to-exceed basis. The maximum funding for this project is \$618,400 of which \$223,923 has been recognized to date.

As part of the agreement, COG - National Office has agreed to contribute \$54,000 in the form of cash and/or fees/in-kind contributions as well as comply with certain other operational policies, procedures and constraints. Since this is a multi-year funding agreement, it is subject to annual approval by the Government of Canada and the unexpired portion can therefore be reduced or cancelled. Further, the balance of the agreement can be cancelled by the Ministry of Agriculture and Agri-Foods of Canada with at least 90 days notice.

Practical Skills Series Project

For the period November 30, 2006 to January 31, 2010 COG - National Office has secured multi-year funding for its Practical Skills Series Project through the British Columbia Investment Agriculture Foundation. The total funding, based on eligible costs incurred is on a not-to-exceed basis. The maximum funding for this project is the lesser of 69.6% of eligible costs or \$98,263 of which \$12,847 has been recognized to date.

Since this is a multi-year funding agreement, it is subject to annual approval by the British Columbia Investment Agriculture Foundation and the unexpired portion can therefore be reduced or cancelled with written notice.

Growing Up Organic Project

For the period October 17, 2007 to March 31, 2009 COG - National Office has secured multi-year funding for its Growing Up Organic Project with the Ministry of Agriculture and Agri-Foods of Canada. The total funding, based on eligible costs incurred is on a not-to-exceed basis. The maximum funding for this project is \$258,199 of which \$35,723 has been recognized to date.

As part of the agreement, COG - National Office has agreed to contribute \$328,617 in the form of cash and/or fees/in-kind contributions as well as comply with certain other operational policies, procedures and constraints. The government's contributions are subject to reduction should COG - National Office secure other funding for the project. Since this is a multi-year funding agreement, it is subject to annual approval by the Government of Canada and the unexpired portion can therefore be reduced or cancelled. Further, the balance of the agreement can be cancelled by the Ministry of Agriculture and Agri-Foods of Canada with at least 90 days notice.

Canadian Organic Growers Inc. - National Office Notes to Financial Statements

December 31, 2007

6. Deferred Contributions (continued)

For the period June 16, 2006 to June 30, 2009 COG - National Office has also secured a multi-year grant for its Growing Up Organic Project with the J.W. McConnell Foundation. The total funding, based on eligible costs incurred is on a not-to-exceed basis. The maximum funding for this project is \$388,800 of which \$209,509 has been recognized to date.

7. Deferred Membership Fees Revenue

Current deferred membership revenue of \$32,863 relates to membership fees received before December 31, 2007 with respect to the 2008 fiscal year.

Non-current deferred membership revenue of \$4,312 relates to membership fees received before December 31, 2007 with respect to the 2009 fiscal year and thereafter.

8. Deferred Contributions Related to Inventory of Publications

Deferred contributions related to inventory of publications represents restricted contributions from funders for the purpose of acquiring publications for resale.

The change in the deferred contributions for the year is as follows:

	2007	2006
Balance, beginning of year, as previously reported	\$ -	\$ -
Effect of prior period restatement (Note 13)	48,428	41,664
	48,428	41,664
Balance, beginning of year, as restated	48,428	41,664
Add: Current year funding	-	14,000
Less: Contributions recognized as revenue	(3,366)	(7,236)
	\$ 45,062	\$ 48,428

Canadian Organic Growers Inc. - National Office Notes to Financial Statements

December 31, 2007

9. Net Assets Invested in Inventory of Publications

Net assets invested in inventory of publications is calculated as follows:

	<u>2007</u>	<u>2006</u>
Inventory of publications	\$ 116,380	\$ 120,910
Less: Amounts financed by:		
Deferred contributions (Note 8)	<u>(45,062)</u>	<u>(48,428)</u>
	<u>\$ 71,318</u>	<u>\$ 72,482</u>

10. Commitments

COG - National Office has committed to a premises lease until April 30, 2008 at a monthly rate of \$1,085. The rental agreement contains a one year renewal option.

In addition COG - National Office has entered into contracts with consultants to provide support on COG - National Office projects with various expiry dates in 2008 totaling \$122,615. These contracts are for the following projects:

- Standards Update Project - two contracts payable on demand, cancelable within one week's notice, totaling \$57,615 and one deliverable based contract, non-cancelable totaling \$60,000.
 - Practical Skills Series Project - one deliverable based contract, non-cancelable totaling \$5,000.
-

11. Government Contribution Agreements

Funding received from government departments under contribution agreements contain restrictions in their use for specific purposes and may be subject to audit or final reconciliation under the terms and conditions of the respective contribution agreements. Should these audits or reconciliations reveal that any of the expenditures on the projects are not in accordance with funding guidelines or that there may be increased funding provided, the funders may require COG - National Office to reimburse a portion of the funds advanced or advance additional funding. No claim for reimbursement is currently pending and management is of the opinion that no claim is forthcoming. Consequently, no provision for reimbursement of funds has been made in these financial statements. In the event of any adjustment, it will be charged or credited to operations in the period of determination.

