



KEYSTONE
AGRICULTURAL
PRODUCERS
of MANITOBA

2016

**ANNUAL
REPORT**

State Of The Industry 2016



Welcome to KAP's 32nd annual meeting.

My first term as KAP president was busy with work on nearly all policy files – from environment and land use, to BRM, to transportation – and everything in between.

The most recent policy news was the province's announcement of the 25 recommendations made by the Agriculture Risk Management Task Force. The task force looked at tools that could help producers adapt to the effects of climate change in order to retain farm production and profit. Many of its recommendations were based on KAP's submission, and we will continue to press the government to take action on them in 2016.

A common concern I heard from members this past year was regarding damaged and dangerous roads – particularly in the southwest of the province as a result of flooding or heavy traffic. During the summer and fall, KAP asked farmers and other rural Manitobans to email us pictures and locations of bad roads in the province.

Our ask is that the province take over this initiative by creating a system by which the public can report damaged and dangerous roads and bridges, with a list of these reports to be compiled annually – and publically reported so there is transparency around repair decisions and priorities.

On the national scene, KAP participated the Canada Transportation Act review. We prepared our own submission – and I represented KAP on the national Crop Logistics Working Group that also made a submission.

Also at the national level we were active during the 2015 federal election and in partnership with the Canadian Federation of Agriculture, called on all parties to make agriculture policies a priority.

We have had challenges in recent years with politicians paying less and less attention to the policy priorities the agriculture industry is putting forward, as Canada becomes more urbanized and the political influence of city dwellers becomes greater. I expect that we will continue to face challenges in the coming years.

This makes it even more important that we reach out and address misconceptions the general public has about agriculture. If we want to continue to receive public support for the policies and programs that we need to help ensure our farms are viable and sustainable, we need to set the record straight.

When I speak with people who do not have experience with agriculture, they have thoughtful questions and they listen carefully to my answers. The public appreciates getting the straight goods from an actual farmer – not the media, not a food processor, not a retailer, not a blogger. But a real-life farmer!

I'm encouraging all KAP members to talk about agriculture as the time-honoured profession it is. Let's tell people how we farm and why we do things the way we do.

KAP is already doing this work in partnership with our group members through events like Ag in the City, Farmer Appreciation Day, news releases, advocacy work and farmer features in the Manitoba Farmers' Voice. It's an uphill battle, I admit, because society is so urbanized. The majority of people don't know anyone who farms, and have never been on a farm in their lives – unlike a generation or two ago. This is why it is so important for all farmers to go out and tell their stories to anyone who will listen.

Over the next few days, we'll hear great guest speakers. We'll enjoy good food and fellowship. But most importantly, we'll put forward resolutions, discuss and debate, and then vote on them.

KAP will carry these resolutions forward in the form of letters to government, meetings with ministers and stakeholders, and many other lobby activities – in an effort to influence agriculture policy at the federal and provincial levels.

These resolutions will be KAP's roadmap for the future. I hope you'll watch this map unfold by reading the weekly KAP Alert, and the Highlights section in Manitoba Farmers' Voice.

Thank you. And please enjoy the meeting.

A handwritten signature in dark ink, appearing to read 'Dan Mazier'. The signature is fluid and cursive, written in a dark ink on a light background.

Dan Mazier, President



General Manager's Annual Report Kap Annual Meeting January 2016

It has been my pleasure to work with and for the farmers of Manitoba this past year. 2015 was a year of change and growth for Keystone Agricultural Producers, including the addition of several new staff and new elected officials. The following is a report on KAP's operations for 2015.

Submitted by: James Battershill, general manager

STAFF

KAP created a new membership coordinator position in 2015 to support efforts to attract and engage with KAP members. Jacquie Nicholson, originally from a grains and oilseeds farm near Shoal Lake Manitoba was hired in May. KAP's policy analyst, Alanna Gray, began a parental leave in December. Ali Millar of Winnipeg has joined the KAP team and will be filling in for Alanna until her return in late 2016.

KAP staff:

- James Battershill, general manager;
- April Kuz, office assistant;
- Ali Millar, policy analyst;
- Jacquie Nicholson, membership co-ordinator
- Val Ominski, communications co-ordinator;
- Chandra Rempel, executive assistant;
- Kathy Ulasy, financial co-ordinator.

OFFICERS

At the 2015 Annual Meeting of Keystone Agricultural Producers, Dan Mazier was elected President by acclamation. The two Vice Presidents elected were Justin Jenner and Glenn Young.

For 2016, one nomination for President was received by the December deadline and KAP congratulates Dan Mazier of Justice, Manitoba who will be acclaimed President at the 2016 KAP annual meeting.

