Mandate

The Canaryseed Development Commission of Saskatchewan was established in 2006 under the Agri-Food Act, 2004 to represent Saskatchewan’s canaryseed growers.

THE CDCS VISION
Improved canaryseed profitability through increased market diversity and crop innovation.

THE CDCS MISSION
To coordinate research and market use expansion for the advancement of the canaryseed industry for the benefit of growers and other stakeholders.

canaryseed.ca
2016 Board and Staff

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Agenda

Canaryseed Development Commission of Saskatchewan
Annual General Meeting
January 9, 2017
Canadian Room, Saskatoon Inn, Saskatoon, SK

8:30 a.m.  Registration
8:45 a.m.  Opening Remarks and Announcements
9:00 a.m.  Understanding leaf mottle and fusarium in canaryseed
          Randy Kutcher and Paulina Cholango,
          Crop Development Centre
9:30 a.m.  Breakfast
10:00 a.m. Canaryseed response to macro and micronutrients
          Bill May, Agriculture & Agri-Food Canada,
          Indian Head
10:30 a.m. Lunch
11:00 a.m. CDCS Executive Director
          Kevin Hursh
11:30 a.m. Canaryseed Annual Business Meeting
          Chuck Penner, Leftfield Commodity Research
12:00 p.m. Lunch

Office Hours  Monday to Friday  8:30 a.m. to 4:00 p.m.
Agenda
CDCS Annual Business Meeting, January 9, 2016
Canadian Room, Saskatoon Inn & Conference Centre
Saskatoon, SK

10:30 a.m.
- Call to Order and Opening Remarks
- Approval of Agenda
- Approval of Minutes
- Financial Review
  Kevin Hursh, Executive Director
- Approval of Budget
- Annual Report 2015-2016 and
  Proposed Activities 2016-2017
  State of the Industry, David Nobbs, Chair
- Research
- Resolutions
- New Business
- Adjourn Meeting

Motions to be Presented
CDCS Annual Business Meeting, January 9, 2017
Canadian Room, Saskatoon Inn & Conference Centre
Saskatoon, SK

- That the agenda of the January 9, 2017 Annual Business Meeting be approved as presented.
- That the Minutes of the January 11, 2016 meeting be approved as presented.
- To appoint an Audit Chair.
- That the Canaryseed Development Commission of Saskatchewan’s audited financial statements for the year ended July 31, 2016 be approved as presented.
- That the Canaryseed Development Commission of Saskatchewan appoints Twigg & Company as auditor for the year ending July 31, 2017.
- To approve the State of the Industry report as presented.
- To adjourn the January 9, 2017 Canaryseed Development Commission of Saskatchewan Annual Business Meeting.
2016 Minutes
CDCS Annual Business Meeting, January 11, 2016
Canadian Room, Saskatoon Inn and Conference Centre
Saskatoon, SK

1. Meeting called to order by Chair David Nobbs at 2:51 PM

2. Approval of the Agenda
   Motion #1
   To approve the agenda as presented.
   Frisky / Sutherland / Carried

3. Approval of the Minutes
   Motion #2
   That the minutes of the January 12, 2015 meeting be approved as presented.
   Clancy / Yuungmann / Carried

4. Financial Review
   Hursh presented the audited financials and the 2016-2017 budget.
   Motion #3
   Meckleberg / Clancy / Carried

5. Annual Update
   Chair Nobbs provided a detailed State of the Industry update.
   Motion #6
   That the State of the Industry report be approved as presented.
   Sutherland / Frisky / Carried

6. Resolutions
   None

7. New Business
   No new business was brought forward.

8. Adjourn Meeting
   Motion #8
   To adjourn the January 11, 2016 annual business meeting.
   Clancy
Management’s Responsibility

To Saskatchewan Canaryseed Producers:

Management is responsible for the preparation and presentation of the accompanying 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 judgment is required.

In discharging its responsibilities for the integrity and fairness of the 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 financial statements.

The Board of Directors (the “Board”) is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

Twigg & Company, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to the members, their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

January 9, 2017

Management

CANARYSEED DEVELOPMENT COMMISSION OF SASKATCHEWAN

AUDITED FINANCIAL STATEMENTS

for the year ended July 31, 2016
Independent Auditors' Report

To the Board of Directors of Canaryseed Development Commission of Saskatchewan

Report on the Financial Statements

We have audited the accompanying financial statements of Canaryseed Development Commission of Saskatchewan, which comprise the statement of financial position as at July 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, 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 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.

