

2011
2012

flax

Saskatchewan
Development Commission

Annual Report

Directors 2011 - 2012

Lyle Simonson, Swift Current
(Chair)
Gregor Beck, Rouleau
(Vice-Chair)
Erwin Hanley, Regina
Nancy Johns, Watrous
David Sefton, Broadview
Shane Stokke, Watrous

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

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THE YEAR IN REVIEW

SaskFlax is directed by a board of six directors elected from the membership. In 2011-12, an election was conducted to elect two positions. Nancy Johns from Watrous was elected for her first three-year term and Dave Sefton returned to serve his second term. Allen Kuhlmann retired after three terms serving as Chair, Vice Chair and Director during that period of time. The Commission recognized Allen for his contributions to our industry during the luncheon program at Flax Day 2012.

Keeping the Commission apprised of research and government initiatives were Advisors Dr. Helen Booker of the University of Saskatchewan; Venkata Vakulabharanam (Oilseed Specialist) and Glenn Payne (BioProducts Specialist) with the Ministry of Agriculture.

Day-to-day management of the Commission was the responsibility of Executive Director, Linda Braun and Administrative Assistant, Janice Henriksen. Levy collection services were provided by Levy Central, a division of the Agriculture Council of Saskatchewan, Inc. Braun continued to represent the Commission on the Levy Advisory Committee and Allen Kuhlmann (SaskFlax's representative to ACS) chaired that organization.

As designated at the annual business meeting of the organization, Merv Culham conducted the annual audit. Services of Eaton & Associates Consulting and Biolin Research were utilized as required to complete projects related to communications and fiber.



Regulations and Board Orders under which the Commission operates were thoroughly reviewed and revised. Directors and staff together reflected on challenges and opportunities and developed priorities for the next several years. Major revisions to the regulations included new definition of **registered producer which is: "the individual is registered with the Commission pursuant to Section 13; paid the levy in the last two years and has not received a refund". This better reflects** who the organization represents and allows directors and management to better represent and serve our registered growers.

Board Orders provide detailed information as to how a specific power will be applied (i.e. levy, registration, reporting, etc.). For the fiscal year 2011-12, Board Orders dealing with reporting, exemptions, producer registration and levy collection were revised.

The Triffid event that hit in 2009, combined with several years of excessive moisture in traditional flax growing regions severely **impacted Saskatchewan's flax industry** throughout the value chain, right from production to value-added flax products. It also negatively impacted the Commission financially as the levy is based on flax sold. Declining revenue combined with the Triffid issue reso-

YEAR IN REVIEW, continued

lution compelled the Commission to redirect finances from market facilitation, research and communication programs to address the important industry issues of the day.

Recognizing the importance of activities required to advance and/or sustain the industry, the Commission first broached the discussion of a levy increase at the 2012 Annual General Meeting.



Subsequently, all members were notified of the special meeting on March 19, 2012 where the question of a levy increase was discussed. Registered producers present voted unanimously to increase the flax levy to \$2.36 per tonne (\$.06 per bushel) effective August 1, 2012.

Within the research arena, SaskFlax continued to liaise with funding agencies and flax-related agencies reviewing projects, providing letters of support as requested, and sharing our priorities for research.

The Commission was approached and agreed to partner with University of Saskatchewan researcher B. Laarveld. SaskFlax subsequently applied to the Canadian Agricultural Adaptation Program (CAAP) to study the potential benefits of Simplified Flax Extracts. Work will begin in the next fiscal year.

Projects like TUFGEN, the Winter Nursery at CDC and the Logistiks fiber initiative were completed as per our financial obligations. The Northern Adapted Flax Variety project continued with new breeder Michelle Beath and relocation of the nursery to Rosthern from Vegreville. The project continued with all cognizant of the potential change of ownership of Viterra. The Commission and other leading growers and researchers participated in the Flax Council of Canada's Cibus Focus

Group Session in July.

Communications continued to be a priority for the Commission as agricultural sector issues arose (user fees, LLP, Farm Stewardship program, Reconstituted Seed Program, etc.). Regarding Triffid, we completed our partnership project with the U of S on the EU Grower Survey. The EU Campaign Phase 1 led by the Commission (related to testing) was completed this fiscal year. As well, it included media work to create awareness and remind growers to test for Triffid for planting seed and commercial sales. The Commission, along with the Flax Council of Canada, continued to develop communication strategies and procure funds for their execution. An industry communiqué was mailed to growers and other industry stakeholders in western Canada. The SaskFlax website is continually updated for our producer members and consumers.

The Feeds Innovation Centre and SaskFlax hosted a Flax/Feed Day in March. The research community, producers and processors gathered to **gain insight and understanding of flax's role in nutrition** for a range of animals, including birds, fish swine, dairy, beef, equine and pet industries. Further investigation continues into flax as a feed ingredient or supplement for animal consumption markets around the world.