2015 KAP EXECUTIVE

President: Dan Mazier
Vice President: Justin Jenner
Vice President: Glenn Young
District 1: Bill Campbell
District 2: Dallas Timmerman
District 3: Reg Dyck
District 4: Kevin Stott
District 5: Edgar Scheurer
District 6: Rae Trimble-Olson
District 7: Simon Ellis
District 8: David Wray
District 9: Vacant
District 10: Kyle Foster
District 11: Rob Brunel/Don Dewar
District 12: Dwight Eisner
Special Interest: Chuck Fossay
(MB Canola Growers Association)
Special Crops/Vegetable: Theresa Bergsma
(MB Corn Growers Association)
Red Meats: Cal Penner (MB Pork Council)
Supply Management: Murray Klassen
(MB Chicken Producers)

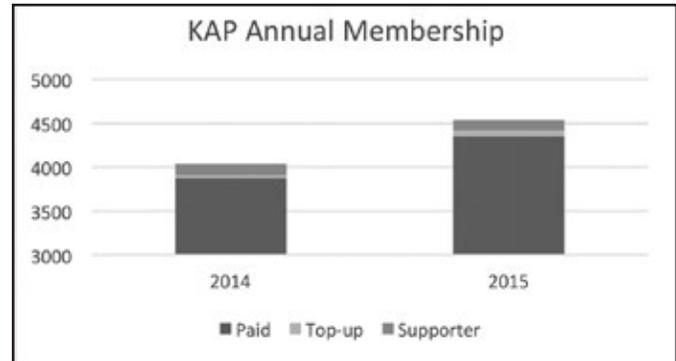
MEETINGS

Over the past fiscal year, the General Council met three times (April, July and October), and the Executive held eight meetings. The management team, made up of the President, two Vice Presidents and general manager, held meetings prior to all scheduled meetings and at other times during the year when it was deemed necessary.

MEMBERSHIP

2015 was a strong membership year for KAP. On May 4, Jacquie Nicholson joined the organization as a membership coordinator to bring new focus and attention on engaging with members. Throughout the year, Jacquie has reached out to members, designated purchasers, and our member benefits providers in an effort to grow our membership.

KAP's membership on November 30, 2015 stood at 4,350, which is 350 more members than was originally projected in the 2015 budget. The end of year top-up initiative resulted in an additional 67 members, agreeing to pay the balance of their 2015 KAP membership bringing the total 2015 membership to 4,417* fully paid members. An additional 120 members confirmed with the office that they wished to be supporter members for 2015. The total number of fully paid and supporter members for 2015 is 4,537.



*Revenue from top-up members and supporters contacted in December 2015 will be deferred to the 2015 fiscal year and reported as "deferred previous year membership revenue."

In addition to membership growth, there are now an additional six designated purchasers collecting KAP membership deductions on commodity sales in the province.

2015 KAP Membership Report

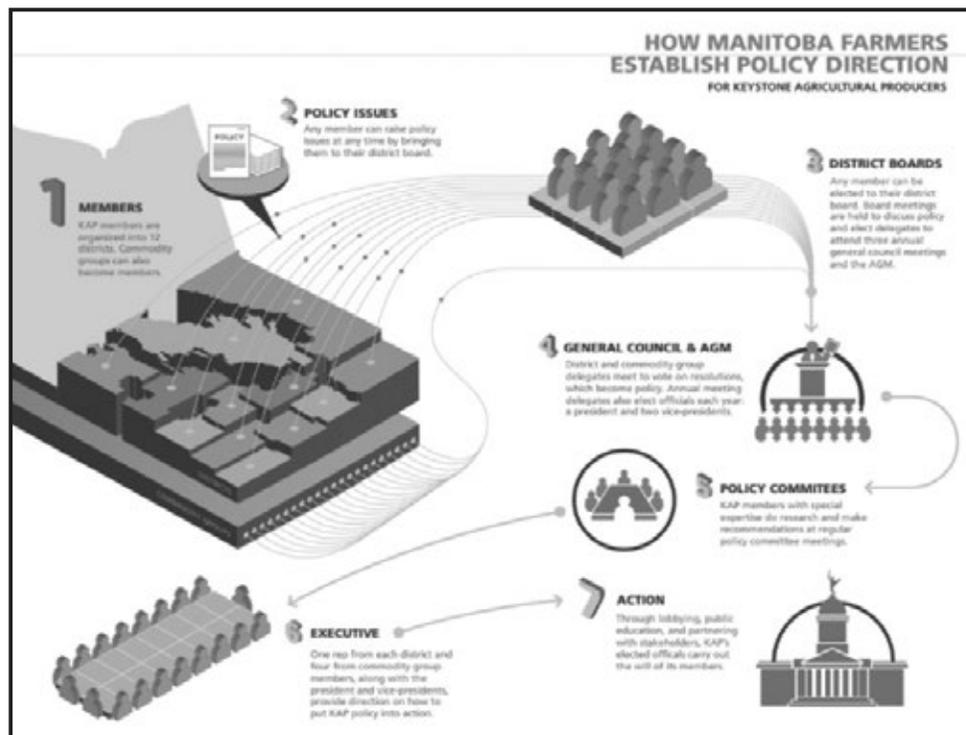
District	Paid Members 2013	Paid Members 2014	Paid Members 2015	Members w/ Unpaid Balance	Total Amount in Accounts
1	406	415	420	104	\$9,540
2	419	433	443	121	\$9,658
3	761	643	786	190	\$16,404
4	252	237	271	64	\$5,672
5	310	297	358	140	\$10,878
6	327	319	360	150	\$13,331
7	465	446	490	159	\$14,823
8	306	260	362	110	\$9,969
9	199	180	206	85	\$6,954
10	261	246	253	116	\$10,079
11	235	242	247	136	\$9,115
12	154	152	154	71	\$6,065
Total	4095	3870	4350	1446	\$122,486

