

2012
2013

Saskatchewan flax Development Commission

Directors 2012 - 2013

Erwin Hanley, Regina (Chair)
Shane Stokke, Watrous
(Vice-Chair)
Gregor Beck, Rouleau
Léo Jeanneau, Prud'homme
Nancy Johns, Watrous
David Sefton, Broadview

Advisors

Dr. Helen Booker, Saskatoon
(University of Sask)
Glenn Payne, Regina
(Ministry of Agriculture)
Venkata Vakulabharanam,
Regina (Ministry of
Agriculture)

Executive Director

Linda Braun, Saskatoon

Head Office

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SaskFlax

THE YEAR IN REVIEW

The Saskatchewan Flax Development Commission is directed by six registered flax producers elected from the membership. In 2012/13, Leo Jeanneau replaced outgoing director Lyle Simonson while Shane Stokke returned for his second term. These positions were declared by acclamation. The Commission thanked Lyle for his contributions and wished him and Debbie well on their next career path (retirement). The Commission recognizes and appreciates the expertise of Advisors Dr. Helen Booker from the University of Saskatchewan; Venkata Vakulabharanam and Glenn Payne from the Ministry of Agriculture.

Linda Braun, Executive Director and Administrative Assistant Janice Henriksen managed the Commission's day to day business. Levy Central, a division of the Agriculture Council of Saskatchewan provided levy collection and election services (Returning Officer). Eaton & Associates and Biolin Research provided contract services related to communication and fiber respectively.

2012-13 brought several significant changes to SaskFlax. Merv Culham, Chartered Accountant (our auditor since inception) retired and the Commission appointed Breen & Associates to conduct the annual audit for 2012-13.

Regulations and Board Orders under which the Commission operates were thoroughly reviewed as was the Agri Food Act 2004. After careful consideration, Directors have made the

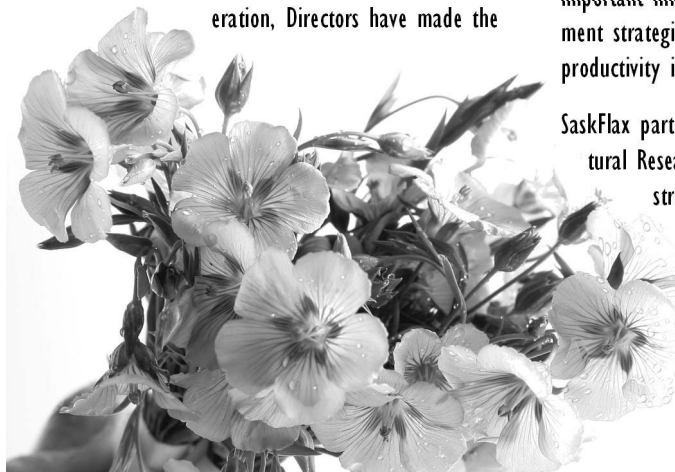
recommendation to move from two rebate periods to one annual rebate period. The resolution will be brought before the membership at the Annual General Meeting on January 15, 2014 for review and decision.

A third change involved the format and venue for Flax Day. SaskFlax, along with SaskCanola, Saskatchewan Pulse Growers and Saskatchewan Oat Development Commission and Saskatchewan Wheat and Barley Commissions have partnered to present "CropSphere 2014," a two-day forum for farmers with keynote presentations, concurrent sessions and networking opportunities. The Commission also maintained its membership in Crop Production Week Committee as it is another important venue for producers.

Within the research pillar, SaskFlax continued to support flax research, participating in both the Flax Council of Canada and Western Grains Research Foundation's applications under the Growing Forward II Agri-Innovation Program — Industry Led Research and Development Stream. The two programs are complimentary and will generate important information for beneficial crop management strategies and improvement in overall productivity if approved.

SaskFlax partnered with the Indian Head Agricultural Research Foundation in 2013 to demonstrate new varieties; new tools in the toolbox (i.e. Authority, Headline, etc.) and agronomic practices (i.e. seed rates, seed dates, fertilizer application, etc.). The demonstrations were made possible through the

(Continued on page 2)



YEAR IN REVIEW, *continued*

Agricultural Demonstration of Practices and Technologies (ADOPT) Initiative under the Canada-Saskatchewan Growing Forward Bilateral Agreement. Thanks too to FMC Canada Ltd. for support of the Broadleaf Herbicide and Foliar fungicides Options Demonstration. Saskatchewan producers were able to view the results with other producers and the research community at SaskFlax Crop Walk, July 25, 2013. Producers will also hear more about the projects at Crop-Sphere 2014.



