

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Non-consolidated Financial Statements

October 31, 2022

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

October 31, 2022

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MANAGEMENT RESPONSIBILITY STATEMENT

To the Members of British Columbia Fruit Growers' Association

The management of British Columbia Fruit Growers' Association is responsible for the preparation and presentation of the accompanying non-consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgemental is required.

In discharging its responsibilities for the integrity and fairness of the non-consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of non-consolidated financial statements.

The BCFGA Executive Committee and its authorized Executive members are neither management nor employees of the organization. The Executive is responsible for overseeing management in the performance of its financial reporting responsibilities. The Executive fulfills these responsibilities by authorizing certain types of transactions, reviewing financial information prepared by management and discussing relevant matters with management and external auditors. The external auditors have full and free access to, and meet periodically and separately with, both the Executive and management to discuss the audit of the non-consolidated financial statements.

The Executive also recommends to Delegates the appointment of the Association's external auditors. Delegates are responsible for approving the audited non-consolidated financial statements and appointing the external auditors. Rossworn Henderson LLP, an independent firm of Chartered Professional Accountants, is the current external auditor; their report follows.



Glen Lucas, P.Ag., General Manager
January 30, 2023



INDEPENDENT AUDITORS' REPORT

To the Members of
British Columbia Fruit Growers' Association

Report on the Audit of the Non-consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of British Columbia Fruit Growers' Association, which comprise the non-consolidated statement of financial position as at October 31, 2022, and the non-consolidated statements of changes in net assets, operations and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Association as at October 31, 2022, and the non-consolidated results of its operations and its non-consolidated cash flows for the year then ended in accordance with ASNPO.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITORS' REPORT, continued

In preparing the non-consolidated financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITORS' REPORT, continued

- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required under the British Columbia Societies Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with the preceding period.

Armstrong, BC
January 30, 2023



Chartered Professional Accountants

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BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Non-consolidated Statement of Financial Position

As at October 31, 2022

	2022	2021
Assets		
Current		
Cash	\$ 303,568	\$ 189,243
Restricted cash (Note 2)	211,692	353,358
Accounts receivable (Note 3)	104,985	23,272
Prepaid expenses	9,688	10,851
	<u>629,933</u>	576,724
Due from subsidiary company (Note 4)	42,646	34,210
Tangible capital assets (Note 5)	12,600	14,744
Investment in subsidiary companies (Note 6)	784,202	784,202
Investment in contingency reserve (Note 7)	157,113	157,007
	<u>\$ 1,626,494</u>	<u>\$ 1,566,887</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 64,954	\$ 39,289
Deferred contributions (Note 9)	285,377	418,634
Deferred memberships	15,572	4,051
	<u>365,903</u>	461,974
Long-term debt (Note 10)	<u>-</u>	10,000
	<u>365,903</u>	471,974
Unrestricted	1,090,984	923,162
Contingency reserve (Note 7)	157,007	157,007
Investment in tangible capital assets	12,600	14,744
	<u>1,260,591</u>	1,094,913
	<u>\$ 1,626,494</u>	<u>\$ 1,566,887</u>

Approved on behalf of the Board:

Director 

Director 

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Non-consolidated Statement of Changes in Net Assets

Year ended October 31, 2022

	Unrestricted	Contingency reserve	Investment in tangible capital assets	2022	2021
Balance, beginning of year	\$ 923,162	\$ 157,007	\$ 14,744	\$ 1,094,913	\$ 1,062,463
Excess (deficiency) of revenues over expenditures	172,922	-	(7,244)	165,678	32,450
Purchases of tangible capital assets	(5,100)	-	5,100	-	-
Balance, end of year	\$ 1,090,984	\$ 157,007	\$ 12,600	\$ 1,260,591	\$ 1,094,913

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Non-consolidated Statement of Operations

