

Manitoba Canola Growers Association Inc.

Independent Auditor's Report

Financial Statements

July 31, 2019

Manitoba Canola Growers Association Inc.

July 31, 2019

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	10
Notes to the Financial Statements	11

George & Associates Chartered Professional Accountants Inc.
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Carman, Manitoba
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Independent Auditor's Report

To the Board
Manitoba Canola Growers Association Inc.

Opinion

We have audited the financial statements of Manitoba Canola Growers Association Inc., which comprise the statement of financial position as at July 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Canola Growers Association Inc. as at July 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

In preparing these financial statements, management is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the association or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



George & Associates Chartered Professional Accountants Inc.

Carman, Manitoba
November 21, 2019

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2019

	<u>2019</u>	<u>Restated 2018</u>
Assets		
Current Assets		
Bank (note 2)	\$ 158,571	\$ 332,324
Investments (note 5)		
Reserve (note 7)	540,000	540,000
Unrestricted	4,784,254	4,560,867
Receivables		
Check-off (notes 2 and 8)	508,665	435,742
Trade	19,767	2,955
Prepays	359,445	177,971
	<u>6,370,702</u>	<u>6,049,859</u>
Capital Assets (notes 2 and 4)		
Cost	103,494	97,460
Accumulated amortization	(68,619)	(58,089)
	<u>34,875</u>	<u>39,371</u>
Total Assets	<u>\$ 6,405,577</u>	<u>\$ 6,089,230</u>

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

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2019

	2019	Restated 2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals (note 6)	\$ 301,486	\$ 230,514
Credit card payable	4,092	5,477
Deferred check-off revenue (notes 2 and 8)	2,981,314	2,994,001
Deferred contributions	2,000	-
	<u>3,288,892</u>	<u>3,229,992</u>
Total Liabilities	<u>3,288,892</u>	<u>3,229,992</u>
Net Assets		
Net assets invested in capital assets	34,875	39,371
Net assets internally restricted (note 7)	540,000	540,000
Unrestricted net assets	<u>2,541,810</u>	<u>2,279,867</u>
	<u>3,116,685</u>	<u>2,859,238</u>
Total Liabilities and Net Assets	<u>\$ 6,405,577</u>	<u>\$ 6,089,230</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, 2019

	Invested in Capital Assets	Internally Restricted	Unrestricted	2019 Total	Restated 2018 Total
Net Assets					
Balance, beginning of year	\$ 39,371	\$ 540,000	\$ 2,279,867	\$ 2,859,238	\$ 2,605,230
Acquisitions	8,429	-	(8,429)	-	-
Excess (deficiency) of revenues over expenses	(12,925)	-	270,372	257,447	254,008
Balance, end of year	\$ 34,875	\$ 540,000	\$ 2,541,810	\$ 3,116,685	\$ 2,859,238

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, 2019

	2019	Restated 2018
Revenues		
Check-off (net of refunds) (notes 2 and 8)	\$ 2,994,001	\$ 2,800,296
Investments	218,788	365,104
Pest surveillance initiative funding	-	20,000
Research project refunds	8,442	-
Other revenue	1,000	-
Gain (loss) on disposal of capital assets	(260)	-
	<u>3,221,971</u>	<u>3,185,400</u>
Expenses (schedule 1)		
Board governance	99,984	98,967
Administration	740,045	734,670
Market development	445,857	425,261
Advocacy	222,903	156,124
Communications	106,614	110,699
Research and agronomy	700,943	636,388
Grower engagement and extension	155,656	157,086
Canola Council of Canada - Core funding (note 9)	414,140	454,472
Canola Council of Canada - Agronomy services (note 9)	62,172	-
Investment fees	52,216	48,181
Amortization of capital assets	12,475	11,303
	<u>3,013,005</u>	<u>2,833,151</u>
Excess (deficiency) of revenues over expenses from operations	<u>208,966</u>	<u>352,249</u>
Non operating income and expenses		
Royalty income	-	46
Unrealized investment gains (losses)	69,166	(98,287)
Purchaser levy correction expense	(20,685)	-
	<u>48,481</u>	<u>(98,241)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 257,447</u>	<u>\$ 254,008</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2019

Schedule of Expenses

	2019	Restated 2018
BOARD GOVERNANCE (note 3)		
Board meetings	\$ 45,162	\$ 68,336
Board development and training	5,810	6,958
Strategic planning	18,152	-
Committees	5,188	-
Professional fees	25,672	23,652
Election	-	21
	99,984	98,967
ADMINISTRATION (note 3)		
Office personnel	609,309	595,314
Office operations	130,736	139,356
	740,045	734,670
MARKET DEVELOPMENT (note 3)		
Canadian Canola Oil Promotion	227,078	154,826
Manitoba Canola Oil Promotion	62,348	94,602
Public relations	9,836	954
Content marketing	108,103	90,910
Online advertising	34,035	721
New and alternate uses	3,583	5,542
MD Manager budget	874	65,259
MD Manager office expenses	-	12,447
	\$ 445,857	\$ 425,261