Other research projects supported by the Commission this year included collaboration with SaskCanola and Saskatchewan Pulse Growers on the Saskatchewan Glyphosate-Resistant Kochia Survey as well as the Flax Council of Canada's non-GMO herbicide tolerant flax breeding project. Ongoing research continued with the Northern Adapted Flax Variety Development breeding effort; the Benefits of Simplified Flax Extract project; and the Rayner Dairy Research Facility and Public Educational Gallery.

An application for Western Canadian Oilseed Flax Trials, a coordinated effort of the three Canadian flax breeding programs and SaskFlax was requested and submitted to the Agriculture Development Fund (ADF) of Saskatchewan.

Communications continued to be a priority for the Commission, particularly activities related to the removal of CDC Triffid from the Canadian flax supply. The Commission, along with the Flax Council of Canada executed communication strategies — radio and print campaigns, press releases, webinars, presentations; and the industry communiqué. Producers and processors were kept apprised of activities related to the re-constituted flax seed campaign. SaskFlax participated in the Flax Council's EU mission to deal with the flax protocol as it related to changes at the Canadian Grain Commission.

SaskFlax, Sask Canola, and Sask Mustard hosted the first Tee Up For Agriculture Golf Classic. The event celebrated these oilseeds' contribution to the province's economy; provided strong networking among industry leaders while contributing to agricultural education through the Agriculture in the Classroom organization. The Commission also continued to support Saskatchewan 4-H, Outstanding Young Farmers, AgWest Bio and Saskatchewan Trade and Export Partnership (STEP), helping to ensure the future of the agriculture sector.

Market Facilitation activities for food concentrated on the Asia marketplace. Through STEP, SaskFlax participated in the China Mission in September 2012 where our Executive Director addressed delegates at the China Peas & Linseed Conference (Yantai) and conducted business-to-business meetings with interested flax clientele. There is much interest in flaxseed in China, for both yellow and brown; flax oil, meal and value added flax products. In June 2013, STEP hosted the Asia Conference where Linda Braun presented and SaskFlax met with Chinese and Korean buyers. At that time, China represented 39% of Canada flax imports.

On the domestic level, SaskFlax and Saskatchewan Oat Development Commission partnered to create recipes utilizing flax and oat for utilization at functions and for consumers. Requests for information were also addressed.

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Saskatchewan Flax Development Commission Board of Directors 2012 - 2013



Erwin Hanley
Chair



Shane Stokke
Vice Chair



Gregor Beck



Leo Jeanneau



Nancy Johns



Dave Sefton

**Saskatchewan Flax Development
Commission Management
Statement of Responsibility**

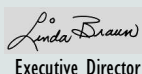
The accompanying financial statements are the responsibility of management. They have been prepared in accordance with Canadian accounting standards for not-for-profit organizations applied and deemed to present fairly the financial position, results of operations and changes in net assets and cash flows of the Commission. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this Annual Report, management relies on the Commission's system of internal control. This system has been established to ensure, within reasonable limits, that assets are safeguarded that transactions are properly recorded and executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the financial statements. It is recognized that no system of internal control can detect and prevent all errors and irregularities. Nonetheless, management believes that the established system provides an acceptable balance between benefits to be gained and the related costs.

Breen & Associates, Chartered Accountants are responsible for auditing the financial statements and giving an opinion on them. As part of that responsibility, they review and assess the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, they also consider the effectiveness of the selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. Management emphasizes the need for constructive recommendations as part of the auditing process and implements a high proportion of their suggestions.

The Commission's management is responsible for the preparation of timely financial statements which are reviewed in detail by the Board at its regular meetings.