Canadian Organic Growers Inc. - National Office Notes to Financial Statements

December 31, 2007

12. Net Assets Reclassification

In order to better reflect the investment of COG - National Office's net assets in terms of liquidity, additional detail has been included in the statement of changes in net assets. This reclassification includes amounts invested in inventory of publications and capital assets that were previously classified in unrestricted net assets. COG - National Office's investment in inventory of publications is as set out in Note 9 of these financial statements and its investment in capital assets is represented by the net book value of capital assets as set out in Note 5 of these financial statements.

13. Prior Period Restatements

COG - National Office receives funding from government's and other sources, some of which is utilized to produce and print publications that are then sold. COG - National Office recognized funding of \$48,400 in 2004 and \$14,000 in 2006 when the publications were printed. Further, certain costs related to these publications was not included in inventory. The 2006 financial statement amounts that are presented for comparative purposes have been restated retrospectively to include the increased costs in inventory of publications and to defer contributions related to the inventory of publications, thereby excluding the contributions from revenue and net assets until the publications are sold, used or written down in value. Further the inventory of publications net of related funding represents COG - National Office's net assets invested in its inventory of publications.

COG - National Office processes payroll for the employees of various chapters. In most cases external funding is obtained to offset these costs. The chapters have the autonomy to interview, hire and determine the salary of their employees. Previously the payroll expenses of these chapter employees and the related funding were reflected in these financial statements in 2006. As a result of the autonomy that the chapters have in terms of payroll, commencing in the current year these revenue and offsetting expenses are not reflected in these financial statements to better reflect the results of operations of COG - National Office. Further it has come to management's attention that during 2005 amounts totaling \$11,755 were received from certain chapters as prepayment of 2006 payroll costs which were included in the 2005 results of operations but they should have been deferred to 2006. In addition it came to management's attention that additional payroll costs related to 2006 were not charged to 2006 operations but were reflected as a 2006 prepaid expense. The 2006 financial statement amounts that are presented for comparative purposes have been restated retrospectively for the above noted items.

Canadian Organic Growers Inc. - National Office

Notes to Financial Statements

December 31, 2007

13. Prior Period Restatements (continued)

The impact of the above restatements are as follows:

Effect on January 1, 2007 net assets invested in inventory of publications:

Increase in inventory of publications	\$	6,225
Increase in deferred contributions related to inventory of publications - cumulative to date		(62,400)
Revenue recognized on deferred contributions related to inventory of publications - cumulative to date		<u>13,972</u>
Decrease in January 1, 2007 net assets invested in inventory of publications		<u>(42,203)</u>

Effect on January 1, 2007 unrestricted net assets:

Increase in accounts payable and accrued liabilities from 2006		(916)
Decrease in prepaid expenses from 2006		<u>(6,363)</u>
Decrease in January 1, 2007 unrestricted net assets		<u>(7,279)</u>
Total effect on January 1, 2007 net assets - cumulative to date	\$	<u>(49,482)</u>

Effect on January 1, 2006 net assets invested in inventory of publications:

Increase in inventory of publications	\$	7,883
Increase in deferred contributions related to inventory of publications - cumulative to date		(48,400)
Revenue recognized on deferred contributions related to inventory of publications - cumulative to date		<u>6,736</u>
Decrease in January 1, 2006 net assets invested in inventory of publications - cumulative to date		(33,781)

Effect on January 1, 2006 unrestricted net assets:

Amounts received in 2005 which should have been deferred but were recognized as an expense recovery in 2005		<u>(11,755)</u>
Total effect on January 1, 2006 net assets - cumulative to date	\$	<u>(45,536)</u>

Canadian Organic Growers Inc. - National Office Notes to Financial Statements

December 31, 2007

13. Prior Period Restatements (continued)

Effect on deficiency of revenue over expenses
for the year ended December 31, 2006:

As previously reported	\$ (3,032)
Decrease in grant revenue related to inventory of publications for the year	(14,000)
Increase in grant revenue recognized related to publications sold for the year	7,236
Increase in cost of goods sold (included in other expenses) for the year	(1,658)
Increase in expense recovery for payroll for the year	11,755
Increase in expense for 2006 payroll costs not included	(7,279)
Net effect of adjustments for the year	(3,946)
Restated deficiency of revenue over expenses for the year ended December 31, 2006	\$ (6,978)

14. Comparative Amounts

In certain instances, the 2006 amounts presented for comparative purposes in these financial statements have been reclassified to conform to the financial statement presentation adopted for the current year.

15. Statement of Cash Flows

Effective December 31, 2007, COG - National Office commenced presenting a statement of cash flows to more readily present its cash flows from operating, investing and financing activities. This statement has been prepared on a comparative basis.

16. Future Plans

COG - National Office is committed to develop a strategic plan that increases core revenue streams in addition to various contribution agreements with outside funders.

Auditors' Comments on Supplementary Financial Information

To the Members of Canadian Organic Growers Inc.

The audited financial statements of COG - National Office for the year ended December 31, 2007 and our report thereon dated March 12, 2008 are presented in the preceding section of this financial report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole. Our opinion on financial statements contains reservations which are set out in our auditors' report in the preceding section of this financial report.

