

**British Columbia Investment
Agriculture Foundation
Financial Statements
For the year ended December 31, 2011**

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Financial Statements
For the year ended December 31, 2011

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Independent Auditor's Report

To the Members of British Columbia Investment Agriculture Foundation

We have audited the accompanying financial statements of the British Columbia Investment Agriculture Foundation ("BCIAF") which comprise the statement of financial position as at December 31, 2011 and the statements of operations and changes in net assets 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 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 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.

We believe 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 The British Columbia Investment Agriculture Foundation as at December 31, 2011, and its results of operations for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

BDO Canada LLP

Chartered Accountants


Vancouver, British Columbia
February 24, 2012

BC Investment Agriculture Foundation Statement of Financial Position

As at December 31

	Sustaining Fund	Canadian Adaptation and Rural Development Fund	Safety Net Fund	Agri-Food Futures Fund	Advancing Canadian Agriculture and Agri-Food Fund	Canadian Agricultural Adaptation Program Fund	2010 Industry Opportunities Fund	Poultry Industry Bio-Security Fund	Livestock Waste Tissue Fund	Meat Transition Assistance Program Fund
Assets										
Current										
Cash and Temporary Investments (Note 2 and Schedule 1)	\$ 32,155,271	\$ -	\$ -	\$ 7,683,476	\$ -	\$ 1,845,694	\$ -	\$ -	\$ -	\$ 3,675,676
Accounts Receivable	24,529	-	-	-	-	59,024	-	-	-	-
Prepaid Expenses	35,423	-	-	-	-	-	-	-	-	-
Due From Other Funds	-	17,886	7,513,768	-	1,912,633	-	80,294	861,777	2,532,626	-
Capital Assets (Note 3)	32,215,223	17,886	7,513,768	7,683,476	1,912,633	1,904,718	80,294	861,777	2,532,626	3,675,676
	92,767	-	-	-	-	-	-	-	963	-
	\$ 32,307,990	\$ 17,886	\$ 7,513,768	\$ 7,683,476	\$ 1,912,633	\$ 1,904,718	\$ 80,294	\$ 861,777	\$ 2,533,589	\$ 3,675,676
Liabilities and Net Assets										
Current Liabilities										
Accounts Payable and Accrued Liabilities	\$ 123,098	\$ -	\$ 496	\$ 12,581	\$ -	\$ -	\$ -	\$ -	\$ 2,779	\$ 17,894
Deferred Revenue	-	-	-	-	14,814	28,307	-	-	-	-
Due To Other Funds	16,680,392	-	-	623,413	-	34,408	-	-	-	8,906
	16,803,490	-	496	635,994	14,814	62,715	-	-	2,779	26,800
Net Assets										
Committed Funds (Note 6)	202,458	-	790,335	3,381,446	1,544,339	2,138,237	27,075	861,777	2,530,839	3,648,876
Uncommitted Funds	15,209,275	17,886	6,722,937	3,666,036	353,480	(296,234)	53,219	-	(992)	-
Invested in Capital Assets	92,767	-	-	-	-	-	-	-	963	-
	15,504,500	17,886	7,513,272	7,047,482	1,897,819	1,842,003	80,294	861,777	2,530,810	3,648,876
	\$ 32,307,990	\$ 17,886	\$ 7,513,768	\$ 7,683,476	\$ 1,912,633	\$ 1,904,718	\$ 80,294	\$ 861,777	\$ 2,533,589	\$ 3,675,676