Chair


Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Saskatchewan Flax Development Commission

We have audited the accompanying financial statements of

Saskatchewan Flax Development Commission which comprise the statements of financial position as at July 31, 2013, July 31, 2012 and August 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended July 31, 2013, July 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such 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 procedure selected depends on the auditor's judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The Commission collects a levy from Saskatchewan producers through buyers of flax, the completeness of which is not susceptible of satisfactory audit verification. It was not practical for us to verify whether all buyers of flax produced in Saskatchewan have collected and remitted the required levy to the Commission. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Commission. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, surplus, and cash flows from operations for years ended July 31, 2013 and July 31, 2012, as well as current assets and net assets at July 31, 2013, July 31, 2012, and August 1, 2011.

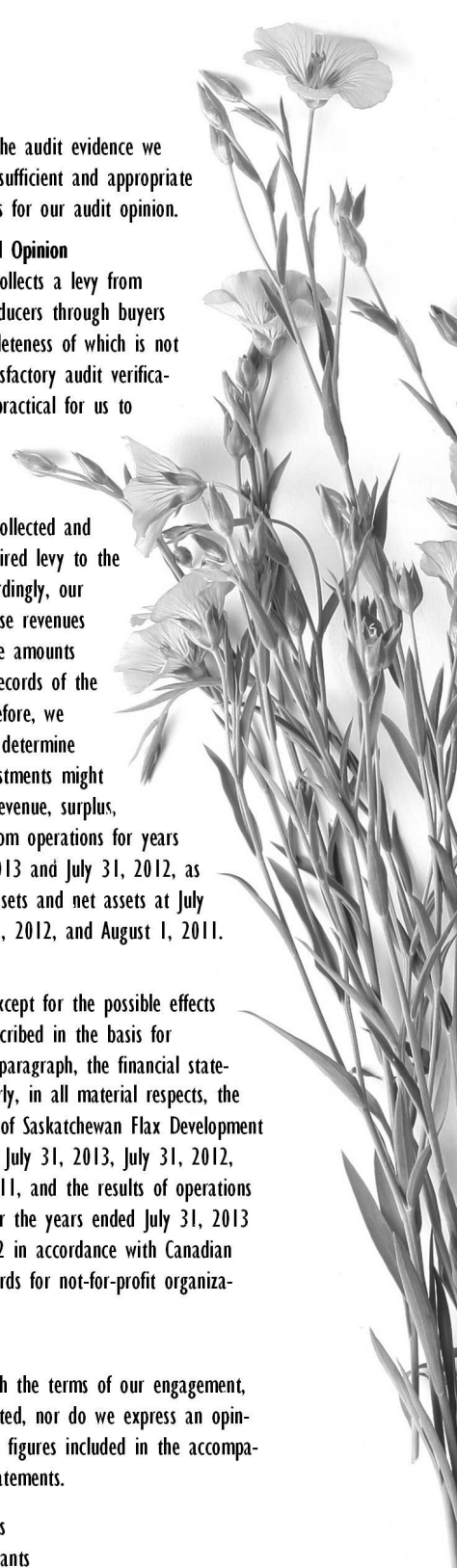
Qualified Opinion

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, 2013, July 31, 2012, and August 1, 2011, and the results of operations and cash flows for the years ended July 31, 2013 and July 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

In accordance with the terms of our engagement, we have not audited, nor do we express an opinion of the budget figures included in the accompanying financial statements.

Breen & Associates
Chartered Accountants
December 13, 2013





**AUDITOR'S REPORT ON
COMPLIANCE WITH LEGISLATIVE
AND RELATED AUTHORITIES**

*To the Board of Directors of
Saskatchewan Flax Development
Commission*

We have audited Saskatchewan Flax Development Commission's compliance as at July 31, 2013 with the provisions for the following legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue raising, borrowing and investing activities during the year ended July 31, 2013:

- The Agri-Food Act, 2004
- The Saskatchewan Flax Development Commission Plan Regulations
- Agri-Food Council Order No. 02/11
- The Saskatchewan Flax Development Commission Orders Nos. 11/09 – 19/12

Compliance with the aforementioned legislative and related authorities is the responsibility of the management of Saskatchewan Flax Development Commission. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Saskatchewan Flax Development Commission complied with the provisions of the aforementioned legislative and related authorities. Such an audit includes examining on a test basis evidence supporting compliance, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, the Saskatchewan Flax Development Commission is in compliance, in all material respects, with the aforementioned legislative and related authorities for the period August 1, 2012 to July 31, 2013.

