

**Manitoba Canola Growers
Association Inc.**

Independent Auditor's Report

**Financial Statements
July 31, 2023**

Manitoba Canola Growers Association Inc.

July 31, 2023

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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, 2023, 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, 2023, 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
December 20, 2023

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2023

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Bank (note 2)	\$ 144,200	\$ 436,706
Investments (note 5)		
Wind down reserve (note 6)	540,000	540,000
Revenue reserve (note 6)	828,012	1,043,012
Unrestricted	4,617,603	4,226,906
Receivables		
Check-off (notes 2 and 10)	377,548	200,489
Trade	3,066	187,722
Prepaid expenses	403,243	391,702
	<u>6,913,672</u>	<u>7,026,537</u>
Capital Assets (notes 2 and 4)		
Cost	134,753	127,674
Accumulated amortization	(109,452)	(100,603)
	<u>25,301</u>	<u>27,071</u>
Total Assets	<u>\$ 6,938,973</u>	<u>\$ 7,053,608</u>

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

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2023

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals (note 9)	\$ 453,424	\$ 429,123
Credit card payable	23,605	27,132
Deferred check-off revenue (notes 2 and 10)	2,758,306	2,255,656
	<u>3,235,335</u>	<u>2,711,911</u>
Total Liabilities	<u>3,235,335</u>	<u>2,711,911</u>
Net Assets		
Net assets invested in capital assets	25,301	27,071
Internally restricted net assets - Wind down (notes 7 and 8)	540,000	540,000
Internally restricted net assets - Reserve (notes 7 and 8)	828,012	1,043,012
Unrestricted net assets	2,310,325	2,731,614
	<u>3,703,638</u>	<u>4,341,697</u>
Total Liabilities and Net Assets	<u>\$ 6,938,973</u>	<u>\$ 7,053,608</u>

Approved on Behalf of the Board:

Jackie DM, Jackie Dudgeon-MacDonald, Director (Vice President)

Warren Ellis, Warren Ellis, Director (Treasurer)

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, 2023

	Invested in Capital Assets	Internally Restricted	Unrestricted	2023 Total	2022 Total
Net Assets					
Balance, beginning of year	\$ 27,071	\$ 1,583,012	\$ 2,731,614	\$ 4,341,697	\$ 4,052,853
Acquisitions	7,079	-	(7,079)	-	-
Excess (deficiency) of revenues over expenses (note 7)	(8,849)	(215,000)	(414,210)	(638,059)	288,844
Balance, end of year	\$ 25,301	\$ 1,368,012	\$ 2,310,325	\$ 3,703,638	\$ 4,341,697

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, 2023

	2023	2022
Revenues		
Check-off (net of refunds) (notes 2 and 10)	\$ 2,255,656	\$ 3,309,997
Investments	201,338	252,085
Pest surveillance initiative funding	99,500	77,427
Grants - other	10,667	-
	<u>2,567,161</u>	<u>3,639,509</u>
Expenses (schedule 1)		
Board governance	106,354	169,541
Administration	793,153	761,398
Market development	439,641	212,025
Advocacy	155,773	143,113
Communications	133,793	152,646
Grower engagement and extension	148,041	117,073
Research and agronomy	880,860	864,985
Canola Council of Canada - Core funding (note 11)	449,922	307,590
Canola Council of Canada - Agronomy services (note 11)	86,410	87,786
Investment fees	51,286	52,282
Amortization of capital assets	8,849	9,652
	<u>3,254,082</u>	<u>2,878,091</u>
Excess (deficiency) of revenues over expenses from operations	<u>(686,921)</u>	<u>761,418</u>
Non operating income and expenses		
Unrealized investment gains (losses)	48,862	(472,574)
Excess (deficiency) of revenues over expenses	<u>\$ (638,059)</u>	<u>\$ 288,844</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2023

Schedule 1 - Schedule of Expenses

	<u>2023</u>	<u>2022</u>
BOARD GOVERNANCE (note 3)		
Board meetings	\$ 48,052	\$ 39,643
Board development and training	4,257	-
Strategic planning	10,500	23,546
Committees	6,529	2,560
Professional fees	37,016	45,422
Election	-	58,372
	<u>106,354</u>	<u>169,543</u>
ADMINISTRATION (note 3)		
Office personnel	643,350	639,137
Office operations	149,803	122,261
	<u>793,153</u>	<u>761,398</u>
MARKET DEVELOPMENT (note 3)		
National Canola Marketing Program	345,784	151,981
Manitoba Canola Marketing Program	88,857	56,471
New and alternate uses	5,000	3,573
	<u>\$ 439,641</u>	<u>\$ 212,025</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2023

