

**CANADIAN ORGANIC GROWERS INC.**

**FINANCIAL STATEMENTS**

**December 31, 2006**

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## AUDITORS' REPORT

We have audited the balance sheet of **CANADIAN ORGANIC GROWERS INC.** as at December 31, 2006, and the statements of receipts and disbursements and changes in net assets for the year then ended. These financial statements are the responsibility of the organization'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 have 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.

In common with many charitable organizations, Canadian Organic Growers Inc. derives a significant portion of its revenue from sources, the completeness of which is not susceptible to audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of the organization. Furthermore, a prior period adjustment was made and reported. Reference to the prior period adjustment is made in Note 1 of the notes to financial statements.

In our opinion the statement of receipts and disbursements presents fairly, in all material respects, the results of operations of the organization for the year ended December 31, 2006. Further, in our opinion, the balance sheet presents fairly, in all material respects, the financial position of the organization as at December 31, 2006 in accordance with Canadian generally accepted accounting principles.

**WGP PROFESSIONAL CORPORATION  
CHARTERED ACCOUNTANTS**

Authorized to practice public accounting by The  
Institute of Chartered Accountants of Ontario

Kemptville, Ontario  
February 3, 2007

**CANADIAN ORGANIC GROWERS INC.****BALANCE SHEET****As at December 31, 2006****ASSETS**

	<u>2006</u>	<u>2005</u>		
<b>CURRENT</b>				
Cash on hand and in bank	\$ 24,114	\$ 35,361		
Accounts receivable	8,136	136,432		
Investments, at cost (2.75% interest, FMV - \$23,805)	23,556	32,707		
Inventory, at cost	114,685	100,929		
Prepaid expense	<u>14,499</u>	<u>2,398</u>		
	184,990	<u>307,827</u>		
<b>CAPITAL</b>				
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	
Computer hardware	\$ 9,481	\$ 7,113	\$ 2,368	4,168
Computer software	<u>12,528</u>	<u>11,507</u>	<u>1,021</u>	<u>1,729</u>
	<u>\$ 22,009</u>	<u>\$ 18,620</u>	<u>3,389</u>	<u>5,897</u>
			<u>\$ 188,379</u>	<u>\$ 313,724</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT</b>		
Accounts payable	\$ 23,775	\$ 64,522
Deferred income (Note 1)	23,555	118,617
Deferred membership revenue (Note 2)	<u>42,129</u>	<u>28,633</u>
	89,459	211,772
<b>NET ASSETS</b>		
Unrestricted net assets	<u>98,920</u>	<u>101,952</u>
	<u>\$ 188,379</u>	<u>\$ 313,724</u>

Audited - See Auditors' Report 03/02/07

The significant accounting policies and accompanying notes are an integral part of these financial statements.

**CANADIAN ORGANIC GROWERS INC.****STATEMENT OF RECEIPTS AND DISBURSEMENTS****For the year ended December 31, 2006**

	<u>2006</u>	<u>2005</u>
RECEIPTS (Schedule 1)		
Membership Services	\$ 95,081	\$ 85,024
Education	289,717	190,815
Communications	16,328	41,563
Fundraising	-	7,620
Administration	<u>2,000</u>	<u>19,534</u>
	403,126	<u>344,556</u>
DISBURSEMENTS (Schedule 2)		
Membership Services	\$ 112,852	78,585
Education	233,276	266,740
Communications	19,644	52,418
Fundraising	1,765	7,129
Administration	<u>52,378</u>	<u>49,361</u>
	<u>419,915</u>	<u>454,233</u>
(DISBURSEMENTS OVER RECEIPTS)	(16,789)	(109,677)
INVENTORY ADJUSTMENT	<u>13,757</u>	<u>39,219</u>
NET (DISBURSEMENTS OVER RECEIPTS)	<u>\$ (3,032)</u>	<u>\$ (70,458)</u>

Audited - See Auditors' Report 03/02/07

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**CANADIAN ORGANIC GROWERS INC.****STATEMENT OF CHANGES IN NET ASSETS****For the year ended December 31, 2006**

