

**Manitoba Pulse & Soybean  
Growers Inc.**

**Independent Auditors' Report**

**Financial Statements**

**December 31, 2020**

# Manitoba Pulse & Soybean Growers Inc.

December 31, 2020

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

**Independent Auditors' Report**

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To the Members  
Manitoba Pulse & Soybean Growers Inc.

**Opinion**

We have audited the financial statements of Manitoba Pulse & Soybean Growers Inc., which comprise the statement of financial position as at December 31, 2020, and the statements of operations, 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 Pulse & Soybean Growers Inc. as at December 31, 2020, 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.

**Emphasis of Matter**

We draw attention to Note 16 in the financial statements, which describes the situation in the context of the novel Coronavirus ("COVID-19") global pandemic declared by the World Health Organization. Our opinion is not modified in respect of this matter.

**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.

A handwritten signature in cursive script that reads "George & Associates".

**George & Associates Chartered Professional Accountants Inc.**

Carman, Manitoba  
February 08, 2021

# Manitoba Pulse & Soybean Growers Inc.

## Statement of Financial Position

December 31, 2020

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash (notes 2 and 3)	\$ 5,293,731	\$ 4,785,268
Short-term investments (note 5)	850,224	797,968
Accounts receivable (notes 2 and 4)	745,236	521,819
Prepays	70,490	118,298
	<u>6,959,681</u>	<u>6,223,353</u>
<b>Capital Assets (notes 2 and 6)</b>		
Cost	347,166	335,065
Accumulated amortization	(228,277)	(195,253)
	<u>118,889</u>	<u>139,812</u>
<b>Total Assets</b>	<u><u>\$ 7,078,570</u></u>	<u><u>\$ 6,363,165</u></u>

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


# Manitoba Pulse & Soybean Growers Inc.

## Statement of Financial Position

December 31, 2020

	2020	2019
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 93,428	\$ 191,580
Government remittances	14,832	15,162
Administered funding payable (note 7)	50,186	-
	<u>158,446</u>	<u>206,742</u>
<b>Long-term Liabilities</b>		
Long-term debt (note 8)	40,000	-
Deferred grants (note 9)	76,010	58,754
	<u>116,010</u>	<u>58,754</u>
<b>Total Liabilities</b>	<u>274,456</u>	<u>265,496</u>
<b>Net Assets</b>		
Invested in capital assets	79,405	87,167
Internally restricted (note 11)	6,220,398	5,400,633
Unrestricted	504,311	609,869
	<u>6,804,114</u>	<u>6,097,669</u>
<b>Total Net Assets</b>	<u>6,804,114</u>	<u>6,097,669</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,078,570</u>	<u>\$ 6,363,165</u>

Approved on Behalf of the Board:

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

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

# Manitoba Pulse & Soybean Growers Inc.

## Statement of Changes in Net Assets

For the Year Ended December 31, 2020

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	Invested in Capital Assets	Internally Restricted	Unrestricted	2020	2019
Balance, beginning of year	\$ 87,167	\$ 5,400,633	\$ 609,869	\$ 6,097,669	\$ 7,189,158
Excess (deficiency) revenues over expenses	(19,863)	-	726,308	706,445	(1,091,489)
Investment in capital assets	12,101	-	(12,101)	-	-
Increase (decrease) in restricted funds	-	819,765	(819,765)	-	-
<b>Balance, end of year</b>	<b>\$ 79,405</b>	<b>\$ 6,220,398</b>	<b>\$ 504,311</b>	<b>\$ 6,804,114</b>	<b>\$ 6,097,669</b>

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



# Manitoba Pulse & Soybean Growers Inc.

## Statement of Operations

For the Year Ended December 31, 2020

	2020	2019	Unaudited Budget 2020
<b>Revenue</b>			
Check-off - net of refunds (notes 2, 10 and 13)	\$ 3,383,731	\$ 2,360,265	\$ 2,250,000
Grants - government and third party	481,765	188,883	571,940
Research trials	154,900	177,700	190,000
Investments			-
-Interest and investment income	95,908	163,105	110,000
-Realized gains	-	20,844	20,000
-Unrealized gains (losses)	33,392	(11,464)	-
Amortization of deferred grants	13,161	20,916	13,165
Miscellaneous income	7,233	18,561	9,515
	<b>4,170,090</b>	<b>2,938,810</b>	<b>3,164,620</b>
<b>Expenses</b>			
Schedule 1	3,463,645	4,030,299	4,481,581
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 706,445</b>	<b>\$ (1,091,489)</b>	<b>\$ (1,316,961)</b>

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

# Manitoba Pulse & Soybean Growers Inc.

For the Year Ended December 31, 2020

## Schedule of Expenses

	2020	2019	Unaudited Budget 2020
<b>Expenses</b>			
Administration	\$ 330,891	\$ 274,985	\$ 358,550
Board of directors	74,111	113,048	116,250
Office	94,951	124,917	102,995
Market development, memberships and national group support	442,242	485,806	464,360
Communication and member relations	159,981	196,994	194,604
Research	2,171,971	2,615,953	3,016,707
Extension and production	189,498	218,596	228,115
<b>Total expenses</b>	<b>\$ 3,463,645</b>	<b>\$ 4,030,299</b>	<b>\$ 4,481,581</b>

