Financial Statements of

CANADIAN SEED GROWERS ASSOCIATION

And Independent Auditors' Report thereon

Year ended January 31, 2021

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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, 2021;
- 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, 2021, and its results of operations, 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.

- 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.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

(date)

CANADIAN SEED GROWERS ASSOCIATION

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CANADIAN SEED GROWERS ASSOCIATION

Statement of Financial Position

January 31, 2021, with comparative information for 2020

		2021		2020
Assets				
Current assets:				
Cash	$	967,097	$	651,871
Amounts receivable (note 5)		113,022		242,582
Prepaid expenses		89,196		65,332
		1,169,315		959,785
Investments (note 2)		703,238		1,299,986
Tangible capital and intangible assets (note 3)		122,185		183,835
Deferred pension asset (note 6)		613,567		497,371
	$	2,608,305	$	2,940,977
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 4)	$	527,242	$	589,286
Deferred revenue		119,360		67,856
		646,602		657,142
Net assets: (note 7):				
Invested in tangible capital and intangible assets		122,185		183,835
Unrestricted		(160,482)		100,000
Internally restricted		2,000,000		2,000,000
		1,961,703		2,283,835
Commitments (note 8)				
Impact of COVID-19 (note 10)				
	$	2,608,305	$	2,940,977

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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Acreage fees	$ 1,610,321	$ 1,279,364
Membership fees	628,545	668,200
Client service fees	485,058	406,304
Branch acreage fees	480,653	427,427
Plot fees	173,160	88,890
Branch membership fees	127,265	135,425
Assessment for CFIA inspections	124,962	171,688
Interest and other revenue	60,794	109,137
Project contribution - Canadian Agricultural Adaptation Program	-	52,480
	3,690,758	3,338,915
Expenses:		
General and administrative expenses (schedule)	3,048,320	2,721,623
Branch fee paid out	607,918	562,852
CFIA inspections	124,962	172,308
Project expense - Canadian Agricultural Adaptation Program	-	88,899
Project expense - Seed Synergy	322,074	214,064
	4,103,274	3,759,746
Deficiency of revenue over expenses before the undernoted	(412,516)	(420,831)
Other income (expense):		
Amortization of deferred capital contributions	-	14,055
Loss on disposal of capital assets	-	(4,070)
	-	9,985
Deficiency of revenue over expenses	$ (412,516)	$ (410,846)

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Changes in Net Assets

Year ended January 31, 2021, with comparative information for 2020

	Internally restricted	Invested in tangible capital and intangible assets	Unrestricted	2021	2020
Balance, beginning of year	$ 2,000,000	$ 183,835	$ 100,000	$ 2,283,835	$ 2,382,221
Deficiency of revenue over expenses	-	-	(412,516)	(412,516)	(410,846)
Remeasurements related to pension liability	-	-	90,384	90,384	312,460
Purchase of tangible capital and intangible assets	-	20,859	(20,859)	-	-
Amortization of tangible capital and intangible assets	-	(82,509)	82,509	-	-
Balance, end of year	$ 2,000,000	$ 122,185	$ (160,482)	$ 1,961,703	$ 2,283,835

See accompanying notes to financial statements.

CANADIAN SEED GROWERS ASSOCIATION

Statement of Cash Flows

Year ended January 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (412,516)	$ (410,846)
Items not involving cash:		
Amortization of tangible capital and intangible assets	82,509	117,482
Amortization of deferred capital asset contributions	-	(14,055)
Loss on disposal of capital assets	-	4,070
Increase in deferred pension asset	(116,196)	(394,156)
Change in non-cash operating working capital:		
Decrease in amounts receivable	129,560	375,940
Decrease (increase) in prepaid expenses	(23,864)	30,572
Decrease in accounts payable and accrued liabilities	(62,044)	(36,890)
Increase in deferred revenue	51,504	9,178
	(351,047)	(318,705)
Investing activities:		
Net withdrawals of investments	596,748	156,447
Financing activities:		
Purchase of tangible capital and intangible assets	(20,859)	(46,186)
Remeasurement related to pension liability	90,384	312,460
	69,525	266,274
Increase in cash	315,226	104,016
Cash, beginning of year	651,871	547,855
Cash, end of year	$ 967,097	$ 651,871

See accompanying notes to financial statements.

The Canadian Seed Growers Association (the "Association") provides seed pedigreeing services of field crops, in conjunction with the Canadian Food Inspection Agency, to over 4,000 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.

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.

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.

2. Investments:

Investments are composed of the following securities:

		Fair value 2021		Cost 2021		Fair value 2020		Cost 2020
Guaranteed investment certificates	$	200,000	$	200,000	$	-	$	-
High interest savings		203,893		203,893		714,957		714,957
Federal and Provincial government bonds		-		-		186,529		182,723
Corporate bonds/paper		-		-		94,639		91,481
Equities		295,071		200,410		246,253		189,083
Investment trusts		4,274		2,837		57,608		24,160
Total investments	$	703,238	$	607,140	$	1,299,986	$	1,202,404

Guaranteed investment certificates have interest rate ranging from 2.00% to 3.00% and maturity date ranges of August 2021 to January 2023.