MEMBER BENEFITS AND CONTACTS

The KAP office receives an average of 75 member calls per month. Issues members are looking for information on include: policy and government programs; the KAP membership program and deductions; and the KAP member benefits program. KAP has begun working to inform more members about the benefits program through more in-depth articles in KAP's quarterly magazine, the Manitoba Farmers' Voice. The Fall 2015 issue included an article on the KAP Dodge Ram fleet discount program and resulted in a 100% increase in calls to the office regarding benefits programs.

MEMBERSHIP HANDBOOK

This year, KAP distributed a membership handbook to all members, which provides a detailed look at KAP: how the organization works, what KAP stands for, and what KAP has to offer members. It includes information about the role of Manitoba farmers in dictating KAP's activities and grassroots democratic structure, an overview of KAP's policy on key agricultural issues, and a list of the many benefits available to all members through KAP's member benefits program.



2015 GROUP MEMBERS

Cooperative Hail Insurance
 Dairy Farmers of Manitoba
 H@ms Marketing Services Co-op Inc
 Keystone Potato Producers Association
 Loveday Mushroom Farms
 Manitoba Beekeepers Association
 Manitoba Bison Association
 Manitoba Canola Growers Association
 Manitoba Chicken Producers
 Manitoba Corn Growers Association
 Manitoba Egg Farmers

Manitoba Flax Growers Association
 Manitoba Forage and Grassland Association
 Manitoba Oat Growers Association
 Manitoba Pork Council
 Manitoba Pulse Growers Association
 Manitoba Seed Growers Association
 Manitoba Turkey Producers
 Manitoba Wheat and Barley Growers Association
 National Sunflower Association
 Vegetable Growers Association of Manitoba
 Winter Cereals Manitoba Inc

ENVIRONMENTAL FARM PLAN

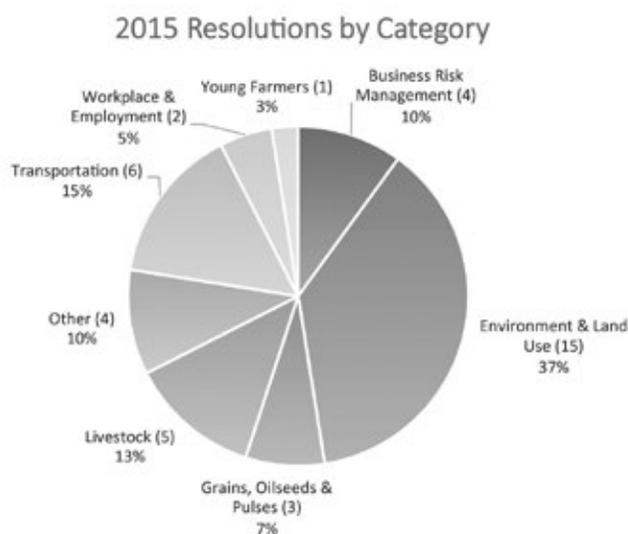
KAP continues to work with Manitoba farmers on their Environmental Farm Plan (EFP) program workbook reviews and administers the EFP certificates of completion. In 2015, the province announced the addition of a new fuel storage support incentive program as a part of the EFP program at the request of KAP. We continue to co-chair the EFP advisory committee and are working with the Canadian Federation of Agriculture and other provincial organizations on ways to improve the program when it is renewed in 2018.



POLICY DEVELOPMENT

KAP's policy setting events (the Annual Meeting and the three General Council Meetings) adopted 40 resolutions during the year which required actions directed at government and/or industry.

KAP made efforts to act on each of the resolutions passed on the advice and input from the KAP Executive and various policy committees. Highlights include:



Infrastructure: July General Council

Resolved, THAT KAP lobby the Government of Manitoba and the Government of Canada to address southwestern Manitoba's deteriorating transportation infrastructure issues.

Action: KAP launched the "Our Roads Suck" campaign to gather information about which roads in the province needed repair. We asked members and other stakeholders (truck drivers, school bus operators) to email ourroadsuck@kap.mb.ca and include photos and a description of the road conditions. We compiled this information into a google map and will be presenting this information to the Minister of Transportation.

