

Financial Statements of

**CANADIAN SEED GROWERS
ASSOCIATION**

And Independent Auditor's Report thereon

Year ended January 31, 2023



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INDEPENDENT AUDITOR'S 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, 2023;
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our Auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

June 6, 2023

CANADIAN SEED GROWERS ASSOCIATION

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CANADIAN SEED GROWERS ASSOCIATION

Statement of Financial Position

January 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 1,866,490	\$ 1,375,165
Amounts receivable (note 5 and 8)	250,428	90,495
Prepaid expenses	56,375	61,300
	2,173,293	1,526,960
Investments (note 2)	647,792	751,930
Tangible capital and intangible assets (note 3)	92,059	96,048
Deferred pension asset (note 6)	-	234,054
	\$ 2,913,144	\$ 2,608,992

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 563,363	\$ 660,381
Deferred revenue	103,004	112,433
	666,367	772,814
Deferred pension liability (note 6)	165,128	-
Net assets (note 7):		
Invested in tangible capital and intangible assets	92,059	96,048
Unrestricted	(10,410)	(259,870)
Internally restricted	2,000,000	2,000,000
	2,081,649	1,836,178
Commitments (note 9)		
	\$ 2,913,144	\$ 2,608,992

See accompanying notes to financial statements.

On behalf of the Board:



Dale Connell, President



Doug Miller, Executive Director

CANADIAN SEED GROWERS ASSOCIATION

Statement of Operations

Year ended January 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Acreage fees	\$ 1,793,485	\$ 1,532,675
Client service fees	703,772	587,195
Membership fees	591,825	611,335
Branch acreage and membership fees	591,746	593,493
Plot fees	185,840	178,140
Assessment for CFIA inspections	83,575	100,009
Investment and other revenue	66,915	79,657
Government grants and subsidies	32,075	214,869
	<u>4,049,233</u>	<u>3,897,373</u>
Expenses:		
General and administrative expenses (schedule)	2,705,712	2,889,270
Branch acreage and membership fees paid out	591,746	593,493
CFIA inspections	83,536	100,009
AAFC AgriAssurance Program expenses (net) (note 8)	8,495	-
	<u>3,389,489</u>	<u>3,582,772</u>
Excess of revenue over expenses before the undernoted	659,744	314,601
Other expense:		
Loss on disposal of tangible capital and intangible assets	(4,637)	(22,197)
Excess of revenue over expenses	<u>\$ 655,107</u>	<u>\$ 292,404</u>

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Changes in Net Assets

Year ended January 31, 2023, with comparative information for 2022

	Internally restricted	Invested in tangible capital and intangible assets	Unrestricted	2023	2022
Balance, beginning of year	\$ 2,000,000	\$ 96,048	\$ (259,870)	\$ 1,836,178	\$ 1,961,703
Excess (deficiency) of revenue over expenses	-	(4,637)	659,744	655,107	292,404
Remeasurements related to pension asset	-	-	(409,636)	(409,636)	(417,929)
Purchase of tangible capital and intangible assets	-	44,215	(44,215)	-	-
Amortization of tangible capital and intangible assets	-	(43,567)	43,567	-	-
Balance, end of year	\$ 2,000,000	\$ 92,059	\$ (10,410)	\$ 2,081,649	\$ 1,836,178

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Cash Flows

Year ended January 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 655,107	\$ 292,404
Items not involving cash:		
Amortization of tangible capital and intangible assets	43,567	62,996
Decrease (increase) in cumulative unrealized gains	30,135	(40,781)
Loss on disposal of tangible capital and intangible assets	4,637	22,197
Decrease in deferred pension asset/liability	399,182	379,513
Remeasurement related to pension asset/liability	(409,636)	(417,929)
Change in non-cash operating working capital:		
Decrease (increase) in amounts receivable	(159,933)	22,527
Decrease in prepaid expenses	4,925	27,896
Increase (decrease) in accounts payable and accrued liabilities	(97,018)	133,139
Decrease in deferred revenue	(9,429)	(6,927)
	461,537	475,035
Investing activities:		
Net withdrawals (additions) of investments	74,003	(7,911)
Financing activities:		
Purchase of tangible capital and intangible assets	(44,215)	(59,056)
Increase in cash	491,325	408,068
Cash, beginning of year	1,375,165	967,097
Cash, end of year	\$ 1,866,490	\$ 1,375,165

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements

Year ended January 31, 2023

The Canadian Seed Growers Association (the "Association") provides seed pedigreering 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 and assessments are recognized when the services are provided or the goods are sold. Investment and other revenue is recognized when earned. Contributions restricted for a specific purpose are deferred and recognized in the period that the related expenses are incurred.

(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, 2023

1. Significant accounting policies (continued):

(b) 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. Leasehold improvements are amortized over the term of the lease.

(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, 2023

1. Significant accounting policies (continued):

(d) 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, 2023

2. Investments:

Investments are composed of the following securities:

	Fair value 2023	Cost 2023	Fair value 2022	Cost 2022
Guaranteed investment certificates	\$ -	\$ -	\$ 100,000	\$ 100,000
High interest savings	317,976	317,976	312,906	312,639
Equities	325,173	219,867	334,228	199,575
Investment trusts	4,643	3,205	4,796	2,837
Total investments	\$ 647,792	\$ 541,048	\$ 751,930	\$ 615,051

3. Tangible capital and intangible assets:

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	\$ 182,242	\$ 152,952	\$ 29,290	\$ 29,536
Furniture	56,583	23,756	32,827	16,705
Leasehold improvements	16,441	6,557	9,884	13,075
	255,266	183,265	72,001	59,316
Intangible assets	785,054	764,996	20,058	36,732
	\$ 1,040,320	\$ 948,261	\$ 92,059	\$ 96,048

At January 31, 2022, cost and accumulated amortization amounted to \$1,063,207 and \$967,159, respectively. In the year, the Association disposed of assets with a cost of \$67,102 (2022 - \$194,645) and accumulated amortization of \$62,465 (2022 - \$172,448).