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

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

(continued on page 2)
# Canaryseed Development Commission of Saskatchewan

## Statement of Financial Position

**As at July 31, 2016**

*With comparative information for 2015*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$434,121</td>
<td>$421,767</td>
</tr>
<tr>
<td>Cash - internally restricted</td>
<td>-</td>
<td>151</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>-</td>
<td>106,723</td>
</tr>
<tr>
<td>Short-term internally restricted investments (Note 6)</td>
<td>$334,163</td>
<td>$223,363</td>
</tr>
<tr>
<td>Accounts receivable (Note 3)</td>
<td>24,586</td>
<td>26,841</td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>1,691</td>
<td>1,691</td>
</tr>
<tr>
<td><strong>Total Current:</strong></td>
<td>$794,561</td>
<td>$780,566</td>
</tr>
</tbody>
</table>

## Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities (Note 4)</td>
<td>$71,813</td>
<td>$68,968</td>
</tr>
<tr>
<td>Deferred contributions (Note 5)</td>
<td>144,613</td>
<td>128,805</td>
</tr>
<tr>
<td><strong>Total Liabilities:</strong></td>
<td>216,426</td>
<td>197,773</td>
</tr>
</tbody>
</table>

## Net Assets

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internally Restricted (Note 6)</td>
<td>$334,163</td>
<td>$223,363</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>243,972</td>
<td>359,430</td>
</tr>
<tr>
<td></td>
<td>578,135</td>
<td>582,793</td>
</tr>
<tr>
<td><strong>Total Net Assets:</strong></td>
<td>$794,561</td>
<td>$780,566</td>
</tr>
</tbody>
</table>

## Commitments (Note 11)

Approved by the Board:

Director

---

# Canaryseed Development Commission of Saskatchewan

## Statement of Operations

**For the year ended July 31, 2016**

*With comparative information for 2015*

<table>
<thead>
<tr>
<th></th>
<th>Budget (unaudited)</th>
<th>2016 Actual</th>
<th>2015 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Producer check-off fees (Note 8)</td>
<td>$275,000</td>
<td>$251,180</td>
<td>$275,260</td>
</tr>
<tr>
<td>Refunds</td>
<td>(-15,000)</td>
<td>(-14,523)</td>
<td>(-17,023)</td>
</tr>
<tr>
<td><strong>Net:</strong></td>
<td>260,000</td>
<td>236,657</td>
<td>258,237</td>
</tr>
<tr>
<td>Interest</td>
<td>4,000</td>
<td>4,860</td>
<td>6,744</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>ADOPT funding</td>
<td>25,000</td>
<td>-</td>
<td>38,300</td>
</tr>
<tr>
<td>ADF funding</td>
<td>-</td>
<td>117,110</td>
<td>142,567</td>
</tr>
<tr>
<td><strong>Total Revenue:</strong></td>
<td>289,000</td>
<td>358,627</td>
<td>458,858</td>
</tr>
</tbody>
</table>

## Expenses:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development (Note 12)</td>
<td>165,000</td>
<td>250,959</td>
</tr>
<tr>
<td>Administration contract (Note 9)</td>
<td>12,000</td>
<td>11,545</td>
</tr>
<tr>
<td>Board of directors</td>
<td>20,000</td>
<td>10,999</td>
</tr>
<tr>
<td>Communications</td>
<td>17,000</td>
<td>13,331</td>
</tr>
<tr>
<td>General and administration</td>
<td>22,400</td>
<td>26,619</td>
</tr>
<tr>
<td>Annual meeting</td>
<td>6,000</td>
<td>4,550</td>
</tr>
<tr>
<td>Election</td>
<td>500</td>
<td>300</td>
</tr>
<tr>
<td>Management fees (Note 10)</td>
<td>47,000</td>
<td>44,982</td>
</tr>
<tr>
<td><strong>Total Expenses:</strong></td>
<td>289,900</td>
<td>363,285</td>
</tr>
</tbody>
</table>

## Excess (Deficiency) of Revenue Over Expenses for the Year

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excess (Deficiency)</strong></td>
<td>$(900)</td>
<td>$(4,658)</td>
</tr>
</tbody>
</table>
### CANARYSEED DEVELOPMENT COMMISSION OF SASKATCHEWAN

