

Manitoba Crop Alliance Inc.

Financial Statements

July 31, 2022

Manitoba Crop Alliance Inc.

July 31, 2022

Table of Contents

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Statement of Operations and Changes in Net Assets for Advance Payments Program	14

George & Associates Chartered Professional Accountants Inc.
Box 567, 113 2nd Street SW
Carman, Manitoba
R0G 0J0

Independent Auditors' Report

To the Board
Manitoba Crop Alliance Inc.

Opinion

We have audited the financial statements of Manitoba Crop Alliance Inc., which comprise the statement of financial position as at July 31, 2022, and the Statements of Operations, Statement of Changes in Net Assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Crop Alliance Inc. as at July 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with the 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 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 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 these financial statements, management is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the association or to cease operations, or has no realistic alternative 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 these 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 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.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



George & Associates Chartered Professional Accountants Inc.

Carman, Manitoba
December 15, 2022

Manitoba Crop Alliance Inc.

Statement of Financial Position

July 31, 2022

	2022	2021
Assets		
Current Assets		
Cash - unrestricted	\$ 2,019,440	\$ 1,852,515
Internally restricted funds (note 12)		
Wheat and barley research fund	11,912,335	11,840,195
Corn research fund	2,929,319	2,711,221
Flax research fund	197,482	196,286
Sunflower research fund	313,287	311,390
Winter wheat research fund	103,598	102,971
Short term investments (note 7)	50,000	100,000
Accounts receivable (note 4)	381,528	572,149
Prepays	142,572	44,022
	<u>18,049,561</u>	<u>17,730,749</u>
Long-term Assets		
Long-term investments (note 7)	1,089	50,832
	<u>1,089</u>	<u>50,832</u>
Capital Assets (notes 2 and 5)		
Cost	1,127,207	2,107,182
Accumulated amortization	(769,996)	(1,470,727)
	<u>357,211</u>	<u>636,455</u>
Total Assets	<u><u>\$ 18,407,861</u></u>	<u><u>\$ 18,418,036</u></u>

The accompanying notes are an integral part of these financial statements.

Manitoba Crop Alliance Inc.

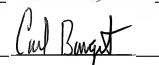
Statement of Financial Position

July 31, 2022

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - Check-off refunds	\$ 140,896	\$ 240,112
Accounts payable - Trade	111,002	133,130
Credit card payable	13,627	3,867
Wages and benefits payable	5,514	10,258
Employee deductions payable	29,614	22,300
Deferred grants (note 8)	-	23,123
	<u>300,653</u>	<u>432,790</u>
Total Liabilities	<u>300,653</u>	<u>432,790</u>
Net Assets		
Invested in capital assets	279,244	395,303
Advanced Payments Program contingency fund	951,355	756,562
Internally restricted net assets (note 10)	500,000	500,000
Unrestricted net assets	16,376,609	16,333,381
	<u>18,107,208</u>	<u>17,985,246</u>
Total Net Assets	<u>18,107,208</u>	<u>17,985,246</u>
Total Liabilities and Net Assets	<u>\$ 18,407,861</u>	<u>\$ 18,418,036</u>

Approved on Behalf of the Board:

 _____, Director

 _____, Director

The accompanying notes are an integral part of these financial statements.

Manitoba Crop Alliance Inc.

Statement of Operations

For the Year Ended July 31, 2022

	2022	2021	Unaudited Budget
Revenue			
Check-Off income	\$ 4,967,687	\$ 6,798,751	\$ 4,833,597
Interest income	322,403	272,857	220,000
Corn competition	2,000	25	-
Manitoba Corn Committee and Sunflower Variety Performance Trials	106,578	73,898	132,040
Rental	19,799	20,689	23,100
Government and industry contributions	1,122,349	963,669	-
Gains on foreign exchange	1,131	5,605	-
Other	41,478	5,577	450
Advanced Payments Program income - Schedule 1 (note 13)	364,093	306,894	226,750
Gains on disposals of capital assets	744,374	759,060	-
	7,691,892	9,207,025	5,435,937
Expenses			
Check-off refunds	342,436	491,573	435,024
Administration	201,232	232,488	144,998
Building	46,578	70,486	76,418
Governance	175,606	70,835	288,000
Salaries and benefits	706,468	594,346	776,288
Memberships	46,953	67,039	67,360
Market development	494,563	532,325	669,500
Communications	209,090	92,598	369,660
Research	5,177,704	5,416,190	3,389,307
Advanced Payments Program expenses - Schedule 1 (note 13)	169,300	137,937	189,849
	7,569,930	7,705,817	6,406,404
Excess (deficiency) of revenues over expenses	\$ 121,962	\$ 1,501,208	\$ (970,467)

