



SaskFlax

**Saskatchewan Flax
Development Commission**

**Annual Report
2015/16**



Chair Report

This past year has been one in which continued research has been supported in order to try to advocate the appropriate decisions in order for the flax producer to get the best out of their crop. This direction has proven to start providing information that we can now provide to the producer whether it is through our website, the spring newsletter this past year that highlighted agronomic research and in the next year, sharing the jointly funded research that is been funded through Growing Forward 2 with our industry partners, Flax Council of Canada and Manitoba Flax Growers Association.

This year we have garnered a better understanding of the Crop Development Centre flax breeding program. Information gathered will now help the dialogue to continue and we are at a point that there is a good understanding as to the clear objectives that the SaskFlax board of directors have agreed upon. Implementation of these objectives will be discussed with mutual consideration of needs. SaskFlax also commissioned a report specific to understanding the ‘cost benefit’ of supporting a flax breeding program. This report may provide a clearer picture as to where levy dollars could be spent to support the Crop Development Centre.

Our time travelling the globe this year was one of great interest. From China, Mexico, United States, and India. All of these countries have un-tapped potential for flax. We have a commodity to market, understanding how to capitalize in both established and new markets is of keen interest.

There are always challenges and opportunities within our industry. We have a great team at the board table and we will continue to work hard to allocate levy dollars we receive in order to support and promote the production of flax.





Executive Director Report

The past year for the Saskatchewan Flax Development Commission was one of continued growth for research and market development activities. As the 2015 crop year started in August the flax production was looking good from an acreage perspective. The yield came in close to the long term average. Based on this the levy income for SaskFlax was very close to the budgeted amount and the activities planned for 2015/16 were fully funded.

In the past year SaskFlax continued to fund several research projects and added some exciting new research. SaskFlax continues to fund agronomy research in coordination with the Flax Council of Canada (FCC) through the Growing Forward 2 program. SaskFlax is co-funding a large fertilizer research project across Western Canada with the Agriculture Development Fund and Western Grains Research Foundation. SaskFlax continues to fund research projects that provide support for the flax breeding program at the Crop Development Centre. Applying the producer levy dollars to research that will keep flax profitable is important. It is also important to develop the market for flax. Part of the strategy for developing the flax market is to fund research that provides the scientific support for the benefits of consuming flax. SaskFlax, again in partnership with the FCC and others supports the work of Dr. Grant Pierce at St. Boniface Hospital to show the benefits of flax for lowering blood cholesterol. SaskFlax funded research at the University of Saskatchewan to determine the impact of flax on multiple sclerosis. Through this research we are learning more about the health benefits of flax and using that information to tell the flax story to the consumer.

SaskFlax worked to grow markets for flax. SaskFlax participated in Saskatchewan Trade and Export Partnership trade missions to China, India and Mexico. These trade mission provide valuable information for growing these markets for Saskatchewan flax. Mexican and Chinese markets are opportunities because of the knowledge of flax is growing and the health benefits of flax are a good fit with these consumers. SaskFlax will continue to promote flax in Mexico and seek opportunities to assist Canadian companies that sell flax and flax products and take advantage of the opportunities that will benefit flax producers. The Chinese market for Canadian flax is strong and along with the FCC we will continue work to expand the market. Looking ahead there are many opportunities to create demand for flax both domestically and internationally. Growing the demand for flax by consumers is important for the future of the flax industry.

The market for flax meal is also important for the industry. SaskFlax, with O&T Farms and FCC, funded research at the University of Saskatchewan for the use of flax meal in dairy cow rations. There has been research in the area of flax meal for livestock and continued research into this will be important to understand the benefits flax can provide for the chickens, pigs and dairy cows and the food produced that contain omega fatty acids.

Looking forward to 2016/17, the spring 2016 decrease in area planted to flax will mean a reduced levy income for research and market development, but the work that SaskFlax continues to carry out will be important to keep flax a progressive crop and the industry strong.

Research Funding

The Saskatchewan Flax Levy is invested in research for the purpose of benefiting producers. Some of the research investment is for flax variety development, agronomy and health benefits of flax. The following table lists currently funded projects.