#### STATEMENT OF CHANGES IN NET ASSETS
**for the year ended July 31, 2016**
*With comparative information for 2015*

<table>
<thead>
<tr>
<th></th>
<th>Internally restricted</th>
<th>Unrestricted</th>
<th>2016 Total</th>
<th>2015 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE – BEGINNING OF YEAR</strong></td>
<td>$223,363</td>
<td>$359,430</td>
<td>$582,793</td>
<td>$505,786</td>
</tr>
<tr>
<td>Transfers</td>
<td>106,721</td>
<td>(106,721)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Excess (deficiency) of revenue over expenses for the year</td>
<td>4,079</td>
<td>(8,722)</td>
<td>(4,643)</td>
<td>77,007</td>
</tr>
<tr>
<td><strong>BALANCE – END OF YEAR</strong></td>
<td>$334,163</td>
<td>$243,722</td>
<td>$578,135</td>
<td>$582,793</td>
</tr>
</tbody>
</table>

#### CANARYSEED DEVELOPMENT COMMISSION OF SASKATCHEWAN

#### STATEMENT OF CASH FLOWS
**for the year ended July 31, 2016**
*With comparative information for 2015*

**OPERATING ACTIVITIES:**

- Excess (deficiency) of revenue over expenses: $(4,658) $77,007
- Changes in non-cash working capital:
  - Balances related to operations:
    - Short-term investments: - $(1,967)
    - Accounts receivable: 2,235 9,372
    - Accounts payable and accrued liabilities: 2,844 (21,844)
    - Deferred contributions: 15,808 6,859
- Total from operating activities: 16,249 69,320

**INVESTING ACTIVITIES:**

- Net disposals (purchases) of investments: $(4,076) $(182,201)
- Total from investing activities: $(4,076) $(182,201)

**INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR THE YEAR**

- $12,173 $(112,881)

**CASH AND EQUIVALENTS, BEGINNING OF YEAR**

- $421,548 $534,499

**CASH AND EQUIVALENTS, END OF YEAR**

- $434,121 $421,548

**CASH AND EQUIVALENTS CONSISTS OF:**

- Cash: 434,121 421,767
- Cash – internally restricted: - 181
- Total: $434,121 $421,948
1. AUTHORITY:

The Canaryseed Development Commission of Saskatchewan ("CDCS") was established on February 23, 2006, pursuant to The Canaryseed Development Plan Regulations ("Regulations"), under the authority of The Agri-Food Act, 2004. The purpose of CDCS is to assist in growing the canaryseed industry through research, communications and market development programs. The activities of CDCS are funded primarily by a check-off fee charged on canaryseed sales from canaryseed production in Saskatchewan.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies:

a) Revenue recognition:

Producer check-off fees are recognized upon receipt of the Buyer's report. Refunds are recognized when refund applications are received from producers and the requested refund has been agreed to check-off fee records.

The Commission follows the deferral method of accounting for contributions, which include government funding and grants. 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. 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.

Interest, dividends, and other revenue are recognized as earned.

b) Research and development projects:

Expenses are recognized when projects are approved and the recipient has met eligibility criteria. Funds advanced to recipients prior to eligibility criteria being met are recorded as advances. CDCS receives reimbursement from Agriculture and Agri-food Canada for eligible costs incurred for certain projects.

c) Administration contract expense:

Administration contract expense is a fee charged by the Agriculture Council of Saskatchewan ("ACS") to CDCS for administering the check-off fee program. The fee includes a charge for time spent by ACS staff and a share of ACS's overhead costs. The expense is recognized as the service is received.

d) Financial instruments:

The Commission initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets subsequently measured at amortized cost include cash and accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and deferred contributions. The fair value of the cash, accounts receivable, and accounts payable approximates their carrying value due to their short-term nature.

e) Use of estimates:

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues and expenses in the periods in which they become known.

Significant estimates include, but are not limited to, the valuation of deferred revenue, and accruals for certain revenues and expenses.

f) Income taxes:


g) Contributions in-kind:

Contributions in-kind are recorded at fair value for goods or services used in the normal course of operations that would otherwise have been purchased.

h) Cash and cash equivalents:

Cash and cash equivalents consist of balances with banks and short-term investments with maturities of three months or less.
3. ACCOUNTS RECEIVABLE:

The accounts receivable balance consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levies receivable</td>
<td>$24,586</td>
<td>$26,841</td>
</tr>
<tr>
<td></td>
<td><strong>$24,586</strong></td>
<td><strong>$26,841</strong></td>
</tr>
</tbody>
</table>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

