

# Saskatchewan flax Development Commission

## Annual Report

### Directors 2002/03

Gordon Cresswell, Tisdale (Chair)  
Bob Linnell, Weyburn (Vice-Chair)  
Dave Sefton, Broadview  
Barry Karol, Kelliher  
Allen Kuhlmann, Rouleau  
Edmond Aime, Redvers

### Advisors 2002/03

Dr. Gordon Rowland, Saskatoon (CDC)  
William Greuel, Regina (SAFRR)

### Executive Director

Linda Braun, Saskatoon

### Fiber Specialist

Alvin Ulrich, Saskatoon

### Head Office

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### Commission Operations

#### Administration

The role of Directors is to provide insight and direction, represent producers, approve budgets and investments; establish policy and collaboratively build the flax industry. Long time Directors Chris Hale (Commission Chair since its inception) and Terry Boehm retired after completing two terms. The Commission conducted an election for the two positions and welcomed successful candidates Allen Kuhlmann and Edmond Aime each for a three year term.

The Commission elected Gordon Cresswell as Chair and Bob Linnell as Vice Chair for this fiscal year. The Commission introduced the concept of working committees in the areas of food, feed, fiber and finance to its operational guidelines as well as reviewing its own regulations and policies.

Day-to-day management continued to be handled by Linda Braun, Executive Director with Janice Henriksen providing technical support. Alvin Ulrich was contracted to serve as Fiber Champion Specialist.

The flax check-off continued to be coordinated with Levy Central. Period 1 and 2 rebates were verified and payments completed. Producers were advised of the check-off and rebate procedures via the newsletter and personal contact.

#### Research

Research projects supported in the fiscal year 2002/03 included:

- Development of a Replacement for Fish Meal/Oil using Dehulled Flax and Protein from West-

ern Canadian Feed Ingredients, Drew, U of S

-Chemopreventative and Antioxidant Effects of Flaxseed Lignans, Krol, U of S

-Application of Saskatchewan Flax Straw in Plastics Processing Industries, Tabil, U of S

-Evaluation of SDG from Flaxseed in the Prevention and Treatment of High Blood Pressure, Prasad, U of S

-Phosphorus Management as Affected by Tillage, Preceding Crop and Residual P Fertility, Grant, AAFC

-Flax Residue Management Without Burning or Removal, Irvine, AAFC

-Flax Fiber as a Reinforcement for Concrete, Wegner, U of S

-Effects of Nitrogen Fertilizer Management on Crop Production in Flax, Canola and Wheat and Emissions of the Greenhouse Gas, Nitrous Oxide, Lemke, AAFC

-Screening a Flax World Collection for Mucilage Content, Diederichsen, PGRC

-Developing an Oilseed Flax Variety with Enhanced Bast Fiber, Ulrich, Biolin

-Assess the Feasibility of Processing Plant Method for Retting Straw in Saskatchewan, Lischynski, PAMI

-Feeding Flax to Livestock, McKinnon, U of S

-Development of Oilseed Flax Varieties with Enhanced Straw Fiber Concentration, Rowland, U of S

SR & ED tax credit program for flax producers for 2002 indicates 35% of flax levy may be claimed as the federal tax credit for flax.

#### Communication

The Commission maintained contact with registered flax producers via flax days (January); field day (July); the flax growers newsletter and through contact with the Executive Director. Directors represented Saskatchewan flax interests at industry events provincially, nationally and internationally with such agencies as the Flax Council of Canada, AmeriFlax, Canadian Grains Council, Western Grains Research Foundation and Canadian Agri-Food Research Council. Opportunities to meet with provincial and federal government representatives were capitalized on.

SaskFlax continued its commitment to the future of agriculture by supporting educational ventures such as Agriculture In The Classroom, Ag Adventures, Canadian Western Agribition Lil Gobblers, the Conversation Learning Centre and our scholarship recipient, Debbie Thiesson.

#### Market Facilitation

Food, feed and fiber were the pillars of market facilitation for 2002/03. Within the food pillar, the Commission introduced flax to the health conscious public via national and international food seminars; recipe books; nutritional information brochures and flax samples. From a nutraceutical perspective, SaskFlax continued to liaise with the Saskatchewan Nutraceutical Network; American Oil Chemists and leading food and supplement manufacturers via Expo West (California) and other trade shows and seminars.

Within the feed pillar, SaskFlax and the Flax Council of Canada collaborated to support a feed demonstration project with Kansas State University.

Work within the fiber pillar contributed the further development of the industry by increasing awareness and product knowledge as well as securing grant dollars for the creation of a Fiber Centre. The Fiber Specialist, Executive Director and Directors continued to coordinate research efforts, speak at conferences and seminars, work with governments and industry to further enhance industry development.