Our ask is that the government take over the work we have started by creating a system by which members of the public can report damaged and dangerous roads and bridges. A list of these reports must be compiled annually and publicly reported so that there is transparency around how decisions are being made and road repair priorities set.

Growing Forward III: April General Council

Whereas, A large amount of government money intended to assist farmers and rural areas ended up in large urban centers; and

Whereas, Manitoba farmers and rural communities are presently at the mercy of the general public; now therefore, be it

Resolved, **THAT** KAP lobby the Government of Manitoba and the Government of Canada to have significant farmer input into the funding decisions for Growing Forward 3.

Action: KAP worked extensively with the Canadian Federation of Agriculture, sitting on working groups for both Business Risk Management program reviews and strategic initiatives, to develop a national consensus for what program changes need to occur. These joint recommendations included returning AgriStability reference margins to their original levels of 85%; increasing AgriInvest matching contribution percentages; creating a national minimum standard for Environmental Farm Plan program incentive funding; improving overall service levels to farmers in program administration; several initiatives that provide young farmers with additional benefits as they establish their operations; and many others.

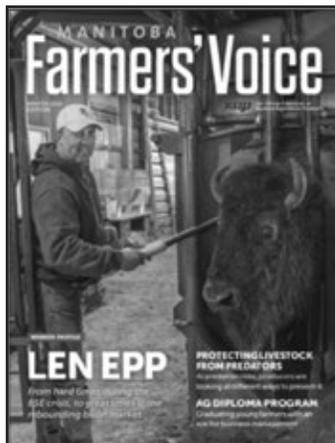
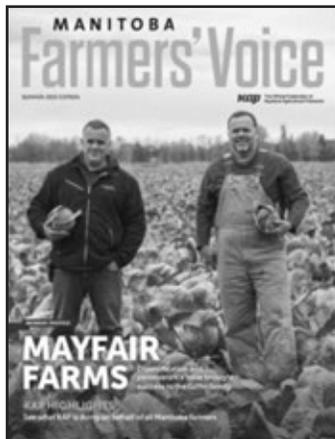
The CFA and KAP worked extensively during the federal election to have parties commit to taking action on these recommendations and we will be extending that effort to the Government of Manitoba in the coming months as we prepare for the introduction of Growing Forward III programming in 2018.

Urban/Rural Connection: April General Council

Resolved, THAT KAP support and be involved with events such as Ag in the City and any others that provide a forum for dialog, discussion and information sharing between food producers and urbanites.

Action: KAP increased efforts to engage with urban citizens regarding the issues that affect our industry and their food supply. We work collaboratively with events and organizations such as Ag in the City, Ag in the Classroom, and Lake Friendly, to teach the urban public about agriculture. In 2016, KAP will host a Doors Open Winnipeg walking tour of the past and present agricultural buildings that are at the heart of Winnipeg's business district to highlight the impact farming has had on Winnipeg's economic development over time.

KAP will also be working during the 2016 provincial election to encourage the voting public to consider parties' positions on agricultural issues when they cast their ballots. Specifically, we will be highlighting public policies that support Manitoba farmers' economic and environmental sustainability and the unique risks that young farmers face as they begin their farming careers.



COMMUNICATIONS

Manitoba Farmers' Voice

KAP published four issues of the Manitoba Farmers' Voice magazine in 2015, each featuring a cover story on a KAP member. We thank the following members for graciously allowing us to feature them:

- Murray and Paulette Klassen of Maple Hill Farms (chicken)
- The Giffin family of Mayfair Farms (vegetables)
- The Berry Family of Under the Hill Farms (potatoes, other crops)
- Len Epp of Rockwood Bison

Other articles discussed farm land prices, environmental farm plans, young farmer successes and plans, biosecurity, predator control, the U of M ag diploma program, Cigi, Lyme disease, and new livestock insurance programs. In addition, the magazine features KAP activities and achievements.

Manitoba Farmers' Voice is distributed through the Manitoba Co-operator to a mailing list of 14,000.

News releases and opinion editorials

KAP reached out to the media with news releases on KAP activities, member concerns and General Council/ Annual Meeting highlights. These news releases often resulted in interviews with the KAP president and others, and subsequent news stories in the media. As well, they are a way of encouraging the media to attend KAP events.

KAP writes opinion editorials on topics of concern to our members – a way to advise the public what is happening in agriculture and a way to draw politician's attention to the issues.

In 2015, KAP editorials included urging government to adopt the recommendations of the Transportation Act Review, as well as lobbying for improvements to the Temporary Foreign Worker program and the agriculture labour market.

KAP Alert

KAP continues to put out a weekly e-newsletter with breaking news, actions on resolutions, KAP activities and timely information for producers. As well, it highlights a weekly member benefit and provides links to industry events.

ACTIVITIES

The first year of Dan Mazier's presidency presented the organization an opportunity to renew focus on policy files, including: landowners' rights; small, young, and beginning farmers; and social license. As well, we remained committed to working on the challenges that have plagued farmers since before KAP's inception, including railway transportation challenges; field and barn biosecurity; and water challenges.