3. Tangible capital and intangible assets:

						2021		2020
		Cost		Accumulated amortization		Net book value		Net book value
Tangible capital assets:								
Furniture and equipment	$	81,511	$	52,419	$	29,092	$	34,352
Leasehold improvements		118,893		118,893		-		13,983
Computers		222,369		191,963		30,406		56,718
		422,773		363,275		59,498		105,053
Intangible assets		776,023		713,336		62,687		78,782
	$	1,198,796	$	1,076,611	$	122,185	$	183,835

At January 31, 2020, cost and accumulated amortization amounted to $1,177,937 and $994,102, respectively.

4. Accounts payable and accrued liabilities:

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

5. Amounts receivable:

	2021	2020
Trade receivables	$ 89,811	$ 204,462
Commodity taxes receivable	24,245	42,292
	114,056	246,754
Provision for doubtful accounts	(1,034)	(4,172)
	$ 113,022	$ 242,582

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.

The latest actuarial valuation for funding purposes was performed as at November 30, 2017. The latest extrapolation using current assumptions was performed at January 31, 2020. The next actuarial valuation for funding purposes is required to be completed as at November 30, 2020, or earlier, in accordance with the requirements of the Pension Benefits Act (Ontario).

6. Deferred pension asset (continued):

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, 2017 reported a solvency surplus of $51,973 and a going concern deficiency of $354,040, based on economic assumptions applicable at November 30, 2017.

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

	2021	2020
Fair value of plan assets	$ 5,200,882	$ 5,073,448
Accrued benefit obligation	(4,587,315)	(4,576,077)
	$ 613,567	$ 497,371

(a) Plan assets:

	2021	2020
Plan assets at fair value, beginning of year	$ 5,073,448	$ 4,597,159
Actual return on plan assets	369,424	642,754
Employer contributions	41,717	116,089
Employee contributions	14,435	13,370
Benefits paid	(298,142)	(295,924)
Plan assets at fair value, end of year	$ 5,200,882	$ 5,073,448

The defined benefit pension expense for the year was $60,334 (2020 - $15,701) and is included in employee benefit expense shown in the schedule of general administration expenses.

6. Deferred pension asset (continued):

(b) Accrued benefit obligation:

	2021	2020
Accrued benefit obligation, beginning of year	$ 4,576,077	$ 4,493,944
Benefits accrued	57,696	53,440
Benefits paid	(298,142)	(295,924)
Interest	251,684	247,167
Actuarial loss	-	77,450
Accrued benefit obligation, end of year	$ 4,587,315	$ 4,576,077

(c) Pension plan assets:

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

	2021	2020
Cash and cash equivalents	9%	7%
Fixed income securities	30%	34%
Canadian equities	30%	29%
Foreign equities	31%	30%

(d) Assumptions:

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

	Pension benefit plan	
	2021	2020
Accrued benefit obligation:		
Discount rate	5.50%	5.50%
Benefit costs:		
Discount rate	5.50%	5.50%
Expected return on plan assets	5.50%	5.50%
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.

8. Commitments:

The Association rents office space under an operating lease that expires May 31, 2021 and office equipment under operating leases that expire October 31, 2021. The minimum annual lease payments for the next four years are as follows:

2022	$	44,901
2023		10,000
2024		10,000
2025		3,750
	$	68,651

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 $29,784 (2020 - $46,525). 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.

(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 2020.

10. 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

10. Impact of COVID-19 (continued):

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, 2021, with comparative information for 2020

	Actual 2021	Actual 2020
Amortization of tangible capital and intangible assets	$ 82,509	$ 117,482
Annual general meeting (net - see note below)	122,638	32,576
Bad debts	8,652	316
Contracted services	121,946	163,872
Data processing	134,747	122,642
Employee benefits	198,784	233,088
Honoraria	100,000	99,000
Insurance	33,875	35,067
Internet and web site service	8,205	14,399
Membership fees	24,663	20,303
Office supplies and stationery	12,295	19,136
Postal services	9,999	11,292
Presentations and sponsorships	6,300	22,179
Printing	4,806	2,808
Professional fees	380,373	71,504
Publicity	26,138	15,565
Rent	107,473	106,279
Rental of equipment	16,765	13,616
Salaries	1,438,563	1,075,130
Special projects	3,265	6,157
Subscriptions	375	526
Technical and data development	90,295	104,508
Telephone	9,794	11,540
Travel, directors	91,392	279,165
Travel, staff	14,468	143,473
	$ 3,048,320	$ 2,721,623

Note:

Annual general meeting expenses are shown on a net basis.