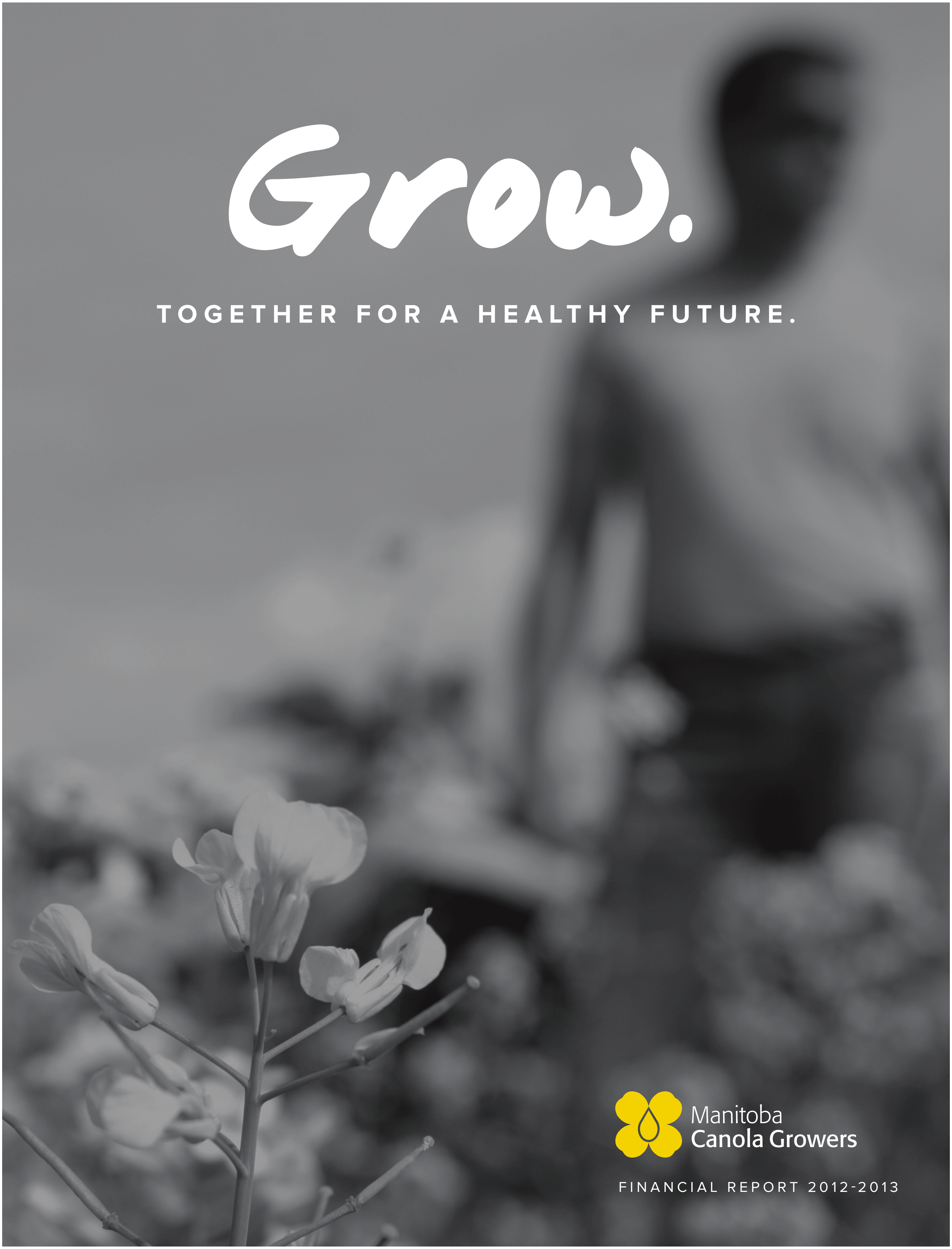

Grow.

TOGETHER FOR A HEALTHY FUTURE.

Manitoba Canola Growers

FINANCIAL REPORT 2012-2013

TABLE OF CONTENTS

D.F.GEORGE

CHARTERED ACCOUNTANT INC.

113 Second Street S.W.
Box 567, Carman, MB.
R0G 0J0
Bus: (204) 745-3380
office@dfgeorge.ca

INDEPENDENT AUDITOR'S REPORT

To the Board
Manitoba Canola Growers Association Inc.