Approved on behalf of the
British Columbia Investment Agricultural Foundation




 Director

**BC Investment Agriculture Foundation
Statement of Financial Position**

As at December 31 2011 2010

	Canada - B. C.		Okanagan		Tree Fruit		Tree Fruit		Ranching		Ranching		TOTAL
	On-Farm Poultry Bio-Security Pilot Fund	Agri-Innovation Program Fund	Tree Fruit Strategy Fund	Aquaculture Innovation Fund	Marketing and Infrastructure Innovative Initiative Federal Fund	Marketing and Infrastructure Innovative Initiative Provincial Fund	Marketing and Infrastructure Innovative Initiative Federal Fund	Marketing and Infrastructure Innovative Initiative Provincial Fund	Task Force Funding Initiative Provincial Fund	Task Force Funding Initiative Federal Fund	Task Force Funding Initiative Provincial Fund	Task Force Funding Initiative Federal Fund	
Assets													
Current													
Cash and Temporary Investments (Note 2 and Schedule 1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,360,117
Accounts Receivable	-	263,674	-	-	94,865	-	-	-	-	175,171	-	-	617,263
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	-	-	35,423
Due From Other Funds	274,654	-	215,877	419,820	-	2,012,881	-	-	2,038,613	-	-	-	-
Capital Assets (Note 3)	274,654	263,674	215,877	419,820	94,865	2,012,881	-	-	2,038,613	175,171	-	-	46,012,803
	\$ 274,654	\$ 263,674	\$ 215,877	\$ 419,820	\$ 94,865	\$ 2,012,881	\$ -	\$ -	\$ 2,038,613	\$ 175,171	\$ 46,106,533	\$ -	\$ 49,602,410
Liabilities and Net Assets													
Current Liabilities													
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,848
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-	-	43,121
Due To Other Funds	-	263,674	-	-	94,865	-	-	-	-	175,171	-	-	-
	-	263,674	-	-	94,865	-	-	-	-	175,171	-	-	199,969
Net Assets													203,154
Committed Funds (Note 6)	274,654	723,471	215,877	419,820	-	2,012,881	-	-	2,038,613	558,852	-	-	21,369,550
Uncommitted Funds	-	(723,471)	-	-	-	-	-	-	-	(558,852)	-	-	24,443,284
Invested in Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	93,730
	\$ 274,654	\$ 263,674	\$ 215,877	\$ 419,820	\$ 94,865	\$ 2,012,881	\$ -	\$ -	\$ 2,038,613	\$ 175,171	\$ 46,106,533	\$ -	\$ 49,602,410

Approved on behalf of the
British Columbia Investment Agricultural Foundation

 Director
 Director

BC Investment Agriculture Foundation
Statement of Operations and Changes in Net Assets

For the year ended December 31

	Sustaining Fund	Canadian Adaptation and Rural Development Fund	Safety Net Fund	Agri-Food Futures Fund	Advancing Canadian Agriculture and Agri-Food Fund	Canadian Agricultural Adaptation Program Fund	2010 Industry Opportunities Fund	Poultry Industry Bio-Security Fund	Livestock Waste Tissue Fund	Meat Transition Assistance Program Fund
Revenues										
Federal Government Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575,431	\$ -	\$ -	\$ -	\$ -
Provincial Government Grants	-	-	-	-	-	-	-	-	-	-
Provincial Contributions	-	-	-	-	-	-	-	-	-	-
Provincial Administration Contribution (Note 4)	-	-	-	-	-	-	-	-	-	-
Investment Income (Note 2 and Schedule 1)	1,098,086	-	-	326,920	89,799	18,794	-	-	-	164,869
Royalty Recoveries (Note 5)	10,891	-	-	-	-	-	-	-	-	-
	<u>1,108,977</u>	<u>-</u>	<u>-</u>	<u>326,920</u>	<u>89,799</u>	<u>594,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,869</u>
Expenses										
Programs										
Direct Expenditures	43,574	-	415,462	1,096,619	972,300	443,376	9,109	48,394	391,919	400,000
Administration	-	40	18,916	-	7,470	110,710	20	1,223	105,062	17,894
Directors' Fees	-	-	-	-	-	-	-	-	500	-
Board Initiated Programs	38,820	-	191,349	-	39,511	-	-	-	-	-
Collaborative Programs	-	-	-	-	13,253	375,244	-	-	-	-
Administration Provincial (Note 4)	-	-	-	-	-	-	-	-	-	-
Administration - Other	-	-	-	-	-	-	-	-	-	-
Direct	-	-	-	20,212	-	-	-	-	-	-
Allocated	937,416	-	-	65,000	99,752	-	-	-	-	-
Directors' Fees	-	-	-	63	-	-	-	-	-	-
Direct	116,135	-	-	-	-	-	-	-	-	-
Allocated	62,104	-	-	14,714	-	-	-	-	-	-
Investment Management and Custodian Fees	1,198,049	40	625,927	1,196,608	1,132,286	929,330	9,129	49,617	497,481	425,024
Excess (deficiency) of Revenues Over Expenses	(89,072)	(40)	(625,927)	(869,688)	(1,042,487)	(335,105)	(9,129)	(49,617)	(497,481)	(260,155)
Net Assets, Beginning of Year	15,593,572	17,926	8,139,199	7,917,170	2,940,306	2,177,108	89,423	911,394	3,028,291	3,909,031
Net Assets, End of Year	\$ 15,504,500	\$ 17,886	\$ 7,513,272	\$ 7,047,482	\$ 1,897,819	\$ 1,842,003	\$ 80,294	\$ 861,777	\$ 2,530,810	\$ 3,648,876