The accompanying notes are an integral part of these financial statements.

Manitoba Crop Alliance Inc.

Statement of Changes in Net Assets

For the Year Ended July 31, 2022

	Invested in Capital Assets	APP Contingency Fund	Internally Restricted Fund	Unrestricted Surplus	2022	2021
Balance, beginning of year	\$ 395,303	\$ 756,562	\$ 500,000	\$ 16,333,381	\$ 17,985,246	\$ 16,484,038
Excess (deficiency) of revenues over expenses	(121,610)	194,793	-	48,779	121,962	1,501,208
Investments in capital assets	5,551	-	-	(5,551)	-	-
Balance, end of year	\$ 279,244	\$ 951,355	\$ 500,000	\$ 16,376,609	\$ 18,107,208	\$ 17,985,246

The accompanying notes are an integral part of these financial statements.

Manitoba Crop Alliance Inc.

Statement of Cash Flows

For the Year Ended July 31, 2022

	2022	2021
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses	\$ 121,962	\$ 1,501,208
Increase (decrease) in working capital		
Amortization	43,642	114,022
(Gain) loss on disposal of capital assets	(744,374)	(759,060)
Accounts receivable	190,621	115,619
Administrative project	-	(21,518)
Prepays	(98,550)	474,309
Wages and benefits payable	(4,744)	10,258
Accounts payable - Check-off	(99,216)	44,761
Accounts payable - trade	(22,126)	(548,310)
Credit card payable	9,760	3,867
Employee deductions payable	7,314	16,783
Deferred income	-	(1,925)
Deferred grants	(23,123)	(18,587)
TOTAL CASH FLOWS FROM (TO) OPERATING ACTIVITIES	(618,834)	931,427
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:		
Purchase of capital assets	(5,551)	-
Proceeds from disposal of capital assets	985,527	1,020,545
Long term investments	49,743	99,993
TOTAL CASH FLOW FROM (TO) INVESTING ACTIVITIES	1,029,719	1,120,538
Net increase (decrease) in cash and cash equivalents	410,885	2,051,965
Cash and cash equivalents at beginning of year	17,114,576	15,062,612
Cash and cash equivalents at end of year	\$ 17,525,461	\$ 17,114,577
Cash and cash equivalents consist of the following:		
Cash	\$ 17,475,461	\$ 17,014,577
Short term investments	50,000	100,000
	\$ 17,525,461	\$ 17,114,577

The accompanying notes are an integral part of these financial statements.

Manitoba Crop Alliance Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2022

1 Purpose of the Association

Manitoba Crop Alliance Inc. is a member organization committed to represent the interests of the wheat (spring and winter), barley, corn, sunflower and flax growers of Manitoba in matters relating to wheat (spring and winter), barley, corn, sunflower and flax, in areas of research, market development, and liaison. The association is incorporated under the Manitoba Corporations Act as a not-for-profit organization and is exempt under the Income Tax Act under section 149 (1)(e) as an agricultural organization.

2 Significant Accounting Policies

a. Revenue Recognition

The association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Check-off revenue and refunds are recognized as unrestricted contributions.

Investment income is recognized as revenue when earned.

Contributed services or materials, the fair value of which are difficult to determine are not recognized in the financial statements.

b. Capital Assets

Capital assets are stated at cost and amortized over their estimated useful lives using the following methods and annual rates:

	Rate	Method
Office equipment and furniture	20%	declining balance
Buildings and paving	4%	declining balance
Research equipment	20%	declining balance

A half year's amortization is taken in the year of acquisition.

c. Financial Instruments

Measurement of financial instruments:

The association initially measures its financial assets and liabilities at fair value. The association subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash, investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, unearned revenue and deferred grants.