Breen & Associates
Chartered Accountants
December 13, 2013

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

*To the Board of Directors of
Saskatchewan Flax Development Commission*

We have audited the effectiveness of Saskatchewan Flax Development Commission's internal control over financial reporting as at July 31, 2013.

Management's Responsibility

Management is responsible for maintaining effective internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion based on our audit, on whether the Commission's internal control over financial reporting was effectively maintained in accordance with criteria established in "Guidance on Control" published by the Canadian Institute of Chartered Accountants.

We conducted our audit in accordance with the standard for audits of internal control over financial reporting set out in the CICA Handbook – Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

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

An entity's internal control over financial reporting is a process designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. An entity's internal control over financial re-

porting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Saskatchewan Flax Development Commission maintained, in all material respects, effective internal control over financial reporting as at July 31, 2013 in accordance with the criteria established in "Guidance on Control" published by The Canadian Institute of Chartered Accountants.

We have also audited, in accordance with generally accepted auditing standards, the statement of financial position as at July 31, 2013 and the statements of operations, changes in net assets and cash flows for the year then ended of Saskatchewan Flax Development Commission and issued our report dated December 9, 2013.

Breen & Associates
Chartered Accountants
December 13, 2013

Saskatchewan Flax Development Commission
STATEMENT OF FINANCIAL POSITION
As at:

	July 31 2013	July 31 2012	August 1 2011
ASSETS			
CURRENT ASSETS:			
Cash (Notes 4 and 8)	\$ 621,802	\$ 391,059	\$ 461,249
Levies receivable	92,322	60,314	66,728
Accrued interest receivable	4,379	4,180	1,696
Grants receivable	40,717	119,202	203,811
Note receivable	-	-	123,000
	759,220	574,755	856,484
TERM INVESTMENTS (Notes 5 and 8)	564,860	308,780	205,712
CAPITAL ASSETS (Note 6)	1,563	2,343	3,123
	\$ 1,325,643	\$ 885,878	\$ 1,065,319



LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	\$67,757	\$42,040	\$45,688
Levy check-off payable	12,520	4,928	13,728
Project funding payable	99,600	60,000	45,000
Deferred contributions (Note 7)	11,275	-	-
	191,152	106,968	104,416



NET ASSETS			
Invested in capital assets	1,563	2,343	3,123
Internally restricted (Note 8)	600,000	600,000	600,000
Unrestricted	532,928	176,567	357,780
	1,134,491	778,910	960,903
	\$ 1,325,643	\$ 885,878	\$ 1,065,319

Approved by the Board:

Director

Director

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

Saskatchewan Flax Development Commission
STATEMENT OF OPERATIONS
For the years ended:



Our Vision

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

Our Mission

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

	July 31, 2013 Budget (Unaudited)	July 31 2013 Actual	July 31 2012 Actual
REVENUES:			
Crop levy	\$ 616,000	\$ 865,781	\$ 345,826
Levy refunds issued	-	(24,165)	(7,269)
Net crop levy	616,000	841,616	338,557
Grants, donations and sponsorships	80,700	225,710	244,785
Interest income	12,000	12,339	11,518
	708,700	1,079,665	594,860
EXPENDITURES:			
Administration (Note 10)			
Executive director	85,000	59,904	67,238
Travel	2,000	2,374	1,802
Administration	5,000	4,269	4,854
Rent	11,600	11,340	11,288
Levy collection	40,000	31,835	36,827
Meetings	7,000	8,485	5,946
Director per diems	6,000	5,184	3,968
Director honoraria	11,000	7,506	10,848
Strategic planning	-	385	13,500
Professional fees	3,000	6,433	4,125
Bank charges	700	396	525
Insurance	3,200	3,297	4,142
Equipment equipment/ software support	5,000	-	130
Amortization	1,000	780	780
Donations	-	3,000	-
Communication (Schedule 1)	222,500	210,613	136,532
Research (Schedule 2)	159,000	347,901	430,738
Market facilitation (Schedule 3)	78,900	20,382	43,610
	640,900	724,084	776,853
SURPLUS (DEFICIT) FOR THE YEAR	\$ 67,800	\$ 355,581	\$ (181,993)

