

CANOLA GROWERS

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Manitoba
Canola Growers

FINANCIAL REPORT 2013-2014

**MANITOBA CANOLA GROWERS
ASSOCIATION INC.**

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

JULY 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board
Manitoba Canola Growers Association Inc.

I have audited the accompanying financial statements of Manitoba Canola Growers Association Inc., which comprise the statement of financial position as at July 31, 2014, and the statement of operations, statement of changes in net assets and statement of 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 accounting standards for not-for-profit organizations, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis of Qualified Opinion

Management has selected to measure investments in equity instruments at unamortized cost, which constitutes a departure from Canadian accounting standards for not-for-profit organizations which require investments in equity instruments to be measured at fair value without any adjustment for transaction costs with the change in fair value being recognized as an unrealized gain or loss on the statement of operations in the period incurred. This treatment by management has resulted in the non reporting of unrealized gains of \$196,673 in fiscal 2014 (\$138,178 in fiscal 2013).

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Manitoba Canola Growers Association Inc. as at July 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



D. F. George
Chartered Accountant Inc.

Carman, Manitoba
November 12, 2014

STATEMENT OF FINANCIAL POSITION AS AT JULY 31, 2014

	2014	Restated 2013
ASSETS		
CURRENT ASSETS		
Bank (note 2)	\$ 319,314	\$ 187,384
Investments (note 4)		
Reserve (note 6)	500,000	500,000
Contingency (note 6)	40,000	40,000
Unrestricted	3,431,938	3,321,349
Receivables		
Check-off (notes 2 and 7)	383,555	263,111
Prepaid expenses	69,174	20,338
	4,743,981	4,332,182
CAPITAL ASSETS, net (notes 2 and 3)	19,417	16,421
	\$ 4,763,398	\$ 4,348,603
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals (note 5)	\$ 216,826	\$ 196,077
Deferred check-off revenue (notes 2 and 7)	2,710,317	2,088,886
	2,927,143	2,284,963
NET ASSETS		
Net assets invested in capital assets	19,417	16,421
Net assets internally restricted (note 6)	540,000	540,000
Unrestricted net assets	1,276,838	1,507,219
	1,836,255	2,063,640
	\$ 4,763,398	\$ 4,348,603

Approved on Behalf of the Board

Director: 
Ed Rempel

Director: 
Hugh Drake

See accompanying notes to the financial statements:

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JULY 31, 2014

	Invested in Capital Assets	Internally Restricted	Unrestricted	2014 Total	Restated 2013 Total
NET ASSETS					
Balance,					
beginning of year	\$ 16,421	\$ 540,000	\$ 1,507,219	\$ 2,063,640	\$ 2,185,459
Acquisitions	8,718	–	(8,718)	–	–
Excess (deficiency) of					
revenue over expenses	(5,722)	–	(221,663)	(227,385)	(121,819)
Balance, end of year	\$ 19,417	\$ 540,000	\$ 1,276,838	\$ 1,836,255	\$ 2,063,640

See accompanying notes to the financial statements:

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2014

	2014	Restated 2013
REVENUES		
Check-off (net of refunds - notes 2 and 7)	\$ 2,088,886	\$ 1,933,247
Investment income	155,479	155,723
Gain (loss) on disposal of capital assets	(2,395)	-
	<u>2,241,970</u>	<u>2,088,970</u>
EXPENSES		
Administration		
Board	36,881	31,665
Office	289,018	278,444
Maximizing net income	626,813	555,663
Canola farmer	510,361	495,834
Sustainable production	496,685	333,639
Canola Council of Canada core funding (note 8)	466,010	476,773
Investment fees	37,865	32,980
Amortization of capital assets	5,722	5,791
	<u>2,469,355</u>	<u>2,210,789</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (227,385)	\$ (121,819)

See accompanying notes to the financial statements:

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JULY 31, 2014

	2014	Restated 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (227,385)	\$ (121,819)
Amortization of capital assets	5,722	5,791
(Gain) loss on disposal of capital assets	2,395	-
Decrease (increase) in check off receivables	(120,444)	(75,871)
Decrease (increase) in prepaid expenses	(48,836)	12,403
Increase (decrease) in accounts payable	20,749	76,248
Increase (decrease) in deferred check-off	621,431	155,639
Cash from (to) operating	253,632	52,391
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(110,589)	173,477
Purchase of capital assets	(11,113)	(4,856)
Cash from (to) financing and investing	(121,702)	168,621
Net increase (decrease) in cash	131,930	221,012
Cash beginning of year	187,384	(33,628)
Cash end of year	\$ 319,314	\$ 187,384

See accompanying notes to the financial statements:

SCHEDULE OF EXPENSES FOR THE YEAR ENDED JULY 31, 2014

	2014	2013
ADMINISTRATION - BOARD		
Advertising	\$ 8,605	\$ 1,500
Memberships and subscriptions	7,475	3,125
Professional fees - audit and legal	20,801	27,040
	\$ 36,881	\$ 31,665
ADMINISTRATION - OFFICE		
Office operating	\$ 289,018	\$ 278,444
MAXIMIZING NET INCOME		
Ag In the Classroom	\$ 20,000	\$ 20,000
ACC Kitchen	60,000	60,000
Biodiesel	20,693	21,875
Education and promotion manager's budget	289,493	213,053
Education and promotion manager's office	131,510	126,706
Extension meetings	95,118	113,873
Market development	10,000	156
	\$ 626,813	\$ 555,663

See accompanying notes to the financial statements:

SCHEDULE OF EXPENSES FOR THE YEAR ENDED JULY 31, 2014

	2014	2013
CANOLA FARMER		
Ag Days	\$ 21,525	\$ 25,518
Annual general meeting	3,681	40,346
Board operating	44,423	69,540
Canola utilization meetings	–	1,186
Canola Digest	3,853	4,124
Election	40,375	–
Event and communication coordinator expense	72,590	–
Event and communication coordinator budget	115,907	78,545
Member relations	155,698	205,375
Richardson International project	5,000	5,000
Sponsorships and donations	20,453	25,156
Web page	26,857	41,044
	\$ 510,361	\$ 495,834
SUSTAINABLE PRODUCTION		
CARP, ongoing	\$ 113,763	\$ 142,521
CARP, new	86,667	20,902
Clubroot research	42,257	41,900
Canola performance trials	50,453	86,477
Research and technology meetings	2,545	7,839
Soil tests	136,800	9,000
Science Clusters	60,000	–
Nitrogen plant feasibility	–	25,000
Blackleg resistance management strategy	4,200	–
	\$ 496,685	\$ 333,639

See accompanying notes to the financial statements:

NOTES TO THE FINANCIAL STATEMENTS July 31, 2014

1 Purpose of the Association

Manitoba Canola Growers Association Inc. is a member organization committed to maximizing net income for canola farmers through sustainable production. The association was incorporated under the Manitoba Corporations Act on July 8, 1982 as a not-for-profit organization and is exempt under the Income Tax Act under section 149 (1)(e) as an agricultural organization.

2 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. Outlined below are those policies considered particularly significant for the association.

Revenue Recognition

The association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Check-off revenue is recognized in the same manner as restricted contributions. Current year check-off collections form the basis of the following year's scheduled expenditures. 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. Investment income is recognized as revenue when earned. Seminar fees are recognized as revenue when the seminars are held.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided on a declining balance basis over the assets' estimated useful lives at the following annual rates:

<i>Office and presentation equipment</i>	20%
<i>Computers</i>	30%

Contributed Services

Contributed services or materials, which are nominal, are not recognized in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consists of a bank chequing account.

NOTES TO THE FINANCIAL STATEMENTS July 31, 2014

Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Financial Instruments

The association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, investments and accounts receivable. The financial liabilities measured at amortized cost include trade accounts payable and accrued liabilities.