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

# Manitoba Pulse & Soybean Growers Inc.

## Statement of Cash Flows

For the Year Ended December 31, 2020

	2020	2019
<b>OPERATING ACTIVITIES:</b>		
Excess (deficiency) revenues over expenses	\$ 706,446	\$ (1,091,488)
<b>Non-cash items:</b>		
Amortization of capital assets	33,026	41,177
Short-term investments - unrealized	(33,392)	11,464
	<b>706,080</b>	<b>(1,038,847)</b>
<b>Increase (decrease) in working capital</b>		
Short-term investments - realized	(18,864)	(20,551)
Accounts receivable - net	(223,417)	409,502
Prepays	47,808	(1,602)
Accounts payable and government remittances	(98,485)	(228,812)
Administered funding payable	50,186	-
<b>Cash from (to) operations</b>	<b>463,308</b>	<b>(880,310)</b>
<b>FINANCING AND INVESTING ACTIVITIES:</b>		
Acquisition of capital assets	(12,101)	-
Deferred grants	17,256	(19,457)
Short term investment contributions	-	(669,856)
Proceeds from long term debt	40,000	-
<b>Cash from (to) financing and investing</b>	<b>45,155</b>	<b>(689,313)</b>
<b>Net increase (decrease) in cash</b>	<b>508,463</b>	<b>(1,569,623)</b>
Cash at beginning of year	4,785,268	6,354,891
<b>Cash at end of year</b>	<b>\$ 5,293,731</b>	<b>\$ 4,785,268</b>

Cash and cash equivalents consist of the following:

Cash	\$ 5,293,731	\$ 4,785,268
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The accompanying notes are an integral part of these financial statements.

# Manitoba Pulse & Soybean Growers Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2020

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### 1 Purpose of the Association

Manitoba Pulse & Soybean Growers Inc. is a member organization committed to represent the interests of the pulse growers of Manitoba in matters relating to pulses, 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. Basis of Presentation

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

#### b. 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.

Government grants are recognized as restricted contributions and are recognized in the year in which the related expenses are incurred.

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

#### c. Cash and Cash Equivalents

Cash and cash equivalents includes a general bank account.

#### d. Capital Assets

Capital asset purchases under \$5,000 are expensed in the operating statement. Capital purchases of \$5,000 or more are recorded at cost and amortized over their estimated useful lives on a straight-line basis at an annual rate of 10% for machinery, furniture and computers and 20% for leasehold improvements and vehicles. A half year's amortization is taken in the year of acquisition.

# Manitoba Pulse & Soybean Growers Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2020

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### 2 Significant Accounting Policies continued

#### e. Research Projects

Research expenses are recognized in these financial statements in the period defined in the terms and conditions of the respective agreements and when the expenses have been incurred.

#### f. 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, 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 capital assets.

#### g. 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, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred. Transactions are recorded on a trade basis and transaction costs are expensed when incurred.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and deferred grants. The fair value of the cash, accounts receivable and accounts payable approximates their carrying value due to their short-term nature.

#### h. 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.

### 3 Cash

Cash and cash equivalents consist of the following:

	2020	2019
Chequing 1.25% (2.75% - 2019)	\$ 5,293,731	\$ 4,785,268

# Manitoba Pulse & Soybean Growers Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2020

### 4 Receivables

Accounts receivable consist of the following:

	2020	2019
Check-off levies	\$ 719,769	\$ 516,249
Trade	3,437	7,036
CEBA loan debt forgiveness	10,000	-
Canada Emergency Wage Subsidy	12,030	-
Allowance for doubtful accounts	-	(1,466)
<b>Total</b>	<b>\$ 745,236</b>	<b>\$ 521,819</b>

### 5 Short-term Investments

	2020	2019
Credential securities - fixed income funds	\$ 679,596	\$ 642,222
Credential securities - equity funds	170,628	155,746
	<b>\$ 850,224</b>	<b>\$ 797,968</b>

### 6 Capital Assets

	2020	2020	2020	2019
	Cost	Accumulated Amortization	Net Value	Net Value
Leasehold improvements	\$ 7,016	\$ (7,016)	\$ -	\$ -
Machinery	251,399	(163,409)	87,990	113,129
Furniture and fixtures	14,016	(6,792)	7,224	10,035
Vehicle	38,271	(38,271)	-	-
Computer equipment	36,464	(12,789)	23,675	16,648
	<b>\$ 347,166</b>	<b>\$ (228,277)</b>	<b>\$ 118,889</b>	<b>\$ 139,812</b>

### 7 Administered Funding

The association provided administrative services for CAP in 2020. The association's duties were limited to the collection and distribution of funds for these programs.