Schedule of Expenses

	2023	2022
ADVOCACY (note 3)		
Industry meetings	\$ 107,815	\$ 65,614
Policy partners	3,400	3,100
Youth programming	44,558	69,021
Sponsorships and donations	-	5,378
	<u>155,773</u>	<u>143,113</u>
COMMUNICATIONS (note 3)		
Annual general meeting	41,923	43,767
Association promotion	49,726	72,274
Digital media	42,144	36,605
	<u>133,793</u>	<u>152,646</u>
GROWER ENGAGEMENT AND EXTENSION (note 3)		
Leadership development and training	34,099	13,076
Business management training	16,895	11,538
Tradeshows	63,732	10,941
Online training and communication	8,711	2,420
Grower engagement sponsorship	24,604	67,439
GE Office operating expenses	-	540
	<u>\$ 148,041</u>	<u>\$ 105,954</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2023

Schedule of Expenses

	2023	2022
RESEARCH & AGRONOMY (note 3)		
Canola Performance Trial	66,343	87,000
CARP	310,536	327,130
Extreme moisture project	-	29,920
Interactive Agronomic Events	6,689	5,036
Manitoba Disease Survey	7,700	7,700
Novel funding	5,060	26,048
On-Farm Research	57,305	44,099
Protein and meal research	38,217	40,000
PSI Lab	236,250	167,846
Research Capacity	\$ 14,192	\$ 31,667
Research development and extension	39,604	16,169
Science cluster	40,340	70,295
Whole Farm	58,624	17,111
	\$ 880,860	\$ 870,021

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

Manitoba Canola Growers Association Inc.

Schedule 2 - Appropriation of Funds

For the Year Ended July 31, 2023

	General Operations Fund	Internally Restricted Fund	Capital Asset Fund	2023	2022
Revenues					
Check-off (net of refunds)	\$ 2,255,656	\$ -	\$ -	\$ 2,255,656	\$ 3,309,997
Investments	201,338	-	-	201,338	252,086
Pest surveillance initiative funding	99,500	-	-	99,500	77,427
Grant revenue - other	10,667	-	-	10,667	-
	2,567,161	-	-	2,567,161	3,639,510
Expenses					
Board governance	106,353	-	-	106,353	169,542
Administration	793,155	-	-	793,155	761,397
Market development	439,642	-	-	439,642	212,025
Advocacy	155,772	-	-	155,772	143,113
Communications	133,793	-	-	133,793	152,646
Research and agronomy	665,859	215,000	-	880,859	876,105
Grower engagement and extension	148,041	-	-	148,041	105,953
Canola Council of Canada - Core funding	449,922	-	-	449,922	307,590
Canola Council of Canada - Coordinated services	86,410	-	-	86,410	87,786
Investment fees	51,286	-	-	51,286	52,282
Amortization of capital assets	-	-	8,849	8,849	9,652
Total operating expenses	3,030,233	215,000	8,849	3,254,082	2,878,091
Excess (deficiency) of revenues over expenses from operations	(463,072)	(215,000)	(8,849)	(686,921)	761,419
Non operating income and expenses					
Unrealized gains (losses)	48,862	-	-	48,862	(472,574)
	48,862	-	-	48,862	(472,574)
Excess (deficiency) of revenues over expenses	\$ (414,210)	\$ (215,000)	\$ (8,849)	\$ (638,059)	\$ 288,845

Manitoba Canola Growers Association Inc.

