

Financial Statements of

**CANADIAN SEED GROWERS'
ASSOCIATION**

Year ended April 30, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Seed Growers' Association

We have audited the accompanying financial statements of the Canadian Seed Growers' Association, which comprise the statement of financial position as at April 30, 2018, the statements of operations, changes in net assets, cash flows and schedules for the year then ended, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our 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, we consider 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.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Seed Growers' Association as at April 30, 2018, and its results of operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 29, 2018

CANADIAN SEED GROWERS' ASSOCIATION

Financial Statements

Year ended April 30, 2018

Financial Statements

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CANADIAN SEED GROWERS' ASSOCIATION

Statement of Financial Position

April 30, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 16,929	\$ 118,634
Amounts receivable (note 6)	546,250	99,380
Prepaid expenses	79,371	108,181
	642,550	326,195
Investments (note 2)	1,695,345	1,767,009
Tangible capital and intangible assets (note 3)	318,241	379,683
Deferred pension asset (note 7)	89,620	106,045
	\$ 2,745,756	\$ 2,578,932

Liabilities and Net Assets

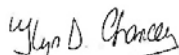
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 295,797	\$ 198,780
Deferred revenue	144,854	103,353
	440,651	302,133
Deferred capital asset contributions (note 5)	74,010	213,432
Net assets (note 8):		
Invested in tangible capital and intangible assets	244,231	166,251
Unrestricted	1,986,864	1,897,116
	2,231,095	2,063,367
Commitments (note 9)		
	\$ 2,745,756	\$ 2,578,932

See accompanying notes to financial statements.

On behalf of the Board:



K. Runnalls, President



G. Chancey, Executive Director

CANADIAN SEED GROWERS' ASSOCIATION

Statement of Operations

Year ended April 30, 2018, with comparative information for 2017

	Budget	Actual 2018	Actual 2017
Revenue:			
Acreage fees	\$ 1,300,000	\$ 1,342,303	\$ 1,107,018
Membership fees	700,000	716,700	357,200
Project contributions - AgriRisk Program (schedule)	125,000	480,783	-
Project contributions - AgriMarketing Program	-	158,091	-
Branch acreage fees	440,000	446,789	436,443
Client service fees	394,705	388,496	372,485
Other revenue	315,325	206,637	233,181
Assessment for CFIA inspections	273,115	230,057	318,288
Branch membership fees	145,000	150,025	143,075
Plot fees	74,250	85,950	85,020
	<u>3,767,395</u>	<u>4,205,831</u>	<u>3,052,710</u>
Expenses:			
General and administrative expenses (schedule)	3,048,702	2,610,235	2,671,047
Branch fee paid out	585,000	596,814	579,518
CFIA inspections	273,115	230,057	318,883
Project expenses - AgriRisk Program (schedule)	-	480,783	-
Project expenses - AgriMarketing Program	-	158,091	-
	<u>3,906,817</u>	<u>4,075,980</u>	<u>3,569,448</u>
Excess (deficiency) of revenue over expenses before the undernoted	(139,422)	129,851	(516,738)
Other income (expense):			
Amortization of deferred capital contributions	139,422	139,422	163,591
Loss on disposal of capital assets	-	(2,327)	-
	<u>139,422</u>	<u>137,095</u>	<u>163,591</u>
Excess (deficiency) of revenue over expenses	\$ -	\$ 266,946	\$ (353,147)

See accompanying notes to financial statements.

CANADIAN SEED GROWERS' ASSOCIATION

Statement of Changes in Net Assets

Year ended April 30, 2018, with comparative information for 2017

	Invested in tangible capital and intangible assets	Unrestricted	2018	2017
Balance, as reported	\$ 166,251	\$ 1,897,116	\$ 2,063,367	\$ 2,081,650
Excess (deficiency) of revenue over expenses	(2,327)	269,273	266,946	(353,147)
Remeasurements related to pension liability	-	(99,218)	(99,218)	334,864
Purchase of tangible capital and intangible assets	139,999	(139,999)	-	-
Amortization of tangible capital and intangible assets	(199,114)	199,114	-	-
Amortization of deferred capital contributions	139,422	(139,422)	-	-
Balance, end of year	\$ 244,231	\$ 1,986,864	\$ 2,231,095	\$ 2,063,367

See accompanying notes to financial statements.

