

Manitoba Canola Growers Association Inc.

Independent Auditor's Report

Financial Statements

July 31, 2015

Manitoba Canola Growers Association Inc.

July 31, 2015

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D.F. George Chartered Accountant Inc.
Box 567, 113 2nd Street SW
Carman, Manitoba
R0G 0J0

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, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 \$106,990 in fiscal 2015 (\$196,673 in fiscal 2014).

D.F. George Chartered Accountant Inc.
Box 567, 113 2nd Street SW
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Independent Auditor's Report

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, 2015 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
December 18, 2015

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2015

	2015	2014
Assets		
Current Assets		
Bank (note 2)	\$ 316,044	\$ 319,314
Investments (note 4)		
Reserve (note 6)	500,000	500,000
Contingency (note 6)	40,000	40,000
Unrestricted	3,609,004	3,431,938
Receivables		
Check-off (notes 2 and 7)	404,941	383,555
Pest surveillance initiative funding	101,164	-
Prepaid expenses	20,074	69,174
	<u>4,991,227</u>	<u>4,743,981</u>
CAPITAL ASSETS, net (notes 2 and 3)	21,339	19,417
	<u>5,012,566</u>	<u>4,763,398</u>
Total Assets	\$ 5,012,566	\$ 4,763,398

The accompanying notes are an integral part of these financial statements.

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2015

	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals (note 5)	\$ 194,046	\$ 216,826
Deferred check-off revenue (notes 2 and 7)	2,562,326	2,710,317
	<u>2,756,372</u>	<u>2,927,143</u>
Net Assets		
Net assets invested in capital assets	21,339	19,417
Net assets internally restricted (note 6)	540,000	540,000
Unrestricted net assets	1,694,855	1,276,838
	<u>2,256,194</u>	<u>1,836,255</u>
Total Liabilities and Net Assets	\$ 5,012,566	\$ 4,763,398

Approved on Behalf of the Board:



_____, Director



_____, Director

The accompanying notes are an integral part of these financial statements.

Manitoba Canola Growers Association Inc.

Statement of Changes in Net Assets

For the Year Ended July 31, 2015

	Invested in Capital Assets	Internally Restricted	Unrestricted	2015 Total	2014 Total
NET ASSETS					
Balance, beginning of year	\$ 19,417	\$ 540,000	\$ 1,276,838	\$ 1,836,255	\$ 2,063,640
Acquisitions	8,673	-	(8,673)	-	-
Excess (deficiency) of revenue over expenses	(6,751)	-	426,690	419,939	(227,385)
Balance, end of year	\$ 21,339	\$ 540,000	\$ 1,694,855	\$ 2,256,194	\$ 1,836,255

The accompanying notes are an integral part of these financial statements.

Manitoba Canola Growers Association Inc.

Statement of Operations

For the Year Ended July 31, 2015

	2015	2014
Revenues		
Check-off (net of refunds - notes 2 and 7)	\$ 2,710,317	\$ 2,088,886
Investment income	240,098	155,479
Gain (loss) on disposal of capital assets	-	(2,395)
Pest surveillance initiative funding	152,235	-
	<u>3,102,650</u>	<u>2,241,970</u>
Expenses (schedule 1)		
Administration		
Board	16,035	36,881
Office	333,491	289,018
Maximizing net income	730,582	626,813
Canola farmer	518,782	510,361
Sustainable production	412,540	496,685
Canola Council of Canada core funding (note 8)	619,000	466,010
Investment fees	45,530	37,865
Amortization of capital assets	6,751	5,722
	<u>2,682,711</u>	<u>2,469,355</u>
Excess (deficiency) of revenues over expenses	<u>\$ 419,939</u>	<u>\$ (227,385)</u>

The accompanying notes are an integral part of these financial statements.

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2015

Schedule of Expenses

	2015	2014
ADMINISTRATION - BOARD		
Advertising	\$ -	\$ 8,605
Memberships and subscriptions	2,795	7,475
Professional fees - audit and legal	13,240	20,801
	\$ 16,035	\$ 36,881
ADMINISTRATION - OFFICE		
Office operating	\$ 333,491	\$ 289,018
MAXIMIZING NET INCOME		
Ag in the Classroom	\$ 31,667	\$ 20,000
ACC Kitchen	60,000	60,000
Biodiesel	10,150	20,693
Education and promotion manager's budget	378,824	289,492
Education and promotion manager's office	138,752	131,510
Extension meetings	101,189	95,118
Market development	10,000	10,000
	\$ 730,582	\$ 626,813

The accompanying notes are an integral part of these financial statements.