### Saskatchewan Flax Development Commission BALANCE SHEET As at July 31, 2003

ASSETS		Operating Fund	Restricted Fund	Total	
				2003	2002
<b>CURRENT</b>					
Cash		157,798	600,000	757,798	847,212
Accounts receivable		86,819	0	86,819	90,900
		244,617	600,000	844,617	938,112
<b>CAPITAL (Note 2)</b>					
		0	0	0	869
		244,617	600,000	844,617	938,981
<b>LIABILITIES</b>					
<b>CURRENT</b>					
Accounts payable		65,343	0	65,343	63,381
Research grants payable		109,600	0	109,600	79,838
		174,943	0	174,943	143,219
<b>SURPLUS</b>					
<b>SURPLUS</b>					
Appropriated (Note 3)		0	600,000	600,000	600,000
Cumulative surplus		69,674	0	69,674	195,762
		69,674	600,000	669,674	795,762
		244,617	600,000	844,617	938,981
Approved on behalf of the Board					
Director			Director		

### Saskatchewan Flax Development Commission STATEMENT OF CASH FLOWS For the year ended July 31, 2003

	2003	2002
<b>CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES</b>		
<b>OPERATIONS</b>		
Surplus (deficit) for the year	-126,088	-3,457
Items charged to earnings which do not affect cash		
Amortization	869	1,540
Net change in non-cash working capital balances	-125,219	-1,917
Accounts receivable	4,081	-341
Accounts payable	1,962	27,797
Research grants payable	29,762	-19,288
<b>Increase (decrease) in cash during the year</b>	<b>-89,414</b>	<b>6,251</b>
<b>CASH BEGINNING OF THE YEAR</b>	<b>847,212</b>	<b>840,961</b>
<b>CASH END OF THE YEAR</b>	<b>757,798</b>	<b>847,212</b>

I have audited Saskatchewan Flax Development Commission's control as of July 31, 2003 to express an opinion as to the effectiveness of its control related to the following objectives.

-To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan to achieve its goals; and to monitor and react to its progress towards the objectives established in its financial plan.

-To prepare reliable financial reports.

-To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.

I used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of Saskatchewan Flax Development Commission's control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization's objectives that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives reliably.

Saskatchewan Flax Development Commission's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by the CICA. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of Saskatchewan Flax Development Commission's control related to the objectives above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

In my opinion, Saskatchewan Flax Development Commission's control was effective, in all significant respects, related to the objectives stated above as of July 31, 2003 based on the CICA criteria of control framework.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

Merv Culham

Chartered Accountant  
Regina, Saskatchewan  
October 16, 2003

Saskatchewan Flax Development Commission					
STATEMENT OF REVENUE AND CUMULATIVE SURPLUS					
For the year ended July 31, 2003					
		Budget	Actual	Actual	
		2003	2003	2002	
<b>REVENUE</b>					
Crop levy		502,000	448,962	502,202	
Interest income		55,000	37,483	56,057	
		557,000	486,445	558,259	
<b>EXPENDITURE</b>					
Administration					
Executive director		45,000	50,521	47,663	
Travel		1,000	1,391	855	
Administration		9,000	6,751	7,346	
Rent		6,500	5,457	0	
Levy collection		12,500	17,383	11,392	
Election		17,000	20,254	657	
Meetings		13,100	6,485	13,242	
Director per diems		12,000	7,357	11,824	
Director honoraria		16,000	10,085	13,475	
Professional fees		3,200	5,318	2,349	
GST expense		0	0	5,285	
Bank charges		400	290	456	
Insurance		1,300	1,260	1,125	
Amortization		0	869	1,540	
Levy refunds issued		25,000	20,465	26,415	
Communication (Schedule 1)		121,000	121,916	115,278	
Research (Schedule 2)		197,000	169,433	195,625	
Market facilitation (Schedule 3)		148,000	167,298	107,189	
		628,000	612,533	561,716	
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>		-71,000	-126,088	-3,457	
<b>CUMULATIVE SURPLUS BEGINNING OF YEAR</b>			195,762	199,219	
Transfer to appropriated surplus			0	0	
<b>CUMULATIVE SURPLUS END OF YEAR</b>			69,674	195,762	

**Saskatchewan Flax Development Commission**  
**NOTES For the year ended**  
**July 31, 2003**

**1/ Accounting policies**

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

The carrying amount of cash, accounts receivable, accounts payable and research grants payable approximates their fair market value due to the short-term maturities of these items. Revenues are recognized when received or receivable if the amount to be received can be reasonably estimated.

Amortization of capital assets is provided using the straight-line method over the estimated useful lives of the capital assets.

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

The budgeted figures are presented for comparison purposes as prepared and approved by the Board, reclassified to conform to the current financial statement presentation. They have not been audited or reviewed.

**2./ Capital assets**

**Computer equipment**

	2003		2002	
	Accum. amort.	Book Value	Book Value	Rate
Cost	8,425	0	869	20%

**3./ Appropriated surplus**

Surplus has been appropriated as a reserve to fund future expenditures. Further appropriations will be determined by the Board of Directors.