The President and Vice Presidents spent an estimated 206 days (President: 109 VPs: 97) attending meetings and addressing issues on KAP's behalf during the last fiscal year. They also spent a considerable amount of time on conference calls, calls with the KAP office, and staying current with information arriving at the office. The management team was active talking to members, government, and other industry stakeholders concerning various issues.

Meetings with political leaders this year included:

- Minister of Agriculture, Food and Rural Development, Ron Kostyshyn;
- Minister of Labour and Immigration, Erna Braun;
- Minister of Conservation and Water Stewardship, Tom Nevakshonoff;
- Minister of Finance, Greg Dewar;
- Education Critic, Wayne Ewasko;
- Finance Critic Camron Friesen;
- Conservation and Water Stewardship Critic, Shannon Martin;
- Agriculture, Food and Rural Development Critic, Ralph Eichler;
- Liberal leader Rana Bokhari; and
- Chair of the City of Winnipeg Agriculture Caucus Brain Mayes.

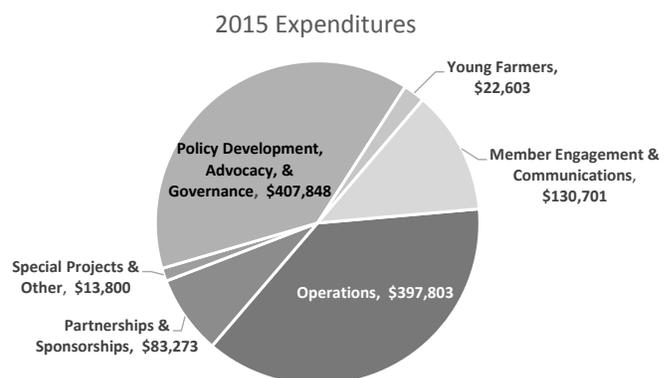
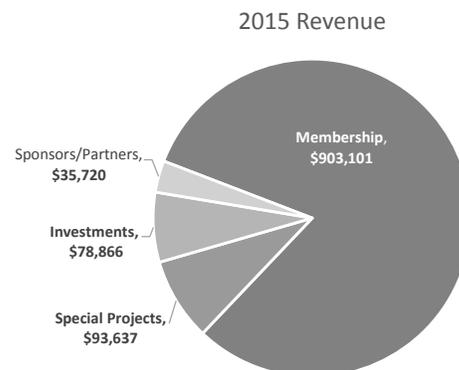
Meetings with other stakeholders included:

- Aquanty;
- Agriculture Risk Management Task Force;
- Association of Manitoba Municipalities;
- Assiniboine River Basin Initiative;
- Canadian Standards Association;
- Winnipeg Chamber of Commerce;
- Manitoba Chambers of Commerce;

- Crop Life Canada;
- G3;
- Manitoba Food Processors Association;
- Manitoba Hydro;
- Manitoba School Boards Association;
- Small Scale Foods Working Group;
- University of Manitoba;
- Safework Manitoba;
- and many others.

FINANCES

KAP's preliminary net income for the 2015 fiscal year is \$102,660. This figure does not take into account any adjusting entries made during the year-end audit, therefore net income in the audit financial statements is expected to differ from the preliminary figure. This strong financial position is largely thanks to membership revenue growth and returns on investment. Pre-audit adjusted expenditures are 2% less than budgeted.



Keystone Agricultural Producers Inc.
Financial Statements
November 30, 2015

Keystone Agricultural Producers Inc.

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Independent Auditors' Report

To the Members of Keystone Agricultural Producers Inc.:

We have audited the accompanying financial statements of Keystone Agricultural Producers Inc. which comprise the statement of financial position as at November 30, 2015, and the statements of operations and 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence on the existence and valuation of the producer refunds payable (Note 8) as well as the completeness and valuation of net assets both at November 30, 2014 and November 30, 2015. Consequently, we were unable to determine whether any adjustments to producer refunds payable or net assets were necessary (both beginning and end of year).

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects the financial position of Keystone Agricultural Producers Inc. as at November 30, 2015 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in the attached schedules 1-10 is unaudited and is presented for the purpose of additional analysis and is not a required part of the financial statements.

