

Manitoba Canola Growers Association Inc.

Independent Auditor's Report

Financial Statements

July 31, 2016

Manitoba Canola Growers Association Inc.

July 31, 2016

Table of Contents

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Changes in Net Assets	5
Statement of Operations	6
Schedule of Expenses	7
Statement of Cash Flows	9
Notes to the Financial Statements	10

George & Associates Chartered Professional Accountants Inc.
Box 567, 113 2nd Street SW
Carman, Manitoba
R0G 0J0

Independent Auditor's Report

To the Board
Manitoba Canola Growers Association Inc.

We have audited the accompanying financial statements of Manitoba Canola Growers Association Inc., which comprise the statement of financial position as at July 31, 2016 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.

Auditors' 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 loss of \$32,460 in fiscal 2016 (gain of \$106,990 in fiscal 2015).

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Independent Auditor's Report

Qualified Opinion

In our 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, 2016 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.

George + Assoc.

George & Associates Chartered Professional Accountants Inc.

Carman, Manitoba
November 25, 2016

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2016

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Bank (note 2)	\$ 351,457	\$ 316,044
Investments (note 4)		
Reserve (note 6)	500,000	500,000
Contingency (note 6)	40,000	40,000
Unrestricted	3,737,111	3,609,004
Receivables		
Check-off (notes 2 and 7)	338,686	404,941
Pest surveillance initiative funding	-	101,164
Prepaid expenses	16,156	20,074
	<u>4,983,410</u>	<u>4,991,227</u>
Capital Assets (notes 2 and 3)		
Cost	66,832	49,999
Accumulated amortization	(37,105)	(28,660)
	<u>29,727</u>	<u>21,339</u>
Total Assets	<u><u>\$ 5,013,137</u></u>	<u><u>\$ 5,012,566</u></u>

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

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2016

	2016	2015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals (note 5)	\$ 157,546	\$ 194,046
Deferred check-off revenue (notes 2 and 7)	2,666,315	2,562,326
	<u>2,823,861</u>	<u>2,756,372</u>
Total Liabilities	<u>2,823,861</u>	<u>2,756,372</u>
Net Assets		
Net assets invested in capital assets	29,727	21,339
Net assets internally restricted (note 6)	540,000	540,000
Unrestricted net assets	1,619,549	1,694,855
	<u>2,189,276</u>	<u>2,256,194</u>
Total Liabilities and Net Assets	<u>\$ 5,013,137</u>	<u>\$ 5,012,566</u>

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, 2016

	Invested in Capital Assets	Internally Restricted	Unrestricted	2016 Total	2015 Total
NET ASSETS					
Balance, beginning of year	\$ 21,339	\$ 540,000	\$ 1,694,855	\$ 2,256,194	\$ 1,836,255
Acquisitions	16,833	-	(16,833)	-	-
Excess (deficiency) of revenue over expenses	(8,445)	-	(58,473)	(66,918)	419,939
Balance, end of year	\$ 29,727	\$ 540,000	\$ 1,619,549	\$ 2,189,276	\$ 2,256,194

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, 2016

	2016	2015
Revenues		
Check-off (net of refunds) (notes 2 and 7)	\$ 2,562,326	\$ 2,710,317
Investment income	179,348	240,098
Pest surveillance initiative funding	94,572	152,235
	<u>2,836,246</u>	<u>3,102,650</u>
Expenses (schedule 1)		
Administration		
Board	55,844	16,035
Office	328,520	333,491
Maximizing net income	688,146	730,582
Canola farmer	626,839	518,782
Sustainable production	554,588	412,540
Canola Council of Canada core funding (note 8)	595,008	619,000
Investment fees	45,774	45,530
Amortization of capital assets	8,445	6,751
	<u>2,903,164</u>	<u>2,682,711</u>
Excess (deficiency) of revenues over expenses	<u>\$ (66,918)</u>	<u>\$ 419,939</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2016

Schedule of Expenses

	<u>2016</u>	<u>2015</u>
ADMINISTRATION - BOARD		
Memberships and subscriptions	\$ 4,902	\$ 2,795
Professional fees - audit and legal	50,942	13,240
	<u>\$ 55,844</u>	<u>\$ 16,035</u>
ADMINISTRATION - OFFICE		
Office operating	\$ 328,520	\$ 333,491
MAXIMIZING NET INCOME		
Ag in the Classroom	\$ 20,000	\$ 31,667
ACC Kitchen	-	60,000
Biodiesel	11,799	10,150
Education and promotion manager's budget	384,969	378,824
Education and promotion manager's office	148,304	138,752
Extension meetings	101,530	101,189
Market development	21,544	10,000
	<u>\$ 688,146</u>	<u>\$ 730,582</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2016

