

Manitoba Canola Growers Association Inc.

Independent Auditor's Report

Financial Statements

July 31, 2017

Manitoba Canola Growers Association Inc.

July 31, 2017

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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, 2017 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 a unrealized gain of \$72,283 in fiscal 2017 (loss of \$32,460 in fiscal 2016).

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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, 2017 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 & Associates

George & Associates Chartered Professional Accountants Inc.

Carman, Manitoba
November 21, 2017

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2017

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Bank (note 2)	\$ 52,833	\$ 351,457
Investments (note 4)		
Reserve (note 6)	500,000	500,000
Contingency (note 6)	40,000	40,000
Unrestricted	3,856,041	3,737,111
Receivables		
Check-off (notes 2 and 7)	379,984	338,686
Trade	4,816	-
Prepaid expenses	213,630	16,156
	<u>5,047,304</u>	<u>4,983,410</u>
Capital Assets (notes 2 and 3)		
Cost	74,490	66,832
Accumulated amortization	(46,786)	(37,105)
	<u>27,704</u>	<u>29,727</u>
Total Assets	<u>\$ 5,075,008</u>	<u>\$ 5,013,137</u>

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

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2017

	<u>2017</u>	<u>2016</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals (note 5)	\$ 164,928	\$ 157,546
Deferred check-off revenue (notes 2 and 7)	<u>2,800,296</u>	<u>2,666,315</u>
	<u>2,965,224</u>	<u>2,823,861</u>
Total Liabilities	<u>2,965,224</u>	<u>2,823,861</u>
Net Assets		
Net assets invested in capital assets	27,703	29,727
Net assets internally restricted (note 6)	540,000	540,000
Unrestricted net assets	<u>1,542,081</u>	<u>1,619,549</u>
	<u>2,109,784</u>	<u>2,189,276</u>
Total Liabilities and Net Assets	<u>\$ 5,075,008</u>	<u>\$ 5,013,137</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, 2017

	Invested in Capital Assets	Internally Restricted	Unrestricted	2017 Total	2016 Total
NET ASSETS					
Balance, beginning of year	\$ 29,727	\$ 540,000	\$ 1,619,549	\$ 2,189,276	\$ 2,256,194
Acquisitions	7,658	-	(7,658)	-	-
Excess (deficiency) of revenue over expenses	(9,682)	-	(69,810)	(79,492)	(66,918)
Balance, end of year	\$ 27,703	\$ 540,000	\$ 1,542,081	\$ 2,109,784	\$ 2,189,276

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, 2017

	2017	2016
Revenues		
Check-off (net of refunds) (notes 2 and 7)	\$ 2,666,315	\$ 2,562,326
Investment income	171,414	179,348
Pest surveillance initiative funding	145,771	94,572
	<u>2,983,500</u>	<u>2,836,246</u>
Expenses (schedule 1)		
Administration		
Board	28,022	55,844
Office	663,517	328,520
Maximizing net income	581,671	688,146
Canola farmer	529,407	626,839
Sustainable production	573,006	554,588
Canola Council of Canada core funding (note 8)	630,294	595,008
Investment fees	47,393	45,774
Amortization of capital assets	9,682	8,445
	<u>3,062,992</u>	<u>2,903,164</u>
Excess (deficiency) of revenues over expenses	<u>\$ (79,492)</u>	<u>\$ (66,918)</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2017

Schedule of Expenses

	2017	2016
ADMINISTRATION - BOARD		
Memberships and subscriptions	\$ 4,275	\$ 4,902
Professional fees - audit and legal	23,747	50,942
	\$ 28,022	\$ 55,844
ADMINISTRATION - OFFICE		
Office operating (note 11)	\$ 663,517	\$ 328,520
MAXIMIZING NET INCOME		
Ag in the Classroom	\$ 20,065	\$ 20,000
Biodiesel	11,892	11,799
Education and promotion manager's budget	436,383	384,969
Education and promotion manager's office (note 11)	12,021	148,304
Extension meetings	86,239	101,530
Market development	15,071	21,544
	\$ 581,671	\$ 688,146

