

Canadian Organic Growers
Cultivons Biologique Canada



Financial Statements
For the year ended December 31, 2009

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Financial Statements
For the year ended December 31, 2009**

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Auditors' Report

To the Members of Canadian Organic Growers Inc. Cultivons Biologique Canada Inc.

We have audited the balance sheet of Canadian Organic Growers Inc. Cultivons Biologique Canada Inc. - National Office (COG - National Office) as at December 31, 2009 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 paragraphs, 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 and to 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 and related chapter expenses 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 and related chapter expenses. Accordingly, our verification of revenue and related chapter expenses 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, related chapter expenses, excess (deficiency) of revenue over expenses, assets, deferred contributions liabilities, contingent liabilities 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 departures from Canadian generally accepted accounting principles with respect to the required presentation and 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. In addition, commencing with the 2009 fiscal year, as described in the summary of significant accounting policies in the policy entitled "Presentation of Gross Revenues and Expenses", another departure from Canadian generally accepted accounting principles exists which is also related to COG chapters. The impacts of these departures have not been determined nor is the financial information readily determinable by COG - National Office management, nor were we able to determine the impacts of the departures as explained in the preceding paragraph.

(Continued on next page)

Auditors' Report

(Continued from previous page)

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 related chapter expenses and the presentation and 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, 2009 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, on a basis consistent with that of the preceding year.

The comparative amounts presented in these financial statements as at December 31, 2008 and for the year then ended were reported on by us. Our opinion dated June 8, 2009 was with reservation with respect to a limitation in scope, which is substantially the same limitation stated above with respect to the 2009 fiscal year, and a reservation with respect to a departure from Canadian generally accepted accounting principles, which is substantially the same as the departures stated above with respect to the 2009 fiscal year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

August 5, 2010

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Balance Sheet**

December 31 2009 2008

Assets

Current

Cash (Note 1)	\$	30,097	\$	115,675
Investment (Note 2)		-		11,361
Accounts receivable (Notes 3 and 4)		65,615		153,539
Inventory of publications		98,796		107,288
Prepaid expenses		7,746		2,357

202,254 **390,220**

Investment (Note 2)

5,000 -

Capital assets (Note 5)

1,079 1,149

\$ 208,333 **\$ 391,369**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 4)	\$	37,260	\$	122,854
Deferred contributions (Note 6)		60,871		136,389
Deferred membership fees revenue (Note 7)		24,770		33,903
Deferred contributions related to inventory of publications (Note 8)		38,897		42,499

161,798 **335,645**

Deferred membership fees revenue (Note 7)

1,356 2,268

163,154 **337,913**

Net assets (Note 9)

Internally restricted				
Invested in inventory of publications (Note 10)		59,899		64,789
Invested in capital assets		1,079		1,149
Unrestricted (deficit)		(15,799)		(12,482)

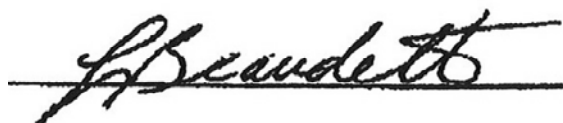
45,179 **53,456**

\$ 208,333 **\$ 391,369**

On behalf of the Board:



President



Treasurer

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Statement of Changes in Net Assets**

For the year ended December 31

2009

2008

	Internally Restricted			Unrestricted (Deficit)	Total	Total
	Invested in Inventory of Publications (Note 10)	Invested in Capital Assets				
Balance, beginning of year	\$ 64,789	\$ 1,149	\$ (12,482)	\$ 53,456	\$ 50,783	
Excess (deficiency) of revenue over expenses for the year	-	(609)	(7,668)	(8,277)	2,673	
Transfer which represents the decrease in investment in the inventory of publications net of the change in the related deferred contributions	(4,890)	-	4,890	-	-	
Investment in capital assets	-	539	(539)	-	-	
Balance, end of year	\$ 59,899	\$ 1,079	\$ (15,799)	\$ 45,179	\$ 53,456	

