

Keystone Agricultural Producers Inc.
Financial Statements
October 31, 2022

Keystone Agricultural Producers Inc.

Table of Contents

For the year ended October 31, 2022

	<i>Page</i>
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations and Changes in Net Assets.....	2
Statement of Cash Flows.....	4
Notes to the Financial Statements	5
Unaudited Schedules	
Schedule 1 - Policy and Member Service Expenses.....	10
Schedule 2 - Administration Support Expenses.....	11
Schedule 3 - General Expenses.....	12
Schedule 4 - Office Expenses.....	13
Schedule 5 - Environmental Farm Plan Program Reviewers Fee.....	14
Schedule 6 - Environmental Farm Plan Program Online Development.....	15
Schedule 7 - Farm Safety Program.....	16
Schedule 8 - Schedule of Human Resource Program Revenues and Expenses.....	17

Independent Auditor's Report

To the Members of Keystone Agricultural Producers Inc.:

Opinion

We have audited the financial statements of Keystone Agricultural Producers Inc. (the "Organization"), which comprise the statement of financial position as at October 31, 2022, and the statements of operations and 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 the Organization as at October 31, 2022, and the results of its operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in the attached schedules 1-8 is unaudited and presented for the purpose of additional analysis and is not a required part of the financial statements.

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. We obtained the annual report prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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.

MNP LLP

True North Square

242 Hargrave Street, Suite 1200, Winnipeg MB, R3C 0T8

1.877.500.0795 T: 204.775.4531 F: 204.783.8329

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Winnipeg, Manitoba

January 23, 2023

MNP LLP

Chartered Professional Accountants

Keystone Agricultural Producers Inc.

Statement of Financial Position

As at October 31, 2022

	2022	2021
Assets		
Current		
Cash	715,210	523,155
Accounts receivable	269,104	335,259
Prepaid expenses	4,716	3,368
Accrued interest	-	3,675
Investments (Note 3)	646,800	643,960
	1,635,830	1,509,417
Investment in The Co-operators Group Limited (Note 4)	104,000	104,000
Capital assets (Note 5)	123,651	150,883
	1,863,481	1,764,300
Liabilities		
Current		
Accounts payable (Note 6)	54,610	203,647
Producer refunds payable	130,394	93,349
Unclaimed membership refunds	55,547	50,815
Unearned membership fees	34,319	-
Deferred revenue (Note 7)	122,653	15,868
	397,523	363,679
Net Assets	1,465,958	1,400,621
	1,863,481	1,764,300

Approved on behalf of the Board


Director


Director

The accompanying notes are an integral part of these financial statements

Keystone Agricultural Producers Inc. Statement of Operations and Changes in Net Assets

For the year ended October 31, 2022

	2022	2021
Revenue		
Individual memberships	1,119,825	1,154,750
Province of Manitoba	501,058	664,826
Supporter revenue	92,307	122,938
Loyalty payment	109,742	57,106
Unclaimed membership refunds	50,815	50,677
Commodity groups	28,000	33,000
Miscellaneous	29,881	23,085
Other donations	20,650	21,450
Interest revenue	13,771	16,798
Corporate partner	10,000	10,000
Young Farmers' Committee	-	5,000
	1,976,049	2,159,630

Continued on next page

The accompanying notes are an integral part of these financial statements

Keystone Agricultural Producers Inc.

Statement of Operations and Changes in Net Assets

For the year ended October 31, 2022

	2022	2021
<i>(Continued from previous page)</i>	1,976,049	2,159,630
Expenses		
Advisory council meetings	3,063	4,275
Amortization	27,844	29,004
Annual meeting	29,974	24,425
Audit fee	18,780	17,584
Bank charges	5,490	4,865
Board meetings	20,828	16,114
Canadian Federation of Agriculture membership	73,858	72,401
Committee expense	5,105	17,030
Communications	21,597	35,524
Contract/research	20,000	10,067
Contracted services - Environmental Farm Plan (Schedule 6)	365,840	433,739
Development and recruitment	34,082	57,465
District meetings	4,358	478
Grants	14,719	8,500
Information technology consulting	26,440	39,521
Insurance	6,718	5,654
Leases	9,893	9,687
Legal and professional	42,481	51,202
Office	25,280	41,704
Postage	28,442	21,471
President's deductions	1,626	1,345
President's expenses	15,810	5,251
President's per diem	35,154	37,296
Rent	139,115	144,888
Salaries, wages and contract wages (Schedule 2,5,7)	731,653	696,111
Staff benefits	80,248	98,007
Staff travel	45,324	9,167
Telephone	15,747	17,402
Vice President's deductions	1,536	1,583
Vice President's expenses	20,518	4,610
Vice President's per diems	28,713	39,074
Young Farmers' Committee	263	20,056
	1,900,499	1,975,500
Excess of revenue over expenses before other items	75,550	184,130
Other items		
Unrealized gain (loss) on investments	(10,213)	15,458
Excess of revenue over expenses	65,337	199,588
Net assets, beginning of year	1,400,621	1,201,033
Net assets, end of year	1,465,958	1,400,621

The accompanying notes are an integral part of these financial statements

Keystone Agricultural Producers Inc.