CANADIAN SEED GROWERS' ASSOCIATION

Statement of Cash Flows

Year ended April 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 266,946	\$ (353,147)
Items not involving cash:		
Amortization of tangible capital and intangible assets	199,114	251,782
Amortization of deferred capital asset contributions	(139,422)	(163,591)
Loss on disposal of capital assets	2,327	-
Decrease in deferred pension liability	-	(284,621)
Decrease (increase) in deferred pension asset	16,425	(106,045)
Change in non-cash operating working capital	(279,542)	(25,376)
	65,848	(680,998)
Investing activities:		
Decrease in investments	71,664	131,519
Financing activities:		
Purchase of tangible capital and intangible assets	(139,999)	(83,926)
Remeasurement related to pension liability	(99,218)	334,864
Decrease in cash	(101,705)	(298,541)
Cash, beginning of year	118,634	417,175
Cash, end of year	\$ 16,929	\$ 118,634

See accompanying notes to financial statements.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements

Year ended April 30, 2018

The Canadian Seed Growers' Association (the "Association") provides seed pedigreering services of field crops, in conjunction with the Canadian Food Inspection Agency, to over 4,000 seed growers across Canada.

The Association was incorporated as a corporation without share capital under Part II of the Canada Corporations Act. Effective July 30, 2013, the Association continued their articles of incorporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act.

The Association is a not-for-profit organization under paragraph 149(1)(l) of the Income Tax Act (Canada) and, as such, is not subject to income taxes.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following significant accounting policies:

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions for not-for-profit organizations.

Revenue from fees including ASCIS and sales of production reports are recognized when the services are provided or the goods are sold. Annual general meeting revenues are recognized in the year to which they belong. Investment income is recognized when earned. Contributions received for the purchase of tangible capital and intangible assets are deferred and amortized into revenue at a rate corresponding to the amortization rate of the capital asset purchased.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Tangible capital and intangible assets:

Purchased tangible capital and intangible assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a tangible capital or intangible asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

Amortization is provided on a straight-line basis using a rate of 10% per annum for furniture and 25% per annum for computer equipment and intangible assets.

(d) Pension costs and obligations:

The Association has a defined benefit pension plan covering some of its employees. The benefits are based on years of service and the employee's compensation during the best three years of employment.

The Association also has a defined contribution plan providing pension benefits to its employees. The cost of the defined contribution plan is recognized based on the contributions required to be made during each period.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

1. Significant accounting policies (continued):

(e) Pension costs and obligations (continued):

The Association uses the immediate recognition approach to account for the above plan. The Association accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension benefits. The actuarial determination of the accrued benefit obligations for pensions uses the projected benefit method prorated on service (which incorporates management's assumptions used for funding purposes, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the plan assets, which are recorded at fair value, and accrued benefit obligation coincides with the Association's fiscal year.

In years between valuations, the Association uses a roll-forward technique to estimate the accrued benefit obligation. The Association recognizes the accrued benefit obligation net of the fair value of the plan amounts adjusted for any valuation allowance in the statement of financial position at the end of the year.

The annual benefit cost is recorded in the statement of operations and the actuarial gains and losses are recognized in the statement of deferred contributions.

The pension fund is funded in accordance with legal requirements and standard actuarial practice. Assets of the pension plan are used to purchase life annuities for employees on retirement when benefits under the plan are increased. Additional annuities are purchased for retired employees.