The Commission continued to support and participate in organizations related to the agri-food sector; 4-H, Outstanding Young Farmers, AgWest Bio, Prairie Recommending Committee for Oilseeds, etc. This involvement helps to ensure the future of the sector.

Market Facilitation activities for both food and fiber were minimal as the Commission utilized fiscal restraint and concentrated on serving its grower members. Requests for information were addressed. We maintained liaisons with NRC and continued development of ASTM standards for fiber.



Lyle Simonson
(Chair)



Gregor Beck
(Vice Chair)



Erwin Hanley



Nancy Johns



David Sefton



Shane Stokke

INDEPENDENT AUDITOR'S REPORT

To the Members of Saskatchewan Flax Development Commission

I have audited Saskatchewan Flax Development Commission's control as of July 31, 2012 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard Commission 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 for the purposes of achieving its financial 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 Commission 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 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.

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 material respects, related to the objectives stated above as of July 31, 2012 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
November 6, 2012

To the Members of Saskatchewan Flax Development Commission

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, 2012:

The Agri-Food Act, 2004

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, 2012.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
November 6, 2012

To the Directors of Saskatchewan Flax Development Commission

I have audited the accompanying financial statements of Saskatchewan Flax Development Commission, which comprise the statement of financial position as at July 31, 2012, and the accompanying statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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

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 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Flax Development Commission as at July 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Merv Culham



November 6, 2012 - Regina, Saskatchewan

Saskatchewan Flax Development Commission
BALANCE SHEET
As at July 31, 2012



ASSETS

	Operating Fund	Restricted Fund	Total 2012	Total 2011
CURRENT				
Cash	215,067	484,772	699,839	666,961
Accounts receivable	183,696	0	183,696	395,235
Interfund (payable) receivable	(115,228)	115,228	0	0
	283,535	600,000	883,535	1,062,196
CAPITAL (Note 2)	2,343	0	2,343	3,123
	285,878	600,000	885,878	1,065,319

LIABILITIES

CURRENT				
Accounts payable	46,968	0	46,968	59,416
Research grants payable	60,000	0	60,000	45,000
	106,968	0	106,968	104,416

SURPLUS

SURPLUS				
Appropriated (Note 3)	0	600,000	600,000	600,000
Cumulative surplus (deficit)	178,910	0	178,910	360,903
	178,910	600,000	778,910	960,903
	285,878	600,000	885,878	1,065,319

Approved on behalf of the Board

Lyle Johnson

Director

Gregor Beck

Director

See accompanying notes to the financial statements.

Saskatchewan Flax Development Commission
 STATEMENT OF REVENUE, EXPENDITURE AND CUMULATIVE SURPLUS
 For the year ended July 31, 2012

	Budget 2012	Actual 2012	Actual 2011
REVENUE			
Crop levy	270,000	345,826	339,882
Levy refunds issued	0	(7,269)	(13,182)
Net crop levy	270,000	338,557	326,700
Grant revenues	66,500	244,785	942,305
Interest income	12,000	11,518	13,278
	348,500	594,860	1,282,283
EXPENDITURE			
Administration			
Executive Director	90,000	67,238	73,236
Travel	2,000	1,802	916
Administration	5,000	4,854	5,675
Rent	11,500	11,288	10,920
Levy collection	30,000	36,827	29,898
Meetings	5,000	5,946	5,169
Director per diems	6,000	3,968	4,135
Director honoraria	8,000	10,848	6,420
Strategic planning	7,000	13,500	
Professional fees	5,000	4,125	3,300
Bank charges	500	525	379
Insurance	3,200	4,142	2,900
Equipment/Programs	0	130	0
Amortization	0	780	155,934
Communication (Schedule 1)	140,500	136,532	131,272
Research (Schedule 2)	132,500	430,738	902,569
Market facilitation (Schedule 3)	50,000	43,610	107,802
	496,200	776,853	1,440,525
SURPLUS (DEFICIT) FOR THE YEAR	(147,700)	(181,993)	(158,242)
CUMULATIVE SURPLUS, BEGINNING OF YEAR		360,903	519,145
CUMULATIVE SURPLUS, END OF YEAR		178,910	360,903

See accompanying notes to the financial statements.



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.”

Saskatchewan Flax Development Commission
STATEMENT OF CASH FLOWS
For the year ended July 31, 2012



Saskatchewan Flax Development Commission
NOTES
For the year ended July 31, 2012

1. Nature of business

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.

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

2. Accounting policies

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.

The Commission does not have a significant credit exposure to any individual customer or counterpart.