Statement of Cash Flows

For the year ended October 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	65,337	199,588
Amortization	27,844	29,004
Unrealized (gain) loss on investments	10,213	(15,458)
	103,394	213,134
Changes in working capital accounts		
Accounts receivable	66,155	(134,777)
Prepaid expenses	(1,348)	19,210
Accrued interest	3,675	4,574
Accounts payable	(149,037)	148,995
Producer refunds payable	37,045	(21,984)
Unclaimed membership refunds	4,732	138
Unearned membership fees	34,319	(215,119)
Deferred revenue	106,787	(29,473)
	205,722	(15,302)
Investing		
Purchase of capital assets	(614)	(8,327)
Net sale (purchases) of investments	(13,053)	(18,436)
	(13,667)	(26,763)
Increase (decrease) in cash resources	192,055	(42,065)
Cash resources, beginning of year	523,155	565,220
Cash resources, end of year	715,210	523,155

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Keystone Agricultural Producers Inc. (the "Organization") is a non-for-profit organization incorporated without share capital. Its purpose is to promote the interest of Manitoba agricultural producers. The Organization is exempt from income taxes under Section 149 of The Income Tax Act. In order to maintain its status as a registered not for profit organization under The Income Tax Act, the Organization must meet certain requirements specified within The Income Tax Act. It is the opinion of management that these requirements have been met.

2. Significant accounting policies

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

Cash

Cash includes balances with bank. Cash subject to restrictions that prevent its use for current purposes is included as restricted cash.

Investments

Investments consist of guaranteed investment certificates, equities, and bonds. The guaranteed investment certificates are recorded at cost, less any provision for other than temporary impairment. Equities and bonds are recorded at fair value.

Investment in The Co-operators Group Limited

The investment in The Co-operators Group Limited consists of preferred shares and is recorded at cost less reduction for impairment, if any. Impairment losses are recognized when estimated undiscounted future cash flows from related loyalty payment revenue and future disposal, if any, are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year.

Capital assets

Capital asset acquisitions are recorded at cost. Amortization is provided using the following rates and methods intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, one-half of the rates below are used to calculate amortization.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	declining balance	100 %
Equipment	declining balance	20 %
Leasehold improvements	straight-line	10 years

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year.

Unclaimed membership refunds liability

The unclaimed membership refunds liability is a provision for uncashed producer refund cheques outstanding for more than 6 months.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which qualifying 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.

Membership revenue is recognized upon receipt of the membership fee by either a designated purchaser or directly by the Organization. When members prepay fees, the revenue is deferred until the year that the membership relates to.

When members have only paid partial membership fees, the fees are recorded as unrestricted revenue from the producers until such time as the producer has either paid up the full amount of the membership fee, or at year-end, is recorded as supporter revenue. Such unrestricted donations are included in supporter revenue in the statement of operations and changes in net assets.

Unclaimed membership refunds revenue represents uncashed cheques that have been recognized as revenue. The amounts are recognized as revenue when 1 full year has past since the amounts were recognized as unclaimed membership refund liabilities.

Interest and other revenues are recognized in the period in which it is earned.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Measurement uncertainty

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. No allowance was considered necessary for 2022 and 2021. Producer refunds payable represents the Organization's estimate of non-membership fees collected from producers which, given the information available, the Organization will be able to repay to the producers. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Financial instruments

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Organization has not made such an election during the year.

Keystone Agricultural Producers Inc.

Notes to the Financial Statements

For the year ended October 31, 2022

2. Significant accounting policies *(Continued from previous page)*

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Organization's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when no asset is individually significant. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Organization reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Organization reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the statement of financial position date.

Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

3. Investments

	2022	2021
Cash held in investment portfolio	182	3,163
Equities and bonds (book value of \$530,798)	541,343	224,190
Guaranteed investment certificate, matured during the year	-	97,000
Guaranteed investment certificate, matured during the year	-	100,000
Guaranteed investment certificate, bearing interest at 2.60%, maturing August 2023	105,275	102,607
Guaranteed investment certificate, bearing interest at 2.50%, maturing July 2025	-	97,000
Guaranteed investment certificate, bearing interest at 1.54%, maturing July 2024	-	20,000
	646,800	643,960

Keystone Agricultural Producers Inc.
Notes to the Financial Statements
For the year ended October 31, 2022

4. Investment in The Co-operators Group Limited

The Organization is a member of The Co-operators Group Limited and holds an investment consisting of preferred shares.