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2017

Schedule of Expenses

	2017	2016
CANOLA FARMER		
Board development and training	\$ 8,732	\$ 1,649
Board operating	83,484	56,359
Canola utilization meetings	-	520
Election	-	45,401
Event and communication coordinator budget	154,332	141,371
Event and communication coordinator expense (note 11)	19,327	74,395
GMO movie	-	45,000
Member relations	222,986	234,655
MLA reception	-	5,219
Ottawa Museum Canola partnership	5,000	5,000
Richardson International project	5,000	5,000
Sponsorships and donations	10,602	12,270
Strategic planning	19,944	-
	\$ 529,407	\$ 626,839
SUSTAINABLE PRODUCTION		
Agrotain and Super Urea	\$ -	\$ 36,800
Blackleg resistance management strategy	-	29,000
Canola yield study	15,750	10,010
Canola performance trials	92,150	57,523
CARP, ongoing	150,328	99,091
HydroGeoSphere modeling platform	4,000	-
Manitoba weed survey	-	9,511
Meal market research	-	10,000
Pest monitoring systems	5,000	5,000
Pest Surveillance Initiative	136,504	94,572
Research and technology meetings	6,518	6,105
Research projects - new	92,083	97,450
Science Clusters	60,000	60,000
Soil tests	7,500	4,676
Verticillium research	3,173	34,850
	\$ 573,006	\$ 554,588

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, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (79,492)	\$ (66,917)
Amortization of capital assets	9,682	8,445
Decrease (increase) in trade receivables	(4,816)	-
Decrease (increase) in check-off receivables	(41,298)	66,255
Decrease (increase) in pest surveillance initiative funding	-	101,164
Decrease (increase) in prepaid expenses	(197,474)	3,918
Increase (decrease) in accounts payable and accruals	7,381	(36,501)
Increase (decrease) in deferred check-off revenue	133,981	103,989
Cash from (to) operating	<u>(172,036)</u>	<u>180,353</u>
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(118,930)	(128,107)
Purchase of capital assets	(7,658)	(16,833)
Cash from (to) financing and investing	<u>(126,588)</u>	<u>(144,940)</u>
Net increase (decrease) in cash	(298,624)	35,413
Cash beginning of year	351,457	316,044
Cash end of year	<u>\$ 52,833</u>	<u>\$ 351,457</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, 2017

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, 2017

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

	2017	2017	2017	2016
	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	\$ 10,799	\$ (7,716)	\$ 3,083	\$ 3,854
Computers	63,691	(39,070)	24,621	25,873
	<u>\$ 74,490</u>	<u>\$ (46,786)</u>	<u>\$ 27,704</u>	<u>\$ 29,727</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, 2017 is \$4,891,484 (2016 - \$4,787,767). Canadian bonds constitute 67% of the portfolio, Canadian equities 12% and International equities 21%.

5 Accounts Payable and Accrued Liabilities

	2017	2016
Trades Payable	\$ 34,643	\$ 26,410
Wages payable	2,416	-
Check-off refunds	127,869	131,136
Total	<u>\$ 164,928</u>	<u>\$ 157,546</u>

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2017

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

	2017	2016
Gross check-offs	\$ 3,078,580	\$ 2,924,547
Check-offs refunded to producers	278,284	258,232
Net check-off revenue deferred	\$ 2,800,296	\$ 2,666,315

Accrued check-offs due but not yet received as at year end is \$379,984 (\$338,686 in 2016).

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 2018 estimated core funding commitment is \$644,068. This amount is subject to change as the current agreement with the Canola Council of Canada was under review as of the audit report date.

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

Year	Amount
2018	\$ 412,133
2019	223,983
2020	189,333
2021	\$ 184,333

The above commitments include the association's agreement to fund the Pest Surveillance Initiative Lab basic operations costs (\$166,000 per year) for the 2019 and future years. This commitment is subject to change as the funding commitment is on a pro-rated basis and will be reduced by any government funding and contract revenue received during the year.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2017

9 Actual vs. Budget

The main categories comparison is as follows:

	2017 Budget	2017 Actual
Maximizing Net Income	\$ 597,000	\$ 581,671
Canola Farmer	703,500	529,407
Sustainable Production	688,643	573,006
Administration	702,325	691,539
Canola Council of Canada core funding	630,294	630,294
	\$ 3,321,762	\$ 3,005,917

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 re-balances the investment portfolio.

11 Comparative Figures

The comparative financial statement figures have not been adjusted to conform to the new accounting policy in regards to the allocation of staff wages. Previously reported financial statements allocated wages to specific categories based on duties performed. For the current year, all staff salaries have been reported in Administration - Office.