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements

**BC Investment Agriculture Foundation
Statement of Operations and Changes in Net Assets**

For the year ended December 31

2011

2010

	On-Farm Poultry Pilot Initiative	Canada - B.C. Agri-Innovation Program Fund	Okanagan Tree Fruit Strategy Fund	Aquaculture Innovation Fund	Tree Fruit Marketing and Infrastructure Innovative Initiative Federal Fund	Tree Fruit Marketing and Infrastructure Innovative Initiative Provincial Fund	Ranching Task Force Funding Initiative Provincial Fund	Ranching Task Force Funding Initiative Federal Fund	TOTAL	TOTAL
Revenues										
Federal Government Contributions	\$ -	\$ -	\$ -	\$ -	\$ 94,865	\$ -	\$ -	\$ 175,171	\$ 845,467	\$ 2,690,532
Provincial Government Grants	-	-	-	325,458	-	-	-	-	325,458	4,000,000
Provincial Contributions	-	263,674	-	-	-	-	-	-	263,674	-
Provincial Administration Contribution (Note 4)	-	-	-	-	-	-	-	-	-	6,656
Investment Income (Note 2 and Schedule 1)	-	-	8,059	-	-	76,124	75,423	-	1,858,074	3,251,447
Royalty Recoveries (Note 5)	-	-	-	-	-	-	-	-	10,891	10,396
	-	263,674	8,059	325,458	94,865	76,124	75,423	175,171	3,303,564	9,959,031
Expenses										
Programs										
Direct Expenditures	36,757	222,936	8,123	10,000	94,865	63,243	35,713	173,524	4,465,914	5,306,375
Administration	5,919	40,488	-	231	-	-	1,097	1,647	310,717	243,715
Directors' Fees	-	250	-	-	-	-	-	-	750	2,500
Board Initiated Programs	37,972	-	-	-	-	-	-	-	307,852	295,063
Collaborative Programs	-	-	-	-	-	-	-	-	388,497	294,282
Administration Provincial (Note 4)	-	-	-	-	-	-	-	-	-	6,656
Administration - Other	-	-	-	-	-	-	-	-	-	-
Direct	-	-	-	-	-	-	-	-	20,212	38,637
Allocated	-	-	-	-	-	-	-	-	1,102,168	1,126,204
Directors' Fees	-	-	-	-	-	-	-	-	63	-
Direct	-	-	-	-	-	-	-	-	116,135	127,367
Allocated	-	-	-	-	-	-	-	-	83,948	79,665
Investment Management and Custodian Fees	-	-	-	-	-	-	-	-	-	-
	80,648	263,674	8,123	10,231	94,865	63,243	36,810	175,171	6,796,256	7,520,464
Excess (deficiency) of Revenues Over Expenses	(80,648)	-	(64)	315,227	-	12,881	38,613	-	(3,492,692)	2,438,567
Net Assets, Beginning of Year	355,302	-	215,941	104,593	-	2,000,000	2,000,000	-	49,399,256	46,960,689
Net Assets, End of Year	\$ 274,654	\$ -	\$ 215,877	\$ 419,820	\$ -	\$ 2,012,881	\$ 2,038,613	\$ -	\$ 45,906,564	\$ 49,399,256

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

British Columbia Investment Agriculture Foundation Summary of Significant Accounting Policies

