

Manitoba Canola Growers Association Inc.

Independent Auditor's Report

Financial Statements

July 31, 2018

Manitoba Canola Growers Association Inc.

July 31, 2018

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George & Associates Chartered Professional Accountants Inc.
Box 567, 113 2nd Street SW
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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, 2018 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Canola Growers Association Inc. as at July 31, 2018 and its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



George & Associates Chartered Professional Accountants Inc.

Carman, Manitoba
December 05, 2018

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2018

| | <u>2018</u> | <u>Restated 2017</u> |
|---------------------------------------|---------------------|--------------------------|
| Assets | | |
| Current Assets | | |
| Bank (note 2) | \$ 332,324 | \$ 52,833 |
| Investments (note 4) | | |
| Reserve (note 6) | 500,000 | 500,000 |
| Contingency (note 6) | 40,000 | 40,000 |
| Unrestricted | 4,560,867 | 4,351,484 |
| Receivables | | |
| Check-off (notes 2 and 7) | 435,742 | 379,984 |
| Trade | 2,955 | 4,816 |
| Prepaid expenses | 177,971 | 213,630 |
| | <u>6,049,859</u> | <u>5,542,747</u> |
| Capital Assets (notes 2 and 3) | | |
| Cost | 97,460 | 74,490 |
| Accumulated amortization | (58,089) | (46,786) |
| | <u>39,371</u> | <u>27,704</u> |
| Total Assets | <u>\$ 6,089,230</u> | <u>\$ 5,570,451</u> |

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

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2018

| | 2018 | Restated 2017 |
|--|---------------------|---------------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accruals (note 5) | \$ 230,514 | \$ 164,925 |
| Credit card payable | 5,477 | - |
| Deferred check-off revenue (notes 2 and 7) | 2,994,001 | 2,800,296 |
| | <u>3,229,992</u> | <u>2,965,221</u> |
| Total Liabilities | <u>3,229,992</u> | <u>2,965,221</u> |
| Net Assets | | |
| Net assets invested in capital assets | 39,371 | 27,704 |
| Net assets internally restricted (note 6) | 540,000 | 540,000 |
| Unrestricted net assets | 2,279,867 | 2,037,526 |
| | <u>2,859,238</u> | <u>2,605,230</u> |
| Total Liabilities and Net Assets | <u>\$ 6,089,230</u> | <u>\$ 5,570,451</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, 2018

| | Invested in Capital Assets | Internally Restricted | Unrestricted | 2018 Total | Restated 2017 Total |
|--|---|----------------------------------|---------------------|-----------------------|------------------------------------|
| NET ASSETS | | | | | |
| Balance, beginning of year | \$ 27,704 | \$ 540,000 | \$ 2,037,526 | \$ 2,605,230 | \$ 2,699,935 |
| Acquisitions | 22,970 | - | (22,970) | - | - |
| Excess (deficiency) of revenue over expenses | (11,303) | - | 265,311 | 254,008 | (94,705) |
| Balance, end of year | \$ 39,371 | \$ 540,000 | \$ 2,279,867 | \$ 2,859,238 | \$ 2,605,230 |

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, 2018

| | 2018 | Restated 2017 |
|--|-------------------|--------------------|
| Revenues | | |
| Check-off (net of refunds) (notes 2 and 7) | \$ 2,800,296 | \$ 2,666,315 |
| Investment income | 365,104 | 171,414 |
| Pest surveillance initiative funding | 20,000 | 145,771 |
| | <u>3,185,400</u> | <u>2,983,500</u> |
| Expenses (schedule 1) | | |
| Administration | | |
| Board | 27,680 | 28,022 |
| Office | 743,680 | 663,517 |
| Maximizing net income | 513,280 | 581,671 |
| Canola farmer | 408,167 | 529,407 |
| Sustainable production | 626,388 | 573,006 |
| Canola Council of Canada core funding (note 8) | 454,472 | 630,294 |
| Investment fees | 48,181 | 47,393 |
| Amortization of capital assets | 11,303 | 9,682 |
| | <u>2,833,151</u> | <u>3,062,992</u> |
| Income (loss) from operations | <u>352,249</u> | <u>(79,492)</u> |
| Non operating income and expenses | | |
| Royalty income | 46 | - |
| Unrealized investment gains (losses) | (98,287) | (15,213) |
| | <u>(98,241)</u> | <u>(15,213)</u> |
| Excess (deficiency) of revenues over expenses | <u>\$ 254,008</u> | <u>\$ (94,705)</u> |

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2018

Schedule of Expenses

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| ADMINISTRATION - BOARD | | |
| Memberships and subscriptions | \$ 4,029 | \$ 4,275 |
| Professional fees - audit and legal | 23,651 | 23,747 |
| | <u>\$ 27,680</u> | <u>\$ 28,022</u> |
| ADMINISTRATION - OFFICE | | |
| Office operating | \$ 743,680 | \$ 663,517 |
| MAXIMIZING NET INCOME | | |
| Ag in the Classroom | \$ 20,000 | \$ 20,065 |
| Biodiesel | 5,542 | 11,892 |
| Education and promotion manager's budget | 365,710 | 436,383 |
| Education and promotion manager's office | 12,447 | 12,021 |
| Extension meetings | 99,581 | 86,239 |
| Market development | 10,000 | 15,071 |
| | <u>\$ 513,280</u> | <u>\$ 581,671</u> |