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

Saskatchewan Flax Development Commission
STATEMENT OF CASH FLOWS
For the years ended:

	July 31 2013	July 31 2012
CASH RECEIVED (PAID) RELATED TO:		
OPERATING ACTIVITIES:		
Levies, grants and sponsorships	\$ 1,125,078	\$ 674,365
Interest	12,140	9,034
Supplies and contracts	(650,395)	(773,521)
	<u>486,823</u>	<u>(90,122)</u>
INVESTING ACTIVITIES:		
Term investments	(256,080)	(103,068)
Notes receivable	-	123,000
	<u>(256,080)</u>	<u>19,932</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	230,743	(70,190)
CASH AT THE BEGINNING OF THE YEAR	391,059	461,249
CASH AT THE END OF THE YEAR	<u>\$ 621,802</u>	<u>\$ 391,059</u>



Saskatchewan Flax Development Commission
STATEMENT OF CHANGES IN NET ASSETS
For the year ended July 31, 2013

	Invested in capital assets	Internally Restricted	Unrestricted	2013 Total	2012 Total
BALANCE AT BEGINNING OF THE YEAR	\$2,343	\$600,000	\$176,567	\$778,910	\$960,903
Surplus (deficit) for the year	(780)	-	356,361	355,581	(181,993)
BALANCE AT END OF THE YEAR	<u>\$1,563</u>	<u>\$600,000</u>	<u>\$532,928</u>	<u>\$1,134,491</u>	<u>\$778,910</u>

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

Saskatchewan Flax Development Commission
NOTES TO THE FINANCIAL STATEMENTS
July 31, 2013

1. NATURE OF THE ENTITY:

Saskatchewan Flax Development Commission operates to promote and enhance flax production in Saskatchewan for maximum return to producers through research, market facilitation, leadership, and communication in the industry.

The Saskatchewan Flax Development Commission is a non-profit organization incorporated under the Agri-Foods Act, 2004 of Saskatchewan. Under present legislation, no income taxes are paid on reported income of such operations.

2. SIGNIFICANT ACCOUNTING POLICIES:

Adoption of Accounting Standards For Not-For-Profit Organizations (ASNFP0's)

These financial statements have been prepared in accordance with Part III of the CICA Handbook - Accounting ("Part III") Accounting Standards for Not-For-Profit Organizations (ASNFP0's).

The Saskatchewan Flax Development Commission's (SFDC) first reporting period using the ASNFP0's is July 31, 2013. As a result, for financial statement purposes, the date of transition to these standards by the SFDC is August 1, 2011.

As these financial statements are the first financial statements for which the SFDC has applied Part III (ASNFP0's), the financial statements have been prepared in accordance with the provisions set out in Section 1501 of Part III, First-time Adoption by Not-For Profit Organizations. As a result the SFDC is required to apply Part III effective for periods ending on July 31, 2013 in:

- a) Preparing and presenting its statement of financial position at August 1, 2011; and
- b) Preparing and presenting its statement of financial position for July 31, 2013 (including comparative amounts for 2012), statement of operations, statement of changes in net assets, and statement of cash flows for the year ended July 31, 2013 (including comparative information for 2012).

The first time adoption of the above standards by the SFDC had no impact on the statement of financial position at the date of transition, August 1, 2011, or on the surplus (deficit) and cash flows for the years ended July 31, 2013 and July 31, 2012.



Revenue Recognition

The Commission follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or restrictions met. Unspent amounts are included in deferred contributions and revenue. Unrestricted contributions are recognized as revenue when earned if the amount to be earned can be reasonably estimated and collection is reasonably assured.

Interest and investment revenue is recognized when earned.

Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

Management estimates

The preparation of the financial statements in accordance with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Grants and research and development projects

Expenses are recognized when grants and/or projects are approved and the recipient has met eligibility criteria. Funds advanced to recipients prior to meeting eligibility criteria are recorded as deferred contributions.

