

**About the Farm Financial Assessment component**

The Farm Financial Assessment (FFA) component provides up to \$1,900 to help you hire a professional Advisor to complete a financial assessment of your farm business. Ontario Soil and Crop Improvement Association (OSCIA) will also pay up to \$500 for a follow-up review with the Advisor one year after you complete the FFA.

If you choose an Advisor from the Ontario Ministry of Agriculture Food and Rural Affairs (OMAFRA) FFA Advisor List, you pay the Advisor \$100 plus all HST. OSCIA pays the Advisor's fee directly (to a maximum of \$1,900) and travel costs if applicable.

If you choose an Advisor who is not on the OMAFRA FFA Advisor List, you pay the Advisor's fees when the FFA is completed to your satisfaction. Then you submit a claim to OSCIA for up to \$1,900 towards the Advisor's fees. Note that travel costs are not eligible for cost-share.

For complete information on the Farm Financial Assessment component, see page 6 of the Business Development for Farm Businesses (BDFB) *Program Guide*.

All cost-share funds are available on a first-come, first-served basis, up to the available annual funds for each year of the program.

**Your project must be complete and the claim form received by OSCIA Guelph by the claim submission deadline.**

**How to apply**

You can get help to fill in the application from your Advisor, local Ontario Soil and Crop Improvement Association (OSCIA) workshop leader or OSCIA at 1-800-265-9751.

**Before you send in the application:**

1. Review with your Advisor the Statement of Work for the kind of Farm Financial Assessment you want.
2. Select the program year that you are applying for in Part A.
3. Provide all the information required in Parts B, C, D, E, F and G of this form.
4. Have the person who is the signing authority for your farm business sign Part H of this form.
5. Have your Advisor sign Parts I and J of this application.


**OSCIA can only consider complete applications.**

**Part A** What program year are you applying for? Choose one option below.

Option	Claim Submission Deadline	Select Option
2011 program year three	January 15, 2012	<input type="checkbox"/>
2012 program year four	January 15, 2013	<input type="checkbox"/>

If you do not select a program year OSCIA will approve your project under 2012 program year four.

## Part B Applicant information

Farm business name	
Farm business registration number (FBRN)	
Contact name	
Contact telephone number	
Workshop leader name	
OSCIA file number (if you know it)	
Is your primary commodity livestock or poultry? If yes: Attach copy of premise identification number (PID) certificate if you have not sent it in before.	<input type="checkbox"/> Yes <input type="checkbox"/> No 

### OFFICE USE ONLY

Project number	BD
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## Part C Are you applying for any other funding for this project?

Yes     No

If you will receive funding from other government or industry programs for this project, you must fill in the box below.

Other Expected Sources of Funding for this Project	
Name of government or industry funding program	Amount (\$)

## Part D Which funding and reporting option works best for you – FFA-01 or FFA-02?

Read the information for each option and then choose ONE. Mark the box beside your choice (FFA-01 or FFA-02).

### Option 1 (FFA-01)

**My Advisor is on the OMAFRA FFA Advisor List**

#### Advisor

- Choose your Advisor from the OMAFRA FFA Advisor List. See Section F for more information.

#### Reporting

- Complete the reporting requirements shown in the Statement of Work for the kind of Farm Financial Assessment you want.
- You may ask the Advisor to include additional elements in the Farm Financial Assessment (for example: cost-of-production analysis, industry benchmark analysis, cash-flow analysis, multi-scenario cash-flow projections). **If you include additional elements, you must describe them in Part E of this form.**

#### Funding arrangements

- You pay the first \$100 to the Advisor.
- When the Advisor has finished the Farm Financial Assessment to your satisfaction, pay the Advisor for any additional elements in the report (if applicable) and all HST. Then sign the claim form.
- You or your Advisor will submit a claim to OSCIA for the cost-share payment. OSCIA will pay up to \$1,900, plus travel costs if applicable, directly to the Advisor.

#### Travel costs – Choose ONE and mark the box beside your choice:

- |  |                          |
|--|--------------------------|
| • Travel costs are included in the \$2,000 FFA cost. The Advisor lives within 200 kilometers (one round trip) of the farm business.  | <input type="checkbox"/> |
| • If no approved Advisors are available within 200 kilometers (one round trip) of the farm business, OSCIA will pay travel costs directly to the Advisor. (The Advisor must submit a completed travel expense form.) | <input type="checkbox"/> |
| • If an approved Advisor is available within 200 kilometers (one round trip) but you choose an Advisor who is outside your region, you will pay the Advisor's travel costs.  | <input type="checkbox"/> |

### Option 2 (FFA-02)

**My Advisor is not on the OMAFRA FFA Advisor List**

#### Advisor

- You may choose a qualified Advisor who is not on the OMAFRA FFA Advisor List. See Section F for more information.