December 31, 2011

Fund Accounting	The Foundation's financial statements are prepared on a fund accounting basis. Inter-fund balances are eliminated.				
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.				
Capital Assets	<p>Purchased capital assets exceeding \$500 are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:</p> <table><tr><td>Computer equipment</td><td>- 30% diminishing-balance basis</td></tr><tr><td>Furniture and equipment</td><td>- 20% diminishing-balance basis</td></tr></table>	Computer equipment	- 30% diminishing-balance basis	Furniture and equipment	- 20% diminishing-balance basis
Computer equipment	- 30% diminishing-balance basis				
Furniture and equipment	- 20% diminishing-balance basis				
Revenue Recognition	<p>Contributions, grants, and royalty recoveries are recognized as revenue when received or when grant claims have been submitted for expenditures made under ongoing programs. Funds received or billed to cover specific program expenses of a fund are deferred until the related expense has been incurred.</p> <p>Grant revenues are unconditional transfers of funds to the Foundation for activities that meet eligibility criteria set by the funding program. Grants are not subject to government audit. Contributions, unlike grants, are subject to performance conditions that are specified in a contribution agreement. Contributions are subject to government audit.</p> <p>Investment income is also recorded as revenue when received and fluctuations in the market value of investments are recorded as investment income in the year such fluctuations occur.</p> <p>Royalty recoveries are credited to the Sustaining Fund unless otherwise specified in agreements with the various Fund sponsors.</p>				
Donated Goods and Services	The Foundation records donated goods and services as a contribution and corresponding expense where the amounts are reasonably determinable.				
Program Expenditure Recognition	The Foundation records amounts advanced under approved projects as an expense upon disbursement.				

British Columbia Investment Agriculture Foundation Summary of Significant Accounting Policies

December 31, 2011

Financial Instruments The Foundation's financial instruments include cash and temporary investments, accounts receivable, and accounts payable and accrued liabilities.

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. The classification depends on the purpose for which the financial instruments are acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. All transactions related to financial instruments are recorded on a settlement date basis.

The Foundation classified its cash and temporary investments as available-for-sale. As a result, they are carried in the Statement of Financial Position at fair value with changes in fair value recognized in the Statement of Operations. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, fair value is determined by using valuation techniques which refer to observable market data.

Financial instruments other than cash and temporary investments are recorded at cost. The fair value of these other financial instruments are considered to approximate their carrying value due to their short term nature.

Allocation of Expenses and Investment Income Among Funds

The Board has adopted a policy to allocate expenses and investment income among the funds as follows:

- expenses directly attributable to a Fund are charged to the Fund to which they relate;
- expenses are charged to the Agri-Food Futures (AFF) Fund pursuant to the terms of the Agri-Food Futures Trust Agreement;
- in consideration of the activity required to administer the Advancing Canadian Agriculture and Agri-Food Fund (ACAAF) program an annual allocation of 9% of non-fund specific expenses is charged to this Fund;
- all other non-fund specific expenses are recorded in the Sustaining Fund where they are expected to be covered by investment revenues allocated to that Fund;

British Columbia Investment Agriculture Foundation Summary of Significant Accounting Policies

December 31, 2011

Allocation of Expenses and Investment Income Among Funds - Continued

- investment income and investment management and custodian fees related to the MTAP, CAAP and AFF Funds are recorded in their respective Funds;
- the ACAAF Fund, OTFS, RTF, and TFMIII Fund are allocated a portion of investment income net of investment management and custodian fees based on their average fund balances in the year relative to the other remaining average fund balances; and
- the remaining investment income is recorded in the Sustaining Fund to cover other non-fund specific expenses.

Statement of Cash Flows

A statement of cash flows has not been provided as cash flow information is readily available from the financial statements.

Future Direction Of Standards for Not-for-profit Organizations

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Foundation, are as follows:

Future Accounting Framework

The Accounting Standards Board has approved a new framework for the new accounting standards for not-for-profit organizations that is based on existing Canadian GAAP and incorporates the 4400 series of standards which relate to situations unique to not-for-profit organizations. The new standard is available as Part III of the CICA Handbook - Accounting, and is effective January 1, 2012. Early adoption is permitted. Not-for-profit organizations have the option of adopting International Financial Reporting Standards.

British Columbia Investment Agriculture Foundation Notes to the Financial Statements

December 31, 2011

1. Operations

The British Columbia Investment Agriculture Foundation (the "Foundation") was incorporated under the British Columbia Society Act as a not-for-profit Society on October 31, 1996. The Foundation has ten member organizations representing the agri-food, rural and agri-business sectors. The Foundation is dedicated to assisting British Columbia's producers, processors, agri-business and rural communities to adapt, diversify and grow. A Board consisting of 13 directors, representing a diversity of perspectives across the entire industry, and an ex-officio, non-voting director from each of the federal and provincial governments manages the Foundation.