I have audited the accompanying financial statements of Manitoba Canola Growers Association Inc., which comprise the statement of financial position as at July 31, 2013, and the statement of operations, statement of changes in net assets and statement of 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis of Qualified Opinion

Management has selected to measure investments in equity instruments at unamortized cost, which constitutes a departure from Canadian accounting standards for not-for-profit organizations which require investments in equity instruments to be measured at fair value without any adjustment for transaction costs with the change in fair value being recognized as an unrealized gain or loss on the statement of operations in the period incurred. This treatment by management has resulted in the non reporting of unrealized gains of $169,564 in fiscal 2013 ($31,386 in fiscal 2012).

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Manitoba Canola Growers Association Inc. as at July 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

D. F. George

D. F. George
Chartered Accountant Inc.

Carman, Manitoba
November 19, 2013

STATEMENT OF FINANCIAL POSITION AS AT JULY 31, 2013

ASSETS		2013		2012
CURRENT ASSETS				
Bank	$	187,384	$	–
Investments (note 4)				
Reserve (note 6)		500,000		500,000
Contingency (note 6)		40,000		40,000
Unrestricted		3,370,246		3,494,826
Receivables				
Check-off (notes 2 and 7)		263,111		187,240
Prepaid expenses		20,338		32,741
		4,381,079		4,254,807
CAPITAL ASSETS, net (notes 2 and 3)		16,421		17,356
	$	4,397,500	$	4,272,163

LIABILITIES AND NET ASSETS		2013		2012
CURRENT LIABILITIES				
Bank indebtedness	$	–	$	33,628
Accounts payable and accruals (note 5)		196,077		119,829
Deferred check-off revenue (notes 2 and 7)		2,088,886		1,933,247
		2,284,963		2,086,704
NET ASSETS				
Net assets invested in capital assets		16,421		17,356
Net assets internally restricted (note 6)		540,000		540,000
Unrestricted net assets		1,556,116		1,628,103
		2,112,537		2,185,459
	$	4,397,500	$	4,272,163

Approved on Behalf of the Board

Ed Rempel
President

Hugh Drake
Treasurer

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JULY 31, 2013

	Invested in Capital Assets	Internally Restricted	Unrestricted	2013 Total	2012 Total
NET ASSETS					
Balance,					
beginning of year	$ 17,356	$ 540,000	$ 1,628,103	$ 2,185,459	$ 1,996,873
Acquisitions	4,856	–	(4,856)	–	–
Excess (deficiency) of					
revenue over expenses	(5,791)	–	(67,131)	(72,922)	188,586
Balance, end of year	$ 16,421	$ 540,000	$ 1,556,116	$ 2,112,537	$ 2,185,459

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2013

		2013		2012
REVENUES				
Check-off (net of refunds - notes 2 and 7)	$	1,933,247	$	2,377,606
Investment income		204,620		182,863
		2,137,867		2,560,469
EXPENSES				
Administration				
Board		31,665		60,093
Office		278,444		277,708
Maximizing net income		634,208		582,315
Canola farmer		417,289		408,056
Sustainable production		333,639		447,786
Canola Council of Canada core funding (note 8)		476,773		550,247
Investment fees		32,980		39,885
Amortization of capital assets		5,791		5,793
		2,210,789		2,371,883
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$	(72,922)	$	188,586

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JULY 31, 2013

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	$	(72,922)	$	188,586
Amortization of capital assets		5,791		5,793
Decrease (increase) in check off receivables		(75,871)		141,075
Decrease (increase) in other receivables		–		7,599
Decrease (increase) in prepaid expenses		12,403		(21,500)
Increase (decrease) in accounts payable		76,248		663
Increase (decrease) in deferred check-off		155,639		(444,359)
Cash from (to) operating		101,288		(122,143)
FINANCING AND INVESTING ACTIVITIES				
Change in investments		124,580		326,046
Change in restricted funds		–		(265,000)
Purchase of capital assets		(4,856)		(6,478)
Cash from (to) financing and investing		119,724		54,568
Net increase (decrease) in cash		221,012		(67,575)
Cash beginning of year		(33,628)		33,947
Cash end of year	$	187,384	$	(33,628)

SCHEDULE OF EXPENSES FOR THE YEAR ENDED JULY 31, 2013

		2013		2012
ADMINISTRATION - BOARD				
Advertising	$	1,500	$	4,023
Mailings - bylaws and legal		–		27,985
Memberships and subscriptions		3,125		4,320
Professional fees - audit and legal		27,040		23,765
	$	31,665	$	60,093
ADMINISTRATION - OFFICE				
Office operating	$	278,444	$	277,708
MAXIMIZING NET INCOME				
Ag In the Classroom	$	20,000	$	20,000
ACC Kitchen		60,000		60,000
Biodiesel		21,875		36,013
Education and promotion manager's budget		213,053		186,236
Education and promotion manager's office		126,706		115,653
Canola learning centre		78,545		40,091
Extension meetings		113,873		99,954
Market development		156		–
Marketing meetings		–		24,368
	$	634,208	$	582,315

