

ONTARIO BEAN GROWERS

Financial Statements

August 31, 2016

ONTARIO BEAN GROWERS

Financial Statements

For the Year Ended August 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of **Ontario Bean Growers**:

Report on the Financial Statements

We have audited the accompanying financial statements of **Ontario Bean Growers**, which comprise the statement of financial position as at August 31, 2016, and the statements of operations, changes in net assets, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of **Ontario Bean Growers** as at August 31, 2016, and the statements of operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Aylmer, Ontario

November 22, 2016

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

ONTARIO BEAN GROWERS

Balance Sheet As at August 31, 2016

	General Fund \$	Reserve Fund \$	Crop Pool \$	2016 \$	2015 \$
<u>ASSETS</u>					
CURRENT ASSETS					
Cash	24,765	-	301	25,066	1,182,003
Short-term investments (Note 2)	1,055,236	818,794	-	1,874,030	1,027,037
Accounts receivable	214,699	-	-	214,699	73,513
HST recoverable	23,957	-	-	23,957	6,116
Due from (to) crop pool	(322)	-	322	-	-
Due from (to) reserve fund	(59,226)	59,226	-	-	-
Prepaid expenses	<u>3,833</u>	<u>-</u>	<u>-</u>	<u>3,833</u>	<u>27,500</u>
TOTAL ASSETS	<u>1,262,942</u>	<u>878,020</u>	<u>623</u>	<u>2,141,585</u>	<u>2,316,169</u>
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable and accruals	192,266	-	-	192,266	316,756
Government remittances payable	3,809	-	-	3,809	3,604
Deferred research grants	76,605	-	-	76,605	76,605
Due to producers (Note 6)	-	-	623	623	19,598
Bank demand loan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,885</u>
	<u>272,680</u>	<u>-</u>	<u>623</u>	<u>273,303</u>	<u>523,448</u>
<u>NET ASSETS</u>					
NET ASSETS	<u>990,262</u>	<u>878,020</u>	<u>-</u>	<u>1,868,282</u>	<u>1,792,721</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,262,942</u>	<u>878,020</u>	<u>623</u>	<u>2,141,585</u>	<u>2,316,169</u>

_____ Director

_____ Director

See accompanying notes to the financial statements.

ONTARIO BEAN GROWERS

Statement of Changes in Net Assets For the Year Ended August 31, 2016

	General Fund	Reserve Fund	Crop Pool	2016	2015
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
NET ASSETS, BEGINNING OF YEAR	928,053	864,668	-	1,792,721	1,631,294
Net surplus for the period	<u>62,209</u>	<u>13,352</u>	<u>-</u>	<u>75,561</u>	<u>161,427</u>
NET ASSETS, END OF YEAR	<u>990,262</u>	<u>878,020</u>	<u>-</u>	<u>1,868,282</u>	<u>1,792,721</u>

See accompanying notes to the financial statements.

ONTARIO BEAN GROWERS

Statement of Operations For the Year Ended August 31, 2016

	General Fund \$	Reserve Fund \$	Crop Pool \$	2016 \$	2015 \$
REVENUES					
License fees - producers	842,235	-	-	842,235	834,546
Research Grants	278,322	-	-	278,322	373,982
Interest	15,560	13,352	-	28,912	15,946
Administration fee	2,899	-	-	2,899	-
Other income	1,051	-	-	1,051	2,340
Crop sales	<u>-</u>	<u>-</u>	<u>97,763</u>	<u>97,763</u>	<u>177,720</u>
	<u>1,140,067</u>	<u>13,352</u>	<u>97,763</u>	<u>1,251,182</u>	<u>1,404,534</u>
EXPENDITURES					
Research (Note 8)	556,277	-	-	556,277	670,260
Administration (page 5)	246,134	-	-	246,134	250,516
Marketing (page 5)	159,238	-	-	159,238	81,959
Directors' expenses (page 5)	116,209	-	-	116,209	62,652
Payments to producers (Note 6)	-	-	89,112	89,112	152,812
Handling and storage	-	-	5,058	5,058	22,746
Administration fee	-	-	2,899	2,899	-
Bank charges and interest	<u>-</u>	<u>-</u>	<u>694</u>	<u>694</u>	<u>2,162</u>
	<u>1,077,858</u>	<u>-</u>	<u>97,763</u>	<u>1,175,621</u>	<u>1,243,107</u>
NET SURPLUS FOR THE YEAR	<u>62,209</u>	<u>13,352</u>	<u>-</u>	<u>75,561</u>	<u>161,427</u>

See accompanying notes to the financial statements.