Researcher	Project Name	Total Value of SaskFlax funds for project	Year of Completion
University of Saskatchewan	Rayner Dairy Research and Teaching Facility	\$50,000	2016
Dr. Helen Booker – University of Saskatchewan	Contra Season Winter Nursery for Oilseed Flax	\$30,000	2017
Dr. Helen Booker – University of Saskatchewan	Development of a Flax Breeding Database: A Gateway to Novel Breeding Strategies	\$60,000	2017
Dr. Grant Pierce – St. Boniface Hospital	Hyperflax Trial	\$50,000	2018
Flax Council of Canada	Improve Competitiveness of Flax (Growing Forward 2)	\$400,000	2018
Dr. Nazarali and Dr. Furber – University of Saskatchewan	Neuroprotective Myelin Multiple Sclerosis	\$11,500	2016
Dr. Deyholos – University of British Columbia	Linseed Straw Management: Pre-breeding for Reduced Straw Strength	\$41,400	2019
IHARF	Row Spacing Effects on Flax Establishment and Yield with and without Fungicide	\$6,250	2017
IHARF	Seed Treatment Effects on Flax at Varying Seeding Dates and Rates	\$8,450	2017
IHARF	Optimal Fertilizer and Phosphorus Management for Flax Production	\$103,385	2019
SERF, NARF, AITF	Insure Pulse Trails	\$8,650	2017
University of Saskatchewan, Crop Production Services, Agriculture and Agri-Food Canada	Western Canadian Oilseed Flax Cooperative Trials 2015-2016	\$100,000	2017
Dr. Chris Willenborg – University of Saskatchewan	Improving Weed Management for Saskatchewan Growers	\$43,996	2019
Dr. Chris Willenborg – University of Saskatchewan	Integrated Crop Management for High Yielding Flax Production	\$138,368	2020
AITF and NARF	Northern Adapted Agronomy	\$62,000	2015

Saskatchewan Flax Development Commission

Financial Statements
July 31, 2016



December 5, 2016

Independent Auditor's Report

To the Directors of Saskatchewan Flax Development Commission

We have audited the accompanying financial statements of Saskatchewan Flax Development Commission, which comprise the statement of financial position as at July 31, 2016 and the statements of income, changes in net assets and cash flows for the year then ended, and the related notes which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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 about whether the financial statements are free from material misstatement.

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

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

*PricewaterhouseCoopers LLP
128 4th Avenue South, Suite 600, Saskatoon, Saskatchewan, Canada S7K 1M8
T: +1 306 668 5900, F: +1 306 652 1315*



Basis for qualified opinion

In common with many similar not-for-profit organizations, Saskatchewan Flax Development Commission derives revenue from producer check-off fees, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Saskatchewan Flax Development Commission. Therefore, we were not able to determine whether any adjustments might be necessary to producer check-off fees, excess of revenue over expenditures and cash flows from operations for the year ended July 31, 2016 and 2015, current assets as at July 31, 2016 and 2015 and net assets as at August 1, 2015, July 31, 2016, August 1, 2014 and July 31, 2015. Our audit opinion on the financial statements for the year ended July 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Flax Development Commission as at July 31, 2016 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.

Restated comparative information

Without further modifying our opinion, we draw attention to note 12 to the financial statements, which explains that certain comparative information for the year ended July 31, 2015 and certain balances as at August 1, 2014 have been restated. The financial statements of Saskatchewan Flax Development Commission for the year ended July 31, 2014 (prior to the restatement of certain balances as at August 1, 2014) were audited by another auditor who expressed a qualified opinion on those financial statements on December 9, 2014 for the reasons described in the basis for qualified opinion paragraph.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

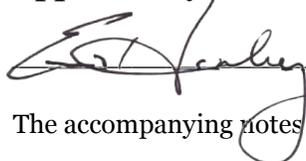
Saskatchewan Flax Development Commission

Statement of Financial Position

As at July 31, 2016

	2016 \$	Restated 2015 \$ (note 12)
Assets		
Current assets		
Cash and cash equivalents (notes 3 and 7)	1,390,526	1,597,950
Investments (note 4)	107,797	202,215
Accounts receivable	190,584	113,946
	<u>1,688,907</u>	<u>1,914,111</u>
Non-current assets		
Investments (note 4)	1,082,633	374,058
Tangible capital assets (note 5)	8,742	11,092
Website development costs (note 6)	5,220	7,457
	<u>1,096,595</u>	<u>392,607</u>
	<u>2,785,502</u>	<u>2,306,718</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	108,005	62,326
Deferred contributions		
	65,050	118,262
	<u>173,055</u>	<u>180,588</u>
Net assets		
Unrestricted	2,008,485	1,517,581
Internally restricted (note 7)	600,000	600,000
Invested in tangible capital assets and website development costs	3,962	8,549
	<u>2,612,447</u>	<u>2,126,130</u>
	<u>2,785,502</u>	<u>2,306,718</u>
Commitments (note 9)		
Operating lease (note 10)		