3 Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	2014	2013	2014	2013	2014	2013
Office equipment	\$ 7,167	\$ 5,740	\$ 5,231	\$ 4,925	\$ 1,936	\$ 815
Presentation	–	6,743	–	6,409	–	334
Computers	34,160	39,382	16,679	24,110	17,481	15,272
	\$ 41,327	\$ 51,865	\$ 21,910	\$ 35,444	\$ 19,417	\$ 16,421

4 Investments

The investments are held with CIBC Private Wealth Management consisting of Canadian bonds and Canadian and International equities. The market value as at July 31, 2014 is \$4,351,513. Canadian bonds constitute 70% of the portfolio, Canadian equities 10% and International equities 20%.

NOTES TO THE FINANCIAL STATEMENTS July 31, 2014

5 Accounts Payable and Accrued Liabilities

	2014	2013
Trade payables	\$ 64,100	\$ 116,920
Wages payable	14,436	10,338
Check-off refunds	138,290	68,819
	\$ 216,826	\$ 196,077

6 Restrictions on Net Assets

In 1999 the Board of Directors established a \$40,000 contingency fund in order to supply funds to wind down staff expenses and other commitments.

The Board of Directors have set the reserve fund at a maximum contribution level of \$500,000. The purpose of the fund is to establish a financial reserve to meet financial commitments should there be a shortfall in revenues.

The internally restricted funds are not available for other purposes without approval of the Board of Directors.

7 Deferred Check-off Revenue

	2014	2013
Gross check-offs	\$ 2,951,349	\$ 2,252,361
Check-offs refunded to producers	241,032	163,475
Net check-off revenue deferred	\$ 2,710,317	\$ 2,088,886

Accrued check-offs due but not yet received as at year end is \$383,555 (\$263,111 in 2013).

NOTES TO THE FINANCIAL STATEMENTS July 31, 2014

8 Commitments

The association is currently subletting office space at a rate of \$1,175 per month pending lease negotiations. Commencing in fiscal 2010 the association changed its methodology of funding certain projects and entered into a core funding agreement with the Canola Council of Canada. The 2015 core funding commitment is \$619,002. The association has also entered into funding agreements for long term research projects and sponsorships and have committed the following amounts.

Year	Amount
2015	\$ 309,702
2016	152,067
2017	60,000
2018	60,000

9 Actual vs. Budget

The main categories comparison is as follows:

	2014 Budget	2014 Actual
Maximizing Net Income	\$ 655,000	\$ 626,813
Canola Farmer	749,000	510,361
Sustainable Production	532,977	496,685
Administration	378,000	325,899
Canola Council of Canada core funding	466,010	466,010
	\$ 2,780,987	\$ 2,425,768

NOTES TO THE FINANCIAL STATEMENTS July 31, 2014

10 Financial Risk

The association is exposed to various risks through its financial instruments.

Credit risk

Credit risk is the risk that the collectors of the levies (purchasers) will fail to remit to the association. The association is not exposed to significant credit risk as remittances are due monthly and the purchasers are bound to perform such services under the Agricultural Producers Organization Funding Act.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade account payables and accrued liabilities are generally paid within thirty days and bank overdrafts are settled from fund transfers from investments. This risk is reduced due to the high dollar value of investments.

Interest rate risk and other price risk

The association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the association to the fair value risk while the floating rate instruments subject it to cash flow risk. The exposure to this type of risk is the result of investments in bonds. The association is exposed to price risk with the possibility of a reduction in the market price of its investments. The association's revenues may be materially impacted by changes in market prices and interest rates on its investments. The association manages exposure through monitoring financial reports received from the financial institution, which regularly rebalances the investment portfolio.

11 Restatement of 2013 Financial Statements

Investment income was reduced by \$48,897 to adjust for an accounting error that occurred in recording return on capital receipts.



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