Year ended October 31, 2022

	2022 Actual	2022 Budget (Note 11)	2021 Actual
Revenues			
Agri-Innovation Program	\$ 819,063	\$ 767,040	\$ 767,040
Industry levies	132,880	149,799	171,774
Administration	38,091	40,000	40,416
Special projects	37,996	112,500	121,702
Government grants and subsidies	-	10,000	10,000
	1,028,030	1,079,339	1,110,932
Expenditures			
Administration			
Advertising and promotion	13,092	7,500	13,772
Facilities and catering	2,750	4,500	1,018
Inspection and consulting	1,595	10,000	5,415
Insurance	8,760	7,000	5,237
Office and overhead	43,084	66,000	47,286
Professional fees	19,729	9,000	12,184
Wages and benefits	260,082	325,000	241,167
	349,092	429,000	326,079
Governance			
Committee operations	3,485	10,500	2,009
Executive operations	41,137	35,900	41,474
Honoraria	14,649	22,400	16,857
Local and district councils	2,490	2,300	1,645
	61,761	71,100	61,985
Projects			
Agri-Innovation Program	819,033	767,040	767,040
Special projects	106,606	300,000	171,199
Tree Fruit Production Guide	4,723	4,500	3,156
	930,362	1,071,540	941,395
Contributions			
Scholarships and bursaries	-	3,000	2,000

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Non-consolidated Statement of Operations, continued

Year ended October 31, 2022

	2022	2022	2021
	Actual	Budget	Actual
Affiliations			
BC Agriculture Council	21,152	13,516	12,872
Canadian Federation of Agriculture	-	3,536	3,368
Canadian Horticultural Council	25,263	28,283	22,644
	46,415	45,335	38,884
	1,387,630	1,619,975	1,370,343
Deficiency of revenues over expenditures before the following items	(359,600)	(540,636)	(259,411)
Other income (expense)			
Dividend income	527,600	550,000	290,710
Other revenue	3,900	1,000	6,777
Interest income	1,022	1,500	701
Amortization	(7,244)	(8,000)	(6,327)
	525,278	544,500	291,861
Excess of revenues over expenditures for the year	\$ 165,678	\$ 3,864	\$ 32,450

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Non-consolidated Statement of Cash Flows

Year ended October 31, 2022

	2022	2021
Operating		
Cash receipts from contributors and members	\$ 824,582	\$ 1,167,924
Cash receipts from dividends, interest and other	539,132	263,978
Cash paid to suppliers and employees	<u>(1,360,803)</u>	<u>(1,361,361)</u>
	<u>2,911</u>	<u>70,541</u>
Investing		
Advances from (to) related party	(15,046)	20,827
Purchase of tangible capital assets	(5,100)	(14,377)
Investment in contingency reserve	<u>(106)</u>	<u>(7)</u>
	<u>(20,252)</u>	<u>6,443</u>
Financing		
Repayment of long-term debt	(10,000)	(30,000)
Proceeds of long-term debt	<u>-</u>	<u>10,000</u>
	<u>(10,000)</u>	<u>(20,000)</u>
Increase (decrease) in cash	(27,341)	56,984
Cash, beginning of year	<u>542,601</u>	<u>485,617</u>
Cash, end of year	<u>\$ 515,260</u>	<u>\$ 542,601</u>
Cash consists of:		
Cash	\$ 303,568	\$ 189,243
Restricted cash	<u>211,692</u>	<u>353,358</u>
	<u>\$ 515,260</u>	<u>\$ 542,601</u>

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Notes to the Non-consolidated Financial Statements

October 31, 2022

Nature of operations

British Columbia Fruit Growers' Association (the "Association") is a non-profit organization under the Income Tax Act and an association of fruit growers dedicated to assisting its members in achieving self-reliance and prosperity.

1. Significant accounting policies

These non-consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Investment in subsidiary companies

The Association issues only non-consolidated financial statements and its investment in the subsidiary is accounted for at cost.

