

**Manitoba Canola Growers
Association Inc.**

Independent Auditor's Report

**Financial Statements
July 31, 2021**

Manitoba Canola Growers Association Inc.

July 31, 2021

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George & Associates Chartered Professional Accountants Inc.
Box 567, 113 2nd Street SW
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, 2021, 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, 2021, 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
January 19, 2022

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2021

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Bank (note 2)	\$ 1,191,102	\$ 982,363
Investments (note 5)		
Wind down reserve (note 6)	540,000	540,000
Revenue reserve (note 6)	908,000	508,000
Unrestricted	4,641,362	4,551,564
Receivables		
Check-off (notes 2 and 9)	226,269	492,911
Trade	180,259	37,875
Prepays	357,457	179,289
	<u>8,044,449</u>	<u>7,292,002</u>
Capital Assets (notes 2 and 4)		
Cost	121,357	114,222
Accumulated amortization	(90,951)	(80,194)
	<u>30,406</u>	<u>34,028</u>
Total Assets	<u>\$ 8,074,855</u>	<u>\$ 7,326,030</u>

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

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2021

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals (note 8)	\$ 707,910	\$ 629,340
Credit card payable	4,168	5,189
Deferred check-off revenue (notes 2 and 9)	3,309,924	3,150,053
	<u>4,022,002</u>	<u>3,784,582</u>
Total Liabilities	<u>4,022,002</u>	<u>3,784,582</u>
Net Assets		
Net assets invested in capital assets	30,406	34,028
Internally restricted net assets - Wind down (note 7)	540,000	540,000
Internally restricted net assets - Reserve (note 7)	908,000	508,000
Unrestricted net assets	2,574,447	2,459,420
	<u>4,052,853</u>	<u>3,541,448</u>
Total Liabilities and Net Assets	<u>\$ 8,074,855</u>	<u>\$ 7,326,030</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, 2021

	Invested in Capital Assets	Internally Restricted	Unrestricted	2021 Total	2020 Total
Net Assets					
Balance, beginning of year	\$ 34,028	\$ 1,048,000	\$ 2,459,420	\$ 3,541,448	\$ 3,116,685
Acquisitions	7,135	-	(7,135)	-	-
Excess (deficiency) of revenues over expenses	(10,757)	400,000	122,162	511,405	424,763
Balance, end of year	\$ 30,406	\$ 1,448,000	\$ 2,574,447	\$ 4,052,853	\$ 3,541,448

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, 2021

	<u>2021</u>	<u>2020</u>
Revenues		
Check-off (net of refunds) (notes 2 and 9)	\$ 3,150,053	\$ 2,981,314
Investments	221,823	232,742
Pest surveillance initiative funding	77,107	83,293
National market development cost share	201,001	-
	<u>3,649,984</u>	<u>3,297,349</u>
Expenses (schedule 1)		
Board governance	66,830	87,028
Administration	787,604	825,579
Market development	471,001	421,743
Advocacy	75,578	143,679
Communications	87,994	53,797
Research and agronomy	1,312,992	770,227
Grower engagement and extension	71,202	124,034
Canola Council of Canada - Core funding (note 10)	439,414	419,888
Canola Council of Canada - Agronomy services (note 10)	87,445	80,673
Investment fees	50,832	38,611
Amortization of capital assets	10,757	11,575
	<u>3,461,649</u>	<u>2,976,834</u>
Excess (deficiency) of revenues over expenses from operations	<u>188,335</u>	<u>320,515</u>
Non operating income and expenses		
Unrealized investment gains (losses)	323,070	104,248
Excess (deficiency) of revenues over expenses	<u>\$ 511,405</u>	<u>\$ 424,763</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2021

Schedule of Expenses

	<u>2021</u>	<u>2020</u>
BOARD GOVERNANCE (note 3)		
Board meetings	\$ 22,630	\$ 39,347
Board development and training	150	1,051
Strategic planning	5,896	1,183
Committees	3,791	1,841
Professional fees	26,004	42,060
Election	8,359	1,547
	<u>66,830</u>	<u>87,029</u>
ADMINISTRATION (note 3)		
Office personnel	644,292	694,383
Office operations	143,312	131,196
	<u>787,604</u>	<u>825,579</u>
MARKET DEVELOPMENT (note 3)		
Canadian Canola Oil Promotion	173,921	162,027
Manitoba Canola Oil Promotion	101,376	124,418
Public relations	54,930	15,877
Content marketing	86,108	84,521
Online advertising	52,280	31,317
New and alternate uses	2,386	3,583
	<u>\$ 471,001</u>	<u>\$ 421,743</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2021

Schedule of Expenses

	2021	2020
ADVOCACY (note 3)		
Extension meetings	\$ 27,108	\$ 93,003
Policy partners	3,100	2,050
Youth programming	44,120	35,700
Sponsorships and donations	1,250	12,926
	<u>75,578</u>	<u>143,679</u>
COMMUNICATIONS (note 3)		
Meetings and travel	706	5,124
Annual general meeting	32,941	20,567
Association promotion	15,014	8,510
Digital media	27,242	16,380
Member retention communications	7,928	1,557
Administrative	1,663	1,659
Print media	2,500	-
	<u>87,994</u>	<u>53,797</u>
GROWER ENGAGEMENT AND EXTENSION (note 3)		
Leadership development and training	7,906	35,498
Agronomy training	8,514	182
Business management training	8,061	6,000
Tradeshows	1,437	41,173
Online training and communication	8,334	3,198
Grower engagement sponsorship	36,806	37,934
GE Office operating expenses	144	49
	<u>\$ 71,202</u>	<u>\$ 124,034</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2021

