

Financial Statements of

**CANADIAN SEED GROWERS'
ASSOCIATION**

Year ended April 30, 2017



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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, 2017, the statements of operations, changes in net assets and cash flows 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, 2017, 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

June 26, 2017

Ottawa, Canada

CANADIAN SEED GROWERS' ASSOCIATION

Financial Statements

Year ended April 30, 2017

Financial Statements

Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule of General and Administrative Expenses	14

CANADIAN SEED GROWERS' ASSOCIATION

Statement of Financial Position

April 30, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 118,634	\$ 417,175
Amounts receivable	99,380	143,900
Prepaid expenses	108,181	106,391
	326,195	667,466
Investments (note 2)	1,767,009	1,898,528
Tangible capital and intangible assets (note 3)	379,683	547,539
Deferred pension asset (note 6)	106,045	-
	\$ 2,578,932	\$ 3,113,533

Liabilities and Net Assets

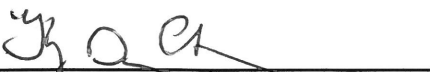
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 191,983	\$ 221,860
Grants payable	1,200	6,200
Inspection fees payable	5,597	3,737
Deferred revenue	103,353	138,442
	302,133	370,239
Deferred capital asset contributions (note 5)	213,432	377,023
Deferred pension liability (note 6)	-	284,621
Net assets (note 7):		
Invested in tangible capital and intangible assets	166,251	170,516
Unrestricted	1,897,116	1,911,134
	2,063,367	2,081,650
Commitments (note 8)		
	\$ 2,578,932	\$ 3,113,533

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, 2017, with comparative information for 2016

	Budget	Actual 2017	Actual 2016
Fees (including branch and inspection fees)	\$ 2,004,410	\$ 2,542,750	\$ 2,633,768
Less:			
Branch fees	-	620,949	609,440
Inspection fees	401,625	319,064	402,254
	401,625	940,013	1,011,694
Net fees	1,602,785	1,602,737	1,622,074
General and administrative expenses (schedule)	2,805,032	2,670,866	2,401,033
Loss before the undernoted	(1,202,247)	(1,068,129)	(778,959)
Other revenue:			
ASCIS fees	263,060	267,251	259,737
Amortization of deferred capital contributions	-	163,591	150,093
Annual General Meeting	125,000	107,241	178,239
Investment income	48,000	82,548	35,955
Penalty fee income	19,200	47,465	44,253
Miscellaneous	2,100	43,392	42,984
Sale of pedigree seed production reports	5,000	3,494	2,553
Government grant	233,591	-	17,229
	695,951	714,982	731,043
Deficiency of revenue over expenses	\$ (506,296)	\$ (353,147)	\$ (47,916)

See accompanying notes to financial statements.

CANADIAN SEED GROWERS' ASSOCIATION

Statement of Changes in Net Assets

Year ended April 30, 2017, with comparative information for 2016

	Invested in tangible capital and intangible assets	Unrestricted	2017	2016
Balance, as reported	\$ 170,516	\$ 1,911,134	\$ 2,081,650	\$ 2,457,397
Deficiency of revenue over expenses	-	(353,147)	(353,147)	(47,916)
Remeasurements related to pension liability	-	334,864	334,864	(327,831)
Purchase of tangible capital and intangible assets	83,926	(83,926)	-	-
Amortization of tangible capital and intangible assets	(251,782)	251,782	-	-
Amortization of deferred capital contributions	163,591	(163,591)	-	-
Balance, end of year	\$ 166,251	\$ 1,897,116	\$ 2,063,367	\$ 2,081,650

See accompanying notes to financial statements.

CANADIAN SEED GROWERS' ASSOCIATION

Statement of Cash Flows

Year ended April 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (353,147)	\$ (47,916)
Items not involving cash:		
Amortization of tangible capital and intangible assets	251,782	246,456
Amortization of deferred capital asset contributions	(163,591)	(150,093)
Increase (decrease) in deferred pension liability	(284,621)	265,435
Increase in deferred pension asset	(106,045)	-
Change in non-cash operating working capital	(25,376)	85,332
	(680,998)	399,214
Investing activities:		
Decrease (increase) in investments	131,519	(3,514)
Financing activities:		
Purchase of tangible capital and intangible assets	(83,926)	(200,588)
Deferred capital asset contributions received	-	95,310
Remeasurement related to pension liability	334,864	(327,831)
	250,938	(433,109)
Decrease in cash	(298,541)	(37,409)
Cash, beginning of year	417,175	454,584
Cash, end of year	\$ 118,634	\$ 417,175

See accompanying notes to financial statements.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements

Year ended April 30, 2017

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) Basis of accounting:

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

(b) Revenue recognition:

Revenue from fees and sales of production reports are recognized when the services are provided or the goods are sold. 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.

(c) 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, 2017

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.

(d) 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.

(e) 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, 2017

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.

(f) 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.