**4./ Contingent liability**

The Board approved future funding of projects with costs approved as follows:

	Total Cost
Year ended July 31, 2004	95,000
Year ended July 31, 2005	58,600
Year ended July 31, 2006	48,000
Year ended July 31, 2007	50,500
	<u>252,100</u>

**5./ Incorporation statute**

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

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2003 and the statements of revenue, cumulative surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at July 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Merv Culham

Chartered Accountant

**Saskatchewan Flax Development Commission**  
**SCHEDULES FOR THE FINANCIAL STATEMENTS**  
**For the year ended July 31, 2003**

	Budget 2003	Actual 2003	Actual 2002
<b>Communications Schedule 1</b>			
Annual general meeting	9,000	10,473	8,076
Newsletter	54,000	52,200	46,589
Field day	5,500	5,559	4,355
Diagnostic guide	0	0	4,835
Scholarship	15,000	15,021	15,013
Memberships and subscriptions	2,500	1,839	2,069
Joint program/partnerships	5,000	5,025	5,503
Industry liaison	25,000	27,296	19,404
Resource materials	0	0	3,685
Electronic communication	5,000	4,503	1,014
GST on communication	0	0	4,735
	121,000	121,916	115,278
<b>Research Schedule 2</b>			
New research	82,900		
Biolin - fiber	0	10,000	0
PAMI - retting straw plant	0	10,000	0
Dr Rowland - NSERC	0	47,000	0
Dr McKinnon - feed	0	11,000	0
Sub-total new research	82,900	78,000	0
Research coordination	3,000	5,621	3,525
Dr. Wolf - Canada thistle	0	0	1,000
Dr. Lafond - critical stress on yield	0	0	6,600
Dr. Pasad - high blood pressure and flax	13,000	12,398	0
Dr. Rowland - eastern flax varieties	15,000	15,000	45,000
Dr Grant - phosphorus	3,000	0	13,000
Dr Irvine - flax residue	5,000	0	13,500
Dr Driederichsen - molecular evaluation	1,000	1,000	5,500
Dr Wagner - concrete	0	0	2,000
Drs Lemke and Lafond - nitrogen management greenhouse	2,500	0	2,500
Dr Thompson - cellular tumours	0	0	7,500
Dr Diederschen - world mucilage PGRC	5,000	5,000	15,000
Dr Drew - aquaculture diets	0	0	7,000
Dr Thompson - biomarker anti-cancer	0	0	15,000
Dr Hemmings - protective effects on liver	0	0	10,000
Mr Ulrich - fibre variety, seed rate and method	0	0	3,900
Dr Drew - fish meal/oil using WCFI	12,000	12,000	12,000
Dr Krol - chemo/antioxidation of flax lignans	23,100	23,100	2,600
Mr Ulrich - variety enhanced bast phase II	6,500	6,500	5,000
Dr Tabil - flax straw fiber in plastic process	25,000	25,000	25,000
	197,000	183,619	195,625
Deduct grant revenue	0	(14,186)	0
	197,000	169,433	195,625
<b>Market facilitation Schedule 3</b>			
Allied industry programs	30,000	25,308	8,032
Resource materials	0	0	15,259
Food market	55,000	55,206	23,286
Nutraceutical market	20,000	17,176	19,012
Feed market	3,000	4,874	1,097
Fibre market	40,000	64,734	34,899
GST on market facilitation	0	0	5,604
	148,000	167,298	107,189

I have made an examination to determine whether Saskatchewan Flax Development Commission complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended July 31, 2003:

The Saskatchewan Flax Development Plan Regulations

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, Saskatchewan Flax Development Commission has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2003.

Merv Culham

Chartered Accountant  
 Regina, Saskatchewan  
 October 16, 2003



**Saskatchewan Flax Development Commission**  
**EXPENDITURE BY OBJECT**  
**For the year ended July 31, 2003**

	2003	2002
<b>Personal</b>		
Chris Hale	5,608	11,955
Ron Gilmour	0	2,845
Allen Kuhlmann	5,851	3,639
Edmond Aime	1,716	0
Terry Boehm	463	1,648
Barry Karol	7,000	8,431
Bob Linnell	6,561	4,985
Gord Cresswell	13,934	3,964
Dave Sefton	8,814	6,688
Payees under \$2,500	0	0
	49,947	44,155
<b>Suppliers</b>		
Food Focus Saskatoon Inc.	109,658	93,911
Biolin Research	103,211	48,500
Canada Post	29,078	0
Colorscape Communications	82,158	40,885
Saskatchewan Canola Development Commission (Levy Central)	17,281	11,850
University of Saskatchewan - scholarship	15,000	15,000
Payees under \$20,000	36,767	111,790
	393,153	321,936
<b>Research</b>		
Biolin Research	16,500	8,900
PAMI	10,000	0
Flax Council of Canada	0	14,100
Prairie Feed Resource Centre	0	7,000
Receiver General of Canada (AAFC)	(8,186)	50,500
University of Saskatchewan	145,498	96,600
University of Toronto	0	15,000
Payees under \$20,000	5,621	3,525
	169,433	195,625
	612,533	561,716

**Saskatchewan Flax Development Commission**  
**BOARD OF DIRECTORS**  
**For the year ended July 31, 2003**

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