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2022 Net book value</i>
Computer equipment	78,234	65,208	13,026
Computer software	7,770	7,770	-
Equipment	66,724	54,878	11,846
Leasehold improvements	198,300	99,521	98,779
	351,028	227,377	123,651

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2021 Net book value</i>
Computer equipment	77,621	59,757	17,864
Computer software	7,770	7,770	-
Equipment	66,724	51,916	14,808
Leasehold improvements	198,300	80,089	118,211
	350,415	199,532	150,883

6. Accounts payable

Included in accounts payable is \$17,601 (2021 - \$17,496) of government remittances payable.

7. Deferred revenue

Changes in the deferred revenue balance are as follows:

	<i>2022</i>	<i>2021</i>
Balance, beginning of year	15,868	-
Amount received during the year	531,950	168,359
Less: Amount recognized as revenue during the year	(425,165)	(152,491)
Balance, end of year	122,653	15,868

8. Commitments

The Organization has entered into lease commitments for premises and office equipment with estimated minimum lease payments as follows:

2023	149,830
2024	148,110
2025	148,110
2026	148,110
2027	148,110

9. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization enters into transactions to buy and sell equity investments, for which the market price fluctuates.

Keystone Agricultural Producers Inc.
Schedule 1 - Policy and Member Service Expenses

For the year ended October 31, 2022
(Unaudited)

	2022	2021
Advisory council meetings	3,063	4,275
Annual meeting	29,974	24,425
Board meetings	20,828	16,114
Canadian Federation of Agriculture membership	73,858	72,401
Committee expense	5,105	17,030
District meetings	4,358	478
Insurance	6,718	5,654
President's deductions	1,626	1,345
President's expenses	15,810	5,251
President's per diem	35,154	37,296
Telephone	15,747	17,402
Vice President's deductions	1,536	1,583
Vice President's expenses	20,518	4,610
Vice President's per diems	28,713	39,074
Young Farmers' Committee	263	20,056
	263,271	266,994

Keystone Agricultural Producers Inc.
Schedule 2 - Administration Support Expenses

For the year ended October 31, 2022
(Unaudited)

	2022	2021
Amortization	27,844	29,004
Contract/research	15,000	10,067
Development and recruitment	-	32,294
Office	989	983
Salaries and wages	577,146	512,339
Staff benefits	80,248	98,007
Staff travel	44,726	6,007
	745,953	688,701

Keystone Agricultural Producers Inc.
Schedule 3 - General Expenses
For the year ended October 31, 2022
(Unaudited)

	2022	2021
Audit fee	18,780	17,584
Communications	21,597	35,524
Grants	14,719	8,500
Legal and professional	26,687	15,202
	81,783	76,810

Keystone Agricultural Producers Inc.
Schedule 4 - Office Expenses
For the year ended October 31, 2022
(Unaudited)

	2022	2021
Bank charges	5,490	4,865
Information technology consulting	26,440	39,521
Leases	9,893	9,687
Office	24,290	22,018
Postage	28,442	21,471
Rent	139,115	110,121
	233,670	207,683

Keystone Agricultural Producers Inc.
Schedule 5 - Environmental Farm Plan Program Reviewers Fee

For the year ended October 31, 2022
(Unaudited)

	2022	2021
Revenue		
Province of Manitoba	55,455	78,597
Expenses		
Salaries and wages	54,856	76,826
Staff travel	599	1,771
	55,455	78,597
Excess (deficiency) of revenue over expenses	-	-

Keystone Agricultural Producers Inc.
Schedule 6 - Environmental Farm Plan Program Online Development
For the year ended October 31, 2022
(Unaudited)

	2022	2021
Revenue		
Province of Manitoba	365,840	433,739
Expenses		
Contracted services - Environmental Farm Program	365,840	433,739
Excess (deficiency) of revenue over expenses	-	-

Keystone Agricultural Producers Inc.
Schedule 7 - Farm Safety Program
For the year ended October 31, 2022
(Unaudited)

	2022	2021
Revenue		
Province of Manitoba	74,763	152,491
Expenses		
Advertising	20,000	-
In-kind contributions	-	26,550
Office	306	12,060
Professional fees	125	36,000
Rent	-	34,767
Safety equipment	659	5,033
Salaries and wages	121,362	82,006
Staff travel	6,075	1,389
Training	1,000	25,171
	149,527	222,976
Deficiency of revenue over expenses	(73,634)	(70,485)

Included in the Province of Manitoba revenue is \$39,985 that is receivable as at October 31, 2022 (2021 - \$82,006).

Keystone Agricultural Producers Inc.
Schedule 8 - Schedule of Human Resource Program Revenues and Expenses
For the year ended October 31, 2022
(Unaudited)

	2022	2021
Revenue		
Province of Manitoba	5,000	-
Expenses		
Contract/research	5,000	-
Excess (deficiency) of revenue over expenses	-	-