3. FINANCIAL INSTRUMENTS:

The SFDC, as part of its operations, may carry a number of financial instruments. It is management's opinion that the SFDC is not exposed to significant interest,

Saskatchewan Flax Development Commission
NOTES TO THE FINANCIAL STATEMENTS - continued
July 31, 2013

currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair Value

The carrying value of the SFDC's cash and short-term investments, accounts receivable, accrued interest receivable and trade accounts payable approximates their fair value due to their short-term nature.

4. CASH:

Cash in the amount of \$75,496 (2012 - \$20,038) is restricted for the Northern Adapted Flax Variety Development research project.

5. TERM INVESTMENTS:

Term investments are comprised of Guaranteed Investment Certificates maturing in the following fiscal years:

Fiscal Year	Rates	
July 31, 2014	1.65%	\$ 100,000
July 31, 2015	2.35 - 2.60%	170,242
July 31, 2016	2.05%	202,215
July 31, 2017	2.80%	38,538
July 31, 2018	2.30%	53,865
		<u>\$ 564,860</u>



6. CAPITAL ASSETS:

Capital assets are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value		Amortization Rate
			2013	2012	
Computer Equipment	<u>\$ 3,904</u>	<u>\$ 2,341</u>	<u>\$ 1,563</u>	<u>\$2,343</u>	20%

7. DEFERRED CONTRIBUTIONS:

Deferred contributions are comprised of unexpended research project funding received by the Commission which are to be expended in the next fiscal year.

8. INTERNALLY RESTRICTED NET ASSETS:

The Saskatchewan Flax Development Commission has internally restricted net assets in the amount 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. Approval by the Board of Directors is required before any internally restricted funds can be accessed.

9. RESEARCH PROJECTS AND FUNDING COMMITMENTS:

The Commission regularly enters into agreements with Federal and Provincial agencies, as well as Corporate funders to facilitate the management of various research projects, including related funding and expenditures. The Commission may also contribute funding to various projects.

As at July 31, 2013, the Commission has committed to the following funding for the projects below:

Project	Annual Funding Committed	Final Year
Northern Adapted Variety Development	\$ 50,000	2014
University of Saskatchewan Milk Marketing Board	10,000	2016
	<u>\$ 60,000</u>	

10. RELATED PARTY TRANSACTIONS:

The Commission has contracted management and administration services from Food Focus Saskatoon, Inc., which is owned by the Executive Director of the Commission. The services include Executive Director duties, and use of premises and equipment. The statement of operations includes \$158,726 in expenses related to the above services. These transactions were measured at their exchange amount, which is the consideration established and agreed to by the parties.

11. FINANCIAL RISK MANAGEMENT:

The Commission has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The financial risk to which the Commission is exposed are:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk on the accounts receivable from its members, however, does not have a significant exposure to any individual customer or counterpart. In order to reduce its credit risk, the Commission regularly reviews outstanding accounts receivable and follows internal collection policies.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to interest rate risk is limited to the rate of return on investments. The Commission is not subject to significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Commission's exposure to liquidity risk is dependent on the receipt of funds from its operations, external borrowings and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements, and are considered adequate to meet the Commission's financial obligations.

12. PRODUCER LEVY:

Under the current regulations, each buyer of flax seed is required to remit to SFDC a levy deducted from any payments made to producers. Pursuant to the Saskatchewan Flax Development Commission Order No. 19/12, the levy was set at \$2.36 per tonne of flax seed and \$0.50 per tonne for straw. Producers may request a refund for any levy paid in a year by submitting a refund application by specified dates.

13. COMPARATIVE AND BUDGET FIGURES:

Certain of the prior year's figures, provided for the purpose of comparison, have been reclassified in accordance with the current years presentation.

The budget figures included in the accompanying financial statements are derived from the Commission's budget approved by the Board and are unaudited.



(Inset) Ken Panchuk of Sask Ministry of Agriculture discusses soil fertility.

2013 Highlight: Indian Head Flax Field Day

A highlight of the past year was the Flax Crop Tour that took place at the Indian Head Research Farm on July 25, 2013. Sixty-eight growers, researchers and industry personnel braved cool temperatures and a brisk wind to walk the fields to tour four research demonstrations:

- optimal fertilizer management for flax production
- seeding rate/seeding date effects on establishment and yield
- relative performance of current and upcoming flax varieties
- broadleaf herbicide and foliar fungicide options for flax

The Saskatchewan Flax Development Commission (SaskFlax) partnered with the Indian Head Agricultural Research Foundation (IHARF) and FMC Canada to present four flax demonstrations on July 25. The project was funded by the Agriculture Demonstration of Practices and Technologies (ADOPT) program, part of the federal-provincial Growing Forward 2 framework.