(b) Tangible capital assets

Equipment is valued at cost with corresponding equity reflected in net assets invested in equipment. Rates of amortization are applied using the straight-line method at 33%.

(c) Impairment of long-lived assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(d) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Externally restricted contributions for the purchase of tangible capital assets that will be amortized are recorded as deferred capital contributions and recognized as revenue on the same basis as the amortization expense related to the acquired tangible capital assets. Externally restricted contributions for the purchase of tangible capital assets that will not be amortized are recognized as direct increases in net assets to the Investment in Capital Assets balance.

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Notes to the Non-consolidated Financial Statements

October 31, 2022

1. Significant accounting policies, continued

(e) Financial instruments

The Association considers any contract creating a financial asset, liability, or equity instrument as a financial instrument, except in certain limited circumstances. A financial asset or liability is recognized when the Association becomes party to contractual provisions of the instrument.

The Association initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Association subsequently measures its financial assets and financial liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash, restricted cash, accounts receivable, due from subsidiary company, investment in contingency reserve, accounts payable and accrued liabilities and long-term debt.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income.

(f) Use of estimates

The preparation of non-consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the non-consolidated financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts receivable, tangible capital assets, accounts payable and accrued liabilities and deferred contributions.

2. Restricted cash

Restricted cash consists of cash maintained in a separate bank account by management for use in the Agri-Innovation Program. The Association is not required to maintain this balance under any funding agreement.

3. Accounts receivable

	<u>2022</u>	<u>2021</u>
Trade receivables	\$ 100,037	\$ 23,272
GST/HST receivable	4,948	-
	<u>\$ 104,985</u>	<u>\$ 23,272</u>

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Notes to the Non-consolidated Financial Statements

October 31, 2022

4. Due from subsidiary company

The amount due from BCFGF Research and Development Orchard Co Ltd. is due on demand, unsecured, and bears no interest.

5. Tangible capital assets

	2022		2021	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment and furniture	\$ 56,826	\$ 44,226	\$ 62,942	\$ 48,198
Net book value	<u>\$ 12,600</u>		<u>\$ 14,744</u>	

6. Investment in subsidiary companies

	2022	2021
Investment in shares of BCFGF Research and Development Orchard Co. Ltd. (100% ownership)	\$ 576,401	\$ 576,401
Investment in shares of Summerland Varieties Corp. (100% ownership)	<u>207,801</u>	<u>207,801</u>
	<u>\$ 784,202</u>	<u>\$ 784,202</u>

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Notes to the Non-consolidated Financial Statements

October 31, 2022

7. Investment in contingency reserve

The Association has a contingency reserve established for the below noted purposes and which is split into two sections. The first is subject to the control of the joint councils and the second is the discretion of the executive of the Association.

	Joint Council	Executive	2022	2021
Operating	\$ 57,000	\$ 18,007	\$ 75,007	\$ 75,007
Dissolution	-	50,000	50,000	50,000
Market action	-	32,000	32,000	32,000
	<u>\$ 57,000</u>	<u>\$ 100,007</u>	<u>\$ 157,007</u>	<u>\$ 157,007</u>

The contingency reserves were fully funded and invested as follows:

	2022	2021
Interior Savings Credit Union - high interest savings account	<u>\$ 157,113</u>	<u>\$ 157,007</u>

8. Accounts payable and accrued liabilities

	2022	2021
Trade payable and accrued liabilities	\$ 64,954	\$ 36,640
GST/HST payable	-	2,649
	<u>\$ 64,954</u>	<u>\$ 39,289</u>

9. Deferred contributions

	Balance, beginning of year	Received	Recognized	Balance, end of year
Canadian Agricultural Partnership program	\$ 418,634	\$ 685,806	\$ (819,063)	\$ 285,377
	<u>\$ 418,634</u>	<u>\$ 685,806</u>	<u>\$ (819,063)</u>	<u>\$ 285,377</u>

10. Long-term debt

	2022	2021
CEBA loan repaid during the year	<u>\$ -</u>	<u>\$ 10,000</u>

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Notes to the Non-consolidated Financial Statements

October 31, 2022

11. Budget amounts

The 2022 budget amounts on the Non-consolidated Statement of Operations are from the budget approved at the 2022 Annual Convention and are presented for information purposes only, are unaudited and not covered by the audit report of Rossworn Henderson LLP, Chartered Professional Accountants.