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Statement of Operations**

For the year ended December 31	2009	2008
Revenue (Note 4)		
Membership fees	\$ 65,919	\$ 66,333
Corporate sponsorships	770	200
Grants and contributions		
Projects (Note 6)	596,881	606,869
Inventory of publications (Note 8)	7,507	6,475
Donations	19,291	16,372
Sales	96,660	76,405
Other	10,020	6,881
	797,048	779,535
Expenses (Note 4)		
Administration	54,830	40,593
Amortization of capital assets	609	1,291
Chapters' share of membership fees and donations	18,933	20,908
Contractors	364,398	420,970
Meetings and conferences	99,067	9,461
Printing and shipping	59,649	52,930
Promotion	15,377	3,550
Scholarships	-	24
Staff	144,339	186,151
Travel	48,024	40,984
Other	99	-
	805,325	776,862
Excess (deficiency) of revenue over expenses for the year	\$ (8,277)	\$ 2,673

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Statement of Cash Flows**

For the year ended December 31	2009	2008
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (8,277)	\$ 2,673
Adjustment for item not requiring the use of cash		
Decrease in accrued interest on investment held	123	692
Amortization of capital assets	609	1,291
	(7,545)	4,656
Changes in non-cash working capital balances representing an increase (decrease) in cash		
Accounts receivable	87,924	(81,542)
Inventory of publications	8,492	9,092
Prepaid expenses	(5,389)	460
Accounts payable and accrued liabilities	(85,594)	31,917
Deferred contributions	(75,518)	44,340
Deferred membership fee revenue - current	(9,133)	1,040
Deferred contributions related to inventory of publications	(3,602)	(2,563)
	(90,365)	7,400
Decrease in deferred membership fee revenue - non-current	(912)	(2,044)
	(91,277)	5,356
Cash flows from investing activities		
Net decrease (increase) of face value of investment	6,238	68,762
Purchase of capital assets	(539)	(239)
	5,699	68,523
Increase (decrease) in cash during the year	(85,578)	73,879
Cash, beginning of year	115,675	41,796
Cash, end of year	\$ 30,097	\$ 115,675

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office**

Summary of Significant Accounting Policies

December 31, 2009

Nature of Business

Canadian Organic Growers Inc. Cultivons Biologique Canada Inc. (COG) is a national not-for-profit organization founded by Letters Patent, issued by the Minister of Consumer and Corporate Affairs Canada (Industry Canada) and is 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 thirteen (2008 - fifteen) local chapters and four (2008 - three) affiliated organizations. During the 2009 fiscal year, one chapter ceased operations and one chapter changed its status to become an affiliated organization. As part of the change in status, the net assets of the chapter became the net assets of the affiliate. Subsequent to December 31, 2009 COG reduced the number of local chapters to eleven. 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 financial 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. 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 financial information to comply with the GAAP disclosure requirements is not readily available to COG - National Office management.

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office**

Summary of Significant Accounting Policies

December 31, 2009

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.

Significant estimates include assumptions used in: estimating the fair value of the investment; estimating the amounts and collectibility of accounts receivable; estimating the net realizable value of the inventory of publications; establishing the useful lives and related amortization of capital assets; estimating provisions for accrued liabilities; estimating the amounts of contributions earned and deferred; and estimating the allocation of expenses between projects.

Financial Instruments

The accounting standards for financial instruments require that financial assets and liabilities be classified according to their characteristics, management's intention, or the choice of category in certain circumstances. Financial assets must be classified as either held-for-trading, held-to-maturity, available-for-sale or loans and receivables. Financial liabilities must be classified as held-for-trading or other liabilities. When initially recognized, financial assets and financial liabilities are recorded at fair value on the balance sheet. In subsequent periods, financial assets and financial liabilities classified as held-for-trading will be valued at fair value with gains or losses arising from a change in fair value recognized in operations as they occur. Financial assets classified as available-for-sale are also recorded at fair value with any change in fair value recognized in the statement of changes in net assets until realized or they are other than temporarily impaired in which case they would be transferred to the statement of operations. Items that are classified in the following categories, will be measured at amortized cost using the effective interest method with gains or losses recognized in operations when realized. These categories are loans and receivables, investments held-to-maturity and other liabilities.