The Foundation is exempt from income taxes under the Income Tax Act (Canada).

The Foundation invests, manages, and disburses provincial and federal funds under a number of general and specified programs as follows:

(a) General Program Funds

The Canadian Adaptation and Rural Development ("CARD") Fund - in March 1999, the federal Minister of Agriculture and Agri-Food Canada announced funding allocations for regional adaptation councils and national programs. The CARD Fund reports these funding contributions and the related program expenses.

The Safety Net ("SN") Fund - the SN Fund reports funding contributions received from the federal and provincial governments and the related program expenses used to fund projects in the agriculture and agri-food industry which are market driven and developmental in nature, or to facilitate structural changes needed by the sector to meet future challenges.

The Agri-Food Futures ("AFF") Fund - in March 2001, the Province and the Foundation entered into a Trust Agreement to assist the agriculture and agri-food industry in achieving and maintaining competitiveness and self reliance. During 2001 and 2002, the Foundation received an aggregate of \$22,818,001 in funding contributions from the Province. The Trust Agreement provides that the Province, as settlor of the trust, may pay additional money into the AFF Fund from time to time. The AFF Fund reports these funding contributions and the related program expenses. Pursuant to the Trust Agreement with the Province, the Foundation acts as Trustee over the funds. Pursuant to the terms of this agreement, allocations of general administration to this fund are limited to the greater of 0.5% of the average Fund balance or \$65,000 annually.

The Advancing Canadian Agriculture and Agri-Food ("ACAAF") Fund - in April 2004, the federal Minister of Agriculture and Agri-Food Canada announced, as a successor to the CARD program, funding of \$8,500,000 for five years for national, multi-regional and regional initiatives in the production and processing sector to enable current and emerging issues to be addressed.

British Columbia Investment Agriculture Foundation Notes to the Financial Statements

December 31, 2011

1. Operations - Continued

The Foundation has received \$9,339,585 to date under this initiative. The ACAAF Fund reports these contributions and the related program expenses. Funding for the Program ended March 31, 2009. The remaining funds will be granted according to the CAAP Fund criteria.

(b) Specified Program Funds

The Canadian Agricultural Adaptation Program ("CAAP") Fund - in October 2009, the Foundation entered into a contribution agreement with the Minister of Agriculture and Agri-Food that provides for funding, subject to the Minister's discretion, of up to \$6,228,873 to the CAAP Fund, plus a potential \$1,185,480 of funding for collective outcome funding, over a five-year period. The objective of CAAP is to facilitate the agriculture, agri-food, and agri-based products sector's ability to seize opportunities, to respond to new and emerging issues, and pathfind and pilot solutions to new and ongoing issues in order to help it adapt and remain competitive.

The 2010 Industry Opportunities ("2010") Fund - in March 2005, the Foundation received a \$1,000,000 grant from the provincial government towards implementing a 2010 Industry Opportunities Initiative. It is expected that the Fund will enable eligible industry applicants to develop strategies and programs to increase the awareness of, and demand for, British Columbia agriculture, food, seafood and beverage products and the products and services of the agri-tourism, culinary tourism and garden-inspired tourism sectors, and to capitalize on the opportunities associated with the 2010 Vancouver Winter Olympics.

The Poultry Industry Bio-Security ("AI") Fund - in March 2005, the Foundation received a \$1,500,000 grant from the provincial government towards implementing recommendations flowing from the Canadian Poultry Industry Forum - Avian Influenza - Lessons Learned and Moving Forward.

In 2007, the Foundation received an additional \$100,000 grant from the provincial government to establish a fund for the clean-up and disposal on non supply-managed premises infected by avian influenza.

The Livestock Waste Tissue ("LWT") Fund - in March 2005, the Foundation received a one-time contribution of \$5,000,000 toward the implementation of the British Columbia Waste and Specified Risk Material Handling and Disposal Strategy. The fund will assist British Columbia livestock producers, slaughter facility operators and renderers in their pursuit of sustainable waste tissue management methods by facilitating, supporting and coordinating: research, feasibility studies, pilot and demonstration projects, infrastructure development and transitional waste handling through strategic partnerships, education and awareness.