The 2006 amounts presented for comparative purposes are based on the financial information reported on by COG - National Office's previous auditors whose report dated February 3, 2007 stated that the verification of revenue was limited to the amounts recorded in the records of COG - National Office thereby expressing an opinion with a reservation with respect to the completeness of revenue.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

March 12, 2008

Canadian Organic Growers Inc. - National Office Schedule of Operations

For the year ended December 31

2007

2006

	Corporate							
	Membership	Sponsorships	Grants	Donations	Sales	Other	Total	Total
Revenue								
Membership Services	\$ 64,208	\$ -	\$ -	\$ 11,275	\$ 463	\$ 29,870	\$ 105,816	\$ 135,955
Education								
The Canadian Organic								
Grower	-	-	29,966	-	38,448	-	68,414	32,688
Publications	-	3,350	36,136	-	33,256	352	73,094	71,284
Production Statistics	-	-	-	-	-	-	-	18,750
Growing up Organic	-	21,470	185,848	3,540	17,020	-	227,878	61,384
Standards	-	-	223,922	-	-	-	223,922	-
Farmer Training	-	-	8,901	-	-	-	8,901	36,099
Mary Perlmutter								
Scholarship	-	-	4,000	300	-	-	4,300	4,250
Other	-	-	-	-	81	-	81	104
	-	24,820	488,773	3,840	88,805	352	606,590	224,559
	\$ 64,208	\$ 24,820	\$ 488,773	\$ 15,115	\$ 89,268	\$ 30,222	712,406	360,514
Expenses (Schedule)								
Membership services							110,598	147,821
Education								
The Canadian Organic								
Grower							96,068	64,080
Publications							47,332	25,250
Production Statistics							-	22,177
Growing Up Organic							213,433	63,362
Standards							223,922	-
Farmer Training							8,901	35,942
Library							2,570	822
Mary Perlmutter								
Scholarship							4,089	4,097
Other							4,148	3,941
							711,061	367,492
Excess (deficiency) of revenue over expenses for the year							\$ 1,345	\$ (6,978)

Canadian Organic Growers Inc. - National Office Schedule of Expenses

December 31 **2007** **2006**

Membership Services

Chapters' share of memberships and donations	\$	20,585	\$	12,225
Staff		32,516		70,661
Contractors		1,839		2,950
Administration		11,826		11,851
Travel		80		4,092
Promotion		2,187		1,129
Meetings/IFOAM dues		2,918		2,055
IT support/technology		553		9,029
Other		3,572		1,161
Amortization		2,619		5,115
Audit fees		12,427		3,975
Insurance		2,151		3,570
Rent		12,727		11,328
Board meetings		4,598		8,680

Total membership services expenses	\$	110,598	\$	147,821
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Education

The Canadian Organic Grower

Staff	\$	28,368	\$	20,766
Contractors		12,207		8,175
Administration		9,805		6,125
Travel		3,354		1,671
Design/photography		7,226		10,050
Printing		26,480		17,203
Promotion		5,419		-
Conferences/meetings		1,162		-
IT support/technology		143		-
Insurance		750		-
Other		1,154		90

		96,068		64,080
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Publications

Staff		4,800		1,900
Contractors		20,958		2,796
Administration		3,235		594
Travel		324		1,411
Design/photography		4,935		-
Cost of goods sold		9,013		14,967
Printing		3,912		1,968
Promotion		155		-
Audit		-		1,423
Other		-		191

		47,332		25,250
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Canadian Organic Growers Inc. - National Office Schedule of Expenses

December 31	2007	2006
Education (continued)		
Production Statistics		
Staff	\$ -	\$ 6,687
Contractors	-	12,740
Administration	-	2,750
	<u>-</u>	<u>22,177</u>
Growing Up Organic		
Staff	92,085	39,054
Contractors	52,003	17,000
Administration	13,781	3,056
Travel	13,792	31
Design/photography	5,073	-
Printing	2,077	-
Promotion	1,979	721
Conferences/meetings	30,901	3,500
IT support/technology	659	-
Other	1,083	-
	<u>213,433</u>	<u>63,362</u>
Standards		
Staff	25,148	-
Contractors	118,095	-
Administration	4,112	-
Travel	70,888	-
Conferences/meetings	5,679	-
	<u>223,922</u>	<u>-</u>
Farmer Training		
Staff	-	13,030
Contractors	987	17,751
Administration	5,270	2,500
Travel	11	-
Design/photography	585	-
Promotion	-	2,414
Conferences/meetings	2,048	247
	<u>8,901</u>	<u>35,942</u>

**Canadian Organic Growers Inc. - National Office
Schedule of Expenses**

December 31	2007	2006
Education (continued)		
Library		
Administration	\$ 158	\$ 21
Travel	2,081	-
Other	331	801
	<u>2,570</u>	<u>822</u>
 Mary Perlmutter Scholarship		
Administration	89	97
Scholarship	4,000	4,000
	<u>4,089</u>	<u>4,097</u>
Total education expenses	\$ 596,315	\$ 215,730
Other	\$ 4,148	\$ 3,941
Total expenses	\$ 711,061	\$ 367,492