

Financial Statements of

**CANADIAN SEED GROWERS
ASSOCIATION**

Period ended January 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Seed Growers Association

Opinion

We have audited the financial statements of Canadian Seed Growers Association (the Entity), which comprise:

- the statement of financial position as at end of January 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at end of January 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

July 7, 2019

CANADIAN SEED GROWERS ASSOCIATION

Financial Statements

Period ended January 31, 2019

Financial Statements

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CANADIAN SEED GROWERS ASSOCIATION

Statement of Financial Position

January 31, 2019, with comparative information for April 30, 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 547,855	\$ 16,929
Amounts receivable (note 6)	618,522	546,250
Prepaid expenses	95,904	79,371
	<u>1,262,281</u>	<u>642,550</u>
Investments (note 2)	1,456,433	1,695,345
Tangible capital and intangible assets (note 3)	259,201	318,241
Deferred pension asset (note 7)	103,215	89,620
	<u>\$ 3,081,130</u>	<u>\$ 2,745,756</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 626,176	\$ 295,797
Deferred revenue	58,678	144,854
	<u>684,854</u>	<u>440,651</u>
Deferred capital asset contributions (note 5)	14,055	74,010
Net assets (note 8):		
Invested in tangible capital and intangible assets	245,146	244,231
Unrestricted	2,137,075	1,986,864
	<u>2,382,221</u>	<u>2,231,095</u>
Commitments (note 9)		
	<u>\$ 3,081,130</u>	<u>\$ 2,745,756</u>

See accompanying notes to financial statements.

On behalf of the Board:


Jonathan Nyborg, President


G. Chancey, Executive Director

CANADIAN SEED GROWERS ASSOCIATION

Statement of Operations

Period ended January 31, 2019, with comparative information for the year ended April 30, 2018

	Actual 2019	Actual 2018
Revenue:		
Acreage fees	\$ 1,312,385	\$ 1,342,303
Assessment for CFIA inspections	195,891	230,057
Branch acreage fees	480,049	446,789
Branch membership fees	146,780	150,025
Client service fees	429,014	388,496
Membership fees	699,400	716,700
Plot fees	87,120	85,950
Other revenue	229,214	206,637
Project contributions - AgriRisk Program	-	480,783
Project contributions - AgriMarketing Program	-	158,091
	<u>3,579,853</u>	<u>4,205,831</u>
Expenses:		
General and administrative expenses (schedule)	2,676,150	2,610,235
Branch fee paid out	626,829	596,814
CFIA inspections	195,641	230,057
Project expenses - AgriRisk Program	-	480,783
Project expenses - AgriMarketing Program	-	158,091
	<u>3,498,620</u>	<u>4,075,980</u>
Excess of revenue over expenses before the undernoted	81,233	129,851
Other income (expense):		
Amortization of deferred capital contributions	59,955	139,422
Loss on disposal of capital assets	-	(2,327)
	<u>59,955</u>	<u>137,095</u>
Excess of revenue over expenses	\$ 141,188	\$ 266,946

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Changes in Net Assets

Period ended January 31, 2019, with comparative information for the year ended April 30, 2018

	Invested in tangible capital and intangible assets	Unrestricted	2019	2018
Balance, as reported	\$ 244,231	\$ 1,986,864	\$ 2,231,095	\$ 2,063,367
Excess of revenue over expenses	-	141,188	141,188	266,946
Remeasurements related to pension liability	-	9,938	9,938	(99,218)
Purchase of tangible capital and intangible assets	51,692	(51,692)	-	-
Amortization of tangible capital and intangible assets	(110,732)	110,732	-	-
Amortization of deferred capital contributions	59,955	(59,955)	-	-
Balance, end of period	\$ 245,146	\$ 2,137,075	\$ 2,382,221	\$ 2,231,095

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Cash Flows

Period ended January 31, 2019, with comparative information for the year ended April 30, 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 141,188	\$ 266,946
Items not involving cash:		
Amortization of tangible capital and intangible assets	110,732	199,114
Amortization of deferred capital asset contributions	(59,955)	(139,422)
Loss on disposal of capital assets	-	2,327
Decrease (increase) in deferred pension asset	(13,595)	16,425
Change in non-cash operating working capital	155,398	(279,542)
	333,768	65,848
Investing activities:		
Decrease in investments	238,912	71,664
Financing activities:		
Purchase of tangible capital and intangible assets	(51,692)	(139,999)
Remeasurement related to pension liability	9,938	(99,218)
	(41,754)	(239,217)
Increase (decrease) in cash	530,926	(101,705)
Cash, beginning of year	16,929	118,634
Cash, end of year	\$ 547,855	\$ 16,929

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements

Period ended January 31, 2019

The Canadian Seed Growers Association (the "Association") provides seed pedigreeing 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)

Period ended January 31, 2019

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)

Period ended January 31, 2019

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)

Period ended January 31, 2019

2. Investments:

Investments are composed of the following securities:

	2019	2018
Guaranteed investment certificates	\$ 700,901	\$ 697,885
High interest savings	124,695	321,648
Federal and Provincial government bonds	234,053	229,855
Corporate bonds/paper	195,429	193,881
Equities	197,656	197,498
Investment trusts	-	48,564
Accrued interest on investments	3,699	6,014
Total investments	\$ 1,456,433	\$ 1,695,345

Guaranteed investment certificates have interest rate ranges of from 1.65% to 3.00% and maturity date ranges of June 2019 to January 2023. Bonds have interest rate ranges of 1.0% - 4.85% and maturity date ranges of July 2019 to June 2028.