The accounts payable and accrued liabilities balance consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>$9,135</td>
<td>$5,135</td>
</tr>
<tr>
<td>Research and develop.</td>
<td>43,075</td>
<td>42,025</td>
</tr>
<tr>
<td>Levy refunds payable</td>
<td>14,523</td>
<td>17,023</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>5,060</td>
<td>4,785</td>
</tr>
<tr>
<td></td>
<td><strong>$71,813</strong></td>
<td><strong>$68,968</strong></td>
</tr>
</tbody>
</table>

5. DEFERRED CONTRIBUTIONS:

The Commission receives funding from the Ministry of Agriculture to be held, administered and distributed in accordance with the related funding agreements. Deferred contributions related to expenses of future periods represent unspent externally restricted funding for the purposes of paying operating expenditures in future periods.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening deferred contributions for expenses of future periods</td>
<td>$128,805</td>
<td>$122,453</td>
</tr>
</tbody>
</table>

Contributions during the year:

- Ministry of Agriculture (ADOPT) - $3,500
- Ministry of Agriculture (ADF) - $132,918

Less:

- Amounts recognized as program expenses (ADOPT) - $(38,300)
- Amounts recognized as program expenses (ADF) - $(117,110)

Ending deferred contributions for expenses of future periods: $144,613

6. INTERNALLY RESTRICTED NET ASSETS:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term guaranteed investment certificates</td>
<td>1-12</td>
<td>334,163</td>
</tr>
</tbody>
</table>

The Commission has internally restricted net assets for the completion of certain projects and to refund the check-off fees in the event of the disestablishment of the Commission.

On April 6, 2010 the Board of Directors passed a motion to internally restrict $40,000 held in a savings account. During the current year a further $106,721 (2015 - $178,830) has been internally restricted. Any investment income earned on the internally restricted funds have been allocated to the internally restricted net asset balance.

7. BUDGET:

The Board approved the 2015/2016 fiscal year budget on November 25, 2014. The budget figures included in the accompanying financial statements are unaudited.

8. PRODUCER CHECK-OFF FEES:

Under the Regulations, each buyer of canaryseed is required to remit to CDCS a check-off fee of $1.75 per net tonne of canaryseed marketed upon final settlement to producers. Producers can request a refund of check-off fees paid from August 1 to July 31 by submitting a refund application by August 31.
9. ADMINISTRATION CONTRACT:

The Agriculture Council of Saskatchewan Inc. charged CDCS $11,545 (2015 - $13,095) for administering the check-off fee program and the business activities of CDCS of which $938 (2015 - $973) is included in accounts payable. On May 31, 2016 the Commission entered into a contract to pay ACS a minimum of $11,592 for services for the period August 1, 2016 to July 31, 2017.

10. MANAGEMENT FEES:

During the year, the Commission entered into a contract with Hursh Consulting & Communications Inc. and AgriBiz Communications Corp. for management services and rent. This contract began on August 1, 2015 and will continue for two years with the option to renew by any or all parties. The Commission has agreed to pay $3,570 per month plus GST for the period August 1, 2015 to July 31, 2016 and $3,750 per month plus GST for the period August 1, 2016 to July 31, 2017. The Commission has also agreed to pay rent of $550 per month for the duration of the contract.

11. RESEARCH COMMITMENTS:

(a) Effective January 18, 2013 the Commission agreed to provide an annual contribution of $80,000 to the University of Saskatchewan. The annual contribution is provided for research related to Canaryseed Breeding and germplasm development. The annual research commitments under the terms of the agreement are as follows:

<table>
<thead>
<tr>
<th>Year ending July 31:</th>
<th>2017</th>
<th>72,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>8,000</td>
</tr>
</tbody>
</table>

(b) Effective August 21, 2015 the Commission agreed to provide an annual contribution of $10,000 plus $10,000 upon signing to Agriculture and Agri-Food Canada. The annual contribution is provided for research related to the effects of macro and micro nutrients on the yield and development of canaryseed. The future annual research commitments under the terms of the agreement are as follows:

| Year ending July 31: | 2017 | 10,000 |

11. RESEARCH COMMITMENTS (continued):

(c) Effective August 21, 2015 the Commission agreed to provide an annual contribution of $10,000 plus $2,500 upon signing to Agriculture and Agri-Food Canada. The annual contribution is provided for research related to the crop sequencing of large acreage crops and special crops. The future annual research commitments under the terms of the agreement are as follows:

<table>
<thead>
<tr>
<th>Year ending July 31:</th>
<th>2017</th>
<th>10,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>10,000</td>
</tr>
</tbody>
</table>