Winnipeg, Manitoba

January 27, 2016

MNP LLP

Chartered Professional Accountants

Keystone Agricultural Producers Inc.
Statement of Financial Position

As at November 30, 2015

	2015	2014
Assets		
Current		
Cash	898,267	767,582
Investments (Note 3)	123,130	215,676
Accounts receivable	97,959	69,202
Prepaid expenses	5,843	10,407
	1,125,199	1,062,867
Capital assets (Note 4)	24,202	27,299
Long-term investments (Note 5)	400,000	296,174
Investment in The Co-operators Group Limited (Note 6)	104,000	104,000
	1,653,401	1,490,340
Liabilities		
Current		
Accounts payable (Note 7)	85,328	63,588
Producer refunds payable (Note 8)	360,032	423,486
Unclaimed membership refunds	38,182	33,979
Unearned membership fees	191,816	162,480
Deferred revenue (Note 9)	25,750	5,125
	701,108	688,658
Net Assets	952,293	801,682
	1,653,401	1,490,340

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Keystone Agricultural Producers Inc.
Statement of Operations and Changes in Net Assets

For the year ended November 30, 2015

	2015	2014
Revenue		
Individual memberships	870,000	774,000
Province of Manitoba	60,135	43,655
Loyalty payment	53,150	13,884
Unclaimed membership refunds	33,979	15,681
Young Farmers Committee	33,502	27,930
Other donations	25,720	24,270
Commodity groups	22,000	18,000
Supporter revenue	14,301	6,797
Interest	11,282	7,756
Corporate Partner	10,000	10,000
Prior year memberships <i>(Note 10)</i>	8,000	-
Miscellaneous revenue	6,570	17,271
Gain on investments	-	5,572
Farming 4R Manitoba	-	15,000
Prairie Agricultural Machinery Institute	-	13,282
District allowances recovery	-	15,000
Prairie Improvement Network	-	3,000
	1,148,639	1,011,098

Continued on next page

Keystone Agricultural Producers Inc.
Statement of Operations and Changes in Net Assets

For the year ended November 30, 2015

	2015	2014
<i>(Continued from previous page)</i>	1,148,639	1,011,098
Expenses		
Amortization	8,041	9,608
Annual meeting	66,689	66,537
Audit fee	17,500	20,464
Bank charges	737	133
Canadian Federation of Agriculture membership	65,473	64,189
Committee expense	25,034	14,511
Communications	35,047	27,066
Development and recruitment	15,347	-
District meetings	6,033	4,100
Executive meetings	17,999	16,446
General council meetings	26,412	21,124
Grants	17,800	12,300
Information technology consulting	23,631	20,465
Insurance	5,357	3,419
Leases	7,242	6,913
Legal and professional	17,272	14,094
Office equipment and furniture	448	474
Office	14,632	17,212
Postage	24,795	15,084
President's deductions	2,090	1,868
President's expenses	38,096	25,660
President's per diem	44,963	45,900
Project contracts	8,200	48,066
Rent	56,585	57,913
Salaries and wages	353,879	278,450
Staff benefits	62,988	51,561
Staff travel	16,799	15,151
Telephone	8,794	7,753
Training	-	1,040
Vice Presidents' deductions	734	1,379
Vice Presidents' expenses	24,267	27,830
Vice Presidents' per diems	30,881	35,650
Young Farmers' Committee	22,603	31,043
	1,066,368	963,403
Excess of revenue over expenses before historical surplus receipts	82,271	47,695
Historical surplus receipts <i>(Note 11)</i>	68,340	-
Excess of revenue over expenses	150,611	47,695
Net assets, beginning of year	801,682	753,987
Net assets, end of year	952,293	801,682

The accompanying notes are an integral part of these financial statements

Keystone Agricultural Producers Inc.

Statement of Cash Flows

For the year ended November 30, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	150,611	47,695
Amortization	8,041	9,608
Gain on investments	-	(5,572)
	158,652	51,731
Changes in working capital accounts		
Accounts receivable	(28,757)	(40,579)
Prepaid expenses	4,564	(895)
Accounts payable	21,740	9,151
Producer refunds payable	(63,454)	256,749
Unclaimed membership refunds	4,203	18,265
Unearned membership fees	29,336	(66,336)
Deferred revenue	20,625	(2,475)
	146,909	225,611
Investing		
Purchase of capital assets	(4,944)	(1,676)
Re-investment of interest revenue into investments	(11,280)	(7,756)
	(16,224)	(9,432)
Increase in cash resources	130,685	216,179
Cash resources, beginning of year	767,582	551,403
Cash resources, end of year	898,267	767,582

The accompanying notes are an integral part of these financial statements

Keystone Agricultural Producers Inc.

Notes to the Financial Statements

For the year ended November 30, 2015

1. Incorporation and nature of the organization

Keystone Agricultural Producers Inc. (the "Organization") is a non-for-profit organization incorporated without share capital. Its purpose is to promote the interest of Manitoba agricultural producers. The Organization is exempt from income taxes under Section 149 of The Income Tax Act. In order to maintain its status as a registered not for profit organization under The Income Tax Act, the Organization must meet certain requirements specified within The Income Tax Act. It is the opinion of management that these requirements have been met.

2. Significant accounting policies

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

Cash

Cash includes balances with bank. Cash subject to restrictions that prevent its use for current purposes is included as restricted cash.

Investments

Investments, both current and long-term, consist of guaranteed investment certificates and are recorded at cost, less any provision for other than temporary impairment.

