

Financial Statements of

**CANADIAN SEED GROWERS
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended January 31, 2022



KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Tel 613-212-5764
Fax 613-212-2896

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 "Association"), which comprise:

- the statement of financial position as at January 31, 2022;
- 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 Association as at January 31, 2022, and its results of operations, its changes in net assets 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 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 responsibilities in accordance with these ethical 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 Association'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 Association'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.



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- 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 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 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a slight upward curve at the end.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

July 4, 2022

CANADIAN SEED GROWERS ASSOCIATION

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CANADIAN SEED GROWERS ASSOCIATION

Statement of Financial Position

January 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 1,375,165	\$ 967,097
Amounts receivable (note 5)	90,495	113,022
Prepaid expenses	61,300	89,196
	<u>1,526,960</u>	<u>1,169,315</u>
Investments (note 2)	751,930	703,238
Tangible capital and intangible assets (note 3)	96,048	122,185
Deferred pension asset (note 6)	234,054	613,567
	<u>\$ 2,608,992</u>	<u>\$ 2,608,305</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 660,381	\$ 527,242
Deferred revenue	112,433	119,360
	<u>772,814</u>	<u>646,602</u>
Net assets (note 7):		
Invested in tangible capital and intangible assets	96,048	122,185
Unrestricted	(259,870)	(160,482)
Internally restricted	2,000,000	2,000,000
	<u>1,836,178</u>	<u>1,961,703</u>
Commitments (note 8)		
Impact of COVID-19 (note 11)		
	<u>\$ 2,608,992</u>	<u>\$ 2,608,305</u>

See accompanying notes to financial statements.

On behalf of the Board:

Joe Rennick, President

Doug Miller, Executive Director

CANADIAN SEED GROWERS ASSOCIATION

Statement of Operations

Year ended January 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Acreage fees	\$ 1,532,675	\$ 1,562,121
Membership fees	611,335	628,545
Client service fees	587,195	533,258
Branch acreage fees	468,458	480,653
Government grants and subsidies	214,869	-
Plot fees	178,140	173,160
Branch membership fees	125,035	127,265
Assessment for CFIA inspections	100,009	124,962
Interest and other revenue	79,657	60,794
	<u>3,897,373</u>	<u>3,690,758</u>
Expenses:		
General and administrative expenses (schedule)	2,889,270	3,048,320
Branch fee paid out	593,493	607,918
CFIA inspections	100,009	124,962
Project expense - Seed Synergy	-	322,074
	<u>3,582,772</u>	<u>4,103,274</u>
Excess (deficiency) of revenue over expenses before the undernoted	314,601	(412,516)
Other expense:		
Loss on disposal of tangible capital and intangible assets	(22,197)	-
Excess (deficiency) of revenue over expenses	<u>\$ 292,404</u>	<u>\$ (412,516)</u>

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Changes in Net Assets

Year ended January 31, 2022, with comparative information for 2021

	Internally restricted	Invested in tangible capital and intangible assets	Unrestricted	2022	2021
Balance, beginning of year	\$ 2,000,000	\$ 122,185	\$ (160,482)	\$ 1,961,703	\$ 2,283,835
Excess (deficiency) of revenue over expenses	-	(22,197)	314,601	292,404	(412,516)
Remeasurements related to pension asset	-	-	(417,929)	(417,929)	93,384
Purchase of tangible capital and intangible assets	-	59,056	(59,056)	-	-
Amortization of tangible capital and intangible assets	-	(62,996)	62,996	-	-
Balance, end of year	\$ 2,000,000	\$ 96,048	\$ (259,870)	\$ 1,836,178	\$ 1,964,703