COG - National Office's financial instruments consist of cash, an investment, 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.
Cultivons Biologique Canada Inc.
- National Office**

Summary of Significant Accounting Policies

December 31, 2009

Financial Instruments Disclosures	COG - National Office discloses and presents financial instruments under the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, Financial Instruments - Disclosure and Presentation in these financial statements instead of CICA Handbook Sections 3862 and 3863, which is a permitted option under the transition rules for not-for-profit organizations in these standards. Section 3862 is more onerous placing an increased emphasis on risk disclosures and requiring disclosure of both qualitative and quantitative information about exposures to risks arising from financial instruments, including credit, interest rate, liquidity, currency and other price risks as well as in certain situations sensitivity analyses. The requirements of Section 3863 are consistent with certain applicable parts of Section 3861 and therefore would not impact COG - National Office's financial statements.				
Financial Risk Management	From time to time COG - National Office places cash in investments to earn investment income and invests only in low risk investments. Other cash is held in a Canadian chartered bank. The majority of accounts receivable are from contribution agreements which are substantially all with Canadian government departments or agencies. 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 related 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: <table><tr><td>Office furniture, equipment and computer hardware</td><td>4 years straight-line basis</td></tr><tr><td>Computer software</td><td>2 years straight-line basis</td></tr></table>	Office furniture, equipment and computer hardware	4 years straight-line basis	Computer software	2 years straight-line basis
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 including sponsorships; government grants and contributions; and donations. 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.				

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office**

Summary of Significant Accounting Policies

December 31, 2009

Revenue Recognition
(continued)

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

Sales of publications and products are recognized on delivery and acceptance by the customer, and collectibility is reasonably assured.

Interest and investment revenue is unrestricted. It is included in other revenue and 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.

**Changes in
Accounting Standards**

The Canadian Institute of Chartered Accountants (CICA) has revised certain Canadian generally accepted accounting principles for not-for-profit organizations as set out in CICA Handbook Section 4400, Financial Statement Presentation by Not-For-Profit Organizations. These revisions relate to presentation and disclosure standards and hence have no impact on COG - National Office's net financial position or its results of operations. In addition, the CICA has issued a new standard, CICA Handbook Section 4470, Disclosure of Allocated Expenses by Not-For-Profit Organizations.

These sections are effective for fiscal periods commencing on or after January 1, 2009, and, accordingly, COG - National Office has adopted these changes for the December 31, 2009 fiscal year's financial statements. The effects on COG - National Office's financial statement presentation and disclosure of adopting these changes are set out below. These changes in disclosure and presentation standards are required on a retrospective basis and comparative amounts have been reclassified on a similar basis where practicable.

The changes impacted the following:

Net Assets Invested in Capital Assets and Inventory of Publications

The impact on COG - National Office's financial statements relate to the presentation of COG - National Office's balance sheet and statement of changes in net assets whereby the requirement to treat net assets invested in capital assets and inventory of publications as separate components of net assets is no longer required but rather can be presented as categories of internally restricted net assets when the organization chooses to do so.

Therefore amounts previously presented as net assets invested in capital assets and inventory of publications are unchanged but are now categorized as internally restricted net assets.

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office**

Summary of Significant Accounting Policies

December 31, 2009

**Changes in
Accounting Standards
(continued)**

Presentation of Gross Revenues and Expenses

The potential impact on COG - National Office's statement of operations is the requirement to present and recognize revenues and expenses on a gross basis when an organization is acting as a principal in transactions and on a net basis when an organization is acting in an agency capacity. There was no impact of adopting this change since COG - National Office's presentation was consistent with these new standards in the current and prior fiscal years. However, given that: revenues may be sourced to and from COG chapters; the operations of projects under certain funding agreements may be completed at a chapter level even though COG may be the prime obligator under the funding agreements; and that the financial activities of the local chapters which are controlled by COG are not consolidated in these financial statements; these financial statements do not present all revenues and expenses on a gross basis since management has not made this determination since the required financial information is not readily determinable by COG - National Office management.

Presentation of Allocated Expenses

This change establishes disclosure standards for an organization that chooses to classify some or all of its expenses by functional category and allocates expenses to a number of functions to which the expenses relate. These disclosures include the organization's policy for the allocation of general support and fundraising expenses to other functions including the nature of the expenses being allocated, the basis on which such allocations have been made and the amounts allocated. However, since for the purposes of the accompanying statement of operations COG - National Office does not present its expenses on a functional basis and since fundraising expenses were insignificant and incidental in the current or prior fiscal years, there was no impact of adopting this change. Should, for the purposes of the accompanying statement of operations, COG - National Office adopt such a policy of presenting its expenses on a functional basis and allocating expenses among functional categories, and should fundraising expenses become significant in the future, the above noted disclosures would be required.