#### Reporting

- Complete the reporting requirements shown in the Statement of Work for the kind of Farm Financial Assessment you want.
- You may ask the Advisor to include additional elements in the Farm Financial Assessment (for example: cost-of-production analysis, industry benchmark analysis, cash-flow analysis, multi-scenario cash-flow projections). **If you include additional elements, you must describe them in Part E of this form.**

#### Funding arrangements

- You pay the first \$100 to the Advisor.
- When the Farm Financial Assessment is finished to your satisfaction, you pay the Advisor's fees and expenses, costs for any additional elements (if applicable) and all HST.
- You submit a claim to OSCIA for your cost-share payment. OSCIA will pay up to \$1,900 directly to your farm business.
- Travel costs and HST are not eligible for cost-share.

## Part E What type of Farm Financial Assessment do you want? Choose one.

Review the Statements of Work at the end of this application form to get information about what each assessment will cover. Note that only Part 2(e) in the Statement of Work is different for the two assessments. Discuss with your Advisor which one will meet your needs.

Farm Financial Assessment Type	Select Option
<p><b>Option 1: Cost of production analysis</b> See the Statement of Work on pages 9 and 10 in this application for details about what the Advisor must review and report on. You may include additional elements. Complete the box below.</p>	<input type="checkbox"/>
<p><b>Option 2: Financial projections</b> See the Statement of Work on pages 11 and 12 in this application for details about what the Advisor must review and report on. You may include additional elements. Complete the box below.</p>	<input type="checkbox"/>

You may include additional elements in your Farm Financial Assessment. Please list the additional elements below. Include a detailed description of each element.

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## Part F Choose your Advisor

For a list of Advisors on the OMAFRA FFA Advisor List, go to [www.ontariosoilcrop.org/en/bdfbresources](http://www.ontariosoilcrop.org/en/bdfbresources)

The Advisor I have selected to complete the Farm Financial Assessment is:

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First name

---

Last name

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Firm name

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Address

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Telephone number

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Fax number

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Email

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If you choose an Advisor who is not on the OMAFRA FFA Advisor List, you must attach the following information to this application or fax to OSCIA at 519-826-4348. Your Advisor can provide this information.



1. Resume of Advisor's education and/or experience.
2. Contact information for two references.
3. Proof of errors and omissions insurance with a minimum coverage level of \$1,000,000.
4. Proof of membership in good standing with a professional organization which has a code of ethics OR proof of successful completion of a course on professionalism and ethics within the last 5 years.

## Part G Project cost estimate

Required elements for report (FFA-01 or FFA-02)	\$2,000
Additional elements (if included)	\$
HST	\$
Total	\$

## Part H Farm business declaration and signature

### 1. Pertaining to the Advisor

- I will work with the Advisor named in the application to carry out the project as outlined in the Statement of Work developed with the Advisor.
- It is our responsibility to make sure the Advisor completes the project to our satisfaction.
- The Advisor I have selected has a direct contract with our farm business for satisfactory delivery of the work. The Advisor is not a third party agent of Canada, the Province of Ontario or the Ontario Soil and Crop Improvement Association (OSCIA).
- I authorize our selected Advisor to contact OSCIA and obtain information about the status of this application.

### 2. Pertaining to finances

- I have paid the \$100 fee to the Advisor.
- I have approved the cost estimate decided with the Advisor and shown in the application.
- I understand that I must pay all HST.
- I understand that under the FFA-01 option, OSCIA will pay the Advisor's fees (up to \$1,900 maximum) and travel costs, if applicable, directly to the Advisor. I will pay the Advisor for any additional work completed.
- I understand that under the FFA-02 option the farm business is responsible to pay any funds owing to the Advisor. I will be able to claim a cost-share payment from OSCIA for the Advisor's fees up to a maximum of \$1,900. Travel costs are not eligible for cost-share.
- I understand that OSCIA will not issue a cost-share payment until the Farm Financial Assessment report has met the reporting requirements.