British Columbia Investment Agriculture Foundation Notes to the Financial Statements

December 31, 2011

1. Operations - Continued

The Meat Transition Assistance Program ("MTAP") Fund - in April 2006, the Foundation received a \$4,000,000 grant from the provincial government towards helping British Columbia's new and existing slaughter houses meet the standards under the Ministry of Health's Meat Inspection Regulation by September 30, 2007. This program has been introduced to increase livestock slaughter capacity throughout British Columbia by ensuring there are sufficient licensed facilities to provide livestock producers reasonable access to slaughter services. In March 2008 the Foundation received \$3,255,000 of additional funding for the MTAP Program from the provincial government.

The On-Farm Poultry Bio-Security Pilot ("OPBP") Fund - in April 2006, the Foundation received a \$1,500,000 grant from the federal government towards funding pilot projects for on-farm biosecurity which encompass all sectors of the poultry industry in British Columbia. The goal is to nationally position Canada's poultry sector to reduce the incidence and spread of avian influenza and other zoonotic diseases that threaten domestic poultry premises in Canada.

The Canada-BC Agri-Innovation Program ("INN") - in June 2011 the Foundation entered into an agreement with the BC Ministry of Agriculture to deliver the Canada-BC Agri-Innovation Program throughout the province during the remainder of the Growing Forward Agreement (2011-2013). In aggregate, \$1,500,000 is funded through the federal and provincial Growing Forward Agreement. Amounts spent under this program are initially funded through the Sustaining Fund until claims are made under the terms of the agreement. The Agri-Innovation Program supports projects that lead to innovation that will enhance profitability and competitiveness, both on-farm and throughout the rest of the supply chain.

Okanagan Tree Fruit Strategies ("OTFS") Fund - in March 2007 the Foundation was entrusted with \$3,000,000 from the provincial government to enable British Columbia's Tree Fruit industry to implement the Okanagan Tree Fruit Strategy and deliver the orchard replant program. The Ministry of Agriculture and Lands has stipulated that the British Columbia Fruit Growers Association have the final authority for decisions on the best use of these funds.

Aquaculture Innovation ("AQUA") Fund - in March 2009 the Foundation received \$160,000 from the BC Pacific Salmon Forum in support of technological innovation for closed-system aquaculture and ecosystem-based management. In August and September 2011, the Foundation received an additional total of \$325,458 from Fisheries and Oceans Canada, at the request of the provincial government, to further support aquaculture innovation and capacity building through projects such as evaluation of closed containment aquaculture, and the development of sustainable aquaculture projects, practices and technologies.

British Columbia Investment Agriculture Foundation
Notes to the Financial Statements

December 31, 2011

1. Operations - Continued

Tree Fruit Marketing and Infrastructure Innovative Initiative (TFMIII) Fund (Provincial and Federal) - in September 2010 the Foundation received \$2,000,000 from the provincial government in support of strategic investments in the Tree Fruit Sector. For the federal portion, amounts spent under this initiative are initially funded through the Sustaining Fund until claims are made with the federal government. This initiative will improve the competitiveness of the BC tree fruit industry through investment in innovative and environmentally friendly technology in packing and storage infrastructure; development of marketing and value added opportunities to increase consumption of fresh and processed apples; and development of strategies and measures to address pest management and other environmental issues. Assessment of the competitiveness of the BC apple industry is a critical component of the initiative. The underlying goal is to improve the net returns to growers while enhancing societal values through improved environmental sustainability and consumer health. In general, projects should result in broad industry benefits.

Ranching Task Force (RTF) Funding Initiative Fund (Provincial and Federal) - in September 2010 the Foundation received \$2,000,000 from the provincial government in support of priorities identified by the Ranching Task Force. The total funding available for this initiative is \$5,000,000 which includes the \$2,000,000 received from the provincial government and a further \$3,000,000 available from the federal government. For the federal portion, amounts spent under this initiative are initially funded through the Sustaining Fund until claims are made with the federal government. This initiative will improve the competitiveness of the BC beef industry through strategic investments in: market research and development of attribute branding, development of certification/standards to support attribute branding, value-chain innovation and development; new product incubation/development and investment; consumer education and business missions to support new exporters in emerging markets; and technological innovations that reduce costs or increase value.

The underlying goal is to create more value for beef produced in BC. In general projects should result in broad industry benefits.

In addition to the above general and specified program Funds the Foundation maintains a **Sustaining Fund** to provide a solid financial base to continue its investments in industry development for many years to come. This Fund records net investment income and expenses not otherwise allocated to other Funds.