For the purposes of supplementary financial information, COG - National Office presents the results of its operations on a project basis. This supplementary financial information accompanies these financial statements but it is not required under Canadian generally accepted accounting principles and is therefore not as integral part of these financial statements. Therefore, the above disclosures related to allocated expenses is also not required. Notwithstanding, the allocations are based on management's estimates as well as, in certain situations, in accordance with approved budget allocations with funders since they related to shared costs.

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Notes to Financial Statements**

December 31, 2009

1. Cash

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

2. Investment

The investment consists of a guaranteed investment certificate held by a Canadian financial institution with a face value of \$5,000 (2008 - \$11,238), which matures November 16, 2014 (2008 - August 31, 2009) and earns interest at an annual rate of 2.95% (2008 - 2.05%). The investment held at December 31, 2008 with a face value of \$11,238 was redeemed during 2009 and the investment held at December 31, 2009 with a face value of \$5,000 was purchased during 2009. The fair value at December 31, 2009 and December 31, 2008 represents the market price quoted by COG - National Office's investment advisor and approximates its carrying value in these financial statements.

3. Accounts Receivable

Included in accounts receivable are government contributions and grants receivable of \$42,490 (2008 - \$140,791).

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Notes to Financial Statements**

December 31, 2009

4. Related Party Transactions and Balances

Transactions between COG - National Office and related parties, consisting of its local 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:

	2009	2008
a. Revenue		
Grants and contributions	\$ 10,000	\$ 1,662
Sales	2,448	6,041
Other - administration fees	429	1,090
	\$ 12,877	\$ 8,793
b. Expenses		
Contractors and staff expenses	\$ 142,960	\$ 85,750
Chapters' share of membership fees and donations	18,933	20,908
	\$ 161,893	\$ 106,658
c. Assets		
Accounts receivable	\$ 160	\$ 1,092
d. Liabilities		
Accounts payable and accrued liabilities	\$ 9,014	\$ 49,873

In addition, of the deferred membership revenue recorded in COG - National Office's accounting records and as set out in note 7 to these financial statements, \$16,114 (2008 - \$9,884) will be transferred to local chapters as the chapters' share of membership fees revenue.

Further, throughout the 2009 and 2008 fiscal years COG - National office collected special event fees on behalf of some of the local chapters. The related revenue and expenses are not recorded in COG - National Office's accounting records, however, there was an administration fee that was charged for this service and is included in the amount of other - administration fees revenue above.

Also, as set out in note 6 to these financial statements, the balance of a funding agreement with the Ontario Trillium Foundation related to the Growing Up Organic Project was assumed by one of the local chapters.

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Notes to Financial Statements**

December 31, 2009

5. Capital Assets

	<u>2009</u>			<u>2008</u>		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office furniture, equipment and computer hardware	\$ 11,130	\$ 10,051	\$ 1,079	\$ 10,591	\$ 9,631	\$ 960
Computer software	<u>13,088</u>	<u>13,088</u>	-	13,088	12,899	189
	<u>\$ 24,218</u>	<u>\$ 23,139</u>	<u>\$ 1,079</u>	<u>\$ 23,679</u>	<u>\$ 22,530</u>	<u>\$ 1,149</u>

6. Deferred Contributions

Deferred contributions consist of the following:

	<u>2009</u>	<u>2008</u>
Practical Skills Series Project - British Columbia Investment Agriculture Foundation	\$ 34,252	\$ 23,486
Growing Up Organic Project - Ministry of Agriculture and Agri-Food Canada - ACAAF	-	41,307
Growing Up Organic Project - J.W. McConnell Foundation	-	51,579
Growing Up Organic Project - Other funders	9,575	20,017
Canada Magazine Fund - Heritage Canada	16,044	-
Mary Perlmutter Scholarship funds	<u>1,000</u>	-
	<u>\$ 60,871</u>	<u>\$ 136,389</u>

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 December 31. Changes in the deferred contributions balance as they relate to all projects undertaken, not just the ones noted above, are as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 136,389	\$ 92,049
Add: Current year funding	521,363	651,209
Less: Contributions recognized as revenue	<u>(596,881)</u>	<u>(606,869)</u>
Balance, end of year	<u>\$ 60,871</u>	<u>\$ 136,389</u>

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Notes to Financial Statements**

December 31, 2009

6. **Deferred Contributions** (continued)

Funding Agreements

COG - National Office has various funding agreements, with various external sources which were either in place during the current fiscal year or extend beyond the current fiscal year. The more significant agreements are summarized below.