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, 2023

5. Amounts receivable:

	2023	2022
Trade receivables	\$ 227,072	\$ 86,448
Commodity taxes receivable	2,007	5,573
Project contributions receivable (note 8)	25,486	-
	254,565	92,021
Provision for doubtful accounts	(4,137)	(1,526)
	\$ 250,428	\$ 90,495

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 Regulatory Authority of Ontario, and covers most of the Association's employees. Employer contributions to the defined contribution plan component were \$61,336, 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.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2023

6. Deferred pension asset (continued):

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

	2023	2022
Fair value of plan assets	\$ 5,017,134	\$ 5,430,880
Accrued benefit obligation	(5,182,262)	(5,196,826)
Deferred pension asset (liability)	\$ (165,128)	\$ 234,054

(a) Plan assets:

	2023	2022
Plan assets at fair value, beginning of year	\$ 5,430,880	\$ 5,200,882
Actual return on plan assets	(163,984)	458,145
Employer contributions	53,317	53,891
Employee contributions	16,507	16,424
Benefits paid	(319,586)	(298,462)
Plan assets at fair value, end of year	\$ 5,017,134	\$ 5,430,880

The defined benefit pension expense for the year was \$42,863 (2022 - \$15,475) and is included in employee benefit expense shown in the schedule of general administration expenses.

(b) Accrued benefit obligation:

	2023	2022
Accrued benefit obligation, beginning of year	\$ 5,196,826	\$ 4,587,315
Benefits accrued	71,658	65,646
Benefits paid	(319,586)	(298,462)
Interest	272,833	252,302
Actuarial loss (gain)	(39,469)	590,025
Accrued benefit obligation, end of year	\$ 5,182,262	\$ 5,196,826

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2023

6. Deferred pension asset (continued):

(c) Pension plan assets:

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

	2023	2022
Cash and cash equivalents	6%	4%
Fixed income securities	35%	32%
Canadian equities	30%	33%
Foreign equities	29%	31%

(d) Assumptions:

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

	Pension benefit plan	
	2023	2022
Benefit costs:		
Discount rate	5.25%	5.25%
Expected return on plan assets	5.25%	5.25%
Inflation	2.00%	2.00%
Rate of compensation increase	3.25%	3.25%

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2023

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.

8. AAFC AgriAssurance Program:

During 2022, the Association was approved to receive funding under the Agriculture and Agri-Food Canada's (AAFC) AgriAssurance Program. The program has a set completion date of March 31, 2023. The maximum funding amount approved for this program is \$181,372, which is based on 75% of budgeted expenses.

As of January 31, 2023, the Association's total costs in relation to the program totalled \$33,981. The Association has applied funding of \$25,486 to the expenses and included this amount in accounts receivable.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2023

9. 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 four years are as follows:

2024	\$	69,491
2025		63,034
2026		58,664
2027		14,666
	\$	205,855

10. Financial risks and concentration of credit risk:

The Association is subject to the following financial risks from its financial instruments.

(a) Market risk:

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of:

(i) 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 owns investments denominated in U.S. dollars of \$38,548 (2022 - \$23,553). The Association does not currently enter into forward contracts to mitigate this risk.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Association is exposed to interest rate risk on the balance held in the high interest savings account as disclosed in note 2.

CANADIAN SEED GROWERS ASSOCIATION

Notes to Financial Statements (continued)

Year ended January 31, 2023

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

(iii) Other price risk:

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is subject to other price risk arising from its equity holdings as disclosed in note 2.

The Association's market risk has increased in 2022 due to volatility in market prices and increases in interest rates.

(b) Liquidity risk:

Liquidity risk refers to the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association has a cash flow planning process in place to ensure sufficient resources meet current and projected cash requirements. Liquidity sources include cash, amounts receivable, investment income and the sale and maturity of long-term investments. The Corporation's liquidity risk has not changed from the prior year and is not considered to be significant by management.

(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 amounts receivable. The Association assesses, on a continuous basis, its amounts 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 disclosed in note 5. The Association's credit risk has not changed from the prior year and is not considered to be significant by management.

11. Comparative information:

Certain 2022 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 January 31, 2023, with comparative information for 2022

	Actual 2023	Actual 2022
Amortization of tangible capital and intangible assets	\$ 43,567	\$ 62,996
Annual general meeting (net - see note below)	(9,882)	21,869
Bad debts	2,611	2,764
Contracted services	90,257	106,185
Data processing	133,934	125,604
Employee benefits	257,401	222,940
Honoraria	100,137	103,000
Insurance	49,271	43,193
Internet and web site service	5,847	7,011
Membership fees	25,162	31,016
Office supplies and stationery	3,538	9,955
Postal services (recovery)	7,801	(2,296)
Presentations and sponsorships	1,000	1,000
Printing	4,239	5,052
Professional fees	88,234	259,087
Promotional material	-	5,624
Publicity	53,743	14,472
Rent	64,095	74,072
Rental of equipment	10,827	15,156
Salaries	1,488,802	1,591,909
Special projects	-	56,288
Stakeholder education	17,325	-
Subscriptions	353	922
Technical and data development	99,635	108,606
Telephone	7,705	7,772
Travel, directors	98,394	9,838
Travel, staff	61,716	5,235
	\$ 2,705,712	\$ 2,889,270

Note:

Annual general meeting expenses are shown on a net basis. In the year, the Association incurred \$6,118 (2022 - \$44,869) of expenses and recognized \$16,000 (2022 - \$23,000) of revenue related to the Annual General Meeting.