### 3. True and complete information

- I certify to Canada, the Province of Ontario and the Ontario Soil and Crop Improvement Association that the information in the application and its supporting documents is true and complete.

### 4. Program terms and conditions

- I have read and understand the terms and conditions attached to the application and will follow them completely.

Name of signing authority  
(from Part A of the Growing Forward Program enrollment form)

Signature

Date



## Part I Advisor declaration and signature

By signing this application form, I agree to:

- Complete the Farm Financial Assessment as described in this application and in the Statement of Work agreed with the farm business.
- Submit the report to the farm business when the farm business is satisfied that the work is complete.
- Submit the final FFA report to OSCIA using the Secure Uploading Document System. (Contact OSCIA to obtain your username and password.)
- Not disclose information obtained to complete the assessment outside of the BDFB program under any circumstances.
- Follow the federal and provincial privacy and access to information legislation related to collecting, using, disclosing, protecting and retaining the producer's personal information.
- Review and discuss the conflict of interest declaration (Part J of this form) with the farm business.
- Disclose any conflict of interest situation to the farm business and to OSCIA Guelph as soon as I become aware of it.



Advisor's name (please print)

Advisor's signature

Date

## Part J Conflict of interest declaration

Advisors may be in a conflict of interest situation if their position in a business, or their personal interests, could improperly influence their judgment when carrying out the project. Typical situations where a conflict of interest may arise are those where an Advisor provides consulting services and advice to the producer at the same time as he or she:

1. Works for an organization that may gain financial advantages or benefits from the sale of farm inputs, products, goods or services;
2. Has an existing or potential financial interest in your affairs;
3. Has a family relationship with you (for example: father, daughter, brother or sister-in-law);
4. Is a direct competitor of yours;
5. Has any past, current, or potential interest in how the results of the analysis of your business or intellectual property will be used; or
6. Is currently employed by Agriculture and Agri-food Canada (AAFC) or the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) or Ontario Soil and Crop Improvement Association (OSCIA).

I have read the conflict of interest guidelines above, and have reviewed my own situation in light of these illustrations. (Select the appropriate box below)

To the best of my knowledge and belief, I am involved in no situation or action that might be regarded as a potential conflict of interest with my duties as an Advisor.

It appears that I am involved in some situations or actions that might be regarded as a potential conflict of interest with my expected duties as an Advisor.

Details of each of these situations and/or actions are as follows:

1.

2.

3.



Advisor's name (please print)

Advisor's signature

Date

# Next Steps

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- 1. Double check the application to make sure it is complete. Have you provided all the information needed in Parts A, B, C, D, E, F and G?
- 2. Have you attached the background information on your Advisor listed in Part F (if needed)?
- 3. Has the signing authority for your farm business signed Part H of the application?
- 4. Has your Advisor signed Parts I and J of the application?
- 5. Have you made one copy of your application and all the supporting documents for your records?
- 6. Send the original copy of the application form and any other supporting documents to:

**Ontario Soil and Crop Improvement Association**  
**1 Stone Road West, 1st Floor**  
**Guelph, Ontario N1G 4Y2**

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**OFFICE USE ONLY**

OSCIA Provincial Office Approval	
Conditional	Date
Full	Date

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**TERMS AND CONDITIONS**

1. I understand that the Project application form(s) and supporting material provided to OMAFRA or OSCIA may be subject to disclosure under the *Freedom of Information and Protection of Privacy Act* (Ontario) or the *Access to Information Act* (Canada) or pursuant to an order of a court or tribunal or pursuant to a legal proceeding.
2. I represent, warrant and covenant that all information provided in support of this request for funds, including information relating to any eligibility requirements, is true and complete.
3. I acknowledge that Canada-Ontario Farm Stewardship Program ("COFSP") / Growing Your Farm Profits: Planning for Business Success (the "Program"), is a voluntary awareness and education program designed to help Ontario farmers prepare confidential and self administered environmental projects and/or business plans for their farm business. While every effort has been made to ensure the accuracy and completeness of the information provided to participant(s) regarding the Program, including any printed or electronic material comments of any employees or agents of OSCIA or OMAFRA presented in association or made in connection therewith should not be considered or relied upon as definitive regarding legislation, techniques, means or methods of growing farm profits for the participant(s). I acknowledge and agree that I have been advised to seek the advice of and rely upon the appropriate technical and professional experts familiar with the applicable legislation, techniques, means and methods as the details of my/our situation may differ from those described in the Program.
4. If the Project is approved under the Program, I understand and accept that in accordance with the *Financial Administration Act* (Ontario), payment is subject to OMAFRA receiving all the necessary appropriation from the Ontario Legislature; OMAFRA receiving all the necessary monies from Canada under the Growing Forward agreements; and my/our compliance with all of the Program's requirements (a copy of which I acknowledge receipt thereof) and these terms and conditions.
5. If the Project is approved under the Program, I agree that I will be solely responsible for ensuring that I meet all technical, structural and legal requirements for this Project, including compliance with all federal and provincial laws or regulations, all municipal by-laws, and any other orders, rules or by-laws related to this Project.
6. If the Project is approved under the Program, I agree that OMAFRA, its authorized representatives or an independent auditor may, upon notice and during normal business hours, enter upon the Project premises for the purposes of inspection and audit. I further agree that these rights shall survive the completion of the Project for a period of seven years.
7. If the Project is approved under the Program, I understand that no member of the House of Commons or of the Senate shall derive any financial advantage or direct benefit from funding provided hereunder, if any, that would not be permitted under the *Parliament of Canada Act*.
8. If the Project is approved under the Program, I represent and warrant that no former federal public office holder or federal public servant who is not in compliance with the Conflict of Interest and Post-employment Code for Public Office Holders or the Conflict of Interest and Post-employment Code for the Public Service shall derive any financial advantage or direct benefit from funding provided hereunder, if any.
9. If the Project is approved under the Program, I represent and warrant that this application for Project funding disclosed all proposed sources of funding, including sources and amounts from federal, provincial or municipal governments, conservation groups, or private persons or other organizations, including in-kind contributions, and that I will continue to do so for the duration of this project. I declare that the total funds from federal, provincial or municipal government sources, conservation groups, or private persons or other organizations, including in-kind contributions, received or receivable, if any, do not or will not exceed 100 per cent of eligible costs as determined by OSCIA, and that no funding assistance will be acquired for the Project from any other Growing Forward initiative.
10. If the Project is approved under the Program, I represent, warrant and covenant that any information provided to OSCIA in support of this request for funds (including information relating to any eligibility requirements) shall continue to be true and complete for the term of the Project in every respect. I shall immediately notify OMAFRA or OSCIA of any changes to this information.
11. If the Project is approved under the Program, I agree that none of Canada, nor the Province of Ontario, nor OSCIA, nor any of their respective directors, officers, agents, employees, members, third party agents or representatives shall be liable to any applicant for any damage or loss whatsoever, or howsoever arising, including but not limited to, damage or loss arising from any advice, opinion, representation, warranty or the provision of information pursuant to this Program or Project, without limitation, whether such acts or omissions be negligent or not.
12. If the Project is approved under the Program, I hereby agree to indemnify and hold harmless Her Majesty the Queen in Right of Ontario and in Right of Canada and Her Ministers, directors, officers, agents, appointees, employees, agents or contractors from and against any and all liability, loss, costs, damages and expenses (including legal, expert and consultant fees), causes of action, actions, claims, demands, lawsuits or other proceedings, by whomever made, sustained, incurred, brought or prosecuted, in any way arising out of or in connection with the Project (cumulatively, "Claims"). I further agree that this indemnity shall survive the completion of the Project for a period of seven years.
13. If the Project is approved under the Program, I understand and accept that the following shall constitute an event of default: (i) failure to carry out the Project; (ii) failure to use the funds provided for the purpose of the Project; (iii) if required, failure to provide reports in accordance with the timelines and content specified by OSCIA; (iv) the nature of my/our operations or legal status changes so that I am no longer eligible for the Program; (v) cessation or suspension of operations; (vi) false, misleading or deceptive statements or representations to OMAFRA or OSCIA; (vii) an assignment, proposal, compromise or arrangement for the benefit of creditors, a petition into bankruptcy or a filing for the appointment of a receiver; (viii) or failure to otherwise comply with all of the Program's requirements or these terms and conditions. I also understand and accept that in the event of a default, OMAFRA or OSCIA has the right to take one or more of the following remedial measures: (i) delay the processing of an application; (ii) deem me/us ineligible for funding under the Program; (iii) suspend, reduce or cancel further funding; (iv) demand the immediate return of an amount equal to any funds provided to me/us under the Program or pursuant to this application; (v) or initiate any lawful remedy deemed appropriate. I agree to immediately comply with any remedial measure, including any demand for the return of funds. I further agree that any amount owing in the event of a default shall be deemed to be a debt to the Crown.
14. If the Project is approved under the Program, I understand and accept that any notice regarding this Cost-Share application shall be sufficiently given by regular mail, postage prepaid and mailed in a Canadian post office addressed to the respective parties at the addresses set out herein or to any other address as may be designated in writing by the parties, and that the date of receipt of any notice by mailing shall be deemed conclusively to be seven (7) days after the mailing.
15. If the Project is approved under the Program, I understand and accept that all amendments to these terms and conditions must be made in writing and executed by both parties.
16. I understand that other information I provide on this form and supporting documentation may be used for the purposes of evaluating, auditing, administering and promoting this Program and Growing Forward. This includes but is not limited to sharing the information with the federal government, OMAFRA and with third parties delivering other Growing Forward programs in order to confirm the information provided, verify eligibility for Program funding, and conduct Program analyses.
17. Notice to Collect Personal Information: Most information collected for this application is related to your business. However, supporting documentation, such as the Premises Identification Number Certificate, or confirmation of a religious exemption for a Farm Business Registration Number may contain personal information about identifiable individuals.
  - i. The collection of any personal information in supporting documents is necessary to administer the Business Development for Farm Businesses Program (BDFBP), which is part of the Growing Forward program. The information will be used to administer, evaluate, audit, verify and enforce BDFBP. It may be shared with other Growing Forward initiatives to verify cross-compliance or for audit purposes.
  - ii. Direct questions about the collection of personal information to: Agricultural Information Contact Centre, OMAFRA, 1 Stone Rd W, Guelph ON N1G 4Y2, phone 1-888-479-3931
  - iii. Indirect Collection of Personal Information: If supporting documents include personal information about an individual other than yourself, you must obtain the individual's consent. Example: If you intend to submit the name of a tenant that is not a business on the Premises Identification Number Certificate, the individual's signed consent is required with the information. A Consent for Indirect Collection of Personal Information form must be included with the personal information submitted. (form available from the Ontario Soil and Crop Improvement website.)