Standards Project

For the period November 20, 2006 to March 31, 2009 COG - National Office secured multi-year funding from the Ministry of Agriculture and Agri-Foods Canada (ACAAF). The total funding, based on eligible costs incurred, was on a not-to-exceed basis. The maximum funding was \$618,400 of which \$610,788 was recognized as revenue. The balance of the funding is no longer available to COG - National Office.

As part of the agreement, COG - National Office had 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.

Practical Skills Series Project

For the period November 30, 2006 to January 31, 2010 COG - National Office has secured multi-year funding 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 is the lesser of 69.6% of eligible costs or \$98,263 of which \$58,885 has been recognized as revenue to date.

Growing Up Organic Project

For the period October 17, 2007 to March 31, 2009 COG - National Office secured multi-year funding from the Ministry of Agriculture and Agri-Food Canada (ACAAF). The total funding, based on eligible costs incurred, was on a not-to-exceed basis. The maximum funding was \$258,199 of which \$226,642 was recognized as revenue. The balance of the funding is no longer available to COG - National Office.

As part of the agreement, COG - National Office had 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.

For the period June 16, 2006 to June 30, 2009 COG - National Office also secured a multi-year grant from the J.W. McConnell Foundation. The total funding, based on eligible costs incurred, was on a not-to-exceed basis. The maximum funding was \$388,800, and the entire \$388,800 has been recognized as revenue.

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
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Notes to Financial Statements**

December 31, 2009

6. **Deferred Contributions** (continued)

Growing Up Organic Project (continued)

For the period April 1, 2008 to March 31, 2010 COG - National Office has secured multi-year funding from the Ministry of the Environment of Canada. The total funding, based on eligible costs incurred, is on a not-to-exceed basis. The maximum funding is \$68,710 of which \$58,525 has been recognized as revenue to date.

As part of the agreement, COG - National Office has agreed to contribute and/or secure \$71,500 in the form of cash and/or fees (including contributions from other non-government funders) and/or in-kind contributions as well as comply with certain other operational policies, procedures and constraints.

For the period June 26, 2008 to June 25, 2011 COG - National Office has secured multi-year funding from the Ontario Trillium Foundation. The total funding for the three year period is \$120,000 or \$40,000 per year and is available only for the items and activities set out in the agreement. Of the total funding available \$40,000 representing the first year of the agreement has been recognized as revenue to date. The operations of this project and the balance of the potential funding of \$80,000 has been assumed by one of the local chapters controlled by COG. Therefore, consistent with the basis of presentation accounting policy set out in the summary of significant accounting policies accompanying these financial statements, the results of operations of this project after the assumption of the agreement by the local chapter are not included in these financial statements since it is now reported at a local chapter level.

Standards Training Project

For the period December 19, 2008 to March 31, 2009 COG - National Office secured funding from the Ministry of Agriculture and Agri-Foods of Canada (ACAAF). The total funding, based on eligible costs incurred, was on a not-to-exceed basis. The maximum funding was \$226,109 of which \$195,945 has been recognized as revenue to date. The balance of the funding is no longer available to COG - National Office.

As part of the agreement, COG - National Office had agreed to contribute \$115,374 in the form of cash and/or fees/in-kind contributions as well as comply with certain other operational policies, procedures and constraints.

Canada Magazine Fund

For the period November 15, 2009 to March 31, 2010 COG - National Office has secured funding through the Department of Canadian Heritage. The total funding, based on eligible costs incurred, is on a not-to-exceed basis. The maximum funding is the lesser of 75% of eligible costs or \$22,684 of which \$4,372 has been recognized as revenue to date.

**Canadian Organic Growers Inc.
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Notes to Financial Statements**

December 31, 2009

7. Deferred Membership Fees Revenue

Current deferred membership fees revenue of \$24,770 (2008 - \$33,903) relates to membership fees received before December 31, 2009 with respect to the 2010 fiscal year (2008 - before December 31, 2008 with respect to the 2009 fiscal year).