ONTARIO BEAN GROWERS

Schedule of Expenses For the Year Ended August 31, 2016

	2016	2015
	<u>\$</u>	<u>\$</u>
Administration		
Salaries and benefits	114,739	169,410
Contract services (Note 13)	55,031	18,332
Legal fees	16,408	3,421
Computer expenses	14,261	14,601
Staff travel	11,949	7,150
Office rental (Note 12)	8,400	8,400
Audit and accounting fees	7,875	8,000
Stationary and supplies	4,357	4,147
Bank charges and interest	4,261	1,531
Telephone	3,150	4,202
Postage	2,784	2,779
Insurance	2,611	3,317
Repairs, maintenance and equipment rental	<u>308</u>	<u>5,226</u>
	<u>246,134</u>	<u>250,516</u>
Producer Relations		
Directors' fees	68,223	26,600
Directors' expenses	19,158	7,703
Meetings	19,544	8,051
Producers' expenses	5,416	14,754
Delegate expenses	<u>3,868</u>	<u>5,544</u>
	<u>116,209</u>	<u>62,652</u>
Marketing		
Promotion	103,175	27,692
Memberships and subscriptions	37,928	35,177
Conferences	15,623	15,371
Advertising	<u>2,512</u>	<u>3,719</u>
	<u>159,238</u>	<u>81,959</u>

See accompanying notes to the financial statements.

ONTARIO BEAN GROWERS

Statement of Cash Flows For the Year Ended August 31, 2016

	General & Reserve <u>\$</u>	Crop <u>\$</u>	2016 <u>\$</u>	2015 <u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from sales	668,524	116,399	784,923	1,003,267
Cash paid to suppliers and employees	(900,423)	(113,146)	(1,013,569)	(853,211)
Interest received	28,912	-	28,912	15,946
Interest paid	<u>(2,631)</u>	<u>(694)</u>	<u>(3,325)</u>	<u>(2,162)</u>
Cash flows from (used in) operating activities	<u>(205,618)</u>	<u>2,559</u>	<u>(203,059)</u>	<u>163,840</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
(Decrease) increase in short-term debt	<u>-</u>	<u>(106,885)</u>	<u>(106,885)</u>	<u>106,885</u>
Cash flows from (used in) financing activities	<u>-</u>	<u>(106,885)</u>	<u>(106,885)</u>	<u>106,885</u>
INTER-FUND TRANSFERS	<u>115</u>	<u>(115)</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	(205,502)	(104,441)	(309,944)	270,725
CASH, BEGINNING OF YEAR	<u>2,104,298</u>	<u>104,742</u>	<u>2,209,040</u>	<u>1,938,315</u>
CASH, END OF YEAR	<u>1,898,795</u>	<u>301</u>	<u>1,899,096</u>	<u>2,209,040</u>
CASH IS COMPRISED OF:				
Cash	24,765	301	25,066	1,182,003
Short-term investments	<u>1,874,030</u>	<u>-</u>	<u>1,874,030</u>	<u>1,027,037</u>
	<u>1,898,795</u>	<u>301</u>	<u>1,899,096</u>	<u>2,209,040</u>

See accompanying notes to the financial statements.

ONTARIO BEAN GROWERS

Notes to the Financial Statements For the Year Ended August 31, 2016

NATURE OF THE ORGANIZATION

The Board was formed on July 1, 2013 under the Farm Products Marketing Act. The Board is regulated under the Ontario Farm Products Marketing Commission. It is a not-for-profit organization in which Ontario white and coloured beans are recorded and a portion of the crop is marketed on behalf of the Producers of Ontario.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Accounting estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount 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 current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Revenue recognition

The organization recognized revenue on a completed transaction basis. Specifically, the organization recognizes:

- Revenue from grants when the related expenditures have been incurred
- Revenue from licences and crop pools when received
- Revenue from investments when accrued, as in the case of interest

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include accounts receivable and HST recoverable.

ONTARIO BEAN GROWERS

Notes to the Financial Statements For the Year Ended August 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

Financial assets measured at fair value include cash and short term investments.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Fund Accounting

The accounts are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The organization uses three fund groups: General Fund, Research Fund and Crop Pool.

The General Fund accounts for the day-to-day operations of the Board including the administration of the various crop pools.

The Reserve Fund accounts for the exclusive purpose of conducting research, developing and marketing white pea bean varieties.

The Crop Pool fund accounts for the marketing of beans delivered to the Board by the producers segregated by crop year.

Deferred Research Grants

Deferred research grants represent funds received by the board from other parties or committed by the board for research projects that had not been distributed at year end.

ONTARIO BEAN GROWERS

Notes to the Financial Statements For the Year Ended August 31, 2016

2. SHORT-TERM INVESTMENTS	2016	2015
	<u>\$</u>	<u>\$</u>
<i>General Fund</i>		
Scotiabank, 2.34%, GIC, matures November 20, 2020	283,097	-
Scotiabank, 1.82%, GIC, matures November 20, 2020	284,009	-
Scotiabank, 1.82%, GIC, matures November 20, 2018	281,965	-
Scotiabank, 1.62%, GIC, matures May 27, 2017	<u>206,165</u>	<u>206,165</u>
	<u>1,055,236</u>	<u>206,165</u>
<i>Reserve Fund</i>		
Scotiabank, 1.5%, GIC, matures October 30, 2017	239,719	236,219
Scotiabank, 1.15%, GIC, matures November 20, 2016	280,505	-
Scotiabank, 1.85%, GIC, matures October 4, 2016	298,570	292,927
Scotiabank, 1.62%, GIC, matured October 5, 2015	<u>-</u>	<u>291,725</u>
	<u>818,794</u>	<u>820,871</u>
	<u>1,874,030</u>	<u>1,027,036</u>

3. CONTINGENT LIABILITY

The Board has voted to self insure against damages in the event the Board is unable to meet the commitments of advance bean contracts. The Board is contingently liable to the extent of the advance sales contracts entered into by the Board. The Board has built its surplus to cover any potential liability.