(g) 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, 2017

2. Investments:

Investments are composed of the following securities:

	2017	2016
GICs	\$ 1,105,764	\$ 1,270,067
Long-term investments:		
Federal and Provincial government bonds	208,825	210,682
Corporate bonds/paper	205,366	208,826
Equities	112,412	101,459
Investment trusts	129,100	102,442
Accrued interest on investments	5,542	5,052
Total investments	\$ 1,767,009	\$ 1,898,528

3. Tangible capital and intangible assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Furniture and equipment	\$ 86,788	\$ 40,411	\$ 46,377	\$ 21,740
Leasehold improvements	100,183	29,577	70,606	81,827
Computers	200,393	180,125	20,268	50,521
	387,364	250,113	137,251	154,088
Intangible assets	1,069,851	827,419	242,432	393,451
	\$ 1,457,215	\$ 1,077,532	\$ 379,683	\$ 547,539

At April 30, 2016, cost and accumulated amortization amounted to \$1,373,289 and \$825,750, respectively.

4. Accounts payable and accrued liabilities:

At year end, there were no amounts payable related to government remittances or payroll related taxes (2016 - \$Nil).

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2017

5. Deferred capital asset contributions:

	2017	2016
Balance, beginning of year	\$ 377,023	\$ 431,806
Add: Additions to tangible capital and intangible assets	-	95,310
Less: Amortization	(163,591)	(150,093)
Balance, end of year	\$ 213,432	\$ 377,023

6. 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).

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.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2017

6. Deferred pension asset/liability (continued):

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

	2017	2016
Fair value of plan assets	\$ 4,607,664	\$ 4,192,638
Accrued benefit obligation	(4,501,619)	(4,477,259)
	\$ 106,045	\$ (284,621)

(a) Plan assets:

	2017	2016
Plan assets at fair value, beginning of year	\$ 4,192,638	\$ 4,387,931
Actual return on plan assets	565,459	(48,319)
Employer contributions	106,410	122,574
Employee contributions	13,735	21,740
Benefits paid	(270,578)	(291,288)
Plan assets at fair value, end of year	\$ 4,607,664	\$ 4,192,638

The defined benefit pension expense for the year was \$50,068 (2016 - \$60,178) and is included in employee benefit expense shown in the schedule of general administration expenses.

(b) Accrued benefit obligation:

	2017	2016
Accrued benefit obligation, beginning of year	\$ 4,477,259	\$ 4,407,117
Benefits accrued	48,689	80,863
Benefits paid	(270,578)	(291,288)
Interest	246,249	242,391
Actuarial loss	-	38,176
Accrued benefit obligation, end of year	\$ 4,501,619	\$ 4,477,259

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2017

6. Deferred pension asset/liability (continued):

(c) Pension plan assets:

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

	2017	2016
Cash and cash equivalents	3%	6%
Bonds and GICs	36%	33%
Canadian equities	29%	27%
Foreign equities	36%	34%

(d) Assumptions:

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

	Pension benefit plan	
	2017	2016
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%

7. 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, 2016.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2017

8. Commitments:

The Association rents office space and equipment under operating leases which expire from October 31, 2017 to May 31, 2020. The minimum annual lease payments for the next five years are as follows:

2018	\$	93,291
2019		93,291
2020		90,454
2021		7,065
	\$	284,101

9. 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 purchases investments denominated in U.S. dollars. 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.

(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.

(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.

CANADIAN SEED GROWERS' ASSOCIATION

Notes to Financial Statements (continued)

Year ended April 30, 2017

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

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

There have been no changes to the risk exposures from 2016.

10. Comparative information:

Certain 2016 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, 2017, with comparative information for 2016

	Budget	Actual 2017	Actual 2016
Salaries	\$ 917,187	\$ 882,582	\$ 881,573
Special projects	240,000	258,948	16,102
Amortization of tangible capital and intangible assets	269,591	251,782	246,456
Travel, directors	244,067	230,641	240,608
Employee benefits	227,048	214,935	187,372
Annual general meeting	105,370	166,919	165,154
Data processing	112,383	101,907	79,439
Technical and data development	120,200	99,432	67,279
Rent	94,651	94,676	92,786
Travel, staff	105,301	80,951	73,376
Professional fees	144,900	79,953	96,523
Honoraria	42,000	42,000	42,000
Insurance	25,307	32,460	19,291
Publicity	45,000	26,187	91,129
Rental of equipment	16,670	18,838	19,905
Membership fees	25,425	18,251	15,196
Internet and web site service	14,700	17,562	14,309
Office supplies and stationery	15,550	15,188	16,282
Postal services	13,250	12,901	13,497
Telephone	9,480	10,858	11,028
Printing	5,952	7,616	2,778
Presentations and sponsorships	7,500	3,150	3,000
Bad debts	1,000	1,694	3,203
Promotional material	1,500	1,003	2,311
Subscriptions	1,000	432	436
	\$ 2,805,032	\$ 2,670,866	\$ 2,401,033