	<u>Unrestricted</u>	<u>2006</u>	<u>2005</u>
BALANCE, BEGINNING OF YEAR	\$ 101,952	\$ 101,952	\$ 172,410
NET (DISBURSEMENTS OVER RECEIPTS)	<u>(3,032)</u>	<u>(3,032)</u>	<u>(70,458)</u>
BALANCE, END OF YEAR	<u>\$ 98,920</u>	<u>\$ 98,920</u>	<u>\$ 101,952</u>

Audited - See Auditors' Report 03/02/07

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**CANADIAN ORGANIC GROWERS INC.**

SCHEDULE 1

**SCHEDULE OF RECEIPTS****For the year ended December 31, 2006**

	<u>Membership</u>	<u>Grants</u>	<u>Donations</u>	<u>Sales</u>	<u>Other</u>	<u>Total 2006</u>	<u>Total 2005</u>
<b>Membership Services</b>	\$ <u>58,959</u>	\$ <u>17,517</u>	\$ <u>14,699</u>	\$ <u>-</u>	\$ <u>3,906</u>	\$ <u>95,081</u>	\$ <u>85,024</u>
<b>Education</b>							
Publications							
OFCH/Guide Biologique	-	-	-	11,882	-	11,882	15,073
OLH	-	-	-	5,580	-	5,580	6,448
GG/Terre en Devenir	-	28,650	450	17,626	-	46,726	116,440
Practical Skills Series	-	-	-	10,340	4,617	14,957	7,884
Growing Up Organic Pro.	-	61,384	-	-	-	61,384	-
Statistics	-	18,750	-	-	-	18,750	-
Transition Workshops	-	36,099	-	-	-	36,099	-
MP Scholarship	-	4,000	200	-	-	4,200	-
Chapters	-	35,845	-	-	-	35,845	-
Capacity Building	-	25,000	-	-	-	25,000	-
Staff	-	-	-	-	-	-	9,042
Advertising Revenue	-	-	-	29,294	-	29,294	35,165
Websites	-	-	-	-	-	-	763
	<u>-</u>	<u>209,728</u>	<u>650</u>	<u>74,722</u>	<u>4,617</u>	<u>289,717</u>	<u>190,815</u>
<b>Communications</b>							
Board meetings	-	-	-	-	-	-	9,968
Staff	-	5,000	-	-	-	5,000	25,636
Conferences	-	-	-	-	-	-	145
Rent	-	11,328	-	-	-	11,328	5,814
	<u>-</u>	<u>16,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,328</u>	<u>41,563</u>
<b>Fundraising</b>							
Staff	-	-	-	-	-	-	7,620
<b>Administration</b>							
Staff	-	2,000	-	-	-	2,000	13,281
Interest	-	-	-	-	-	-	1,153
Rent	-	-	-	-	-	-	5,100
	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>19,534</u>
	\$ <u>58,959</u>	\$ <u>245,573</u>	\$ <u>15,349</u>	\$ <u>74,722</u>	\$ <u>8,523</u>	\$ <u>403,126</u>	\$ <u>344,556</u>

Audited - See Auditors' Report 03/02/07

The significant accounting policies and accompanying notes are an integral part of these financial statements.

**CANADIAN ORGANIC GROWERS INC.**

## SCHEDULE 2

**SCHEDULE OF DISBURSEMENTS****For the year ended December 31, 2006****a) Membership Services**

	<u>2006</u>	<u>2005</u>
Chapter share membership	\$ 9,337	\$ 15,676
Chapter share donations	<u>2,887</u>	<u>3,434</u>
	<u>12,224</u>	<u>19,110</u>
Staff	<u>71,095</u>	<u>39,952</u>
Office		
Supplies	4,741	3,299
Telephone / fax	64	305
Courier and postage	<u>7,711</u>	<u>4,636</u>
	<u>12,516</u>	<u>8,240</u>
Computer equipment	2,034	-
Computer repairs and maintenance	454	1,048
Travel	884	2,385
Non-refundable GST	3,867	6,195
Miscellaneous	<u>9,778</u>	<u>1,655</u>
	<u>17,017</u>	<u>11,283</u>
	<u>112,852</u>	<u>78,585</u>