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2018

Schedule of Expenses

| | 2018 | 2017 |
|---|-------------------|-------------------|
| CANOLA FARMER | | |
| Board development and training | \$ 6,958 | \$ 8,732 |
| Board operating | 68,336 | 83,484 |
| Election | 21 | - |
| Event and communication coordinator budget | 141,569 | 154,332 |
| Event and communication coordinator expense | 10,279 | 19,327 |
| Member relations | 160,442 | 222,986 |
| Ottawa Museum Canola partnership | 5,000 | 5,000 |
| Richardson International project | 5,000 | 5,000 |
| Sponsorships and donations | 10,562 | 10,602 |
| Strategic planning | - | 19,944 |
| | \$ 408,167 | \$ 529,407 |
| SUSTAINABLE PRODUCTION | | |
| Canola yield study | 26,250 | 15,750 |
| Canola performance trials | 111,797 | 92,150 |
| CARP, ongoing | 132,033 | 150,328 |
| HydroGeoSphere modeling platform | - | 4,000 |
| PAMI research project | 20,000 | - |
| Integrated crop agronomy cluster | 5,000 | - |
| Pest monitoring systems | 5,000 | 5,000 |
| Pest Surveillance Initiative | 157,500 | 136,504 |
| Research and technology meetings | 5,428 | 6,518 |
| Research projects - new | 95,880 | 92,083 |
| Science Clusters | 60,000 | 60,000 |
| Soil tests | 7,500 | 7,500 |
| Verticillium research | - | 3,173 |
| | \$ 626,388 | \$ 573,006 |

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, 2018

| | 2018 | Restated 2017 |
|--|-------------------|------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | \$ 254,008 | \$ (94,705) |
| Amortization of capital assets | 11,302 | 9,682 |
| Decrease (increase) in trade receivables | 1,861 | (4,816) |
| Decrease (increase) in check-off receivables | (55,758) | (41,298) |
| Decrease (increase) in prepaid expenses | 35,659 | (197,474) |
| Increase (decrease) in accounts payable and accruals | 71,067 | 7,381 |
| Increase (decrease) in deferred check-off revenue | 193,705 | 133,981 |
| Cash from (to) operating | <u>511,844</u> | <u>(187,249)</u> |
| FINANCING AND INVESTING ACTIVITIES | | |
| Change in investments | (209,383) | (103,717) |
| Purchase of capital assets | (22,970) | (7,658) |
| Cash from (to) financing and investing | <u>(232,353)</u> | <u>(111,375)</u> |
| Net increase (decrease) in cash | 279,491 | (298,624) |
| Cash beginning of year | 52,833 | 351,457 |
| Cash end of year | <u>\$ 332,324</u> | <u>\$ 52,833</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, 2018

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. Change in Accounting Principles

The association has adopted the requirements with respect to the measurement of investments. The change has been applied retroactively and prior periods have been restated to reflect this change.

The effects of this change are as follows:

| | 2018 | 2017 |
|---|----------|----------|
| Increase (decrease) in excess (deficiency) of revenue over expenses | (98,287) | (15,213) |
| Increase (decrease) in opening retained earnings | 495,445 | 510,658 |

b. 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.

c. 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.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2018

2 Significant Accounting Policies continued

d. 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% |

e. Contributed Services

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

f. Cash and Cash Equivalents

Cash and cash equivalents consists of a bank chequing account.

g. 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.

h. 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, unless the Board of Directors elects to carry the instrument at fair value. The Board of Directors has elected to carry investments at fair value.

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

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2018

3 Capital Assets

| | 2018 | 2018 | 2018 | 2017 |
|------------------|------------------|-----------------------------|------------------|------------------|
| | Cost | Accumulated Amortization | Net Value | Net Value |
| Office equipment | \$ 13,714 | \$ (8,624) | \$ 5,090 | \$ 3,083 |
| Computers | 83,746 | (49,465) | 34,281 | 24,621 |
| | <u>\$ 97,460</u> | <u>\$ (58,089)</u> | <u>\$ 39,371</u> | <u>\$ 27,704</u> |

4 Investments

The investments, held with CIBC Private Wealth Management, consist of Canadian bonds and Canadian and International equities. Canadian bonds constitute 68% of the portfolio, Canadian equities 13% and International equities 19%.

5 Accounts Payable and Accrued Liabilities

| | 2018 | 2017 |
|-------------------|-------------------|-------------------|
| Trades Payable | \$ 80,286 | \$ 34,640 |
| Wages payable | 3,664 | 2,416 |
| Check-off refunds | 146,564 | 127,869 |
| Total | <u>\$ 230,514</u> | <u>\$ 164,925</u> |

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

| | 2018 | 2017 |
|---------------------------------------|---------------------|---------------------|
| Gross check-offs | \$ 3,308,908 | \$ 3,078,580 |
| Check-offs refunded to producers | 314,907 | 278,284 |
| Net check-off revenue deferred | <u>\$ 2,994,001</u> | <u>\$ 2,800,296</u> |

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2018

7 Deferred Check-off Revenue continued

Accrued check-offs due but not yet received as at year end is \$435,742 (\$379,984 in 2017).

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 2019 estimated core funding commitment is \$386,250.

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

| Year | Amount |
|------|------------|
| 2019 | \$ 555,646 |
| 2020 | 373,968 |
| 2021 | 319,539 |
| 2022 | 114,717 |
| 2023 | \$ 45,340 |

The above commitments include the association's agreement to fund the Pest Surveillance Initiative Lab basic operations costs (\$165,000 per year) until April 2020. 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.

9 Actual vs. Budget

The main categories comparison is as follows:

| | 2018 Budget | 2018 Actual |
|---------------------------------------|---------------------|---------------------|
| Maximizing Net Income | \$ 592,000 | \$ 513,280 |
| Canola Farmer | 692,250 | 408,167 |
| Sustainable Production | 761,992 | 626,388 |
| Administration | 716,000 | 771,360 |
| Canola Council of Canada core funding | 667,000 | 454,472 |
| | <u>\$ 3,429,242</u> | <u>\$ 2,773,667</u> |

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2018

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.