Approved by the Board of Directors



Director



Director

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

Saskatchewan Flax Development Commission

Statement of Changes in Net Assets

As at July 31, 2016

	Invested in tangible capital assets and website development \$	Internally restricted \$	Unrestricted \$	2016 \$	Restated 2015 \$ (note 12)
Balance - Beginning of year	8,549	600,000	1,517,581	2,126,130	1,612,515
Excess of revenue over expenditures	(4,587)	-	490,904	486,317	513,615
Balance - End of year	<u>3,962</u>	<u>600,000</u>	<u>2,008,485</u>	<u>2,612,447</u>	<u>2,126,130</u>

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

Saskatchewan Flax Development Commission

Statement of Income

For the year ended July 31, 2016

	Budget (unaudited) \$ (note 11)	2016 \$	Restated 2015 \$ (note 12)
Revenue			
Producer check-off fees	1,368,000	1,326,456	1,280,874
Refunds	-	(46,410)	(42,841)
	1,368,000	1,280,046	1,238,033
Grants	74,700	126,666	306,059
Interest income	15,000	19,610	18,891
	1,457,700	1,426,322	1,562,983
Expenditures (Schedule and note 8)			
Administration			
Consultants	140,000	118,125	113,496
Salaries and wages	70,000	67,624	62,408
Levy administration	32,000	30,110	28,158
Board of directors	23,000	21,855	15,177
Rent	12,000	11,970	11,340
General and administrative	11,100	8,228	6,751
Professional fees	10,000	6,776	1,191
Meetings	10,000	5,321	5,919
Insurance	2,700	5,102	1,731
Amortization	6,000	4,587	6,628
Travel	5,000	620	951
	321,800	280,318	253,750
Grants and research projects	599,462	439,502	514,403
Communications	133,500	150,198	120,310
Market facilitation	144,000	69,987	160,905
	1,198,762	940,005	1,049,368
Excess of revenue over expenditures	258,938	486,317	513,615

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

Saskatchewan Flax Development Commission

Statement of Cash Flows

For the year ended July 31, 2016

	2016 \$	Restated 2015 \$ (note 12)
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	486,317	513,615
Amortization	4,587	6,628
Changes in non-cash working capital items		
Accounts receivable	(76,638)	4,925
Accounts payable and accrued liabilities	45,679	(36,165)
Deferred contributions	(53,212)	(60,693)
	<u>406,733</u>	<u>428,310</u>
Investing activities		
Purchase of investments, net of redemptions	(614,157)	(1,650)
Purchase of tangible capital assets and website development costs	-	(9,008)
	<u>(614,157)</u>	<u>(10,658)</u>
Net change in cash and cash equivalents	(207,424)	417,652
Cash and cash equivalents – Beginning of year	<u>1,597,950</u>	<u>1,180,298</u>
Cash and cash equivalents – End of year	<u>1,390,526</u>	<u>1,597,950</u>
Cash and cash equivalents consist of:		
Cash	1,183,489	1,398,591
Investment savings accounts	207,037	199,359
	<u>1,390,526</u>	<u>1,597,950</u>

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

Saskatchewan Flax Development Commission

Notes to Financial Statements

July 31, 2016

1 Nature of business

The Saskatchewan Flax Development Commission (the “commission” or “SFDC”) was established by provincial legislation in April of 1996. The activities of the commission are funded primarily by a levy on Saskatchewan produced flax, which is collected by buyers at the time of sale.

The mandate of the commission is to promote and enhance flax production in Saskatchewan for maximum return to producers through research, market facilitation, leadership and communication in the industry.

2 Summary of significant accounting policies

a) Basis of presentation

These financial statements include the accounts of the commission and are presented in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

b) Use of estimates

The preparation of financial statements in conformity with ASNPO 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 amount of revenue and expenditures during the reporting period. Actual results could differ from these estimates.

c) Tangible capital assets and website development costs

Tangible capital assets and website development costs are recorded at cost and amortized over their expected useful lives. Computer hardware, computer software and office equipment/furnishings are amortized using the straight-line method over a five-year period. Website development costs are amortized using the straight-line method over a five-year period.

d) Revenue recognition

Producer check-off fees are recognized as product is sold from the producer to the buyer. Refunds are recognized using the accrual method based on actual requests submitted by producers for the crop year and are paid out subsequent to year-end by the commission.