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2019

Schedule of Expenses

	2019	Restated 2018
ADVOCACY (note 3)		
Extension meetings	\$ 129,228	\$ 57,950
Policy partners	2,550	-
Youth programming	81,569	77,612
Sponsorships and donations	9,556	20,562
	<u>222,903</u>	<u>156,124</u>
COMMUNICATIONS (note 3)		
Meetings and travel	7,163	10,279
Annual general meeting	19,424	5,595
Association promotion	16,031	6,717
Digital media	36,820	51,321
Member retention communications	21,465	1,030
Administrative	1,566	-
Print media	4,100	1,020
Event and communication budget	45	34,737
	<u>106,614</u>	<u>110,699</u>
GROWER ENGAGEMENT AND EXTENSION (note 3)		
Leadership development and training	32,615	8,970
Agronomy training	13,174	7,179
Business management training	13,940	35,353
Tradeshows	47,833	58,350
Online training and communication	3,348	-
Grower engagement sponsorship	43,999	41,268
GE Office operating expenses	747	5,966
	<u>\$ 155,656</u>	<u>\$ 157,086</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2019

Schedule of Expenses

	2019	Restated 2018
RESEARCH & AGRONOMY (note 3)		
CARP, Ongoing	\$ 139,585	\$ 132,033
CARP, New projects	106,782	95,880
Canola Performance Trial	120,149	111,797
PSI Lab	157,500	157,500
Extreme moisture project	40,000	-
Seeder research	-	20,000
Pest Monitoring System	10,000	5,000
Soil test - AAFC/MAFRI	12,529	12,500
New research projects	4,000	-
Protein and meal research	20,405	10,000
Canola yield study	-	26,250
Science cluster	73,200	60,000
Research and technology meetings	7,166	5,428
Research reporting	9,627	-
	\$ 700,943	\$ 636,388

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, 2019

	2019	Restated 2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 257,447	\$ 254,008
Amortization of capital assets	12,475	11,302
Trade receivables	(16,812)	1,861
Check off receivables	(72,923)	(55,758)
Prepaid expenses	(181,474)	35,659
Accounts payable and accruals	69,587	71,067
Deferred check-off revenue	(12,687)	193,705
Deferred contributions	2,000	-
Loss (Gain) on sale of capital assets	260	-
	<u>57,873</u>	<u>511,844</u>
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(223,387)	(209,383)
Purchase of capital assets	(8,429)	(22,970)
Proceeds from sale of capital assets	190	-
	<u>(231,626)</u>	<u>(232,353)</u>
Cash from (to) financing and investing		
Net increase (decrease) in cash	(173,753)	279,491
Cash beginning of year	332,324	52,833
	<u>\$ 158,571</u>	<u>\$ 332,324</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, 2019

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, 2019

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, 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.

3 Comparative figures

The comparative financial statements have been reclassified from financial statements previously issued to conform to the current year presentation.

4 Capital Assets

	2019	2019	2019	2018
	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	\$ 11,319	\$ (7,607)	\$ 3,712	\$ 5,090
Computers	92,175	(61,012)	31,163	34,281
	<u>\$ 103,494</u>	<u>\$ (68,619)</u>	<u>\$ 34,875</u>	<u>\$ 39,371</u>

5 Investments

The investments, held with CIBC Private Wealth Management, consist of Canadian bonds and Canadian and International equities. Canadian bonds constitute 67% of the portfolio, Canadian equities 13% and International equities 20%.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2019

6 Accounts Payable and Accrued Liabilities

	<u>2019</u>	<u>2018</u>
Trades payable	\$ 169,168	\$ 80,286
Wages payable	4,909	3,664
Check-off refunds	127,409	146,564
Total	\$ 301,486	\$ 230,514

7 Restrictions on Net Assets

The Board of Directors have set a reserve fund at a maximum contribution level of \$540,000. The purpose of the fund is to establish a financial reserve to meet financial commitments should there be a shortfall in revenues or a wind down of the organization.

The internally restricted funds are not available for other purposes without approval of the Board of Directors.

8 Deferred Check-off Revenue

	<u>2019</u>	<u>2018</u>
Gross check-offs	\$ 3,256,730	\$ 3,308,908
Check-offs refunded to producers	275,416	314,907
Net check-off revenue deferred	\$ 2,981,314	\$ 2,994,001

Accrued check-offs due but not yet received as at year end is \$508,665 (\$435,742 in 2018).

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2019

9 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.

The association entered into a core funding agreement and an agronomy services agreement in 2019 with the Canola Council of Canada.

The 2020 estimated core funding commitment is \$425,000

The 2020 estimated agronomy service commitment is \$76,959

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

Year	Amount
2020	\$ 643,502
2021	577,574
2022	445,231
2023	40,340
	<u>\$ 1,706,647</u>

The above commitments include the association's agreement to fund the Pest Surveillance Initiative Lab basic operations costs (\$168,000 per year) until fiscal 2022. 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.

10 Actual vs. Budget

The main categories comparison is as follows:

	2019 Budget	2019 Actual
Board Governance	\$ 135,000	\$ 99,984
Administration	707,125	740,045
Market Development	418,000	445,857
Advocacy	291,050	222,903
Communications	167,000	106,614
Grower Engagement and Extension	220,750	155,656
Research and Agronomy	788,297	700,943
Canola Council of Canada - Core Funding	400,000	414,140
Canola Council of Canada - Agronomy Services	110,000	62,172
	<u>\$ 3,237,222</u>	<u>\$ 2,948,314</u>

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2019

11 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.