

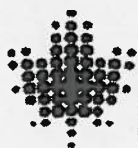
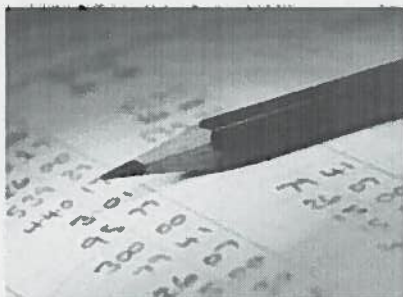
SYLVAIN & COMPANY

ORIGINAL

**SMOKY RIVER APPLIED RESEARCH AND
DEMONSTRATION ASSOCIATION**

Financial Statements

For the Year Ended December 31, 2016



CPA

**CHARTERED
PROFESSIONAL
ACCOUNTANTS**

**SMOKY RIVER APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION
FINANCIAL STATEMENTS**

December 31, 2016

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SYLVAIN & COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Members of SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION

Report on the Financial Statements

We have audited the accompanying financial statements of SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and of cash flows for the year ended December 31, 2016, 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Falher, Alberta
February 6, 2017


CHARTERED PROFESSIONAL ACCOUNTANTS

SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION
STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
ASSETS	\$	\$
Current Assets		
Cash and short-term investments (Note 3)	945,957	802,293
Accounts receivable	166,309	54,182
Goods and services tax recoverable	6,245	10,320
Inventory	11,530	11,331
Prepaid Expenses	1,502	10,302
	1,131,543	888,428
Capital Assets (Notes 2 and 4)		
Land	20,000	20,000
Buildings	10,814	6,952
Equipment	195,046	180,613
Computer equipment	-	1,439
Automotive	432,304	400,820
	658,164	609,824
Other Assets		
Equity held in co-operatives	4,134	3,338
	4,134	3,338
	1,793,841	1,501,590
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accruals	24,047	29,046
Employee related liabilities	8,367	10,452
Deferred contributions (Note 5)	179,875	61,950
	212,289	101,448
Net Assets		
Invested in capital assets	658,164	609,824
Internally restricted (Note 6)	773,388	640,318
Unrestricted net assets	150,000	150,000
	1,581,552	1,400,142
	1,793,841	1,501,590

See accompanying notes to the financial statements.

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SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION
STATEMENT OF OPERATIONS

For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
REVENUES			
Federal Funding			
Canada Summer Jobs	4,032	4,032	11,424
Provincial Funding			
AB Agriculture - various projects	-	4,200	12,000
Agriculture opportunities fund	225,662	225,625	203,500
Local Funding			
County of Grande Prairie	40,000	40,000	10,000
M.D. of Big Lakes #125	30,000	30,000	30,000
M.D. of Greenview #16	60,000	60,000	30,000
M.D. of Smoky River #130	60,000	60,000	30,000
Northern Sunrise County	60,000	60,000	30,000
Environmental program - Municipalities	71,500	90,000	72,000
From Own Sources			
Expense recovery	3,132	18,000	11,292
Donations and Sponsorships	2,500	250	-
ARECA - pest monitoring	-	6,691	3,000
ARECA - variety trials	20,000	19,964	27,679
General plot income	421,315	457,016	371,155
Investment income	2,500	5,489	2,694
Insurance proceeds	-	733	2,737
Memberships	8,000	7,500	8,400
Registration fees	6,500	3,400	4,325
	1,015,141	1,092,900	860,206
EXPENSES			
Advertising, donations, and promotion	39,000	35,956	34,018
Board honorarium and expense	10,500	9,856	8,717
Employee travel, lodging and meals	12,500	12,319	12,331
Equipment rental	3,000	1,004	1,619
Food and caterers	6,000	5,461	2,918
Freight and trucking	3,000	2,182	2,907
Gas and oil	20,000	17,390	18,025
Insurance and licenses	8,500	8,268	7,234
Interest and bank charges	500	371	483
Land and facility rental	37,500	38,102	23,479
Office supplies, subscriptions and registrations	18,000	20,663	11,283
Pesticides, fertilizer and seed	3,600	1,286	2,629
Professional fees	13,000	12,605	12,752
Property taxes	2,600	2,558	2,104
Repairs and maintenance	30,000	20,238	39,880
Shop and field supplies	12,000	10,483	11,793
Small equipment and tools	5,900	6,982	4,046
Soil and sample analysis	21,000	21,016	15,850
Speakers and presenters	10,000	10,457	1,297
Sub-contract	5,000	8,824	4,837
Telephone, postage, and internet services	17,100	9,959	13,514
Utilities	4,500	4,722	4,585
Wages, benefits and WCB	671,000	637,653	547,466
	954,200	898,355	783,767
	60,941	194,545	76,439
Other revenues (expenses)			
Agricultural Opportunity Fund - Capital Grant	-	-	61,500
Amortization	(45,000)	(37,394)	(42,255)
Gain (loss) on disposal of capital assets	-	20,903	2,600
	(45,000)	(16,491)	21,845
Excess (deficiency) before Trade Show	15,941	178,054	98,284
Excess (deficiency) Trade Show (Appendix A)	-	3,356	52,387
Excess (deficiency) of revenues over expenses	15,941	181,410	150,671