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**CANADIAN ORGANIC GROWERS INC.**

SCHEDULE 2 (Cont'd)

**SCHEDULE OF DISBURSEMENTS****For the year ended December 31, 2006****b) Education**

	<u>2006</u>	<u>2005</u>
TCOG		
Editor	\$ 18,829	\$ 17,608
Layout / Design	10,050	8,417
Production	20,313	19,533
Office supplies	-	636
Phone	38	516
Writers / Researchers	7,450	6,155
Advertising manager	110	5,941
Travel	-	1,407
	<u>56,790</u>	<u>60,213</u>
PUBLICATIONS		
ORGANIC COMPANION		
Editor	-	4,500
Layout / Design	-	8,000
Production	-	4,524
Office supplies	-	337
Phone	-	36
Writers / Researchers	-	50
	<u>-</u>	<u>17,447</u>
GAINING GROUND		
Editor	-	7,300
Layout / Design	-	26,052
Translators	-	13,200
Advertising	-	2,526
Office supplies	-	1,521
Phone	-	1,235
Writers / Researchers	-	41,628
Travel	-	890
Production	14,000	43,819
Proof readers	14,650	1,325
Resources	-	69
	<u>28,650</u>	<u>139,565</u>

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**CANADIAN ORGANIC GROWERS INC.**

SCHEDULE 2 (Cont'd)

**SCHEDULE OF DISBURSEMENTS****For the year ended December 31, 2006****b) Education (cont'd)**

	<u>2006</u>	<u>2005</u>
OTHER PUBLICATIONS		
Production	\$ 358	\$ 17
Storage	1,903	1,551
Book Purchases	-	1,842
	<u>2,261</u>	<u>3,410</u>
PRODUCTION STATISTICS		
Writers / Researchers	8,788	15,129
Office Supplies	435	150
Phone	2,315	110
Resources	-	128
Translators	2,672	-
Certification Bodies	7,657	-
	<u>21,867</u>	<u>15,517</u>
LIBRARY		
Acquisition	801	564
Postage and courier	20	367
Office supplies	-	348
Travel	-	125
Internet	-	20
	<u>821</u>	<u>1,424</u>
GROWING UP ORGANIC		
Writers/Researchers	17,000	-
Staff	37,748	-
Other	6,636	-
	<u>61,384</u>	<u>-</u>
SCHOLARSHIP	4,000	3,098
CAPACITY BUILDING	25,000	7,129
ELECTRONIC MEDIA	16,960	18,937
PRACTICAL SKILLS SERIES	3,376	-
FARMER TRAINING	12,167	-
	<u>61,503</u>	<u>29,164</u>
	<u>233,276</u>	<u>266,740</u>

Audited - See Auditors' Report 03/02/07

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**CANADIAN ORGANIC GROWERS INC.**

SCHEDULE 2 (Cont'd)

**SCHEDULE OF DISBURSEMENTS****For the year ended December 31, 2006****c) Communications**

	<u>2006</u>	<u>2005</u>
Board meetings	\$ 8,428	\$ 12,199
Conferences / Talks		
Travel	1,714	4,062
Booth and fees	1,104	1,909
Telephone	72	-
Advertising / Promotion	3,969	4,758
Executive Director	4,357	23,059
Office Manager	<u>-</u>	<u>6,431</u>
	<u>19,644</u>	<u>52,418</u>

**d) Fundraising**

Executive Director	-	7,129
Consultants	<u>1,765</u>	<u>-</u>
	<u>1,765</u>	<u>7,129</u>

**e) Administration**

Staff	20,998	16,862
Amortization	5,115	7,100
Audit fees	5,215	6,450
Insurance	3,570	3,290
Interest and bank charges	2,534	2,102
Rent	11,328	10,356
Telephone	<u>3,618</u>	<u>3,201</u>
	<u>52,378</u>	<u>49,361</u>
	<u>\$ 419,915</u>	<u>\$ 454,233</u>

Audited - See Auditors' Report 03/02/07

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**CANADIAN ORGANIC GROWERS INC.****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****For the year ended December 31, 2006****NATURE OF BUSINESS**

The corporation is dedicated to the establishment of a standard of organic agriculture, that is ecologically and economically sustainable and resulting in produce which enhances the life and health of Canadians.