Schedule of Expenses

	2021	2020
RESEARCH & AGRONOMY (note 3)		
CARP, Ongoing	\$ 201,633	\$ 196,931
CARP, New projects	93,565	93,421
Canola Performance Trial	131,685	113,895
PSI Lab	167,175	168,000
Extreme moisture project	40,000	40,000
Pest Monitoring System	5,000	5,000
Soil test - AAFC/MAFRI	7,700	2,500
New research projects	11,500	1,663
Prairie Crops and Soils Research Facility	500,000	-
Protein and meal research	26,998	20,830
Science cluster	87,812	91,471
Research and technology meetings	33,617	35,651
Research reporting	6,307	865
	\$ 1,312,992	\$ 770,227

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, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 511,405	\$ 424,763
Amortization of capital assets	10,757	11,575
Trade receivables	(142,384)	(18,108)
Check off receivables	266,642	15,755
Prepaid expenses	(178,168)	180,156
Accounts payable and accruals	77,550	328,950
Deferred check-off revenue	159,871	168,739
Deferred contributions	-	(2,000)
Cash from (to) operating	<u>705,673</u>	<u>1,109,830</u>
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(489,798)	(275,310)
Purchase of capital assets	(7,136)	(10,728)
Cash from (to) financing and investing	<u>(496,934)</u>	<u>(286,038)</u>
Net increase (decrease) in cash	208,739	823,792
Cash beginning of year	982,363	158,571
Cash end of year	<u>\$ 1,191,102</u>	<u>\$ 982,363</u>

Cash and cash equivalents consist of the following:

Cash	\$ 1,191,102	\$ 982,363
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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, 2021

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, 2021

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

	2021	2021	2021	2020
	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	\$ 13,819	\$ (9,643)	\$ 4,176	\$ 5,220
Computers	107,538	(81,308)	26,230	28,808
	<u>\$ 121,357</u>	<u>\$ (90,951)</u>	<u>\$ 30,406</u>	<u>\$ 34,028</u>

5 Investments

The investments, held with CIBC Private Wealth Management, consist of Canadian bonds and Canadian and International equities. Canadian bonds constitute 59% of the portfolio, Canadian equities 14% and International equities 27%.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021

6 Internally Restricted Investments

The Board of Directors have approved to internally restrict investments and setup corresponding reserve funds. The internally restricted investments are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Revenue Reserve		
Research reserve	\$ 61,000	\$ 61,000
Election	25,000	25,000
2021 Project reserve	422,000	422,000
2021 ACC sponsorship	(100,000)	-
2022 forecasted net revenue shortfall	500,000	-
	<u>908,000</u>	<u>508,000</u>
Wind-down Reserve		
Wind down / short fall reserve	<u>\$ 540,000</u>	<u>\$ 540,000</u>

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.

In fiscal 2020 the Directors approved to implement a policy to annually review accumulated surplus funds and internally restrict assets for specific future purposes.

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

8 Accounts Payable and Accrued Liabilities

	<u>2021</u>	<u>2020</u>
Trades payable	\$ 510,099	\$ 455,488
Wages and benefits payable	40,961	20,189
Check-off refunds (period 2, February to July)	138,478	153,663
Total	<u>\$ 689,538</u>	<u>\$ 629,340</u>

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021

9 Deferred Check-off Revenue

	<u>2021</u>	<u>2020</u>
Gross check-offs	\$ 3,654,833	\$ 3,472,537
Check-offs refunded to producers	<u>344,908</u>	<u>322,484</u>
Net check-off revenue deferred	<u>\$ 3,309,925</u>	<u>\$ 3,150,053</u>

Accrued check-offs due but not yet received as at year end is \$226,269 (\$492,911 in 2020).

10 Commitments

The association entered a sub-lease for office space from January 1, 2020 to August 31, 2024 for a rate of \$2,417 per month.

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

The 2022 estimated core funding commitment is \$307,590

The 2022 estimated agronomy service commitment is \$82,233

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>
2022	\$ 690,215
2023	198,687
2023	42,468
2024	<u>40,407</u>
	<u>\$ 971,777</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.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021

11 Actual vs. Budget

The main categories comparison is as follows:

	2021 Budget	2021 Actual
Board Governance	\$ 125,000	\$ 66,830
Administration	819,950	787,604
Market Development	523,500	471,001
Advocacy	223,050	75,578
Communications	152,500	87,994
Grower Engagement and Extension	229,000	71,202
Research and Agronomy	744,015	1,312,992
Canola Council of Canada - Core Funding	425,000	439,414
Canola Council of Canada - Agronomy Services	110,000	87,445
	\$ 3,352,015	\$ 3,400,060

12 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.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2021

13 COVID 19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation continues to impact local, provincial, national and global economies. The association transitioned to a hybrid work from home policy in March 2020 and continued to do so throughout the 2021 fiscal year. Expenses have been impacted resulting in below budget expenditures due to project and event cancellations or transitions to virtual events. Uncertainty remains as to the longer term impact the pandemic will have on the economy and the associations business and results from operations.