The commission follows the deferral method of accounting for contributions, including grants. 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. Restricted contributions for expenses of the current period are recognized as revenue in the current period and restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the same period or periods as the related expenses are recognized.

Saskatchewan Flax Development Commission

Notes to Financial Statements

July 31, 2016

Interest income is recognized as it is earned. Contributions of materials and services are recognized only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the commission's operations and would otherwise have been purchased.

e) Grants and research projects

Expenditures are recognised when grants and research projects have been approved and the recipient has met eligibility criteria.

f) Financial instruments

Financial assets and financial liabilities, consisting of cash and cash equivalents, investments, accounts receivable and accounts payable and accrued liabilities are initially recognized at fair value and subsequent measurement is at amortized cost. The commission does not consider itself to have significant exposure to credit risk, currency risk, interest rate risk, liquidity risk, market risk or other price risk.

3 Restricted cash

Cash of \$79,755 (2015 - \$141,863) is restricted for the Northern Adapted Flax Variety Development research project.

4 Investments

Investments consist of guaranteed investment certificates which earn interest at rates ranging from 2.05% to 2.80% and mature in the 2017 (\$107,797), 2018 (\$251,628), 2019 (\$250,000), 2020 (\$271,892) and 2021 (\$309,113) fiscal years.

5 Tangible capital assets

	Cost	Accumulated	Net book	Net book
	\$	amortization	value 2016	value 2015
		\$	\$	\$
Office equipment	11,209	3,384	7,825	9,782
Computer hardware	6,400	5,798	602	860
Computer software	716	401	315	450
	18,325	9,583	8,742	11,092

Saskatchewan Flax Development Commission

Notes to Financial Statements

July 31, 2016

6 Website development costs

Cost	Accumulated amortization	Net book value 2016	Net book value 2015
\$	\$	\$	\$
10,653	5,433	5,220	7,457

7 Internally restricted net assets

The commission has internally restricted net assets of \$600,000 to maintain operations and meet commitments in the event of crop failure, and to pay any amounts due in the event of disestablishment of the commission.

8 Related party transactions

During the year ended July 31, 2016 members of the commission's elected Board of Directors received payments for per diems and expenses of \$85,398 (2015 - \$61,261). All related party transactions described above are measured at the exchange amount, which is the consideration established and agreed to by the parties.

9 Commitments

As at July 31, 2016 the commission has committed to making the following payments for research projects:

	\$
2017	288,959
2018	63,700
2019	33,405
2020	4,993
	<hr/>
	391,057
	<hr/>

10 Operating lease

The commission had a lease agreement for its office premises for a one year term, at a rate of \$11,400 per annum, which expired July 31, 2016. The agreement was renewed at a rate of \$12,000 per annum for the one year term ending July 31, 2017. Further, the commission has the option to renew the lease agreement for an additional 2 year term.

Saskatchewan Flax Development Commission

Notes to Financial Statements

July 31, 2016

11 Budgeted amounts

The budgeted amounts have been approved by the Board of Directors, are unaudited and are provided for purposes of comparison.

12 Restatement

The commission is restating the comparative amounts for the year ended July 31, 2015 and opening balances as of August 1, 2014 due to prior period errors regarding the recognition of revenue for restricted research grants. A summary of the impact of the restatement is provided immediately below:

Statement of Financial Position

	Previously \$	Restated \$
Deferred contributions		
July 31, 2015	7,990	118,262
August 1, 2014	30,453	178,955
Unrestricted net assets		
July 31, 2015	1,627,853	1,517,581
July 1, 2014	1,149,848	1,001,346

Statement of Changes in Net Assets and Income

	Previously \$	Restated \$
Grants for the year ended July 31, 2015	267,829	306,059
Excess of revenue over expenditures for the year ended July 31, 2015	475,385	513,615