(d) Effective March 29, 2016 the Commission agreed to provide an annual contribution of $15,000 to Agriculture and Agri-Food Canada. The annual contribution is provided for research related to the characterization of glabrous canaryseed components with emphasis on starch and protein for new market opportunities. The future annual research commitments under the terms of the agreement are as follows:

<table>
<thead>
<tr>
<th>Year ending July 31:</th>
<th>2017</th>
<th>15,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>15,000</td>
</tr>
</tbody>
</table>

12. RESEARCH AND DEVELOPMENT:

The research and development expense is comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeding and germplasm development</td>
<td>$96,150</td>
<td>$84,050</td>
</tr>
<tr>
<td>ADF project (Glabrous Canaryseed for Human Consumption)</td>
<td>117,110</td>
<td>142,567</td>
</tr>
<tr>
<td>ADOPT project</td>
<td>-</td>
<td>38,300</td>
</tr>
<tr>
<td>Agriculture and Agri-Food Canada (The Effects of Macro and Micro Nutrients on the Yield and Development of Canaryseed)</td>
<td>20,000</td>
<td>-</td>
</tr>
<tr>
<td>Agriculture and Agri-Food Canada (Crop Sequencing of Large Acreage Crops and Special Crops)</td>
<td>12,500</td>
<td>-</td>
</tr>
<tr>
<td>Other research and development</td>
<td>5,199</td>
<td>6,182</td>
</tr>
</tbody>
</table>

| Total | $250,959 | $271,099 |
CANARYSEED DEVELOPMENT COMMISSION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS
for the year ended July 31, 2016

13. FINANCIAL INSTRUMENTS:

The Commission as part of its operations carries a number of financial instruments. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

The Commission is exposed to credit risk from potential non-payment of accounts receivable. Most of the accounts receivable were collected shortly after year-end.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Commission is not exposed to significant interest rate risk on its investments.

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

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LG. SHANK B.Com., CA
M. UNGARD B.Com., APAAC, CA

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SASKATOON, SK. S7K 0L4

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www.twiggandcompany.com

AUDITORS' REPORT

To the Board of Directors of
Canaryseed Development Commission of Saskatchewan

We have audited Canaryseed Development Commission of Saskatchewan's compliance, as at July 31, 2016, with the provisions of 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, 2016.

- The Agri-Food Act, 2004
- The Canaryseed Development Plan Regulations
- Commission Orders #07/16 to #12/16

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

We conducted our audit in accordance with the Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether Canaryseed Development Commission of Saskatchewan 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, as at July 31, 2016, the Canaryseed Development Commission of Saskatchewan is in compliance, in all material respects, with the aforementioned legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue raising, borrowing and investing activities.

Saskatoon, Saskatchewan
January 9, 2017

Chartered Accountants
INDEPENDENT AUDITORS’ REPORT
To the Board of Directors of Canaryseed Development Commission of Saskatchewan:

We have audited the Canaryseed Development Commission of Saskatchewan’s control as of July 31, 2016 to express an opinion as to the effectiveness of its control related to the following objectives:

1. To safeguard agency 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 it financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.

2. To prepare reliable financial statements.

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

Management’s Responsibility
The Organization’s management is responsible for maintaining effective control over the objectives stated above.

Auditors’ Responsibility
Our responsibility is to express an opinion based on our audit as to the effectiveness of its control related to the following objectives:

1. To safeguard agency 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 it financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.

2. To prepare reliable financial statements.

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

(continued on next page)
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors of
Canaryseed Development Commission of Saskatchewan:

(continued from previous page)

We have also audited, in accordance with Canadian generally accepted auditing standards, the financial statements of the Canaryseed Development Commission of Saskatchewan, which comprise the statement of financial position as at July 31, 2016, and the statements of operations, change in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. We have issued our report dated January 9, 2017 which is the same date as the date of the report on the effectiveness of internal controls.