12. Financial instruments

The Association's financial instruments consist of cash, restricted cash, accounts receivable, due from subsidiary company, investment in contingency reserve, accounts payable and accrued liabilities and long-term debt. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of non-consolidated financial statements in assessing the extent of risk related to financial instruments. It is management's opinion that the Association is not exposed to significant fair value, foreign exchange, liquidity, currency or market risk arising from these financial instruments except as follows:

(a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Association is exposed to credit risk resulting from the possibility that a counterpart to a financial instrument defaults on their financial obligations and from concentration of transactions carried out with the same counterparty. In the opinion of management, the credit risk exposure to the Association is low and is not material.

(b) Concentration of credit risk

Concentration of credit risk is the risk that a customer has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the business in the event of a default by one of these customers. The Association is exposed to concentration of credit risk as certain individual receivables represent more than ten percent of receivables. In the opinion of management, the concentration of credit risk exposure to the Association is low and is not material.

13. British Columbia Societies Act

The British Columbia Society Act requires disclosure of remuneration paid to all directors and enumeration paid to employees and contractors whose enumeration is at least \$75,000 annually. During the year, there was one (2021 - one) employee who met this threshold.

BRITISH COLUMBIA FRUIT GROWERS' ASSOCIATION

Notes to the Non-consolidated Financial Statements

October 31, 2022

14. Contingencies and commitments

(a) Contingent asset - Sun-Rype agreement

During 1996, the Association signed agreements with Sun-Rype Products Ltd. ("Sun-Rype") relating to the Association's ownership, in trust for its members, of the Sun-Rype Class A shares.

The remaining provision of the "Coat-tail" agreement and other agreements continue to provide that in the event that Sun Rype ceases to maintain a facility, for the processing of cull apples, in the specified region which includes the Okanagan Valley, the Similkameen and Creston, Sun-Rype will pay the Association \$50,000 per year for five years following the facility closure, commencing with the year of closure, for certain services provided by the Association.

(b) Contingent liability - contributions

The Association may be liable to repay any contributions where the contributor determines that funds were not used in accordance with the funding agreement. The likelihood or amount of any liability under these agreements cannot be reasonably determined and as such no liability has been accrued in these financial statements. It is management's opinion that the Association has complied with the terms of the agreements and will not be required to repay any contributions recognized as revenue.

(c) Commitment - Good Fruit Grower Magazine

The Association has committed to paying subscription fees to Good Fruit Grower Magazine on behalf of its members for a discounted amount of \$55 USD per member beginning in the 2023 calendar year and continuing indefinitely. In subsequent calendar years, Good Fruit Grower Magazine may increase the annual price per member per year with a 45-day written notice. This agreement may be cancelled by either party by providing a 90-day notice. The expected payment for the 2023 calendar year is \$29,000 CAD.

15. Related party transactions

The Association has the following transactions with related parties:

- (a) Received administration fees of \$3,850 (2021 - \$3,512) from BCFG Research and Development Ltd., a 100% subsidiary company of the Association
- (b) Paid program expenses of \$219,208 (2021 - \$192,737) to Summerland Varieties Corp., a 100% subsidiary company.
- (c) Paid expenses of Summerland Varieties Corp., a 100% subsidiary company, totaling \$42,372 (2021 - \$49,999), which relate to the Agri-Innovation Program expenses and industry support expenses provided through these programs by its subsidiary

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.