# Manitoba Pulse & Soybean Growers Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2020

### 8. Long-term Debt

Long-term debt consists of the following:

	2020	2019
Access Credit Union	\$ 40,000	\$ -
Interest at 5% per annum, starting January 1, 2023, repayable in monthly payments of \$1,199 including interest starting January 1, 2023, due December 31, 2025, guaranteed by the Government of Canada.		
<b>Long-term portion of debt</b>	<b>\$ 40,000</b>	<b>\$ -</b>

The association applied for and received the \$40,000 CEBA loan in the 2020 fiscal year. The loan was provided by the Government of Canada to provide capital to organizations to see them through the current challenges and better position them to return to providing services and creating employment.

The loan is interest free to December 31, 2022. If the loan is paid back by December 31, 2022, \$10,000 of the loan will be forgiven (note 4). If the loan is not paid back by December 31, 2022 the full \$40,000 loan will be converted to loan repayable over three years with a 5.00% interest rate.

Principal repayments on long-term debt over the next five years are as follows:

Year	Amount
2021	\$ -
2022	-
2023	12,674
2024	13,322
2025	14,004
<b>Total</b>	<b>\$ 40,000</b>

# Manitoba Pulse & Soybean Growers Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2020

### 9 Deferred Grants

Total deferred grants for the year ending December 31, 2020 is \$76,010. This balance consist of government grants restricted for the purchase of capital assets of \$39,484 and research support of \$36,526 for third party research projects.

Government grants restricted for the purchase of capital assets are being amortized to income over 5 and 10 years on a straight line basis.

Research support funds are restricted for third party research projects. The restricted funds are realized and recognized in the financial statements in the period defined in the terms and conditions of the respective agreements and when the expenses have been incurred.

The changes in the deferred grant balance for the period are as follows:

	2020	2019
Beginning balance	\$ 58,754	\$ 78,211
Research support grants - received	502,183	190,342
Research support grants - recognized	(471,766)	(188,883)
Capital asset grants - amortized	(13,161)	(20,916)
Ending balance	<u>\$ 76,010</u>	<u>\$ 58,754</u>

### 10 Check-off Revenue

	2020	2019
Gross check-offs	\$ 3,568,052	\$ 2,639,990
Check-offs refunded to producers 5.2% (10.6% - 2019)	(184,321)	(279,725)
Check-off - net of refunds	<u>\$ 3,383,731</u>	<u>\$ 2,360,265</u>



# Manitoba Pulse & Soybean Growers Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2020

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### 11 Internally Restricted Net Assets

In fiscal 2013 the Directors appropriated \$100,000 to a reserve from unrestricted net assets to be used to fund any possible future wind down costs of the association. This reserve was increased to \$400,000 in fiscal 2018. In 2020 this reserve was increased to \$650,000.

The Directors also established an operating reserve in the amount of \$300,000 in fiscal 2016. This reserve was increased to \$400,000 in fiscal 2018. In 2020 this reserve was increased to \$650,000.

The Directors have internally restricted an aggregate of \$3,470,399 for future research. This amount consists of \$3,353,987 in future research project commitments and an unused carry forward balance from completed research projects of \$116,412. This reserve is reviewed annually.

The Directors have restricted a total of \$1,450,000 in preparation for the Science Cluster renewals in 2023.

The internally restricted funds are not available for other purposes without the approval of the Directors.

### 12 Commitments

The association has entered into funding agreements for long term research projects and has committed the following amounts.

Year	Amount
2021	\$ 1,859,367
2022	845,504
2023	405,366
2024	243,750
	<u>\$ 3,353,987</u>

The association has entered a lease agreement with Manitoba Corn Growers Association Inc. for office space in the annual amount of \$20,000 and expiring May 31, 2025.

### 13 Contingent Liability

Management is aware that there is possible accrued check-off refunds payable on check-off revenues incurred between August to December of the current year. However, this liability would not become due until next fiscal year and it is managements opinion that this liability cannot be reasonably estimated. Therefore no liability has been recorded on the financial statements.

### 14 Budget Figures

The Board of Directors approved the 2020 fiscal year budget on February 12, 2020. These figures are unaudited.

# Manitoba Pulse & Soybean Growers Inc.

## Notes to the Financial Statements

For the Year Ended December 31, 2020

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### 15 Financial Instruments

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.

#### 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 are generally paid within thirty days. This risk is reduced due to the high dollar value in the bank accounts.

#### Interest rate risk

The association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the association to the fair value risk, while floating rate instruments subject it to cash flow risk. The association manages exposure by restricting the term of investments and holding the majority of funds in fluctuating rate accounts.

#### Other price risk

The association is exposed to other price risk through changes in market prices in connection with its investment in pooled funds.

#### Commodity price risk

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

### 16 Financial Impact of the Novel Coronavirus (COVID-19)

In March 2020, the World Health Organization declared a global pandemic due to the outbreak of the novel Coronavirus ("COVID-19"). The situation is continuously developing and the economic impact has been substantial to both Canada and the globe. As at December 31, 2020, the association is aware of the changes in its operations as a result of the COVID-19 pandemic, including staff working from home and the cancellation and the postponement of scheduled events to the next fiscal year. The association continues to receive financial support from the federal government through the subsidy programs.

The association is not able to fully estimate the impact of COVID-19 on operations at this time given the continuous evolution of the pandemic and the global responses thereon to mitigate the spread.