

*Financial Statements of*

**FARM RADIO INTERNATIONAL**

*March 31, 2012*

## Independent Auditor's Report

To the Members of  
Farm Radio International

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Farm Radio International, which comprise the balance sheet as at March 31, 2012 and the statements of changes in net assets, revenue and expenses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

## **Independent Auditor's Report (Continued)**

### *Auditor's Responsibility (Continued)*

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Farm Radio International as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### ***Report on Other Legal and Regulatory Requirements***

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.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

July 31, 2012

**FARM RADIO INTERNATIONAL**  
**Financial Statements**  
March 31, 2012

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# FARM RADIO INTERNATIONAL

## Balance Sheet

as at March 31, 2012

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 307,569	\$ 120,560
Accounts receivable	42,620	190,983
Advances to host field offices (Note 3)	57,178	42,125
Prepaid expenses	1,302	619
	<b>408,669</b>	354,287
CAPITAL ASSETS (Note 4)		
GIFT RECEIVABLE (Note 5)	-	1,961
	<b>23,451</b>	23,891
	<b>\$ 432,120</b>	<b>\$ 380,139</b>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 133,712	\$ 104,396
Deferred contributions (Note 6)	139,362	123,555
	<b>273,074</b>	227,951
NET ASSETS		
Unrestricted	159,046	150,227
Invested in capital assets	-	1,961
	<b>159,046</b>	152,188
	<b>\$ 432,120</b>	<b>\$ 380,139</b>

APPROVED BY THE BOARD



Director



Director

**FARM RADIO INTERNATIONAL**  
**Statement of Changes in Net Assets**  
year ended March 31, 2012

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	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>2012</u>	<u>2011</u>
BALANCE, BEGINNING OF YEAR				
	\$ 150,227	\$ 1,961	\$ 152,188	\$ 139,962
Excess (deficiency) of revenue over expenses	8,819	(1,961)	6,858	12,226
BALANCE, END OF YEAR	\$ 159,046	\$ -	\$ 159,046	\$ 152,188

**FARM RADIO INTERNATIONAL**  
**Statement of Revenue and Expenses**  
year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Revenue		
African Farm Radio Research Initiative (Note 7)	\$ 1,127,472	\$ 1,254,425
Canadian International Development Agency	133,337	199,996
Donations		
Individuals	278,419	352,378
Foundations	26,532	30,000
Investment	1,464	1,424
Miscellaneous	2,818	-
Other project grants	590,033	385,888
	<b>2,160,075</b>	<b>2,224,111</b>
Expenses		
Program		
Impact Programming and Action Research	311,413	428,417
Other direct program expenses	159,615	82,710
Personnel	982,059	884,862
Resources for Broadcasters	135,017	231,733
Training and capacity development	136,817	142,900
Total program expenses (Note 8)	<b>1,724,921</b>	<b>1,770,622</b>
Administration		
Administrative personnel	57,862	57,592
Amortization of capital assets	1,961	820
Governance	12,956	9,669
Other administration	39,711	62,724
WUSC management fee (Note 9)	212,463	211,021
Total administration	<b>324,953</b>	<b>341,826</b>
Fundraising	<b>103,343</b>	<b>99,437</b>
Total expenses	<b>2,153,217</b>	<b>2,211,885</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 6,858</b>	<b>\$ 12,226</b>

**FARM RADIO INTERNATIONAL**  
**Statement of Cash Flows**  
year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 6,858	\$ 12,226
Items not affecting cash:		
Amortization of capital assets	1,961	820
Donated shares	(210,421)	(177,981)
Proceeds from disposal of donated shares	211,620	179,507
Changes in deferred contributions	15,807	(65,691)
Gain on disposal of donated shares	(1,199)	(1,526)
Change in unrealized gain on gift receivable	440	(1,050)
	<b>25,066</b>	<b>(53,695)</b>
Changes in non-cash operating working capital items (Note 10)	<b>161,943</b>	<b>(312,805)</b>
NET CASH INFLOW (OUTFLOW)	<b>187,009</b>	<b>(366,500)</b>
CASH, BEGINNING OF YEAR	<b>120,560</b>	<b>487,060</b>
CASH, END OF YEAR	<b>\$ 307,569</b>	<b>\$ 120,560</b>