4. PRODUCTION CONTRACTS

The quantity of beans sold in Ontario in all market classes in 2016 (2015 crop year) was 123,858 tonnes (2,730,581 bags). The quantity of beans sold in Ontario in 2015 (2014 crop year) was 122,727 tonnes (2,705,647 bags).

ONTARIO BEAN GROWERS

Notes to the Financial Statements For the Year Ended August 31, 2016

5. POSITION OF CROP POOL

(a) 2015 Crop Pool

At August 31, 2016, all of the beans from 2015 crop year were sold. A final payment of \$4.73 per tonne will be made on the 131.786 tonnes of beans in the pool on or about October 31, 2016.

(b) 2014 Crop Pool

At August 31, 2015, all of the beans from 2014 crop year were sold. A final payment of \$98.46 per tonne was made on the 199.044 tonnes of beans in the pool on October 31, 2015.

6. PAYMENTS TO PRODUCERS

	2016 (2015 crop) <u>\$</u>	2015 (2014 crop) <u>\$</u>
Initial	58,662	106,885
Interim	29,827	26,329
Final amount payable (Note 5)	<u>623</u>	<u>19,598</u>
	<u>89,112</u>	<u>152,812</u>

7. LICENCE FEES

Licence fees are charged to all growers. The fees were \$6.80 per tonne for the 2015 crop (\$6.80 - 2014).

8. RESEARCH GRANTS

The amounts reflected in these financial statements do not include amounts paid or received for projects where research funding was received and the expenses were paid from the Board's general fund. The Ontario Bean Growers received \$278,322 for such projects. The board paid out \$277,955 in net expenses on these projects as follows:

	Total Research Expense <u>\$</u>	Grants Revenue <u>\$</u>	Net <u>\$</u>
Saskatchewan Pulse	155,425	-	155,425
University of Western Ontario	59,108	-	59,108
Growing Forward 2	292,200	235,678	56,522
Other	<u>49,544</u>	<u>42,644</u>	<u>6,900</u>
	<u>556,277</u>	<u>278,322</u>	<u>277,955</u>

ONTARIO BEAN GROWERS

Notes to the Financial Statements For the Year Ended August 31, 2016

9. INCOME TAX

The Board is exempt from paying income tax under Subsection 149(1)(e) of the Income Tax Act.

10. AVAILABLE CREDIT

The Board has a line of credit of \$2,000,000 available to use to finance advances to producers participating under the Federal Agricultural Marketing Program Act. Interest is charged at the bank's prime lending rate minus 0.25%, payable monthly. As at August 31, 2016, the balance was \$NIL. This line of credit is secured by a general assignment of book debts and a security agreement over all inventories.

11. RESERVE FUND

During the prior year the Board of Directors established a reserve fund known as the White Pea Bean Producers' Special Reserve Fund, shall be maintained and administered by the board in accordance with the following:

- a) Any income that is derived from money in the Fund shall be paid into the Fund.
- b) Money in the Fund may be invested only in authorized investments.
- c) Money in the Fund may be used for the following purposes only:
 - i. Paying the reasonable and necessary expenses for services provided by third parties related to the administration and investment of money in the Fund.
 - ii. Carrying out or providing funding for research and promotion activities that are related to the producing and marketing of white pea beans and that benefit white pea bean producers in Ontario.

The local board shall not spend in any fiscal year or agree to spend in any fiscal year more than \$150,000 from the Fund.

12. OPERATING LEASES

The minimum annual lease payment required in each of the next three years in respect of operating leases for buildings are as follows:

	\$
2017	12,000
2018	12,000
2019	12,000

ONTARIO BEAN GROWERS

Notes to the Financial Statements For the Year Ended August 31, 2016

13. COMMITMENTS

Management Contract

Effective June 1, 2016 Ontario Bean Growers. engaged the services of Koeslag Consulting Inc. to provide the position of Executive Director, Secretary and Treasurer services for a monthly fee of \$10,416 plus HST. The term of the agreement is for seven months and expires on December 31, 2016.

14. RESEARCH COMMITMENTS

The board's estimated research commitments for the next two years are as follows:

	<u>\$</u>
2017	388,492
2018	<u>15,000</u>
	<u><u>403,492</u></u>

15. FINANCIAL INSTRUMENTS

Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the statement of financial position.

Fair value

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities, is approximately equal to their carrying value due to the immediate or short-term maturities of these financial instruments.

Interest rate risk

The organization is exposed to interest rate risk as the interest cost on its available credit varies with the change in the prime rate. It is management's opinion that this exposure is not significant.

It is management's opinion that the entity is not exposed to any significant foreign currency, credit, or other price risk.

No financial liabilities of the organization were in default during the period.

The organization is not subject to any covenants.