The day wrapped up with a presentation to honour Dr. Guy Lafond, long-time researcher for IHARF and Agriculture and Agri-Food Canada, who passed away in April 2013.

Saskatchewan Flax Development Commission
SCHEDULES TO THE FINANCIAL STATEMENTS
For the years ended:



	July 31 2013 Budget (Unaudited)	July 31 2013 Actual	July 31 2012 Actual
COMMUNICATIONS			Schedule 1
Annual General Meeting	\$ 15,000	\$ 26,778	\$ 26,601
Crop production week	5,000	6,337	469
Newsletter	15,000	11,274	-
CropSphere	-	11,472	-
Memberships and subscriptions	2,500	1,576	1,942
Joint programs/partnerships	10,000	2,661	875
Industry liaison	45,000	51,083	64,771
EU/GM market liaison	102,000	94,365	25,646
Election	15,000	1,355	13,452
Electronic communication	13,000	3,710	2,776
	\$ 222,500	\$ 210,611	\$ 136,532

RESEARCH			Schedule 2
Research coordination	\$ 5,000	\$ 6,142	\$ 3,467
ADOPT	-	19,257	-
CIBUS	50,000	50,639	-
TUFGEN Genome Prairie	-	-	25,231
Crop trials	-	390	-
Northern Adapted flax	65,000	230,546	358,484
EU Grower Survey	-	-	3,770
Glyphosate	-	5,081	-
Research Logistik Unicorp	-	214	24,776
Bioactives (Laarveld)	7,000	25,332	-
U of S Milk Board project	10,000	10,300	10,000
Rowland - RILS phenotyping	-	-	10
Rowland - Winter nursery	-	-	5,000
Other	22,000	-	-
	\$ 159,000	\$ 347,901	\$ 430,738

MARKET FACILITATION			Schedule 3
Food partnerships/promotions	\$ 13,000	\$ 343	\$ -
Food market	37,500	8,921	1,163
Fiber market	28,400	11,118	42,447
	\$ 78,900	\$ 20,382	\$ 43,610

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

Saskatchewan Flax Development Commission
EXPENDITURE BY OBJECT
For the years:

Saskatchewan Flax Development Commission
BOARD OF DIRECTORS
For the year ended July 31, 2013

	July 31 2013	July 31 2012
PERSONNEL:		
Allen Kuhlmann	\$ -	\$ 2,021
Nancy Johns	4,226	2,246
David Sefton	5,542	6,005
Erwin Hanley	4,659	4,974
Gregor Beck	4,936	4,822
Lyle Simonson	2,394	6,538
Shane Stokke	5,205	5,828
Expenditures under \$2,000	1,620	-
	28,582	32,434
GENERAL:		
Food Focus Saskatoon Inc. (Note 10)	139,839	130,508
Biolin Research	10,804	26,555
Canada Post	10,020	13,495
Colorshape Communications	20,216	-
Agriculture Council of Saskatchewan (Levy Central)	27,865	31,355
Eaton & Associates	17,247	14,097
Saskatoon Inn	14,397	17,967
Golden West Radio	15,196	-
Expenditures under \$10,000	92,017	79,704
	347,601	313,681
RESEARCH:		
AITF - Northern Adapted Flax	25,427	47,668
Food Focus Saskatoon Inc. (Note 10)	18,887	19,391
Genome Prairie	-	25,000
Flax Council	48,330	-
Masson Agro	-	12,437
Northeast Ag Research	27,720	39,794
Saskatchewan Flax Development Commission	20,000	137,152
University of Saskatchewan	34,600	15,000
Indian Head Ag Research	11,983	-
Viterra - Northern Adapted Flax	137,609	112,094
Expenditures under \$10,000	23,345	22,202
	347,901	430,738
	\$ 724,084	\$ 776,853

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2012 - 2013

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Linda Braun

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SaskFlax

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