# FARM RADIO INTERNATIONAL

## Notes to the Financial Statements

year ended March 31, 2012

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### 1. DESCRIPTION OF ACTIVITIES AND STATUS

Farm Radio International (the "Organization"), formerly known as Developing Countries Farm Radio Network, was founded in 1979 as an information exchange network which promotes sensible, sustainable development for small scale farmers. It gathers ideas about farming, nutrition and health and produces radio scripts and provides these and other resources to radio broadcasters in 38 countries in Sub-Saharan Africa. It also implements action research on best practices in farm radio.

The Organization was incorporated by letters patent as a corporation without share capital on February 11, 1986 under the Canada Corporations Act. The Organization is a registered charitable organization under the Income Tax Act and as such is exempt from income taxes.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants Handbook - Part V - *Pre-Changeover Accounting Standards* (Canadian GAAP) and include the following significant accounting policies:

#### *Future accounting changes*

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards or GAAP for not-for-profit organizations. The Organization currently plans to adopt GAAP for not-for-profit organizations effective April 1, 2012. However, the impact of the transition has not yet been determined.

#### *Revenue recognition*

The Organization follows the deferral method of accounting for contributions. 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. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

A substantial number of volunteers have made significant contributions of their time to the Organization's programs. Since these services are not normally purchased by the Organization, their value cannot be readily estimated. Consequently, donated services are not recognized in the financial statements.

# FARM RADIO INTERNATIONAL

## Notes to the Financial Statements

year ended March 31, 2012

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Program advances*

Advances made to fund program expenses, which have not yet been reported as an expense, are reported as an asset.

#### *Financial instruments*

All financial assets are required to be classified as either held-for-trading, held-to-maturity investments, loans and receivables, or as available-for-sale. All financial liabilities are required to be classified as held-for-trading or as other liabilities.

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Organization's designation of said instruments, at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred. Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest rate method.

Classifications made by the Organization:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Advances to field host offices	Loans and receivables
Gift receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

#### Held-for-trading

These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in miscellaneous revenue.

#### Loans receivable

These financial assets are measured at amortized cost using the effective interest rate method, less any impairment. Related party loans and receivables are measured at exchange amounts.

#### Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method. Related party liabilities are recorded at exchange amounts.

# FARM RADIO INTERNATIONAL

## Notes to the Financial Statements

year ended March 31, 2012

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments (Continued)*

##### Fair value

The fair value of cash, accounts receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from the financial instruments.

The fair value and the related risks of advances to field host offices and the gift receivable are disclosed in Notes 3 and 5, respectively.

#### *Translation of foreign currencies*

Transactions in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates in effect at year-end.

#### *Capital assets*

Capital assets are recorded at cost and are amortized over their estimated useful lives on a declining-basis using the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management's estimates include the collectible amounts of receivables, the accrued liabilities and the deferred contributions.. Actual results could differ from these estimates.

**FARM RADIO INTERNATIONAL**  
**Notes to the Financial Statements**  
year ended March 31, 2012

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**3. ADVANCES TO HOST FIELD OFFICES**

The Organization's advances to host field offices include balances held in foreign currencies.

As at March 31, 2012, 61% (2011 - 48%) of advances to host field offices are held in U.S. dollars and 39% (2011 - 52%) are held in other currencies.

**4. CAPITAL ASSETS**

	<b>2012</b>			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	<b>\$ 55,758</b>	<b>\$ 55,758</b>	<b>\$ -</b>	<b>\$ 1,846</b>
Furniture and fixtures	<b>12,444</b>	<b>12,444</b>	<b>-</b>	<b>115</b>
	<b>\$ 68,202</b>	<b>\$ 68,202</b>	<b>\$ -</b>	<b>\$ 1,961</b>

**5. GIFT RECEIVABLE**

The Organization is entitled to a gift upon the death of a donor, under an irrevocable charitable remainder trust arrangement. The fair value of the underlying investments held by the trust was \$23,451 (2011 - \$23,891) as at March 31, 2012.