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2015

Schedule of Expenses

	2015	2014
CANOLA FARMER		
Ag Days	\$ 26,976	\$ 21,525
Annual general meeting	9,062	3,681
Board operating	39,702	44,423
Canola Digest	-	3,852
Election	-	40,375
Event and communication coordinator expense	74,546	72,590
Event and communication coordinator budget	124,060	115,907
Member relations	208,547	155,698
Richardson International project	5,000	5,000
Sponsorships and donations	12,620	20,453
Web page	18,269	26,857
	\$ 518,782	\$ 510,361
SUSTAINABLE PRODUCTION		
CARP, ongoing	\$ 33,133	\$ 113,763
CARP, new	84,147	86,667
Clubroot research	-	42,257
Canola performance trials	61,834	50,453
Pest monitoring systems	5,000	-
Pest surveillance initiative	152,235	130,000
Research and technology meetings	6,616	2,545
Soil tests	5,375	6,800
Science Clusters	60,000	60,000
Blackleg resistance management strategy	4,200	4,200
	\$ 412,540	\$ 496,685

The accompanying notes are an integral part of these financial statements.

Manitoba Canola Growers Association Inc.

Statement of Cash Flows

For the Year Ended July 31, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 419,939	\$ (227,385)
Amortization of capital assets	6,751	5,722
(Gain) loss on disposal of capital assets	-	2,395
Decrease (increase) in check-off receivables	(21,386)	(120,444)
Decrease (increase) in pest surveillance initiative funding	(101,164)	-
Decrease (increase) in prepaid expenses	49,100	(48,836)
Increase (decrease) in accounts payable and accruals	(22,780)	20,749
Increase (decrease) in deferred check-off revenue	(147,991)	621,431
Cash from (to) operating	<u>182,469</u>	<u>253,632</u>
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(177,066)	(110,589)
Purchase of capital assets	(8,673)	(11,113)
Cash from (to) financing and investing	<u>(185,739)</u>	<u>(121,702)</u>
Net increase (decrease) in cash	(3,270)	131,930
Cash beginning of year	319,314	187,384
Cash end of year	<u>\$ 316,044</u>	<u>\$ 319,314</u>

The accompanying notes are an integral part of these financial statements.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2015

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

a. Basis of Presentation

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 significant for the association.

b. 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.

c. Capital Assets

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

Office equipment	20%
Computers	30%

d. Contributed Services

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

e. Cash and Cash Equivalents

Cash and cash equivalents consists of a bank chequing account.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2015

2 Significant Accounting Policies continued

f. 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.

g. 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 as 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

	2015	2015	2015	2014
	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	\$ 10,799	\$ (5,981)	\$ 4,818	\$ 1,936
Computers	39,200	(22,679)	16,521	17,481
	<u>\$ 49,999</u>	<u>\$ (28,660)</u>	<u>\$ 21,339</u>	<u>\$ 19,417</u>

4 Investments

The investments, held with CIBC Private Wealth Management, consist of Canadian bonds and Canadian and International equities. The market value as at July 31, 2015 is \$4,698,244. Canadian bonds constitute 69% of the portfolio, Canadian equities 10% and International equities 21%.

5 Accounts Payable and Accrued Liabilities

	2015	2014
Trade payables	\$ 95,617	\$ 64,100
Wages payable	-	14,436
Check-off refunds	98,429	138,290
Total	<u><u>\$ 194,046</u></u>	<u><u>\$ 216,826</u></u>

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2015

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

	2015	2014
Gross check-offs	\$ 2,781,483	\$ 2,951,349
Check-offs refunded to producers	219,157	241,032
Net check-off revenue deferred	\$ 2,562,326	\$ 2,710,317

Accrued check-offs due but not yet received as at year end is \$404,941 (\$383,555 in 2014).

8 Commitments

The association entered a sub-lease for office space from June 1, 2015 to December 31, 2019 for a rate of \$1,842 per month for the first 51 months and \$1,912 for the final 4 months. 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 2016 core funding commitment is \$595,008. The association has also entered into funding agreements for long term research projects and sponsorships and have committed the following amounts.

Year	Amount
2016	\$ 250,414
2017	157,725
2018	\$ 74,200

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2015

9 Actual vs. Budget

The main categories comparison is as follows:

	2015 Budget	2015 Actual
Maximizing Net Income	\$ 705,000	\$ 730,582
Canola Farmer	734,000	518,782
Sustainable Production	496,687	412,540
Administration	392,000	349,526
Canola Council of Canada core funding	529,874	619,000
	\$ 2,857,561	\$ 2,630,430

10 Financial Instruments

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 accounts 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.

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Independent Auditor's Report

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, 2015 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
December 18, 2015