SCHEDULE OF EXPENSES FOR THE YEAR ENDED JULY 31, 2013

		2013		2012
CANOLA FARMER				
Ag Days	$	25,518	$	21,446
Annual general meeting		40,346		44,014
Board operating		69,540		53,156
Canola utilization meetings		1,186		2,316
Canola Digest		4,124		7,693
Election		–		41,150
Leadership training		15,087		–
Member relations		190,288		115,543
Richardson International project		5,000		5,000
Sponsorships and donations		25,156		53,578
Strategic planning		–		20,699
Web page		41,044		43,461
	$	417,289	$	408,056
SUSTAINABLE PRODUCTION				
PCARP	$	–	$	10,000
CARP, ongoing		142,521		90,844
CARP, new		20,902		107,409
Clubroot research		41,900		42,255
Canola performance trials		86,477		63,338
Research and technology meetings		7,839		17,052
Soil tests		9,000		10,000
Protein fractionation		–		25,000
Nitrogen plant feasibility		25,000		–
Long term research		–		25,000
Germplasm resource		–		10,000
Canola meal usage		–		3,000
Managing canola disease		–		7,863
Pod shattering		–		11,025
US canola meal promotion		–		25,000
	$	333,639	$	447,786

NOTES TO THE FINANCIAL STATEMENTS July 31, 2013

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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. Outlined below are those policies considered particularly significant for the association.

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.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided on a declining balance basis over the assets' estimated useful lives at the following annual rates:

Office and presentation equipment	*20%*
Computers	*30%*

Contributed Services

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

Cash and Cash Equivalents

Cash and cash equivalents consists of a bank chequing account.

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.

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 at amortized cost.

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

3 Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	2013	2012	2013	2012	2013	2012
Office equipment	$ 5,740	$ 5,740	$ 4,925	$ 4,722	$ 815	$ 1,018
Presentation	6,743	6,743	6,409	6,326	334	417
Computers	39,382	34,526	24,110	18,605	15,272	15,921
	$ 51,865	$ 47,009	$ 35,444	$ 29,653	$ 16,421	$ 17,356

4 Investments

The investments are held with CIBC Private Wealth Management consisting of Canadian bonds and Canadian and International equities. The market value as at July 31, 2013 is $4,304,731. Canadian bonds constitute 77% of the portfolio, Canadian equities 8% and International equities 15%.

NOTES TO THE FINANCIAL STATEMENTS July 31, 2013

5 Accounts Payable and Accrued Liabilities

	2013	2012
Trade payables	$ 116,920	$ 35,354
Wages payable	10,338	9,850
Government payables	–	7,392
Check-off refunds	68,819	67,233
	$ 196,077	$ 119,829

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 increased the reserve fund to 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

	2013	2012
Gross check-offs	$ 2,252,361	$ 2,103,942
Check-offs refunded to producers	163,475	170,695
Net check-off revenue deferred	$ 2,088,886	$ 1,933,247

Accrued check-offs due but not yet received as at year end is $263,111 ($187,240 in 2012).

8 Commitments

The association has entered a sublease for office space extending to September 30, 2013 at a rate of $1,000 per month. 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 2014 core funding commitment is $466,010. The association has also entered into funding agreements for long term research projects and sponsorships and have committed the following amounts.

Year		Amount
2014	$	181,457
2015		129,200
2016		89,000
2017		60,000
2018		60,000

9 Actual vs. Budget

The main categories comparison is as follows:

		2013 Budget		2013 Actual
Maximizing Net Income	$	631,000	$	634,208
Canola Farmer		516,750		417,289
Sustainable Production		626,182		333,639
Administration		349,500		310,109
Canola Council of Canada core funding		476,783		476,773
	$	2,600,215	$	2,172,018

10 Director per Diems

August 1, 2012 to July 31, 2013

Total Per Diems	$	68,250

NOTES TO THE FINANCIAL STATEMENTS July 31, 2013

11 Financial Risk

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 account 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 rebalances the investment portfolio.

12 Prior Year Expenses

The prior year expenses have been reclassified to be comparative with the current year presentation.

Manitoba
Canola Growers

400-167 Lombard Ave
Winnipeg, MB R3B 0T6
Phone: (204) 982-2122
Fax: (204) 942-1841
Email: info@mcgacanola.org

mcgacanola.org