British Columbia Investment Agriculture Foundation
Notes to the Financial Statements

December 31, 2011

2. Cash and Temporary Investments

	2011				
	Terms to Maturity (in Years)				
	Under 1	1 to 5	Over 5	No Fixed Maturity	Total (at Market)
Cash	\$ 1,921,924	\$ -	\$ -	\$ -	\$ 1,921,924
Treasury Bills	8,211,322	-	-	-	8,211,322
Government and government guaranteed bonds	4,353,647	4,040,315	11,173,899	-	19,567,861
Corporate bonds, debentures, and notes	-	4,696,840	3,859,473	-	8,556,313
Equities	-	-	-	7,102,697	7,102,697
	\$ 14,486,893	\$ 8,737,155	\$ 15,033,372	\$ 7,102,697	\$ 45,360,117

	2010				
	Terms to Maturity (in Years)				
	Under 1	1 to 5	Over 5	No Fixed Maturity	Total (at Market)
Cash	\$ 2,468,817	\$ -	\$ -	\$ -	\$ 2,468,817
Term deposits	6,000,000	-	-	-	6,000,000
Government and government guaranteed bonds	-	10,752,502	13,017,393	-	23,769,895
Corporate bonds, debentures, and notes	-	6,022,251	3,719,277	-	9,741,528
Equities	-	-	-	7,317,181	7,317,181
Other	-	-	-	134,234	134,234
	\$ 8,468,817	\$ 16,774,753	\$ 16,736,670	\$ 7,451,415	\$ 49,431,655

As at December 31, 2011, the treasury bills bear interest at rates ranging from 0.88% to 1.33%. In the prior year, the term deposit bore interest at 0.95%. Government and government guaranteed bonds bear interest at rates ranging from 1.85% to 11.0% (2010 - 2.30% to 11.0%). Corporate bonds, debentures and notes bear interest from 3.02% to 7.90% (2010 - 3.18% to 7.90%).

Investment Income

The details of total investment income for the year are as follows:

	2011	2010
Interest and dividends	\$ 1,701,856	\$ 1,981,578
Realized gains	341,200	466,403
Unrealized (losses) gains	(184,982)	803,466
	\$ 1,858,074	\$ 3,251,447

British Columbia Investment Agriculture Foundation
Notes to the Financial Statements

December 31, 2011

3. Capital Assets

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 155,165	\$ 63,513	\$ 91,652	\$ 82,282
Furniture and equipment	5,619	3,541	2,078	2,599
	\$ 160,784	\$ 67,054	\$ 93,730	\$ 84,881

4. Provincial Administration Contribution

Effective January 5, 2009, the Ministry withdrew the provision of a full-time equivalent staff person but agreed to continue to provide a half equivalent (0.5) support person to March 31, 2010. Effective April 1, 2009, the Foundation entered into a Memorandum of Understanding with the Ministry through which the Ministry fully recovers costs for office space, workstations, office equipment and supplies made available to the Foundation. This Memorandum of Understanding terminates on March 31, 2014 and may be renewed for an additional term upon agreement of both parties.

5. Royalty Recovery Agreements

The Foundation has entered into royalty recovery agreements with program recipients which require the recipients to pay royalties on sales of products developed with financial assistance from the Foundation, up to the amount of the original funding.

6. Committed Funds

The Foundation has made various commitments to make program expenditures. Some funds are committed by way of contract with program fund recipients, some funds have been committed by approval of the Board but are awaiting execution of a signed contract and other funds have been reserved by the Board to apply to specific approved projects and/or initiatives. As at December 31, 2011 the Foundation had approved the funding of projects committing the Foundation to payments approximately as follows:

British Columbia Investment Agriculture Foundation
Notes to the Financial Statements