## Statement of Work Option 1: Cost of production

### Important Information

- The cost of production Farm Financial Assessment (FFA) includes up to four working days of service provided by the Advisor.
- A minimum of one farm visit is required.
- A follow-up review is available one year after the completion of the initial report.

### 1. Work to be completed by the Advisor

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#### The Advisor will:

- Before starting work, obtain from the farm business income tax returns for a minimum of two consecutive years as well as any other relevant financial information. In the case of First Nation Farmers and where Income Tax records are not available, the Advisor will try to collect any and all income- and expense-related information relevant to the completion of a financial statement.
- Collect all the data required to complete the analysis and reporting shown in Part 2 of this document.
- Prepare a written report in plain language that the farm business owner can understand. The report will include all of the information shown in Part 2 of this document that applies to this farm business.
- Review and discuss with the farm business the FFA results and make sure that it meets the objectives of the farm business for undertaking the FFA.
- Give a copy of the final FFA report to the farm business.
- Submit the final FFA report to Ontario Soil and Crop Improvement Association (OSCIA) using the Secure Uploading Document System. (Contact OSCIA for instructions and to obtain your username and password.)

### 2. Farm Financial Assessment report requirements

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#### a) Business Overview (maximum 1 page)

- The name and address of the farm business.
- A brief description of the operation outlining:
  - The type (for example: dairy, grains & oilseeds, grains & livestock, hog farrow to finish or weaner, poultry & fruit), quota holdings, and
  - Size (for example: total acres cultivated, size of herd) of enterprises
- A short statement explaining the farm business's key goals for undertaking the FFA.

#### b) Financial summary of profitability/viability of the farm operation (in plain language that the farm business owner can understand) including:

- Net worth.
- Net farm income.
- An explanation in plain language of the significance of ratios to the farm business and how the ratios relate to this farming operation.

#### • Financial plan:

- Assessment of the present profitability/viability of the operation.
- Analysis of the operation's ability to achieve the identified goals in the farm business Action Plan.

#### c) Farm financial statements

- Opening current market value balance sheet (current and long-term assets and liabilities, and net worth) for the month of the Advisor's initial farm visit. Include detailed assets and liabilities worksheets to support the balance sheet.
- Revenue and expense statement for the previous two consecutive years<sup>1</sup> using filed income tax statement information (from T2042, T1, T2 or CAIS/AgriStability forms.).