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions represent externally restricted contributions to fund program expenses of future periods.

	<b>2012</b>	2011
Balance, beginning of year	<b>\$ 123,555</b>	<b>\$ 189,246</b>
Amounts received during the year	<b>1,866,649</b>	<b>1,785,822</b>
Amounts recognized as revenue	<b>(1,850,842)</b>	<b>(1,851,513)</b>
Balance, end of year	<b>\$ 139,362</b>	<b>\$ 123,555</b>

**FARM RADIO INTERNATIONAL**  
**Notes to the Financial Statements**  
year ended March 31, 2012

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**6. DEFERRED CONTRIBUTIONS (Continued)**

	<u>2012</u>	<u>2011</u>
The Bill and Melinda Gates Foundation	\$ 39,783	\$ -
Mr. David Frere	38,357	20,668
FAIDA Market Link	30,965	-
Oscroft Ltd.	16,136	22,097
Commonwealth of Learning	13,039	-
International Development Research Centre	-	20,558
Canadian International Development Agency	-	50,004
Technical Centre for Agriculture and Rural Cooperation	1,082	10,228
	<u>\$ 139,362</u>	<u>\$ 123,555</u>

**7. AFRICAN FARM RADIO RESEARCH INITIATIVE ("AFRRI")**

World University Service of Canada ("WUSC") received a grant from the Bill & Melinda Gates Foundation to fund AFRRI. The Organization is implementing AFRRI on WUSC's behalf.

**8. OVERSEAS PROGRAM EXPENDITURES IN AFRICA**

In 2007, Farm Radio International began implementing program activities in select countries of Africa, either through its own field offices or in partnership with other organizations located in those countries. As a result, a portion of direct program expenses are incurred and paid directly in six African countries, particularly for impact radio campaigns, action research and training programs. The following are direct program expenses incurred in the field by geographic location of spending during the year:

Africa program expenditures:

	<u>2012</u>	<u>2011</u>
Ghana	\$ 105,171	\$ 124,142
Malawi	108,670	179,175
Mali	179,935	121,095
Ethiopia	76,736	-
East Africa (Uganda & Tanzania)	309,802	318,598
	<u>\$ 780,314</u>	<u>\$ 743,010</u>

Total program expenses incurred in Africa (field) represent 45% (2011 - 42%) of the total program expenses. The balance of program expenses are paid directly by the Canadian office.

**FARM RADIO INTERNATIONAL**  
**Notes to the Financial Statements**  
year ended March 31, 2012

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**9. SHARED COSTS**

WUSC provides the Organization with office infrastructure as well as administrative services and advisory staff. The management fee charged for these services for the year ended March 31, 2012 was \$212,463 (2011 - \$211,021). The fee is calculated as a percentage of revenue according to an agreed formula. WUSC also incurs expenses on behalf of the Organization such as payroll, telephone and courier which are reimbursed on a dollar for dollar basis with no mark-up.

**10. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS**

	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 148,363	\$ (47,011)
Advances to host field offices	(15,053)	4,685
Prepaid expenses	(683)	(619)
Accounts payable and accrued liabilities	29,316	(257,512)
Amounts payable to host field offices	-	(12,348)
	<u>\$ 161,943</u>	<u>\$ (312,805)</u>
Supplementary non-cash information		
Non-cash increase in investments (donated shares)	<u>\$ 210,421</u>	<u>\$ 177,981</u>

**11. CAPITAL MANAGEMENT**

The Organization defines its capital as its net assets. The Organization's objectives, when managing capital, are to safeguard its ability to continue operations as a going concern so that it can continue to provide long-term benefits to its stakeholders.

The Organization's Board of Directors is responsible for overseeing the effective management of capital. The Board of Directors reviews and approves the Organization's financial budget annually. There has been no change in the Organization's definition of capital or its objectives from the previous year.

The Organization is not subject to any externally imposed capital restrictions.