

**Manitoba Canola Growers Association Inc.**

**Independent Auditor's Report**

**Financial Statements**

**July 31, 2018**

# Manitoba Canola Growers Association Inc.

July 31, 2018

## Table of Contents

---

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	4
Statement of Operations	5
Schedule of Expenses	6
Statement of Cash Flows	8
Notes to the Financial Statements	9

**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, 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

---

	2018	Restated 2017
<b>Assets</b>		
<b>Current Assets</b>		
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>
<b>Capital Assets (notes 2 and 3)</b>		
Cost	97,460	74,490
Accumulated amortization	(58,089)	(46,786)
	<u>39,371</u>	<u>27,704</u>
<b>Total Assets</b>	<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
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
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>
<b>Total Liabilities</b>	<u>3,229,992</u>	<u>2,965,221</u>
<b>Net Assets</b>		
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>
<b>Total Liabilities and Net Assets</b>	<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
<b>NET ASSETS</b>					
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)
<b>Balance, end of year</b>	<b>\$ 39,371</b>	<b>\$ 540,000</b>	<b>\$ 2,279,867</b>	<b>\$ 2,859,238</b>	<b>\$ 2,605,230</b>

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
<b>Revenues</b>		
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>
<b>Expenses (schedule 1)</b>		
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>
<b>Income (loss) from operations</b>	<u>352,249</u>	<u>(79,492)</u>
<b>Non operating income and expenses</b>		
Royalty income	46	-
Unrealized investment gains (losses)	(98,287)	(15,213)
	<u>(98,241)</u>	<u>(15,213)</u>
<b>Excess (deficiency) of revenues over expenses</b>	<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>
<b>ADMINISTRATION - BOARD</b>		
Memberships and subscriptions	\$ 4,029	\$ 4,275
Professional fees - audit and legal	23,651	23,747
	<u>\$ 27,680</u>	<u>\$ 28,022</u>
<b>ADMINISTRATION - OFFICE</b>		
Office operating	\$ 743,680	\$ 663,517
<b>MAXIMIZING NET INCOME</b>		
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
<b>CANOLA FARMER</b>		
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
	<b>\$ 408,167</b>	<b>\$ 529,407</b>
<b>SUSTAINABLE PRODUCTION</b>		
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
	<b>\$ 626,388</b>	<b>\$ 573,006</b>

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
<b>OPERATING ACTIVITIES</b>		
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>
<b>FINANCING AND INVESTING ACTIVITIES</b>		
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
<b>Total</b>	<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
<b>Net check-off revenue deferred</b>	<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.

<b>Year</b>	<b>Amount</b>
<b>2019</b>	\$ 555,646
<b>2020</b>	373,968
<b>2021</b>	319,539
<b>2022</b>	114,717
<b>2023</b>	\$ 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:

	<b>2018 Budget</b>	<b>2018 Actual</b>
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
	<b>\$ 3,429,242</b>	<b>\$ 2,773,667</b>

# 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.