

Manitoba Canola Growers Association Inc.

Independent Auditor's Report

Financial Statements

July 31, 2020

Manitoba Canola Growers Association Inc.

July 31, 2020

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, 2020, 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, 2020, 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 14, 2021

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2020

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Bank (note 2)	\$ 982,363	\$ 158,571
Investments (note 5)		
Wind down reserve (note 6)	540,000	540,000
Revenue reserve (note 6)	508,000	-
Unrestricted	4,551,564	4,784,254
Receivables		
Check-off (notes 2 and 9)	492,911	508,665
Trade	37,875	19,767
Prepays	179,289	359,445
	<u>7,292,002</u>	<u>6,370,702</u>
Capital Assets (notes 2 and 4)		
Cost	114,222	103,494
Accumulated amortization	(80,194)	(68,619)
	<u>34,028</u>	<u>34,875</u>
Total Assets	<u>\$ 7,326,030</u>	<u>\$ 6,405,577</u>

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

Manitoba Canola Growers Association Inc.

Statement of Financial Position

July 31, 2020

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals (note 8)	\$ 629,340	\$ 301,486
Credit card payable	5,189	4,092
Deferred check-off revenue (notes 2 and 9)	3,150,053	2,981,314
Deferred contributions	-	2,000
	<u>3,784,582</u>	<u>3,288,892</u>
Total Liabilities	<u>3,784,582</u>	<u>3,288,892</u>
Net Assets		
Net assets invested in capital assets	34,028	34,875
Internally restricted net assets - Wind down (note 7)	540,000	540,000
Internally restricted net assets - Reserve (note 7)	508,000	-
Unrestricted net assets	2,459,420	2,541,810
	<u>3,541,448</u>	<u>3,116,685</u>
Total Liabilities and Net Assets	<u>\$ 7,326,030</u>	<u>\$ 6,405,577</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, 2020

	Invested in Capital Assets	Internally Restricted	Unrestricted	2020 Total	2019 Total
Net Assets					
Balance, beginning of year	\$ 34,875	\$ 540,000	\$ 2,541,810	\$ 3,116,685	\$ 2,859,238
Acquisitions	10,728	-	(10,728)	-	-
Excess (deficiency) of revenues over expenses	(11,575)	508,000	(71,662)	424,763	257,447
Balance, end of year	\$ 34,028	\$ 1,048,000	\$ 2,459,420	\$ 3,541,448	\$ 3,116,685

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, 2020

	2020	2019
Revenues		
Check-off (net of refunds) (notes 2 and 9)	\$ 2,981,314	\$ 2,994,001
Investments	232,742	220,414
Pest surveillance initiative funding	83,293	-
Research project refunds	-	8,442
Other revenue	-	1,000
Gain (loss) on disposal of capital assets	-	(1,886)
	3,297,349	3,221,971
Expenses (schedule 1)		
Board governance	87,028	99,984
Administration	825,579	740,045
Market development	421,743	445,857
Advocacy	143,679	222,903
Communications	53,797	106,614
Research and agronomy	770,227	700,943
Grower engagement and extension	124,034	155,656
Canola Council of Canada - Core funding (note 10)	419,888	414,140
Canola Council of Canada - Agronomy services (note 10)	80,673	62,172
Investment fees	38,611	52,216
Amortization of capital assets	11,575	12,475
	2,976,834	3,013,005
Excess (deficiency) of revenues over expenses from operations	320,515	208,966
Non operating income and expenses		
Unrealized investment gains (losses)	104,248	69,166
Purchaser levy correction expense	-	(20,685)
	104,248	48,481
Excess (deficiency) of revenues over expenses	\$ 424,763	\$ 257,447

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2020

Schedule of Expenses

	<u>2020</u>	<u>2019</u>
BOARD GOVERNANCE (note 3)		
Board meetings	\$ 39,347	\$ 45,162
Board development and training	1,051	5,810
Strategic planning	1,183	18,152
Committees	1,841	5,188
Professional fees	42,059	25,669
Election	1,547	-
	<u>87,028</u>	<u>99,981</u>
ADMINISTRATION (note 3)		
Office personnel	694,383	609,309
Office operations	131,196	130,736
	<u>825,579</u>	<u>740,045</u>
MARKET DEVELOPMENT (note 3)		
Canadian Canola Oil Promotion	162,027	227,078
Manitoba Canola Oil Promotion	124,418	62,348
Public relations	15,877	9,836
Content marketing	84,521	108,103
Online advertising	31,317	34,035
New and alternate uses	3,583	3,583
MD Manager budget	-	874
	<u>\$ 421,743</u>	<u>\$ 445,857</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2020

Schedule of Expenses

	2020	2019
ADVOCACY (note 3)		
Extension meetings	\$ 93,003	\$ 129,228
Policy partners	2,050	2,550
Youth programming	35,700	81,569
Sponsorships and donations	12,926	9,556
	<u>143,679</u>	<u>222,903</u>
COMMUNICATIONS (note 3)		
Meetings and travel	5,124	7,163
Annual general meeting	20,567	19,424
Association promotion	8,510	16,031
Digital media	16,380	36,820
Member retention communications	1,557	21,465
Administrative	1,659	1,566
Print media	-	4,100
Event and communication budget	-	45
	<u>53,797</u>	<u>106,614</u>
GROWER ENGAGEMENT AND EXTENSION (note 3)		
Leadership development and training	35,498	32,615
Agronomy training	182	13,174
Business management training	6,000	13,940
Tradeshows	41,173	47,833
Online training and communication	3,198	3,348
Grower engagement sponsorship	37,934	43,999
GE Office operating expenses	49	747
	<u>\$ 124,034</u>	<u>\$ 155,656</u>

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

Manitoba Canola Growers Association Inc.