Non-current deferred membership fee revenue of \$1,356 (2008 - \$2,268) relates to membership fees received before December 31, 2009 with respect to the 2011 fiscal year and thereafter (2008 - before December 31, 2008 with respect to the 2010 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:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 42,499	\$ 45,062
Add: Current year funding	3,905	3,912
Less: Contributions recognized as revenue	<u>(7,507)</u>	<u>(6,475)</u>
Balance, end of year	<u>\$ 38,897</u>	<u>\$ 42,499</u>

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Notes to Financial Statements**

December 31, 2009

9. Capital Disclosures

COG National Office's capital disclosures are in accordance with CICA Handbook Section 1535, Capital Disclosures, which establishes standards for disclosure of information related to an entity's objectives, policies and processes for managing capital.

COG - National Office's capital includes its net assets which totals \$45,179 (2008 - \$53,456). COG - National Office's objectives when managing this capital are to ensure the continuing operations of the organization.

The Board of Directors does not establish quantitative return on capital criteria.

As at December 31, 2009, internal restrictions on net assets relate to COG - National Office's net assets invested in its capital assets and net assets invested in its inventory of publications which total \$60,978 (2008 - \$65,938). Therefore unrestricted net assets is a deficiency of \$15,799 (2008 - \$12,482). There are no external restrictions on COG - National Office's capital.

As set out in notes 6 and 8 to these financial statements, COG National Office has deferred contributions of \$60,871 (2008 - \$136,389) and the balance of several funding agreements available to fund specific future projects and \$38,897 (2008 - \$42,499) available to finance its inventory of publications. Further, as set out in note 7 to these financial statements, membership fees for subsequent years have been received in advance of \$26,126 (\$36,171) which are available to fund operations of the respective future year.

In addition, as set out in the basis of presentation of the summary of significant accounting policies to these financial statements, COG - National Office controls local chapters which have not been consolidated in these financial statements. As such, the net assets referred to in this note exclude the chapters but the net assets of the chapters are part of COG's capital. The actual amount of this additional capital is not readily determinable by COG - National Office management and is therefore not disclosed herein.

10. Net Assets Invested in Inventory of Publications

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

	2009	2008
Inventory of publications	\$ 98,796	\$ 107,288
Less: Amounts financed by:		
Deferred contributions related to inventory of publications (Note 8)	(38,897)	(42,499)
	\$ 59,899	\$ 64,789

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Notes to Financial Statements**

December 31, 2009

11. Commitments

COG - National Office has committed to a premises lease until April 30, 2010 at a monthly rate of \$1,214. Subsequent to year end COG - National Office entered into a new lease agreement for the same premises until April 30, 2011 at a monthly rate of \$1,302.

In addition COG - National Office has entered into agreements with contractors to provide support on COG - National Office projects with various expiry dates. These agreements are funded through grants and contributions that COG - National Office receives and are not expected to have any net cost to COG - National Office. Further, these agreements contain provisions for cancellation and amendment without penalty should the related grants and contribution agreements be cancelled or amended.

12. Contribution Agreements

Funding received from Canadian government departments, agencies and others under certain contribution agreements contain restrictions on 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.

Further, COG - National Office may be contingently liable for funding agreements entered into under the COG name that have been assumed by local chapters. These contingent liabilities, if any, are not readily determinable by COG - National Office management.

13. Comparative Amounts

In certain instances, the 2008 amounts presented for comparative purposes in these financial statements have been reclassified to conform to the financial statement presentation adopted for the current year.

Auditors' Comments on Supplementary Financial Information

**To the Members of
Canadian Organic Growers Inc. Cultivons Biologique Canada Inc.**

The audited financial statements of COG - National Office for the year ended December 31, 2009 and our report thereon dated August 5, 2010 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 audit 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 comparative financial information presented herein is derived from the audited financial statements of COG - National Office for the year ended December 31, 2008 on which we expressed an opinion with substantially the same reservations as the 2009 fiscal year.