Saskatchewan Flax Development Commission

Statement of Expenditures

For the year ended July 31, 2016

	Budget (unaudited) \$	2016 \$	2015 \$
Grants and research projects			
Flax Council Growing Forward II	100,000	100,000	100,000
Oilseed Cooperative Trials	150,000	80,000	195,000
Northern Adapted Flax Variety	60,000	62,000	62,000
Integrated Crop Management	36,501	36,501	35,399
IHARF Optimal Nitrogen	35,000	34,462	-
Linseed Straw Management	20,000	20,700	-
Flax Product Lactation	20,000	18,975	-
Flax Breeding Database	15,000	15,000	20,000
Improve Weed Management	15,000	14,666	-
U of S Dairy	10,000	10,000	10,000
Sask Variety Performance Group	10,000	10,000	10,000
ADOPT	9,936	9,936	52,014
Winter Nursery	7,500	7,500	10,000
BASF Insure Pulse Trials	10,000	6,489	-
Seed Treat Effects	5,000	5,813	-
Row Space	5,000	4,687	-
Optimal Fertilizer Management	2,175	2,175	6,526
Pest Monitoring Network	7,000	598	3,114
Multiple Sclerosis	1,350	-	10,350
Other	80,000	-	-
	599,462	439,502	514,403
Communications			
Sponsorships	15,000	20,189	-
Industry liaison	20,000	19,529	14,432
Newsletter	30,000	18,518	9,519
Oilseed grower meetings	10,000	18,404	-
Crop Production Week and CropSphere	7,000	15,377	17,308
Farm and food care	5,000	14,567	-
Networking	10,000	13,247	11,988
Flax research day	-	8,600	-
Other	9,500	7,733	-
PRCO	5,000	4,692	6,360
Website	4,000	4,290	17,220
Annual General Meeting	10,000	1,656	1,329
Memberships and subscriptions	3,000	1,465	8,408
Joint programs and partnerships	-	1,099	16,795
Minor use registration	-	470	2,556
Strategic planning	5,000	362	-
Election	-	-	14,395
	133,500	150,198	120,310
Market facilitation			
Food	100,000	52,234	77,799
Other	10,000	17,753	-
Feed	25,000	-	-
Fiber	9,000	-	-
Value added feasibility study	-	-	83,106
	144,000	69,987	160,905

**Saskatchewan Flax Development Commission
Expenditures by Object
For the Year Ended July 31, 2016**

DIRECTORS

Erwin Hanley	\$26,742
Shane Stokke	\$17,473
Jordon Hillier	\$13,002
Nancy Johns	\$11,169
Greg Sundquist	\$9,314
David Sefton	\$7,698

RESEARCH (threshold \$5,000)

University of Saskatchewan	\$127,642
Flax Council of Canada	\$100,000
Indian Head Agricultural Research Foundation	\$50,449
Alberta Innovates Technology Futures	\$44,363
Northeast Agriculture Research Foundation	\$25,375
Agriculture & Agri-Food Canada	\$30,000
Crop Production Services	\$25,000
University of British Columbia	\$20,700
Saskatchewan Variety Performance Group	\$10,000

ADMINISTRATION (threshold \$5,000)

Orange Management Group Ltd.	\$110,250
Agriculture Council of Saskatchewan (Levy Central)	\$30,120
Victory Majors	\$11,970
Mitacs Inc.	\$7,875
PricewaterhouseCoopers LLC	\$6,700

COMMUNICATIONS (threshold \$5,000)

SaskCanola	\$12,230
Farm & Food Care Saskatchewan	\$10,250
Blairmore Media	\$7,336
Annex Publishing	\$5,250
Canada Post	\$6,853
Market Prospects	\$7,500

MARKET FACILITATION (threshold \$5,000)

Jeff's Crestwear	\$17,192
Saskatchewan Trade and Export Partnership	\$6,000

Directors for 2015-2016



Erwin Hanley (Chair)
Box 37180 Regina, SK S4S 7K3



Nancy Johns
Box 916 Watrous, SK S0K 4T0



Shane Stokke (Vice-Chair)
Box 1315 Watrous, SK S0K 4T0



David Sefton
Box 262 Broadview, SK S0G 0K0



Jordon Hillier
R.R. 1 Box 20 Site 1
Southey, SK S0G 4P0



Greg Sundquist
Box 1030 Watrous, SK S0K 4T0

Executive Director
Wayne Thompson, Saskatoon

Head Office
A5A - 116 - 103rd St E
Saskatoon, SK S7N 1Y7
306-664-1901
306-664-4404 Fax
saskflax@saskflax.com
www.saskflax.com

Our Mission

“To lead, promote, and enhance the production, value-added processing and utilization of Saskatchewan flax.”

Our Vision

“Saskatchewan Flax Development Commission, as a respected organization, leads the promotion of flax and flax products in the world.”