For the Year Ended July 31, 2020

Schedule of Expenses

	2020	2019
RESEARCH & AGRONOMY (note 3)		
CARP, Ongoing	\$ 196,931	\$ 139,585
CARP, New projects	93,421	106,782
Canola Performance Trial	113,895	120,149
PSI Lab	168,000	157,500
Extreme moisture project	40,000	40,000
Pest Monitoring System	5,000	10,000
Soil test - AAFC/MAFRI	2,500	12,529
New research projects	1,663	4,000
Protein and meal research	20,830	20,405
Science cluster	91,471	73,200
Research and technology meetings	35,651	7,166
Research reporting	865	9,627
	\$ 770,227	\$ 700,943

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, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 424,763	\$ 257,447
Amortization of capital assets	11,575	12,476
Trade receivables	(18,108)	(16,812)
Check off receivables	15,755	(72,924)
Prepaid expenses	180,156	(181,474)
Accounts payable and accruals	328,950	69,587
Deferred check-off revenue	168,739	(12,687)
Deferred contributions	(2,000)	2,000
Loss (Gain) on sale of capital assets	-	260
Cash from (to) operating	<u>1,109,830</u>	<u>57,873</u>
FINANCING AND INVESTING ACTIVITIES		
Change in investments	(275,310)	(223,387)
Purchase of capital assets	(10,728)	(8,429)
Proceeds from sale of capital assets	-	190
Cash from (to) financing and investing	<u>(286,038)</u>	<u>(231,626)</u>
Net increase (decrease) in cash	823,792	(173,753)
Cash beginning of year	158,571	332,324
Cash end of year	<u>\$ 982,363</u>	<u>\$ 158,571</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, 2020

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, 2020

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

	2020	2020	2020	2019
	Cost	Accumulated Amortization	Net Value	Net Value
Office equipment	\$ 13,819	\$ (8,599)	\$ 5,220	\$ 3,712
Computers	100,403	(71,595)	28,808	31,163
	<u>\$ 114,222</u>	<u>\$ (80,194)</u>	<u>\$ 34,028</u>	<u>\$ 34,875</u>

5 Investments

The investments, held with CIBC Private Wealth Management, consist of Canadian bonds and Canadian and International equities. Canadian bonds constitute 65% of the portfolio, Canadian equities 12% and International equities 23%.

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:

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2020

6 Internally Restricted Investments continued

	2020	2019
Revenue Reserve		
Research reserve	\$ 61,000	\$ -
Election	25,000	-
2021 Project reserve	422,000	-
	<u>508,000</u>	<u>-</u>
Wind-down Reserve		
Wind down / short fall reserve	\$ 540,000	\$ 540,000

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. In 2020 an aggregate of \$508,000 was internally restricted.

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

8 Accounts Payable and Accrued Liabilities

	2020	2019
Trades payable	\$ 455,488	\$ 169,168
Wages and benefits payable	20,189	4,909
Check-off refunds (period 2, February to July)	153,663	127,409
Total	<u>\$ 629,340</u>	<u>\$ 301,486</u>

9 Deferred Check-off Revenue

	2020	2019
Gross check-offs	\$ 3,472,537	\$ 3,256,730
Check-offs refunded to producers	322,484	275,416
Net check-off revenue deferred	<u>\$ 3,150,053</u>	<u>\$ 2,981,314</u>

Manitoba Canola Growers Association Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2020

9 Deferred Check-off Revenue continued

Accrued check-offs due but not yet received as at year end is \$492,911 (\$508,665 in 2019).

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 2021 estimated core funding commitment is \$441,000

The 2021 estimated agronomy service commitment is \$68,028

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

Year	Amount
2021	\$ 668,382
2022	507,512
2023	59,626
	<u>\$ 1,235,520</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, 2020

11 Actual vs. Budget

The main categories comparison is as follows:

	2020 Budget	2020 Actual
Board Governance	\$ 155,000	\$ 87,028
Administration	785,550	825,579
Market Development	425,000	421,743
Advocacy	258,050	143,679
Communications	137,500	53,797
Grower Engagement and Extension	223,250	124,034
Research and Agronomy	889,331	770,227
Canola Council of Canada - Core Funding	425,000	419,888
Canola Council of Canada - Agronomy Services	110,000	80,673
	\$ 3,408,681	\$ 2,926,648

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.