Manitoba Crop Alliance Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2022

2 Significant Accounting Policies continued

d. Impairment of Long-lived Assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying value may not be fully recoverable. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset exceeds the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is calculated as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

e. Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Differences in actual results from prior estimates are taken into account at the time the differences are determined.

The significant items subject to such estimates and assumptions include valuation of accounts receivable and the estimated useful life of buildings and equipment. Actual results could differ from those estimates.

f. Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations on a going-concern basis, which assumes that the association will be able to realize its assets and discharge its liabilities in the normal course of business. Outlined above are those policies considered significant for the association.

3 Cash

Cash and cash equivalents consist of the following:

	<u>2022</u>	<u>2021</u>
Access Credit Union - chequing - 2.5% (2021 - 1.48%)	\$ 1,972,421	\$ 1,817,683
US Funds account (in Cdn)	47,018	34,831
Total	\$ 2,019,439	\$ 1,852,514

Manitoba Crop Alliance Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2022

4 Accounts Receivables

Accounts receivable consist of the following:

	2022	2021
Accounts receivable - Trade	\$ 1,066	\$ 98,246
Accounts receivable - Check-off	277,600	431,522
Accounts receivable - Interest	-	3,517
Accounts receivable - Grants	102,862	38,864
Total	\$ 381,528	\$ 572,149

5 Capital Assets

	2022	2022	2022	2021
	Cost	Accumulated Amortization	Net Value	Net Value
Land	\$ 5,000	\$ -	\$ 5,000	\$ 5,000
Buildings	473,983	(253,928)	220,055	229,224
Research equipment	528,717	(414,411)	114,306	384,034
Office equipment and furniture	119,507	(101,657)	17,850	18,197
	\$ 1,127,207	\$ (769,996)	\$ 357,211	\$ 636,455

6 Financial Instruments

Risk and concentrations:

The association is exposed to various risks through its financial instruments. The following analysis provides a measure of the association's risk exposure and concentrations at the balance sheet date.

Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements of to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid within thirty days. This risk is reduced due to the high dollar value of funds on hand.

Credit risk:

Credit risk is the risk that the collectors of the levies (purchasers) will fail to remit to the association. The association is not exposed to significant credit risk as remittances are due monthly and the purchasers are bound to perform such services under the Agricultural Producers Organization Funding Act. The check-off receivables were collected shortly after year end.

Manitoba Crop Alliance Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2022

6 Financial Instruments continued

Commodity price risk:

Commodity price risk is the risk that revenue will fluctuate due to changes in market prices thus affecting the production levels of wheat, barley, corn, flax and winter cereals and in turn the amount of check-off revenue collected.

Interest rate risk:

The association is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the association to the fair value risk. The exposure to this type of risk is the result of investments in guaranteed investment certificates. The association is not exposed to price risk as the market price of guaranteed investment certificates do not fluctuate.

7 Investments

Investments consist of the following

	2022	2021
Short term Investments		
Guaranteed Investment Certificates		
Non-redeemable, 2.90%, due December 2021	\$ -	\$ 100,000
Non-redeemable, 3.15%, due September 2022	50,000	-
	<u>50,000</u>	<u>100,000</u>
Long term Investments		
Guaranteed Investment Certificates		
Non-redeemable, 3.15%, due September 2022	-	50,000
Equity Investments		
Homestead patronage equity	1,089	832
	<u>\$ 1,089</u>	<u>\$ 50,832</u>

Manitoba Crop Alliance Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2022

8 Deferred Grants

Government grants restricted for the purchase of capital assets are being amortized to operations at 20% per annum on the straight line basis. Government grants received in advance for project expenditures are recognized into operations when the expenditures are incurred. The changes in deferred grant balance for the period are as follows:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 23,123	\$ 41,710
Grants received during the year	-	23,123
Applied against operations	<u>(23,123)</u>	<u>(41,710)</u>
Deferred revenue, end of year	<u>\$ -</u>	<u>\$ 23,123</u>