<sup>1</sup>These requirements may be optional for beginning farmers.

- A current year<sup>2</sup> revenue and expense projection for 12 consecutive months that will serve as the base year statement to compare with the previous years' statements. (If you find that this information is not available due to extraordinary circumstances, contact OSCIA for an exemption or direction.)
- A current year revenue and expense statement<sup>2</sup> on an accrual basis for 12 consecutive months providing for accrual adjustments in revenues, sales, inventory changes, and prices and accrual adjustments in variable and fixed expenses.

#### d) Farm business ratio analysis: six required ratios

The six mandatory ratios are: asset turnover, current ratio, operating profit margin ratio, return on assets, debt to equity ratio, debt repayment capacity ratio.

The Advisor will use these ratios to complete analysis of the following issues:

- **Financial efficiency: assesses how effective the business is in using its assets to generate income**  
Asset Turnover = gross farm sales divided by total farm assets
- **Liquidity: assesses the business's ability to pay their bills as they come due**  
Current Ratio = current assets divided by current liabilities
- **Profitability: measures how well the business is able to generate a profit**  
Operating profit margin ratio = (net farm income + interest expense – unpaid labour and return to management) divided by gross farm sales  
Return on assets = (net farm income + interest expense – unpaid labour and return to management) divided by total farm assets
- **Solvency: determines how much the business is relying on debt to finance the business**  
Debt to equity ratio = total liabilities divided by equity
- **Repayment capacity: measures the ability of a borrower to repay term farm debt from farm and non-farm income**  
Debt servicing capacity ratio = amount available to service debt divided by debt payment requirements

The farm business and Advisor may agree to use additional ratios if appropriate.

#### e) Financial plan: analysis of detailed cost of production for main enterprises

To complete the financial plan, the Advisor will:

- Identify the main enterprises of the farm business and the expected or historical production/yield results for each enterprise.
- Allocate whole farm revenue and individual expenses to the enterprises (current year and past two years).
- Calculate main margins for each enterprise on a per unit produced basis:  
Gross margin = gross enterprise revenue minus total variable costs  
Profit margin = gross enterprise revenue minus total costs
- Calculate the breakeven points for each enterprise:
  1. The minimum price to cover variable costs:  
Breakeven price to cover variable costs = total variable costs divided by expected (or historical) yield = \$ / unit produced
  2. The minimum price to cover all costs:  
Breakeven price to cover total costs = total costs divided by expected (or historical) yield = \$ / unit produced
  3. The minimum yield needed to cover all costs.  
Breakeven yield = total costs divided by expected price = unit produced
- Assess and discuss the profitability/viability of each enterprise. Determine if each enterprise is contributing to the profitability/viability of the farm business

<sup>2</sup> Current year – If a farm business is more than six (6) months into their current fiscal year at the time of the initial visit with the Advisor, the current year for the revenue and expense statement refers to either (a) a financial analysis and input beginning in the first month of their current fiscal year and running forward to the ending month of their current fiscal year, OR (b) projections for 12 consecutive months beginning with the statement date of the balance sheet assuming no operational or financial changes. If the farm business is less than six (6) months into their current fiscal year at the time of the initial visit with the Advisor, the previous fiscal year will be accepted as the current year (unless otherwise agreed to and approved by OSCIA).

## Statement of Work Option 2: Financial projections

### Important Information

- The financial projections Farm Financial Assessment (FFA) includes up to four working days of service provided by the Advisor.
- A minimum of one farm visit is required.
- A follow-up review is available one year after the completion of the initial report.

### 1. Work to be completed by the Advisor

---

#### The Advisor will:

- Before starting work, obtain from the farm business income tax returns for a minimum of two consecutive years as well as any other relevant financial information. In the case of First Nation Farmers and where Income Tax records are not available, the Advisor will try to collect any and all income- and expense-related information relevant to the completion of a financial statement.
- Collect all the data required to complete the analysis and reporting shown in Part 2 of this document.
- Prepare a written report in plain language that the farm business owner can understand. The report will include all of the information shown in Part 2 of this document that applies to this farm business.
- Review and discuss with the farm business the FFA results and make sure that it meets the objectives of the farm business for undertaking the FFA.
- Give a copy of the final FFA report to the farm business.
- Submit the final FFA report to Ontario Soil and Crop Improvement Association (OSCIA) using the Secure Uploading Document System. (Contact OSCIA for instructions and to obtain your username and password.)