Schedule of Expenses

	2016	2015
CANOLA FARMER		
Board development and training	\$ 1,649	\$ 1,515
Board operating	56,359	38,187
Canola utilization meetings	520	-
Election	45,401	-
Event and communication coordinator budget	141,371	142,329
Event and communication coordinator expense	74,395	74,546
GMO movie	45,000	-
Member relations	234,655	244,585
MLA reception	5,219	-
Ottawa Museum Canola partnership	5,000	-
Richardson International project	5,000	5,000
Sponsorships and donations	12,270	12,620
	\$ 626,839	\$ 518,782
SUSTAINABLE PRODUCTION		
Agrotain and Super Urea	\$ 36,800	\$ -
Blackleg resistance management strategy	29,000	4,200
Canola Yield Study	10,010	-
Canola performance trials	57,523	61,834
CARP, ongoing	99,091	33,133
Manitoba weed survey	9,511	-
Meal market research	10,000	-
Pest monitoring systems	5,000	5,000
Pest Surveillance Initiative	94,572	152,235
Research and technology meetings	6,105	6,616
Research Projects - new	97,450	84,147
Science Clusters	60,000	60,000
Soil tests	4,676	5,375
Verticillium research	34,850	-
	\$ 554,588	\$ 412,540

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, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (66,917)	\$ 419,939
Amortization of capital assets	8,445	6,751
Decrease (increase) in check-off receivables	66,255	(21,386)
Decrease (increase) in pest surveillance initiative funding	101,164	(101,164)
Decrease (increase) in prepaid expenses	3,918	49,100
Increase (decrease) in accounts payable and accruals	(36,501)	(22,780)
Increase (decrease) in deferred check-off revenue	103,989	(147,991)
Cash from (to) operating	<u>180,353</u>	<u>182,469</u>
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(128,107)	(177,066)
Purchase of capital assets	(16,833)	(8,673)
Cash from (to) financing and investing	<u>(144,940)</u>	<u>(185,739)</u>
Net increase (decrease) in cash	35,413	(3,270)
Cash beginning of year	<u>316,044</u>	<u>319,314</u>
Cash end of year	<u>\$ 351,457</u>	<u>\$ 316,044</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, 2016

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 CPA Canada 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, 2016

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

	2016	2016	2016	2015
	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	\$ 10,799	\$ (6,945)	\$ 3,854	\$ 4,818
Computers	56,033	(30,160)	25,873	16,521
	<u>\$ 66,832</u>	<u>\$ (37,105)</u>	<u>\$ 29,727</u>	<u>\$ 21,339</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, 2016 is \$4,787,767 (2015 - \$4,698,244). Canadian bonds constitute 70% of the portfolio, Canadian equities 11% and International equities 19%.

5 Accounts Payable and Accrued Liabilities

	2016	2015
Trades Payable	\$ 26,410	\$ 95,617
Wages payable	-	-
Check-off refunds	131,136	98,429
Total	<u>\$ 157,546</u>	<u>\$ 194,046</u>

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2016

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

	<u>2016</u>	<u>2015</u>
Gross check-offs	\$ 2,924,547	\$ 2,781,483
Check-offs refunded to producers	<u>258,232</u>	<u>219,157</u>
Net check-off revenue deferred	<u>\$ 2,666,315</u>	<u>\$ 2,562,326</u>

Accrued check-offs due but not yet received as at year end is \$338,686 (\$404,941 in 2015).

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 2017 core funding commitment is \$630,294.

The association has also entered into funding agreements for long term research projects and sponsorships and have committed the following amounts.

<u>Year</u>	<u>Amount</u>
2017	\$ 390,457
2018	175,050
2019	10,600
2020	\$ 5,000

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2016

9 Actual vs. Budget

The main categories comparison is as follows:

	2016 Budget	2016 Actual
Maximizing Net Income	\$ 715,000	\$ 688,146
Canola Farmer	806,750	626,839
Sustainable Production	539,290	554,588
Administration	418,000	384,364
Canola Council of Canada core funding	595,008	595,008
	\$ 3,074,048	\$ 2,848,945

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.