Statement of Cash Flows

For the Year Ended July 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (638,059)	\$ 288,844
Amortization of capital assets	8,849	9,652
Trade receivables	184,656	(7,463)
Check off receivables	(177,059)	25,780
Prepaid expenses	(11,541)	(34,245)
Accounts payable and accruals	20,775	(255,824)
Deferred check-off revenue	502,650	(1,054,268)
Cash from (to) operating	<u>(109,729)</u>	<u>(1,027,524)</u>
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(175,697)	279,444
Purchase of capital assets	(7,080)	(6,316)
Cash from (to) financing and investing	<u>(182,777)</u>	<u>273,128</u>
Net increase (decrease) in cash	(292,506)	(754,396)
Cash beginning of year	436,706	1,191,102
Cash end of year	<u>\$ 144,200</u>	<u>\$ 436,706</u>

Cash and cash equivalents consist of the following:

Cash	\$ 144,200	\$ 436,706
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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, 2023

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, 2023

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

	2023	2023	2023	2022
	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	\$ 13,819	\$ (11,146)	\$ 2,673	\$ 3,341
Computer equipment	120,934	(98,306)	22,628	23,730
	<u>\$ 134,753</u>	<u>\$ (109,452)</u>	<u>\$ 25,301</u>	<u>\$ 27,071</u>

5 Investments

The investments, held with CIBC Private Wealth Management, consist of Canadian bonds and Canadian and International equities. Canadian bonds constitute 63% of the portfolio, Canadian equities 12% and International equities 25%.

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2023

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:

	2023	2022
Revenue Reserve		
2021 Project reserve	\$ 39,168	\$ 254,168
2022 forecasted net revenue shortfall	788,844	788,844
	828,012	1,043,012
Wind-down Reserve		
Wind down / short fall reserve	\$ 540,000	\$ 540,000

7 Internally Restricted Reserves

The Board of Directors have approved to internally restrict investments and setup corresponding internally restricted reserve fund. The following details the internally restricted reserve transactions for the current and prior year:

	Research Fund	Election Fund	2021 Projects Fund	2022 Shortfall Fund	Total Revenue Reserve	Wind-down Fund	Total Internally Restricted
2022							
Opening	\$ 61,000	\$ 25,000	\$ 322,000	\$ 500,000	\$ 908,000	\$ 540,000	\$ 1,448,000
Allocations to reserve	-	-	-	288,844	-	-	-
Applied against reserve	(61,000)	(25,000)	(67,832)	-	-	-	-
Closing	-	-	254,168	788,844	908,000	540,000	1,448,000
2023							
Opening	-	-	254,168	788,844	1,043,012	540,000	1,583,012
Allocations to reserve	-	-	-	-	-	-	-
Applied against reserve	-	-	(215,000)	-	(215,000)	-	(215,000)
Closing	\$ -	\$ -	\$ 39,168	\$ 788,844	\$ 828,012	\$ 540,000	\$ 1,368,012

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2023

8 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.

9 Accounts Payable and Accrued Liabilities

	<u>2023</u>	<u>2022</u>
Trades payable	\$ 256,476	\$ 284,514
Wages and benefits payable	79,055	60,622
Check-off refunds (period 2, February to July)	117,893	83,987
Total	\$ 453,424	\$ 429,123

10 Deferred Check-off Revenue

	<u>2023</u>	<u>2022</u>
Gross check-offs	\$ 3,008,066	\$ 2,481,971
Check-offs refunded to producers	(249,760)	(226,315)
Net check-off revenue deferred	\$ 2,758,306	\$ 2,255,656

Accrued check-offs due but not yet received as at year end is \$377,548 (\$200,489 in 2022).

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2023

11 Commitments

The association entered a sub-lease for office space from January 1, 2020 to August 31, 2024 for a rate of \$2,728 per month, with annual increases.

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

The 2024 estimated core funding commitment is \$432,642

The 2024 estimated agronomy service commitment is \$84,522.

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

Year	Amount
2024	\$ 784,830
2025	590,224
2026	274,458
2027	110,994
2028	94,103
	<u>\$ 1,854,609</u>

The above commitments include the association's agreement to fund the Pest Surveillance Initiative Lab basic operations costs (\$263,613 per year) until fiscal 2025. 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, 2023

12 Actual vs. Budget

The main categories comparison is as follows:

	2023 Budget	2023 Actual
Board Governance	\$ 126,000	\$ 106,354
Administration	808,500	793,153
Market Development	483,333	439,641
Advocacy	174,600	155,773
Communications	200,000	133,793
Grower Engagement and Extension	192,200	148,041
Research and Agronomy	1,192,340	880,860
Canola Council of Canada - Core Funding	355,333	449,922
Canola Council of Canada - Agronomy Services	94,589	86,410
	\$ 3,626,895	\$ 3,193,947

13 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, 2023

14 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 current 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.