See accompanying notes to the financial statements.

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SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION**TRADE SHOW****Appendix A****STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2016

	2016	2015	2014
REVENUES	\$	\$	\$
Booth rentals	-	116,990	-
Donations and raffle	-	60,234	-
Expense recovery	-	3,264	-
Interest	21	23	-
Ticket sales - Entertainment	-	5,720	-
Provincial grants	-	23,700	-
	21	209,931	-
EXPENSES			
Alcohol	-	500	-
Advertising and promotion	-	29,472	-
Contracted services	-	43,120	-
Display company	-	34,549	-
Door prizes	-	3,170	-
Entertainment	-	6,807	-
Equipment rental	-	3,144	-
Facility rental	-	4,946	-
Food and caterers	-	19,348	-
Insurance and licenses	-	2,596	-
Interest and bank charges	65	1,613	444
Office supplies	-	2,899	-
Professional fees	1,600	1,550	1,500
Security	-	3,500	-
Utilities	-	330	-
	1,665	157,544	1,944
	(1,644)	52,387	(1,944)
Other revenues (expenses)			
Contributed capital assets	5,000	-	-
Excess (deficiency) revenues over expenses	3,356	52,387	(1,944)

See accompanying notes to the financial statements.

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SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2016

	Invested in Capital Assets	Internally Restricted (Note 6)	Un- restricted	2016	2015
	\$	\$	\$	\$	\$
Balance, beginning of year	609,824	640,318	150,000	1,400,142	1,249,471
Excess (deficiency) of revenues over expenses	(37,394)	-	218,804	181,410	150,671
Capital asset purchases	98,076	-	(98,076)	-	-
Disposition of capital assets	(12,342)	-	12,342	-	-
Internally imposed restrictions	-	133,070	(133,070)	-	-
	658,164	773,388	150,000	1,581,552	1,400,142

See accompanying notes to the financial statements.

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SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2016

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	181,410	150,671
Non-cash items included in excess of revenues over expenses:		
Amortization of capital assets	37,394	42,255
Loss (gain) on disposal of assets	(20,903)	(2,600)
Changes in non-cash operating components:		
Accounts receivable	(112,127)	238,488
Goods and services tax recoverable	4,075	(2,423)
Inventory	(199)	2,134
Prepaid expenses	8,800	5,439
Accounts payable and accruals	(4,999)	7,566
Employee related liabilities	(2,085)	3,144
Deferred contributions	117,925	(68,841)
Cash provided by (applied to) operating transactions	209,291	375,833
CASH FLOWS FROM FINANCING AND INVESTING ACTIVITIES		
Acquisition of capital assets	(98,076)	(137,371)
Proceeds on disposition of capital assets	33,245	2,600
Equity held in co-operative	(796)	(402)
Decrease (Increase) in restricted cash	(219,294)	63,285
Cash provided by (applied to) financing and investing transactions	(284,921)	(71,888)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(75,630)	303,945
CASH AND EQUIVALENTS (SHORTAGE), BEGINNING OF YEAR	100,024	(203,921)
CASH AND EQUIVALENTS (SHORTAGE), END OF YEAR	24,394	100,024
COMPONENTS OF CASH AND EQUIVALENTS		
Cash and short-term investments (Note 3)	945,957	802,293
Less: restricted portion of cash and short-term investments (Note 3)	(921,563)	(702,269)
	24,394	100,024

See accompanying notes to the financial statements.

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SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

1. STATUS AND PURPOSE OF THE ORGANIZATION

The association was incorporated under the Alberta Societies Act on April 29, 1986. It is a non-profit organization and is exempt from income tax as a registered charity under the Income Tax Act. The purpose of this association is to conduct applied research and demonstration to facilitate and improve agriculture production.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies are detailed as follows:

Recognition of Contributions

S.A.R.D.A. follows the deferral method in 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 they are received or receivable if the amount receivable can be reasonably estimated and its collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

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.

