

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members
National Sunflower Association of Canada Inc.

I have audited the accompanying financial statements of National Sunflower Association of Canada Inc., which comprise the statement of financial position as at December 31, 2013, and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of National Sunflower Association of Canada Inc. as at December 31, 2013, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Carman, Manitoba
February 4, 2014

D. F. George
Chartered Accountant Inc.

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget 2013	2013	2012
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Check-off (note 2)	\$ 214,556	\$ 201,815	\$ 134,660
AAFC grant (note 7)	-	259,322	449,921
Membership dues	5,000	3,500	5,041
Interest	1,000	3,523	3,989
Miscellaneous	-	150	75
	<u>220,556</u>	<u>468,310</u>	<u>593,686</u>
EXPENSES			
Administration			
check-off refunds	8,582	4,120	3,908
other	20,760	20,757	21,109
Employee salaries and benefits	65,528	66,944	58,679
Market development	1,500	-	2,714
Membership	1,255	1,230	1,230
Member relations	8,000	1,248	4,371
Research	27,837	15,665	10,219
Travel and per diems	20,350	14,600	8,058
Confection Sunflower Variety Development (note 7)	<u>55,237</u>	<u>256,562</u>	<u>497,062</u>
	<u>209,049</u>	<u>381,126</u>	<u>607,350</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	<u>\$ 11,507</u>	<u>\$ 87,184</u>	<u>\$ (13,664)</u>

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Reserved</u>	<u>Unrestricted</u>	<u>TOTAL</u> <u>2013</u>	<u>TOTAL</u> <u>2012</u>
NET ASSETS				
Beginning of year	\$ 150,000	\$ 347,434	\$ 497,434	\$ 511,098
Excess (deficiency) revenues over expenses	<u> </u>	<u>87,184</u>	<u>87,184</u>	<u>(13,664)</u>
End of year	<u>\$ 150,000</u>	<u>\$ 434,618</u>	<u>\$ 584,618</u>	<u>\$ 497,434</u>

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Bank (notes 2 and 3)	\$ 374,180	\$ 222,190
Investments (note 3)	150,400	150,000
Accounts receivable		
check-off	22,170	22,522
deferred administration project (note 4)	-	8,400
AAFC grant (note 7)	-	87,079
Trade	201,786	22,264
GST	1,607	1,117
Interest receivable	199	199
Prepaid expense	-	2,248
	<u>\$ 750,342</u>	<u>\$ 516,019</u>

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable		
trade	\$ 4,800	\$ 2,200
levy refunds	1,099	3,941
Employee benefits payable	1,045	294
Unearned revenue	-	8,188
Unearned AAFC grant (note 7)	144,236	-
Deferred administration project (note 4)	14,544	3,962
	<u>165,724</u>	<u>18,585</u>
NET ASSETS		
Reserved net assets (note 6)	150,000	150,000
Unrestricted net assets	434,618	347,434
	<u>584,618</u>	<u>497,434</u>
	<u>\$ 750,342</u>	<u>\$ 516,019</u>

Approved on Behalf of the Board

Director: _____

Director: _____

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2013

1 Purpose of the Association

National Sunflower Association of Canada Inc. is a member organization committed to represent the interests of the sunflower growers of Canada in matters relating to sunflowers, 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

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. Outlined below are those policies considered particularly significant for the association.

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.

Seminar fees are recognized as revenue when the seminars are held.

Capital Assets

It is the association's policy to charge capital asset purchases under \$10,000 against operations. Capital items in excess of that amount would be capitalized and amortized over its estimated useful life.

Contributed Services

Contributed services or materials, which are nominal, are not recognized in the financial statements.

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

2 Significant Accounting Policies cont.

Cash and Cash Equivalents

Cash and cash equivalents are made up of the general and US bank accounts.

Use of Estimates

The preparation of financial statements, in conformity 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. By their nature these estimates are subject to measurement uncertainty and effect on the financial statements of changes in such estimates in future periods could be significant.

Financial Instruments

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

The financial assets subsequently measured at amortized cost include cash, investments and accounts receivable. The financial liabilities measured at amortized cost include trade accounts payable and accrued liabilities.

3 Bank and Investments

	<u>2013</u>	<u>2012</u>
Bank		
General account	\$ 355,956	\$ 213,517
US account	<u>18,224</u>	<u>8,673</u>
	<u>\$ 374,180</u>	<u>\$ 222,190</u>
Investments		
Guaranteed Investment Certificates		
Redeemable; 0.8%, due December 2014	100,000	100,000
Redeemable; 0.8%, due December 2014	<u>50,400</u>	<u>50,000</u>
	<u>\$ 150,400</u>	<u>\$ 150,000</u>

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

4 Deferred Administration Project

The association is responsible for the administration of the MCVET project. Bank funds for the project are shown as restricted funds on the statement of financial position.

	<u>MCVET</u>
Opening balance	\$ 3,962
Contributions for the year	38,985
Expenditures for the year	<u>(28,403)</u>
Closing balance	<u>\$ 14,544</u>

5 Statement of Cash Flow

A statement of cash flow has not been provided as it would not provide any further information to the users of the financial statements.

6 Reserved Net Assets

The Board of Directors established a reserve fund in fiscal 2008 and had appropriated \$250,000 from unrestricted net assets for funding purposes. In 2011 there was \$100,000 withdrawn from the reserve to fund the Confection Sunflower Variety Development Initiative project. All transactions from the reserve fund requires board approval. Reserve funds are to be used to carry out the administrative and research functions as well as to fund any possible future wind down costs of the association.

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

7 Commitments

The association has entered into an agreement with Agriculture and Agri-Food Canada (AAFC) for funding under the Canadian Agricultural Adaptation Program (CAAP) of a project entitled, Confection Sunflower Variety Development Initiative. The project is to develop adaptable sunflower confection hybrids with desirable traits for the Canadian market. AAFC's funding commitment is \$1,163,850 plus applicable taxes (estimated drawdown: \$73,300 for 2011; \$350,800 for 2012; \$437,300 for 2013; and \$302,450 for 2014) while the association's commitment is \$204,280 (estimated drawdown: \$12,900 for 2011; \$61,741 for 2012; \$76,965 for 2013; and \$52,674 for 2014).

The association has also entered into other funding agreements for long term research projects and has committed \$5,600 for 2014 and \$2,730 for 2015.

8 Financial Risk

The association is exposed to various risks through its financial instruments.

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 quarterly and the purchasers are bound to perform such services under the Agricultural Producers Organization Funding Act.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade account payables and accrued liabilities are generally paid within thirty days and bank overdrafts are settled from fund transfers from investments. This risk is reduced due to the high dollar value of funds on hand.

NATIONAL SUNFLOWER ASSOCIATION OF CANADA INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

8 Financial Risk cont.

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. The association's revenues may be materially impacted by changes in interest rates on its investments. The association manages exposure by restricting the term of investments to five years or less.

Commodity price risk

Commodity price risk is the risk that revenue will fluctuate due to changes in market prices affecting the dollar amount of sunflower crops sold and in turn the amount of check-off revenue collected.

NATIONAL SUNFLOWER ASSOCIATION
OF CANADA INC.

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

DECEMBER 31, 2013