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 state-

	2012	2011
CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES		
OPERATIONS		
Surplus (deficit) for the year	(181,993)	(158,242)
Items charged to earnings which do not affect cash		
Amortization	780	155,934
	(181,213)	(2,308)
Net change in non-cash working capital balances		
Accounts receivable	211,539	(150,068)
Accounts payable	12,448	20,820
Research grants payable	15,000	30,000
	32,878	(101,556)
INVESTMENT		
Acquisition of capital assets	0	(3,904)
Increase (decrease) in cash during the year	32,878	(105,460)
CASH BEGINNING OF THE YEAR	666,961	772,421
CASH END OF THE YEAR	699,839	666,961
During the year, the organization had cash flows arising from interest and income taxes paid as follows:		
Bank charges paid	525	379
Income taxes paid	0	0

See accompanying notes to the financial statements.

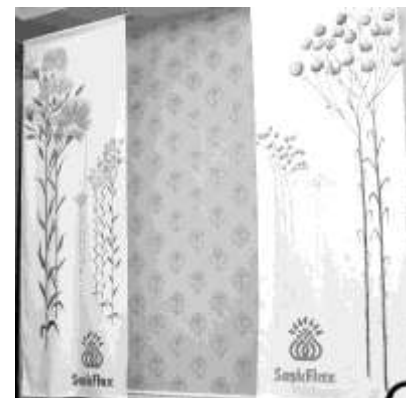
NOTES [continued]

ments 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.

3. Capital assets

	2012		2011		Rate
	Cost	Accum. Amort.	Book Value	Book Value	
Computer hardware	3,904	1,561	2,343	3,123	20%



	Budget 2012	Actual 2012	Actual 2011
Communications			Schedule 1
Annual general meeting	12,000	26,601	26,211
Crop production week	7,500	469	0
Newsletter	15,000	0	23,925
Memberships and subscriptions	5,000	1,942	3,791
Joint program/partnerships	5,000	875	1,567
Industry liaison	50,000	37,718	44,037
EU/GM market liaison	30,000	25,646	26,637
Other communication initiatives	0	27,053	0
Flax market support - Weber	0	0	59
Election	11,000	13,452	980
Electronic communication	5,000	2,776	4,065
	140,500	136,532	131,272

Research			Schedule 2
Research coordination	2,500	3,467	3,412
Boost yields improved agro	0	0	5,635
TUFGEN Genome Prairie	25,000	25,231	25,000
Northern Adapted Flax	65,000	358,484	835,327
EU Grower Survey	10,000	3,770	10,426
Research Logistik Unicorp	15,000	24,776	7,546
U of S Milk Board project	10,000	10,000	0
Rowland - RILS phenotyping	0	10	10,155
Rowland - Winter nursery	5,000	5,000	5,068
	132,500	430,738	902,569

Market facilitation			Schedule 3
Flax 2015 national initiative	0	0	605
Food market	5,000	1,163	2,681
Fiber market	45,000	42,447	104,516
	50,000	43,610	107,802

See accompanying notes to the financial statements.

NOTES [continued]

4. Appropriated surplus

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

5. Commitments

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

	Total Cost
Year ended July 31, 2013	60,000
Year ended July 31, 2014	60,000
Year ended July 31, 2015	10,000
Year ended July 31, 2016	10,000
	140,000

Saskatchewan Flax Development Commission
EXPENDITURE BY OBJECT
For the year ended July 31, 2012

Saskatchewan Flax Development Commission
BOARD OF DIRECTORS
For the year ended July 31, 2012

	2012	2011
Personnel		
Allen Kuhlmann	2,021	9,048
Nancy Johns	2,246	0
David Sefton	6,005	8,289
Erwin Hanley	4,974	3,256
Gregor Beck	4,822	6,780
Lyle Simonson	6,538	6,011
Shane Stokke	5,828	4,049
Payees under \$2,000	0	0
	32,434	37,433
Suppliers		
Food Focus Saskatoon Inc.	130,508	141,262
Biolin Research	26,555	52,053
Canada Post	13,495	6,103
Colorshape Communications	0	15,990
Agriculture Council of Saskatchewan (Levy Central)	31,355	29,385
Eaton & Associates	14,097	13,366
Saskatoon Inn	17,967	21,885
Payees under \$10,000	79,704	220,479
	313,681	500,523
Research		
AITF - Northern Adapted Flax	47,668	47,702
Food Focus Saskatoon Inc.	19,391	44,024
Genome Prairie	25,000	25,000
Masson Agro	12,437	0
Northeast Ag Research	39,794	22,000
Saskatchewan Flax Development Commission	137,152	100,000
University of Saskatchewan	15,000	15,000
Viterra - Northern Adapted Flax	112,094	629,881
Payees under \$10,000	22,202	18,962
	430,738	902,569
	776,853	1,440,525

**Board of Directors
2011 - 2012**

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(Chair)**

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(Vice Chair)**

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2011 - 2012**

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Executive Director

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