(e) Foreign exchange:

Transactions conducted in a foreign currency are translated into Canadian dollars at the average exchange rate for the period. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at year-end. Foreign exchange gains and losses are included in income.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

2. Investments:

Investments are composed of the following securities:

	2018	2017
Guaranteed investment certificates	\$ 697,885	\$ 1,105,764
High interest savings	321,648	-
Long-term investments:		
Federal and Provincial government bonds	229,855	208,825
Corporate bonds/paper	193,881	205,366
Equities	197,498	112,412
Investment trusts	48,564	129,100
Accrued interest on investments	6,014	5,542
Total investments	\$ 1,695,345	\$ 1,767,009

Guaranteed investment certificates have interest rate ranges of from 1.0% to 4.85% and maturity date ranges of June 2019 to June 2028.

3. Tangible capital and intangible assets:

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Furniture and equipment	\$ 90,299	\$ 44,147	\$ 46,152	\$ 46,377
Leasehold improvements	118,893	56,643	62,250	70,606
Computers	235,239	174,015	61,224	20,268
	444,431	274,805	169,626	137,251
Intangible assets	1,063,124	914,509	148,615	242,432
	\$ 1,507,555	\$ 1,189,314	\$ 318,241	\$ 379,683

At April 30, 2017, cost and accumulated amortization amounted to \$1,457,215 and \$1,077,532, respectively. During the year, the Association wrote off assets with a cost of \$89,659 and accumulated amortization of \$87,332 resulting in a loss on disposal of \$2,327.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

4. Accounts payable and accrued liabilities:

At year end, there were no amounts payable related to government remittances or payroll related taxes (2017 - \$Nil).

5. Deferred capital asset contributions:

	2018	2017
Balance, beginning of year	\$ 213,432	\$ 377,023
Less: Amortization	(139,422)	(163,591)
Balance, end of year	\$ 74,010	\$ 213,432

6. Amounts receivable:

	2018	2017
Trade receivables	\$ 22,143	\$ 38,116
Commodity taxes receivable	92,317	61,487
Project contributions receivable	433,074	-
	547,534	99,603
Provision for doubtful accounts	(1,284)	(223)
	\$ 546,250	\$ 99,380

7. Deferred pension asset/liability:

The Association administers the Pension Plan for the Employees of the Canadian Seed Growers' Association, which is a defined benefit and defined contribution plan registered with the Financial Services Commission of Ontario, and covers most of the Association's employees.

The latest actuarial valuation was performed as at July 31, 2015. The latest extrapolation using current assumptions was performed at April 30, 2016. The next actuarial valuation for funding purposes is required to be completed as at July 31, 2018, or earlier, in accordance with the requirements of the Pension Benefits Act (Ontario).

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

7. Deferred pension asset/liability (continued):

As part of the regulations governing provincially regulated pension plans, pension plans must meet certain solvency requirements which assume the plans are wound up/liquidated as of the valuation date. The actuarial valuation for funding purposes performed as at July 31, 2015 reported a solvency surplus of \$51,973 and a going-concern deficiency of \$354,040, based on economic assumptions applicable at July 31, 2015.

The reconciliation of the funded status of the defined benefit pension plan to the amount recorded in the financial statements is as follows:

	2018	2017
Fair value of plan assets	\$ 4,626,094	\$ 4,607,664
Accrued benefit obligation	(4,536,474)	(4,501,619)
	\$ 89,620	\$ 106,045

(a) Plan assets:

	2018	2017
Plan assets at fair value, beginning of year	\$ 4,607,664	\$ 4,192,638
Actual return on plan assets	154,204	565,459
Employer contributions	113,856	106,410
Employee contributions	14,498	13,735
Benefits paid	(264,128)	(270,578)
Plan assets at fair value, end of year	\$ 4,626,094	\$ 4,607,664

The defined benefit pension expense for the year was \$31,063 (2017 - \$50,068) and is included in employee benefit expense shown in the schedule of general administration expenses.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

7. Deferred pension asset/liability (continued):

(b) Accrued benefit obligation:

	2018	2017
Accrued benefit obligation, beginning of year	\$ 4,501,619	\$ 4,477,259
Benefits accrued	51,394	48,689
Benefits paid	(264,128)	(270,578)
Interest	247,589	246,249
Accrued benefit obligation, end of year	\$ 4,536,474	\$ 4,501,619

(c) Pension plan assets:

Plan assets are invested in the following securities at April 30:

	2018	2017
Cash and cash equivalents	3%	3%
Bonds and GICs	37%	36%
Canadian equities	29%	29%
Foreign equities	31%	36%

(d) Assumptions:

The significant assumptions used in accounting for the defined pension benefit plan at April 30 are as follows:

	Pension benefit plan	
	2018	2017
Accrued benefit obligation as of April 30:		
Discount rate	5.50%	5.50%
Rate of compensation increase	3.25%	3.25%
Benefit costs for year ended April 30:		
Discount rate	5.50%	5.50%
Expected return on plan assets	5.50%	5.50%
Rate of compensation increase	3.25%	3.25%

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

8. Net assets:

The Association considers its capital to consist of its net assets. The Association's overall objective with its capital is to fund tangible capital and intangible assets, research and ongoing operations.

The Association is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended April 30, 2017.

9. Commitments:

The Association rents office space and equipment under operating leases which expire from May 31, 2020 to October 31, 2021. The minimum annual lease payments for the next four years are as follows:

2019	\$	99,223
2020		96,386
2021		12,997
2022		2,966
	\$	211,572

10. Financial risks and concentration of credit risk:

(a) Currency risk:

The Association is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Association purchased investments denominated in U.S. dollars of \$37,984 (2017 - \$36,211). The Association does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2018

10. Financial risks and concentration of credit risk (continued):

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to the accounts receivable. The Association assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. Amounts that have been allowed for in accounts receivable are included in note 6.

(d) Interest rate risk:

The Association is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 2.

(e) The Association believes that it is not exposed to significant interest rate risk arising from its financial instruments.

There have been no changes to the risk exposures from 2017.

11. Comparative information:

Certain 2017 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

CANADIAN SEED GROWERS' ASSOCIATION

Schedule of General and Administrative Expenses

Year ended April 30, 2018, with comparative information for 2017

	Budget	Actual 2018	Actual 2017
Salaries	\$ 1,028,407	\$ 957,390	\$ 882,582
Employee benefits	278,419	255,149	214,935
Travel, directors	332,700	235,831	230,641
Amortization of tangible capital and intangible assets	272,810	199,114	251,782
Annual general meeting	175,635	142,913	166,919
Travel, staff	92,600	110,728	80,951
Data processing	98,931	107,735	101,907
Special projects	204,913	107,231	259,129
Rent	96,197	106,048	94,676
Technical and data development	130,340	105,274	99,432
Honoraria	43,893	63,000	42,000
Professional fees	114,224	50,219	79,953
Insurance	32,487	38,763	32,460
Membership fees	25,425	26,552	18,251
Publicity	42,000	21,358	26,187
Rental of equipment	18,242	18,389	18,838
Internet and web site service	16,500	16,340	17,562
Office supplies and stationery	9,540	14,851	15,188
Postal services	12,879	13,151	12,901
Telephone	9,600	9,305	10,858
Printing	3,760	4,469	7,616
Presentations and sponsorships	5,700	3,200	3,150
Bad debts	1,000	2,178	1,694
Promotional material	1,500	649	1,003
Subscriptions	1,000	398	432
	\$ 3,048,702	\$ 2,610,235	\$ 2,671,047

CANADIAN SEED GROWERS' ASSOCIATION

Schedule of Project Revenue and Expenses

Year ended April 30, 2018, with comparative information for 2017

	2018
AgriRisk Initiatives Program - Seed Synergy Project	
Cash	\$ 205,800
Amounts receivable	274,983
	<u>\$ 480,783</u>
Project expenses:	
Contracted services	\$ 356,955
Travel	63,929
Salaries	30,794
Other direct project costs	28,655
Administration	450
	<u>480,783</u>
Cash contributions:	
Project management	31,078
Consultation strategy and tools	5,991
Impact assessment/risk analysis	7,473
Industry engagement	21,149
Project reporting	823
	<u>66,514</u>
In-kind contributions	
Project management	4,917
Impact assessment/risk analysis	817
Industry engagement	177,633
	<u>183,367</u>
Project total	\$ 730,664