The corporation was founded by Letters Patent, issued by the Minister of Consumer and Corporate Affairs, Canada, dated June 8, 1981. The corporation is a charitable organization.

These financial statements represent the operations of the national office of Canadian Organic Growers. They include some, but not all of the operations of the 15 regional COG chapters.

**FAIR MARKET VALUE OF FINANCIAL INSTRUMENTS**

The organization's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is managements' opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of the current financial instruments approximate their carrying value because of the relatively short period to maturity of the instruments.

**INVENTORY**

On an annual basis, Canadian Organic Growers adjusts its closing inventory figures to reflect the historical cost of actual inventory on hand. This adjustment is reported on financial statements after net income.

**CAPITAL ASSETS**

Capital assets are recorded at cost. Amortization is provided over the useful life of the assets using the straight-line basis as follows.

Computer hardware	- 4 years
Computer software	- 2 years

Audited - See Auditors' Report 03/02/07

The significant accounting policies and accompanying notes are an integral part of these financial statements.

**CANADIAN ORGANIC GROWERS INC.****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****For the year ended December 31, 2006****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.

**REVENUE RECOGNITION**

Donations and receipts for publications are recorded on an accrual basis.

The work of the organization is dependent on the voluntary service of many members. Since these services are not normally purchased by the organization and because of the difficulty in determining their fair value, donated services are not recognized in these statements.

**ORGANIZATIONAL CHANGES AND EFFECT ON OPERATIONAL SURPLUSES**

Canadian Organic Growers is committed to renewing its governance framework and in doing so is making a number of changes that will improve organizational viability. Included in these changes are a focus on realistic budgeting and more timely financial information.

**CANADIAN ORGANIC GROWERS INC.****NOTES TO THE FINANCIAL STATEMENTS****For the year ended December 31, 2006****1. DEFERRED INCOME**

The amount \$28,200 of grant money from Agriculture and Agri-foods Canada for Terre en Devenir was included in the 2005 receipts. It should have been deferred income as it was carried forward and used in the current year.

The net effect of this change was a decrease in members' equity in 2005 and an equal increase in 2006.

Deferred income consists of the following:

	<u>2006</u>	<u>2005</u>
Grant - J.W. McConnell Foundation - Capacity Building Grant	\$ -	\$ 45,417
Grant - J.W. McConnell Foundation - Growing up Organic	7,566	-
Grant - Metcalf Foundation - Transition Workshop	8,901	45,000
Grant - OSDP-Practical Skills Series	5,073	-
Donations	1,320	-
Conference fees	515	-
Advertising revenue	180	-
Grant from Agriculture and Agri-foods Canada for Terre en Devenir	<u>-</u>	<u>28,200</u>
	<u>\$ 23,555</u>	<u>\$ 118,617</u>

**2. DEFERRAL OF MEMBERSHIP REVENUE**

Membership revenue is recognized in the year which it applies.

In the year 2005, a new policy was adopted to recognize membership revenue in the year which it applies and to defer any membership revenue which applies to subsequent years.

	<u>2006</u>	<u>2005</u>
Deferred to 2006	\$ -	\$ 25,092
Deferred to 2007	34,868	3,539
Deferred to 2008	6,137	2
Deferred to 2009	1,015	-
Deferred to 2010	<u>109</u>	<u>-</u>
Total deferred membership revenue	<u>\$ 42,129</u>	<u>\$ 28,633</u>

**3. COMPARATIVE FIGURES**

WGP Professional Corporation, Chartered Accountants is carrying on the business of W. Gordon Wells & Co. Professional Corporation, Chartered Accountants. The 2005 comparative figures were reported upon by W. Gordon Wells & Co. Professional Corporation, Chartered Accountants.