Saskatoon, Saskatchewan
January 9, 2017

Twigg & Company
Chartered Accountants

Budget 2017/2018

Projected Revenues

<table>
<thead>
<tr>
<th>Producer check-off fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
</tr>
<tr>
<td>Refunds</td>
</tr>
<tr>
<td>Net</td>
</tr>
<tr>
<td>AMP Funding</td>
</tr>
<tr>
<td>New Uses - Marketing</td>
</tr>
<tr>
<td>Interest and other income</td>
</tr>
<tr>
<td><strong>Total Projected Income</strong></td>
</tr>
</tbody>
</table>

Total Projected Income: 313,750

Projected Expenditures

<table>
<thead>
<tr>
<th>Research projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDC Breeding (Hud)</td>
</tr>
<tr>
<td>Agronomy (May)</td>
</tr>
<tr>
<td>AMP Project</td>
</tr>
<tr>
<td>New Uses - Marketing</td>
</tr>
<tr>
<td>Starch and Oilsseeds Research</td>
</tr>
<tr>
<td>Dehulling Research</td>
</tr>
<tr>
<td><strong>Total Research Expenses</strong></td>
</tr>
</tbody>
</table>

Total Research Expenses: 304,500

Communications

<table>
<thead>
<tr>
<th>Annual Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newsletter</td>
</tr>
<tr>
<td>Website</td>
</tr>
<tr>
<td><strong>Total Communications Expenses</strong></td>
</tr>
</tbody>
</table>

Total Communications Expenses: 20,000

Director Expenses

<table>
<thead>
<tr>
<th>Director Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director Per Diem</td>
</tr>
<tr>
<td><strong>Total Director Expenses</strong></td>
</tr>
</tbody>
</table>

Total Director Expenses: 13,500

Administration

<table>
<thead>
<tr>
<th>Bank Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Meeting Expenses</td>
</tr>
<tr>
<td>Bookkeeping</td>
</tr>
<tr>
<td>Election</td>
</tr>
<tr>
<td>Insurance</td>
</tr>
<tr>
<td>Legal and Audit Fees</td>
</tr>
<tr>
<td>Management</td>
</tr>
<tr>
<td>Management Expenses</td>
</tr>
<tr>
<td>Memberships / Subscriptions</td>
</tr>
<tr>
<td>Office Expense</td>
</tr>
<tr>
<td>Office Rent</td>
</tr>
<tr>
<td>Service Contract - Levy Central</td>
</tr>
<tr>
<td><strong>Total Administration Expenses</strong></td>
</tr>
</tbody>
</table>

Total Administration Expenses: 92,740

Total Expenditures: 430,740

Surplus (Deficit) for the year

-116,990
At the CDCS annual meeting in January 2016, we announced that canaryseed had finally been granted novel food approval in both Canada and the United States. A great deal of media attention ensued with headlines such as “Canaryseed no longer just for the birds.”

This generated a great deal of interest among consumers and food companies wanting to try the product in its new market. However, the food approval is for de-hulled glabrous (hairless) canaryseed and it’s taking a while for the industry to develop a commercial de-hulling capacity. Several companies are working on it and InfraReady Products of Saskatoon has already done a trial run. Hopefully, de-hulled product will be available in reasonable quantities in the months ahead.

Several projects related to human food consumption are still in progress.

Canaryseed with the hull attached has long been marketed by various health food companies, particularly in the southern U.S. and Mexico. They typically link consumption with a number of health benefits. The publicity over human food approval seems to have generated increased business for health food companies.

However, the vast majority of canaryseed still moves into birdseed markets with Mexico and Europe as the top destinations. At 20 to 23 cents per pound FOB farm, most producers would probably describe price levels this fall as disappointing, but net returns remain competitive with most other cereal cropping options.

The new canaryseed variety CDC Calvi was commercially available this year through seed growers with Canterra Seeds. Canterra also has distribution rights for what will be the first yellow-seeded variety and 2016 saw seed growers ramping up the available supply. This still-to-be-named yellow variety should be generally available for 2018 and is expected to be more visually appealing for the food market. (All previous varieties have a brown seed coat when the hull is removed.)

The CDCS continues to support Dr. Pierre Hucl’s breeding and research work at the University of Saskatchewan’s Crop Development Centre. All the glabrous varieties have come out of Pierre’s program and many promising lines of brown and yellow (all glabrous) are in the breeding pipeline.

Dr. Hucl and associated researchers are also doing disease and weed control work.

continued on next page
CDCS also supports the agronomic work on canaryseed being conducted by Bill May at the Agriculture and Agri-Food Canada station at Indian Head. This includes work on crop sequencing – what crops do best on what crop stubble.

As of mid-October when this report is being written, over half of the province’s canaryseed crop is yet to be harvested. Many producers harvest other crops first because canaryseed is less vulnerable to weather damage. If a significant amount of canaryseed remains out over winter, it could affect quantities available for marketing.

Canaryseed acreage increased in 2015 and declined in 2016. Price levels as compared to other crops will be a major determining factor for 2017 seeding intentions.