### 2. Farm Financial Assessment report requirements

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#### a) Business Overview (maximum 1 page)

- The name and address of the farm business.
- A brief description of the operation outlining:
  - The type (for example: dairy, grains & oilseeds, grains & livestock, hog farrow to finish or weaner, poultry & fruit), quota holdings, and
  - Size (for example: total acres cultivated, size of herd) of enterprises
- A short statement explaining the farm business's key goals for undertaking the FFA.

#### b) Financial summary of profitability/viability of the farm operation (in plain language that the farm business owner can understand) including:

- Net worth.
- Net farm income.
- An explanation in plain language of the significance of ratios to the farm business and how the ratios relate to this farming operation.

#### • Financial plan:

- Assessment of the present profitability/viability of the operation.
- Analysis of the operation's ability to achieve the identified goals in the farm business's Action Plan.

#### c) Farm financial statements

- Opening current market value balance sheet (current and long-term assets and liabilities, and net worth) for the month of the Advisor's initial farm visit. Include detailed assets and liabilities worksheets to support the balance sheet.
- Revenue and expense statement for the previous two consecutive years<sup>1</sup> using filed income tax statement information (from T2042, T1, T2 or CAIS/AgriStability forms.).

<sup>1</sup>These requirements may be optional for beginning farmers.

- A current year<sup>2</sup> revenue and expense projection for 12 consecutive months that will serve as the base year statement to compare with the previous years' statements. (If you find that this information is not available due to extraordinary circumstances, contact OSCIA for an exemption or direction.)
- A current year revenue and expense statement<sup>2</sup> on an accrual basis for 12 consecutive months providing for accrual adjustments in revenues, sales, inventory changes, and prices and accrual adjustments in variable and fixed expenses.

#### d) Farm business ratio analysis: six required ratios

The six mandatory ratios are: asset turnover, current ratio, operating profit margin ratio, return on assets, debt to equity ratio, debt repayment capacity ratio.

The Advisor will use these ratios to complete analysis of the following issues:

- **Financial efficiency: assesses how effective the business is in using its assets to generate income**  
Asset Turnover = gross farm sales divided by total farm assets
- **Liquidity: assesses the business's ability to pay their bills as they come due**  
Current Ratio = current assets divided by current liabilities
- **Profitability: measures how well the business is able to generate a profit**  
Operating profit margin ratio = (net farm income + interest expense – unpaid labour and return to management) divided by gross farm sales  
Return on assets = (net farm income + interest expense – unpaid labour and return to management) divided by total farm assets
- **Solvency: determines how much the business is relying on debt to finance the business**  
Debt to equity ratio = total liabilities divided by equity
- **Repayment capacity: measures the ability of a borrower to repay term farm debt from farm and non-farm income**  
Debt servicing capacity ratio = amount available to service debt divided by debt payment requirements

The farm business and Advisor may agree to use additional ratios if appropriate.

#### e) Financial plan: financial projections for a minimum of one year (monthly or quarterly) to meet identified goals in the farm business's Action Plan.

The financial plan will consist of the following:

- After changes have been incorporated, complete projected income and expense estimates for a minimum of one year (monthly or quarterly) of the business cycle.
- An assessment and discussion of the profitability/ viability of the operation in the projected period.
- An outline of the impact on different areas of the farm business shown below. Address all aspects that apply:
  - Marketing
  - Production
  - Human Resources
  - Financial Management
  - Social Responsibility
  - Succession planning
  - Business Structure
  - Business Goals
- Projected statement of assets and liabilities taking into consideration any new investment in the business.
- Calculation of financial ratios for the projected period and comments. The ratios should include the ratios outlined in section (d) above (farm business ratio analysis).
- May include discussion of the benchmarking reports available to the farm business and their use/benefits.
- Cash flow projection (monthly or quarterly) for a minimum of one year.

<sup>2</sup> Current year – If a farm business is more than six (6) months into their current fiscal year at the time of the initial visit with the Advisor, the current year for the revenue and expense statement refers to either (a) a financial analysis and input beginning in the first month of their current fiscal year and running forward to the ending month of their current fiscal year, OR (b) projections for 12 consecutive months beginning with the statement date of the balance sheet assuming no operational or financial changes. If the farm business is less than six (6) months into their current fiscal year at the time of the initial visit with the Advisor, the previous fiscal year will be accepted as the current year (unless otherwise agreed to and approved by OSCIA).