In certain instances, the 2008 information presented for comparative purposes has been reclassified to conform with the presentation of the financial information adopted for the current year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

August 5, 2010

**Canadian Organic Growers Inc.
Cultivons Biologique Canada Inc.
- National Office
Schedule of Operations**

For the year ended December 31

2009

2008

	Membership Fees	Corporate Sponsorships	Grants and Contributions	Donations	Sales	Other	Total	Total
Revenue								
Membership services	\$ 65,919	\$ -	\$ -	\$ 15,797	\$ 252	\$ 4,645	\$ 86,613	\$ 88,686
Education								
The Canadian Organic Grower	-	-	4,372	350	43,276	230	48,228	44,679
Publications	-	-	24,569	-	26,349	3,392	54,310	62,595
Growing up Organic Standards	-	-	279,836	3,144	2,453	-	285,433	241,124
Standards Training	-	770	44,414	-	-	1,303	45,717	342,451
Standards Training	-	-	195,945	-	16,345	-	213,060	-
Farmer Training	-	-	40,252	-	7,985	-	48,237	-
Chelsea Farm	-	-	15,000	-	-	-	15,000	-
Other	-	-	-	-	-	450	450	-
	-	770	604,388	3,494	96,408	5,375	710,435	690,849
	\$ 65,919	\$ 770	\$ 604,388	\$ 19,291	\$ 96,660	\$ 10,020	797,048	779,535
Expenses (Schedule)								
Membership services							86,867	82,601
Education								
The Canadian Organic Grower							73,039	69,509
Publications							37,413	39,750
Growing Up Organic Standards							285,433	241,124
Standards Training							45,717	342,451
Standards Training							213,060	-
Farmer Training							48,237	-
Library							559	1,403
Mary Perlmutter Scholarship							-	24
Chelsea Farm							15,000	-
							805,325	776,862
Excess (deficiency) of revenue over expenses for the year							\$ (8,277)	\$ 2,673

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

For the year ended December 31 **2009** **2008**

Membership Services

Administration	\$	33,422	\$	24,886
Amortization of capital assets		609		1,291
Chapters' share of membership fees and donations		18,933		20,908
Contractors		14,795		19,492
Meetings and conferences		1,553		4,320
Printing and shipping		5,427		2,704
Promotion		769		-
Staff		10,266		9,000
Travel		994		-
Other		99		-

Total membership services expenses	\$	86,867	\$	82,601
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Education

The Canadian Organic Grower

Administration	\$	3,581	\$	2,047
Contractors		17,836		17,200
Printing and shipping		26,799		28,710
Promotion		1,132		216
Staff		21,029		20,928
Travel		2,662		408
		73,039		69,509

Publications

Administration	121	248
Contractors	17,962	15,672
Printing and shipping	16,925	16,131
Promotion	905	810
Staff	1,500	6,889
	37,413	39,750

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

For the year ended December 31 2009 2008

Education (continued)

Growing Up Organic

Administration	\$	4,330	\$	9,202
Contractors		184,355		95,646
Meetings and conferences		12,701		994
Printing and shipping		4,113		5,154
Promotion		5,298		2,524
Staff		68,976		120,462
Travel		5,660		7,142
		285,433		241,124

Standards

Administration		2,303		4,175
Contractors		35,226		272,960
Meetings and conferences		-		4,147
Printing and shipping		1,017		-
Staff		7,171		28,872
Travel		-		32,297
		45,717		342,451

Standards Training

Administration		10,735		-
Contractors		85,724		-
Meetings and conferences		72,975		-
Printing and shipping		2,118		-
Promotion		5,756		-
Staff		12,288		-
Travel		23,464		-
		213,060		-

Farmer Training

Administration		338		-
Meetings and conferences		11,774		-
Printing and shipping		3,146		-
Promotion		1,517		-
Staff		21,673		-
Travel		9,789		-
		48,237		-

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

For the year ended December 31 **2009** **2008**

Education (continued)

Library

Administration	\$	-	\$	35
Printing and shipping		104		231
Travel		455		1,137
		559		1,403

Mary Perlmutter Scholarship

Scholarships		-		24
		-		24

Chelsea Farm

Contractors		8,500		-
Meetings and conferences		64		-
Staff		1,436		-
Travel		5,000		-
		15,000		-

Total education expenses	\$	718,458	\$	694,261
		718,458		694,261

Total expenses	\$	805,325	\$	776,862
		805,325		776,862