9 Commitments

Manitoba Crop Alliance has entered into funding agreements for long-term research projects. In certain projects the organization acts as the project administrator. Financial commitments for the next five years is as follows:

2023	<u>\$ 2,202,530</u>
2024	<u>1,858,707</u>
2025	<u>734,949</u>
2026	<u>1,708</u>
2027	<u>13,384</u>
	<u>\$ 4,811,278</u>

10 Internally Restricted Net Assets

The Board of Directors of established an internal restricted fund balance of \$500,000 upon amalgamation. The association will maintain sufficient reserves in either its bank account or in its investments to pay for expenses that may be required if the organization had to wind down its affairs or if its income stream is reduced but expenses continued to be incurred. Board approval is required if the sum total of all cash and guaranteed investment certificates falls below \$500,000. All transactions from the reserve fund require board approval.

11 Gifted Capital Assets

The board approved in 2021 to gift capital assets to the University of Manitoba to carry out crop research. The assets of the non-monetary transfers were measured at the fair market value of the assets donated. Total fair market value of gifted equipment for the fiscal 2022 year was \$985,527. The total value of the donation was reported as a donation expense under research. Total accumulated amortization of these assets was \$744,374. This resulted in a net gain on disposal of capital assets of \$744,374.

Manitoba Crop Alliance Inc.

Notes to the Financial Statements

For the Year Ended July 31, 2022

12 Research Funds

As part of the amalgamation agreement, the board approved to allocate the net cash and equivalent assets from each association into its research fund to be used for their respective crop types.

The board approved in 2022, that these research funds will be used to fund commitments entered into by the founding organizations. These amounts will be tallied annually and reimbursed to the operating account in the next fiscal year. Total founding organization commitments for the fiscal 2022 year were as follows:

	<u>2022</u>
MCGA	\$ 87,462
MFGA	13,500
MWBGA	1,995,744
NSAC	-
WCMI	<u>21,026</u>
	<u>\$ 2,117,732</u>

13 Administrative Services - APP

The association is the administrator for the Advance Payments Program (APP) for grain, oilseed, pulse and honey cash advances in Manitoba. The APP is a federal loan guarantee program.

The association receives administration fees from producers and incurs costs managing the advances. Advances to producers are financed through a credit union under the name of the association.

Producer advances and the corresponding funding from the credit union are not reflected in these audited financial statements as the advances are fully guaranteed by AAFC, thus ensuring credit union funding is repaid. AAFC monitors and controls the program through compliance and formal audits.

14 COVID 19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation continues to impact local, provincial, national and global economies. The association transitioned to a hybrid work from home policy in March 2020 and continued to do so throughout the 2022 fiscal year. Expenses have been impacted resulting in below budget expenditures due to project and event cancellations or transitions to virtual events. Certain areas such as research were effected as not all activities could take place as a result of COVID 19. Uncertainty remains as to the longer term impact the pandemic will have on the economy and the associations business and results from operations.

Manitoba Crop Alliance Inc.

Statement of Operations and Changes in Net Assets for Advance Payments Program

For the Year Ended July 31, 2022

	<u>2022</u>	<u>2021</u>
Revenues		
Application fees	\$ 73,000	\$ 80,750
Interest bearing spread	116,935	204,700
Repayment spread	605	18,871
Default management fees	29,766	2,104
Default interest spread	134,529	-
All other interest income	9,258	-
Other revenue	-	470
	<u>364,093</u>	<u>306,895</u>
Expenses		
Travel and meetings	984	1,141
Marketing and promotion	30,071	24,949
Bin inspection	11,399	8,887
Credit checks and personal property registration fees	15,156	8,497
Office	13,815	19,125
Bank fees	52	47
Insurance	1,397	1,505
Building maintenance and utilities	4,658	2,846
Salaries and benefits	84,099	66,740
Website	7,669	4,200
	<u>169,300</u>	<u>137,937</u>
Excess (deficiency) of revenues over expenses	194,793	168,958
APP Contingency Fund, opening	756,562	587,604
APP Contingency Fund, Closing	<u>\$ 951,355</u>	<u>\$ 756,562</u>

The accompanying notes are an integral part of these financial statements.