

Manitoba Canola Growers Association Inc.

Independent Auditor's Report

Financial Statements

July 31, 2019

Manitoba Canola Growers Association Inc.

July 31, 2019

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George & Associates Chartered Professional Accountants Inc.
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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 | 2,541,810 | 2,279,867 |
| | <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> |
| Cash end of year | \$ | \$ |

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 | <u>\$ 301,486</u> | <u>\$ 230,514</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.

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 | <u>\$ 2,981,314</u> | <u>\$ 2,994,001</u> |

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.