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Cash Flows

Year ended January 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 292,404	\$ (412,516)
Items not involving cash:		
Amortization of tangible capital and intangible assets	62,996	82,509
Loss on disposal of tangible capital and intangible assets	22,197	-
Decrease (increase) in deferred pension asset	379,513	(116,196)
Change in non-cash operating working capital:		
Decrease in amounts receivable	22,527	129,560
Decrease (increase) in prepaid expenses	27,896	(23,864)
Increase (decrease) in accounts payable and accrued liabilities	133,139	(62,044)
Increase (decrease) in deferred revenue	(6,927)	51,504
	933,745	(351,047)
Investing activities:		
Net decrease (increase) in investments	(48,692)	596,748
Financing activities:		
Purchase of tangible capital and intangible assets	(59,056)	(20,859)
Remeasurement related to pension asset	(417,929)	90,384
	(476,985)	69,525
Increase in cash	408,068	315,226
Cash, beginning of year	967,097	651,871
Cash, end of year	\$ 1,375,165	\$ 967,097

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements

Year ended January 31, 2022

The Canadian Seed Growers Association (the "Association") provides seed pedigreeing services of field crops, in conjunction with the Canadian Food Inspection Agency, to over 3,100 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 January 31, 2022

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 January 31, 2022

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 January 31, 2022

2. Investments:

Investments are composed of the following securities:

	Fair value 2022	Cost 2022	Fair value 2021	Cost 2021
Guaranteed investment certificates	\$ 100,000	\$ 100,000	\$ 200,000	\$ 200,000
High interest savings	312,906	312,639	203,893	203,893
Equities	334,228	199,575	295,071	200,410
Investment trusts	4,796	2,837	4,274	2,837
Total investments	\$ 751,930	\$ 615,051	\$ 703,238	\$ 607,140

Guaranteed investment certificates have interest rate ranging from 2.77% to 3.00% and maturity date ranges of November 2022 to January 2023.

3. Tangible capital and intangible assets:

	2022		2021	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computers	\$ 201,782	\$ 172,246	\$ 29,536	\$ 29,092
Furniture	36,234	19,529	16,705	-
Leasehold improvements	14,758	1,683	13,075	30,406
	252,774	193,458	59,316	59,498
Intangible assets	810,433	773,701	36,732	62,687
	\$ 1,063,207	\$ 967,159	\$ 96,048	\$ 122,185

At January 31, 2021, cost and accumulated amortization amounted to \$1,198,796 and \$1,076,611, respectively.

4. Accounts payable and accrued liabilities:

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

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2022

5. Amounts receivable:

	2022	2021
Trade receivables	\$ 86,448	\$ 89,811
Commodity taxes receivable	5,573	24,245
	92,021	114,056
Provision for doubtful accounts	(1,526)	(1,034)
	\$ 90,495	\$ 113,022

6. Deferred pension asset:

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. Employer contributions to the defined contribution plan component were \$67,398, which are included in employee benefit expense.

The latest actuarial valuation for funding purposes of the defined benefit plan component was performed as at November 30, 2020. The latest extrapolation using current assumptions was performed in September 2021. The next actuarial valuation for funding purposes is required to be completed as at November 30, 2023, 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 November 30, 2020 reported a solvency surplus of \$207,010 and a going concern surplus of \$26,355, based on economic assumptions applicable at November 30, 2020.

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

	2022	2021
Fair value of plan assets	\$ 5,430,880	\$ 5,200,882
Accrued benefit obligation	(5,196,826)	(4,587,315)
	\$ 234,054	\$ 613,567

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2022

6. Deferred pension asset (continued):

(a) Plan assets:

	2022	2021
Plan assets at fair value, beginning of year	\$ 5,200,882	\$ 5,073,448
Actual return on plan assets	458,145	369,424
Employer contributions	53,891	41,717
Employee contributions	16,424	14,435
Benefits paid	(298,462)	(298,142)
Plan assets at fair value, end of year	\$ 5,430,880	\$ 5,200,882

The defined benefit pension expense for the year was \$15,475 (2021 - \$60,334) and is included in employee benefit expense shown in the schedule of general administration expenses.