December 31, 2011

6. Committed Funds - Continued

	General Program Funds					Specified Program Funds	Total
	Sustaining Fund	CAAP Fund	SN Fund	AFF Fund	ACAA Fund		
Funds committed by contract							
2012	\$ 202,458	\$ 470,128	\$ 596,839	\$ 116,383	\$ 608,313	\$ 1,065,422	\$ 3,059,543
2013	-	1,342,177	49,000	25,980	684,465	274,480	2,376,102
2014	-	-	3,000	-	-	301,614	304,614
2015	-	-	6,750	-	251,561	-	258,311
	<u>202,458</u>	<u>1,812,305</u>	<u>655,589</u>	<u>142,363</u>	<u>1,544,339</u>	<u>1,641,516</u>	<u>5,998,570</u>
Funds committed by Board approval	-	325,932	134,746	181,895	-	918,542	1,561,115
Reserves	-	-	-	3,057,188	-	10,752,677	13,809,865
Total funds committed	<u>\$ 202,458</u>	<u>\$ 2,138,237</u>	<u>\$ 790,335</u>	<u>\$ 3,381,446</u>	<u>\$ 1,544,339</u>	<u>\$13,312,735</u>	<u>\$ 21,369,550</u>

Specified Program Funds

Funds Committed by:

	Contract	Board	Reserves	Total
2010 Fund	\$ 27,075	\$ -	\$ -	\$ 27,075
Al Fund	372,239	-	764,192	1,136,431
LWT Fund	148,094	47,912	2,334,833	2,530,839
OTFS Fund	215,877	-	-	215,877
MTAP Fund	-	-	3,648,876	3,648,876
INN Fund	333,471	390,000	-	723,471
AQUA Fund	14,000	-	405,820	419,820
Tree Fruit Sector	-	-	2,012,881	2,012,881
Ranching Task Force	530,760	480,630	1,586,075	2,597,465
Total	<u>\$ 1,641,516</u>	<u>\$ 918,542</u>	<u>\$10,752,677</u>	<u>\$ 13,312,735</u>

British Columbia Investment Agriculture Foundation
Notes to the Financial Statements

December 31, 2011

7. Financial Instrument Risks

The Foundation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at December 31, 2011.

(a) Credit Risk

Credit risk is the risk that the Foundation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash and temporary investments and accounts receivable. The Foundation limits its exposure to credit risk by placing its cash and temporary investments with high credit quality governments, financial institutions and corporations in accordance with investment policies adopted by the Board. Accounts receivable are due from the federal and provincial governments, and various agriculture associations.

(b) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is not exposed to foreign exchange risk as all financial instruments are denominated in Canadian dollars.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of cash and temporary investments are as disclosed in Note 2.

(d) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

British Columbia Investment Agriculture Foundation
Notes to the Financial Statements

December 31, 2011

7. Financial Instrument Risks - Continued

(e) Liquidity Risk

Liquidity risk is the risk that the Foundation will not be able to meet its obligations as they fall due. The Foundation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due and tracks commitments to ensure funds committed do not exceed fund balances (Note 6).

The Foundation has adopted by-laws established in accordance with the Society Act to limit the amount of credit exposure in any one type of investment instrument and to ensure investments meet specified minimum standards of quality. The Foundation has also adopted an investment policy pursuant to which investments are managed conservatively to secure the preservation of capital and the availability of liquid funds as required by the Foundation. The Foundation retains a qualified investment firm to invest surplus funds in accordance with its investment policy.

British Columbia Investment Agriculture Foundation
Schedule 1 - Cash and Temporary Investments

December 31, 2011

	Sustaining Fund	AFFF Fund	MTAP Fund	CAAP Fund	2011 Market Value	2010 Market Value
Cash	\$ 20,842	\$ 27,859	\$ 27,529	\$ 1,845,694	\$ 1,921,924	\$ 2,468,816
Treasury Bills	6,131,034	1,506,604	573,684	-	8,211,322	-
Term Deposits	-	-	-	-	-	6,000,000
Government and Government Guaranteed Bonds	14,398,996	3,324,200	1,844,665	-	19,567,861	23,769,895
Corporate bonds, debentures, and notes	6,338,869	1,579,095	638,349	-	8,556,313	9,741,529
Equities	5,265,530	1,245,718	591,449	-	7,102,697	7,317,181
Other	-	-	-	-	-	134,234
	32,155,271	7,683,476	3,675,676	1,845,694	45,360,117	49,431,655
Represented by:						
Investments at Cost	31,221,628	7,334,648	3,589,169	1,845,694	43,991,139	47,877,696
Unrealized Market Value Adjustment	933,643	348,828	86,507	-	1,368,978	1,553,959
Total Book Value	\$ 32,155,271	\$ 7,683,476	\$ 3,675,676	\$ 1,845,694	\$ 45,360,117	\$ 49,431,655