Cash and Cash Equivalents

Cash equivalents are comprised of highly liquid term deposits that are readily convertible to cash with maturities that are less than three months from the date of acquisition.

Inventory

Inventory of consumable supplies are recorded at the lower of cost and net realizable value, with costs being realized on a first-in first-out basis.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Capital Assets

Purchased capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed capital assets are recorded at fair value at the date of contribution. The cost, less residual value, of the capital asset is amortized on a straight-line basis over the estimated useful life as follows:

	Residual	
	Value	YEARS
Buildings	0%	25
Equipment		
Non-motorized equipment	0%	20
Motorized small equipment	0%	15
Seed drills	25%	20
Computer equipment	0%	5
Automotive		
Vehicles	0%	10
Motorized farm equipment	25%	25

A full year of amortization is recorded in the year of acquisition and no amortization is recorded in the year of disposal.

3. CASH AND SHORT-TERM INVESTMENTS

	2016	2015
Unrestricted	\$	\$
Cash on hand	109	181
Cash in bank - S.A.R.D.A.	24,285	55,370
- Trade Show	-	44,473
	24,394	100,024
Restricted		
Cash on hand	42,067	76,429
Cash in bank - S.A.R.D.A.	826,209	388,820
- Trade Show	11,923	12,000
Short-term investments	41,364	225,020
	921,563	702,269
	945,957	802,293

SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2016

3. CASH AND SHORT-TERM INVESTMENTS (Continued)

Restricted funds are made up of: \$711,388 (2015 - \$578,319) internally restricted for future capital asset replacements; \$50,000 (2015 - \$50,000) internally restricted for human resource retention and training; \$12,000 (2015 - \$12,000) restricted for future trade show start-up funds; \$148,125 (2015 - \$61,750) Agricultural Opportunity Fund, \$50 (2015 - \$200) received from members as prepaid memberships.

4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

	2015			2016
	\$ Cost	\$ Additions	\$ Disposals	\$ Cost
CAPITAL ASSETS				
Land	20,000	-	-	20,000
Building	23,444	5,000	-	28,444
Equipment	334,240	30,996	7,000	358,236
Computer equipment	31,639	-	-	31,639
Automotive	617,365	62,080	62,703	616,742
	1,026,688	98,076	69,703	1,055,061
ACCUMULATED AMORTIZATION	Balance	Additions	Deletions	Balance
Building	16,492	1,138	-	17,630
Equipment	153,627	9,913	350	163,190
Computer equipment	30,200	1,439	-	31,639
Automotive	216,545	24,904	57,011	184,438
	416,864	37,394	57,361	396,897
Net Book Value	609,824			658,164

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources restricted for operating funding received in the current period that is related to the subsequent period. Changes in the deferred contributions balance are as follows:

	2016	2015
	\$	\$
Beginning balance, related to operating funding	61,950	130,791
Less - amount recognized as revenue in the year	(61,950)	(130,791)
Add - amount received related to following year	179,875	61,950
	179,875	61,950

SMOKY APPLIED RESEARCH AND DEMONSTRATION ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

6. INTERNAL RESTRICTIONS ON NET ASSETS

Trade Show

In 1987 S.A.R.D.A. took over the duties of organizing the Trade Show. S.A.R.D.A. by way of a Board motion has restricted \$12,000 of funds to be retained in a bank account and be used for Trade Show purposes only.

Capital asset replacement

The board of directors for S.A.R.D.A. established a policy to allocate excess surplus funds to a capital reserve for future capital asset purchases.

Human resources retention

The board of directors have restricted funds to be used solely in the event that grant revenue is not sufficient to retain qualified employees or to provide necessary training to employees in any given year. The purpose is to provide some stability to S.A.R.D.A.'s existing and future employees, thereby, having less staff turnovers.

S.A.R.D.A. may not use these internally restricted amounts for any other purpose without the approval of the board of directors.

	Trade Show	Capital Asset	Human Resource	2016	2015
				\$	\$
Beginning balance	12,000	578,318	50,000	640,318	634,763
Add: new restrictions	-	194,600	-	194,600	79,339
Less: funds used	-	(61,530)	-	(61,530)	(73,784)
	12,000	711,388	50,000	773,388	640,318

7. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash and temporary investments, receivables, accounts payable, and accrued liabilities. It is management's opinion that the association is not exposed to significant interest, currency, or credit risk arising from these financial statements. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

8. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors and Management have approved these financial statements.