Investment in The Co-operators Group Limited

The investment in The Co-operators Group Limited consists of preferred shares and is recorded at cost less reduction for impairment, if any. Impairment losses are recognized when estimated undiscounted future cash flows from related loyalty payment revenue and future disposal, if any, are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year.

Capital assets

Capital asset acquisitions are recorded at cost. Amortization is provided using the following rates and methods intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, one-half of the rates below are used to calculate amortization.

	Method	Rate
Computer equipment	declining balance	30 %
Computer software	declining balance	100 %
Equipment	declining balance	20 %
Leasehold improvements	straight-line	10 years

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in the statement of operations for the year.

Unclaimed membership refunds liability

The unclaimed membership refunds liability is a provision for uncashed producer refund cheques outstanding for more than 6 months.

2. **Significant accounting policies** *(Continued from previous page)*

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which qualifying 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.

Membership revenue is recognized upon receipt of the membership fee by either a designated purchaser or directly by the Organization. When members prepay fees, the revenue is deferred until the year that the membership relates to.

When members have only paid partial membership fees, the fees are recorded as repayable to the producers until such time as the producer has either paid up the full amount of the membership fee, or has authorized the Organization to retain the amounts as an unrestricted donation to the Organization. Such unrestricted donations are included in supporter revenue in the statement of operations and changes in net assets.

Unclaimed membership refunds revenue represents uncashed cheques that have been recognized as revenue. The amounts are recognized as revenue when 1 full year has past since the amounts were recognized as unclaimed membership refund liabilities.

Interest revenue is recognized in the period in which it is earned.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Measurement uncertainty

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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Producer refunds payable represents the Organization's estimate of non-membership fees collected from producers which, given the information available, the Organization will be able to repay to the producers. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Keystone Agricultural Producers Inc.
Notes to the Financial Statements
For the year ended November 30, 2015

2. Significant accounting policies (Continued from previous page)

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value. At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost, less impairment. All other financial assets and liability are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in earnings. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

3. Investments

	2015	2014
Guaranteed investment certificate, bearing interest at 2.37%, maturing October 2016	100,000	-
Guaranteed investment certificate, matured during the year	-	100,000
Cash held in investment portfolio	23,130	115,676
	123,130	215,676

4. Capital assets

	Cost	Accumulated amortization	2015 Net book value
Computer equipment	43,015	26,496	16,519
Computer software	7,770	7,770	-
Equipment	36,219	29,730	6,489
Leasehold improvements	3,981	2,787	1,194
	90,985	66,783	24,202

	Cost	Accumulated amortization	2014 Net book value
Computer equipment	232,386	214,791	17,595
Computer software	7,770	7,770	-
Equipment	36,219	28,107	8,112
Leasehold improvements	3,981	2,389	1,592
	280,356	253,057	27,299

Keystone Agricultural Producers Inc.
Notes to the Financial Statements
For the year ended November 30, 2015

5. Long-term investments

	2015	2014
Guaranteed investment certificate, bearing interest at 2.37%, maturing October 2016	-	100,000
Guaranteed investment certificate, bearing interest at 2.92%, maturing October 2018	100,000	100,000
Guaranteed investment certificate, bearing interest at 2.05%, maturing December 2019	100,000	-
Guaranteed investment certificate, bearing interest at 2.25%, maturing November 2020	100,000	-
Deposit note, maturing March 2017	100,000	96,174
	400,000	296,174

6. Investment in The Co-operators Group Limited

The Organization is a member of The Co-operators Group Limited and holds an investment consisting of preferred shares.

7. Accounts payable

Included in accounts payable is \$11,370 (2014 - \$4,813) owing to the Government of Canada for GST remittances.

8. Producer refunds payable

	2015	2014
Specified amounts to be remitted back to identified producers	219,643	174,684
Estimate of unspecified amounts to be remitted back to producers. Management is of the opinion that a portion of this balance, not yet determinable, should have been recorded as individual membership revenue in prior years. If determined and identified, such amounts will not be paid back to producers.	140,389	248,802
	360,032	423,486

9. Deferred revenue

In some cases, contributions have been received from contributors who have restricted their use. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made.

	2015	2014
Donations for the annual general meeting to be held in next fiscal year	14,250	1,000
Donations for the Young Farmers Conference to be held in next fiscal year	11,500	4,125
	25,750	5,125

Keystone Agricultural Producers Inc.
Notes to the Financial Statements
For the year ended November 30, 2015

10. Prior year memberships

During the year, certain producers opted to become fully paid members for the previous year. As they were not fully paid members at the end of the previous year, amounts received from these producers to November 30, 2014 were included in the financial statements as producer refunds payable as at November 30, 2014.

11. Historical surplus receipts

During the year, management reduced its estimate of producer refunds payable. It was determined by management that \$68,340 (2014 - \$0), collected over a span of 15 years from producers whom the Organization could not properly identify, would not be able to be refunded to the producers.