(b) Accrued benefit obligation:

	2022	2021
Accrued benefit obligation, beginning of year	\$ 4,587,315	\$ 4,576,077
Benefits accrued	65,646	57,696
Benefits paid	(298,462)	(298,142)
Interest	252,302	251,684
Actuarial loss	590,025	-
Accrued benefit obligation, end of year	\$ 5,196,826	\$ 4,587,315

(c) Pension plan assets:

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

	2022	2021
Cash and cash equivalents	4%	9%
Fixed income securities	32%	30%
Canadian equities	33%	30%
Foreign equities	31%	31%

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2022

6. Deferred pension asset (continued):

(d) Assumptions:

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

	Pension benefit plan	
	2022	2021
Benefit costs:		
Discount rate	5.25%	5.50%
Expected return on plan assets	5.25%	5.50%
Inflation	2.00%	2.00%
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.

Internally restricted net assets are funds committed for specific purposes, which reflect the application of Association's Board policy as follows:

Reserve category	Purpose	Amount
Transition Fund	The Association requires funding to enable special projects and initiatives that support the Association's strategy in the coming years.	\$ 500,000
Contingency Fund Reserve	The Association will maintain a contingency reserve fund to financially mitigate the risk of a significant, negative unexpected event or a substantive change in the Association's operations.	\$ 1,500,000

The Association is not subject to externally imposed capital requirements but its Board of Directors will create new reserves and/or discontinue existing reserves, if and when required.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2022

8. Commitments:

The Association rents office space under an operating lease that expires as of April 30, 2026 and office equipment under operating leases that expire in June and October 2024. The minimum annual lease payments for the next five years are as follows:

2023	\$	69,491
2024		69,491
2025		63,034
2026		58,664
2027		14,666
	\$	275,346

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 purchased investments denominated in U.S. dollars of \$23,553 (2021 - \$29,784). 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. Amounts that have been allowed for in accounts receivable are included in note 5.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2022

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

(d) Interest rate and other pricing risk:

The Association is exposed to interest rate and other pricing risk on its investments as disclosed in note 2.

The Association believes that it is not exposed to significant risks arising from its financial instruments.

There have been no changes to the risk exposures from 2021.

10. Comparative information:

Certain 2021 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2022

11. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

Management has been forthright in undertaking certain strategies and actions to respond to the COVID-19 outbreak. The health and safety of all staff has been reinforced as a priority for the Association, and management invoked a work-from-home regime, suspended domestic and international travel and shifted face-to-face meetings to digital methods.

Financial statements are required to be adjusted for events occurring up to the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

The ultimate duration and magnitude of the pandemic's impact on the Association's operations and financial operations is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic is not predictable at this time.

CANADIAN SEED GROWERS ASSOCIATION

Schedule of General and Administrative Expenses

Year ended January 31, 2022, with comparative information for 2021

	Actual 2022	Actual 2021
Amortization of tangible capital and intangible assets	\$ 62,996	\$ 82,509
Annual general meeting (net - see note below)	21,869	122,638
Bad debts	2,764	8,652
Contracted services	106,185	121,946
Data processing	125,604	134,747
Employee benefits	222,940	198,784
Honoraria	103,000	100,000
Insurance	43,193	33,875
Internet and web site service	7,011	8,205
Membership fees	31,016	24,663
Office supplies and stationery	9,955	12,295
Postal services (recovery)	(2,296)	9,999
Presentations and sponsorships	1,000	6,300
Printing	5,052	4,806
Professional fees	259,087	380,373
Promotional material	5,624	-
Publicity	14,472	9,860
Rent	74,072	107,473
Rental of equipment	15,156	16,765
Salaries	1,591,909	1,438,563
Special projects	56,288	19,543
Subscriptions	922	375
Technical and data development	108,606	90,295
Telephone	7,772	9,794
Travel, directors	9,838	91,392
Travel, staff	5,235	14,468
	\$ 2,889,270	\$ 3,048,320

Note:

Annual general meeting expenses are shown on a net basis.