3. Tangible capital and intangible assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Furniture and equipment	\$ 92,713	\$ 49,117	\$ 43,596	\$ 46,152
Leasehold improvements	118,893	76,641	42,252	62,250
Computers	269,125	204,298	64,827	61,224
	480,731	330,056	150,675	169,626
Intangible assets	1,078,516	969,990	108,526	148,615
	\$ 1,559,247	\$ 1,300,046	\$ 259,201	\$ 318,241

At April 30, 2018, cost and accumulated amortization amounted to \$1,507,555 and \$1,189,314, respectively.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Period ended January 31, 2019

4. Accounts payable and accrued liabilities:

At year end, there were no amounts payable related to government remittances or payroll related taxes.

5. Deferred capital asset contributions:

	2019	2018
Balance, beginning of year	\$ 74,010	\$ 213,432
Less: Amortization	59,955	139,422
Balance, end of year	\$ 14,055	\$ 74,010

6. Amounts receivable:

	2019	2018
Trade receivables	\$ 312,443	\$ 22,143
Commodity taxes receivable	33,335	92,317
Project contributions receivable	276,601	433,074
	622,379	547,534
Provision for doubtful accounts	(3,857)	(1,284)
	\$ 618,522	\$ 546,250

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 November 30, 2017. The latest extrapolation using current assumptions was performed at January 31, 2019. The next actuarial valuation for funding purposes is required to be completed as at July 31, 2019, or earlier, in accordance with the requirements of the Pension Benefits Act (Ontario).

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Period ended January 31, 2019

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 November 30, 2017 reported a solvency surplus of \$51,973 and a going-concern deficiency of \$354,040, based on economic assumptions applicable at November 30, 2017.

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

	2019	2018
Fair value of plan assets	\$ 4,597,159	\$ 4,626,094
Accrued benefit obligation	(4,493,944)	(4,536,474)
	\$ 103,215	\$ 89,620

(a) Plan assets:

	2019	2018
Plan assets at fair value, beginning of year	\$ 4,626,094	\$ 4,607,664
Actual return on plan assets	131,385	154,204
Employer contributions	28,987	113,856
Employee contributions	11,513	14,498
Benefits paid	(200,820)	(264,128)
Plan assets at fair value, end of year	\$ 4,597,159	\$ 4,626,094

The defined benefit pension expense for the year was \$33,397 (2018 - \$31,063) and is included in employee benefit expense shown in the schedule of general administration expenses.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Period ended January 31, 2019

7. Deferred pension asset/liability (continued):

(b) Accrued benefit obligation:

	2019	2018
Accrued benefit obligation, beginning of year	\$ 4,536,474	\$ 4,501,619
Benefits accrued	40,539	51,394
Benefits paid	(200,820)	(264,128)
Interest	187,130	247,589
Actuarial loss	(69,379)	-
Accrued benefit obligation, end of year	\$ 4,493,944	\$ 4,536,474

(c) Pension plan assets:

Plan assets are invested in the following securities at January 31:

	2019	2018
Cash and cash equivalents	4%	3%
Fixed income securities	39%	37%
Canadian equities	27%	29%
Foreign equities	30%	31%

(d) Assumptions:

The significant assumptions used in accounting for the defined pension benefit plan at January 31 are as follows:

	Pension benefit plan	
	2019	2018
Accrued benefit obligation:		
Discount rate	5.50%	5.50%
Rate of compensation increase	2.00%	3.25%
Benefit costs:		
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)

Period ended January 31, 2019

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, 2018.

9. Commitments:

The Association rents office space under an operating lease that expires from May 31, 2020 and office equipment under operating leases that expire on October 31, 2021. The minimum annual lease payments for the next three years are as follows:

2020	\$	103,581
2021		35,881
2022		4,449
	\$	143,911

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 \$39,233 (2018 - \$37,984). 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)

Period ended January 31, 2019

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 2018.

11. Comparative information:

Certain 2018 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

Period ended January 31, 2019, with comparative information for the year ended April 30, 2018

	Actual 2019	Actual 2018
Amortization of tangible capital and intangible assets	\$ 110,732	\$ 199,114
Annual general meeting	187,405	142,913
Bad debts	2,572	2,178
Contracted services	125,527	75,829
Data processing	91,450	107,735
Employee benefits	213,833	255,149
Honoraria	83,500	63,000
Insurance	26,466	38,763
Internet and web site service	9,364	16,340
Membership fees	9,956	26,552
Office supplies and stationery	18,141	14,851
Postal services	10,819	13,151
Presentations and sponsorships	11,330	3,200
Printing	5,770	4,469
Professional fees	56,560	50,219
Promotional material	-	649
Publicity	21,955	21,358
Rent	79,595	106,048
Rental of equipment	12,361	18,389
Salaries	803,540	881,561
Special projects	247,275	107,231
Subscriptions	243	398
Technical and data development	89,426	105,274
Telephone	8,007	9,305
Travel, directors	308,913	235,831
Travel, staff	141,410	110,728
	<u>\$ 2,676,150</u>	<u>\$ 2,610,235</u>