12. Expenses by major function

	2015	2014
Policy and Member Service	385,425	367,409
Administration Support	423,702	312,630
General	72,619	70,082
Office	127,622	117,720
Environmental Farm Plan Program	37,800	43,655
Prairie Agricultural Machinery Institute Program	-	18,907
Manitoba Wheat and Barley Growers Program	-	15,000
Prairie Improvement Network Program	-	3,000
Farming 4R Manitoba	-	15,000
Growing Forward 2	19,200	-
	1,066,368	963,403

13. Commitments

The Organization has entered into lease commitments for premises and office equipment with estimated minimum lease payments as follows:

2016	61,590
2017	52,630
2018	3,820
2019	3,820
2020	3,820
	125,680

14. Financial instruments

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

Keystone Agricultural Producers Inc.
Schedule 1 - Policy and Member Service Expenses

For the year ended November 30, 2015
(Unaudited)

	2015	2014
Annual meeting	66,689	66,537
Canadian Federation of Agriculture membership	65,473	64,189
Committee expense	25,034	14,511
District meetings	6,033	4,100
Executive meetings	17,999	16,446
General council meetings	26,412	21,124
Insurance	5,357	3,419
President's deductions	2,090	1,868
President's expenses	38,096	25,660
President's per diem	44,963	45,900
Telephone	8,794	7,753
Vice Presidents' deductions	734	1,379
Vice Presidents' expenses	24,267	27,830
Vice Presidents' per diems	30,881	35,650
Young Farmers' Committee	22,603	31,043
	385,425	367,409

Keystone Agricultural Producers Inc.
Schedule 2 - Administration Support Expenses

For the year ended November 30, 2015
(Unaudited)

	2015	2014
Amortization	8,041	9,608
Development and recruitment	15,347	-
Office equipment and furniture	448	474
Project contracts	4,000	-
Salaries and wages	318,799	239,993
Staff benefits	62,988	51,561
Staff travel	14,079	10,994
	423,702	312,630

Keystone Agricultural Producers Inc.
Schedule 3 - General Expenses
For the year ended November 30, 2015
(Unaudited)

	2015	2014
Audit fee	15,000	20,464
Communications	32,547	23,224
Grants	17,800	12,300
Legal and professional	7,272	14,094
	72,619	70,082

Keystone Agricultural Producers Inc.
Schedule 4 - Office Expenses
For the year ended November 30, 2015
(Unaudited)

	2015	2014
Bank charges	737	133
Information technology consulting	23,631	20,465
Leases	7,242	6,913
Office	14,632	17,212
Postage	24,795	15,084
Rent	56,585	57,913
	127,622	117,720

Keystone Agricultural Producers Inc.
Schedule 5 - Environmental Farm Plan Program Revenue and Expenses
For the year ended November 30, 2015
(Unaudited)

	2015	2014
Revenue		
Province of Manitoba	37,800	43,655
Expenses		
Salaries and wages	35,080	38,458
Staff travel	2,720	4,157
Training	-	1,040
	37,800	43,655
Excess of revenue over expenses	-	-

Keystone Agricultural Producers Inc.
Schedule 6 - Prairie Agricultural Machinery Institute Program Revenue and Expenses
For the year ended November 30, 2015
(Unaudited)

	2015	2014
Revenue		
Prairie Agricultural Machinery Institute	-	13,282
Expenses		
Project contracts	-	18,907
Excess (deficiency) of revenue over expenses	-	(5,625)

Keystone Agricultural Producers Inc.
Schedule 7 - Manitoba Wheat and Barley Growers Association Program Revenue and Expenses

*For the year ended November 30, 2015
(Unaudited)*

	2015	2014
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Revenue		
Province of Manitoba	-	15,000
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Expenses		
Project contracts	-	15,000
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Excess of revenue over expenses	-	-

Keystone Agricultural Producers Inc.
Schedule 8 - Prairie Improvement Network Program Revenue and Expenses
For the year ended November 30, 2015
(Unaudited)

	2015	2014
Revenue		
Prairie Improvement Network	-	3,000
Expenses		
Project contracts	-	3,000
Excess of revenue over expenses	-	-

Keystone Agricultural Producers Inc.
Schedule 9 - Farming 4R Manitoba Program Revenue and Expenses
For the year ended November 30, 2015
(Unaudited)

	2015	2014
Revenue		
Farming 4R Manitoba	-	15,000
Expenses		
Communications	-	3,841
Project contracts	-	11,159
	-	15,000
Excess of revenue over expenses	-	-

Keystone Agricultural Producers Inc.
Schedule 10 - Growing Forward 2 Program Revenue and Expenses
For the year ended November 30, 2015
(Unaudited)

	2015	2014
Revenue		
Province of Manitoba	22,335	-
Expenses		
Accounting evaluation	2,500	-
Communications consulting	2,500	-
Legal and professional	10,000	-
Research and strategic planning	4,200	-
	19,200	-
Excess of revenue over expenses	3,135	-



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