

TWIGG & COMPANY  
CHARTERED ACCOUNTANTS

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SASKATCHEWAN 4-H COUNCIL INC.

AUDITED FINANCIAL STATEMENTS

for the year ended December 31, 2016



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### **Independent Auditors' Report**

To the Members of Saskatchewan 4-H Council Inc.

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Saskatchewan 4-H Council Inc., which comprise the statement of financial position as at December 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 misstatements, 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 audit opinion.

(continued on page 2)



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**Independent Auditors' Report (continued)**

(continued from page 1)

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan 4-H Council Inc. as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Saskatoon, Saskatchewan  
March 6, 2017

*Twigg & Company*  
Chartered Accountants

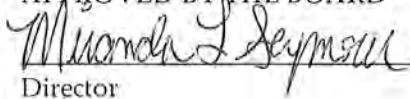


SASKATCHEWAN 4-H COUNCIL LTD.

STATEMENT OF FINANCIAL POSITION  
as at December 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<b>CURRENT:</b>		
Cash	\$ 706,441	\$ 719,905
Short-term investments (Note 3)	201,627	101,891
Accounts receivable	8,817	10,840
Grants receivable (Note 4)	13,193	39,361
Inventory (Note 5)	99,366	97,238
Prepaid expenses	9,113	10,267
Due from related party (Note 6)	<u>49,352</u>	<u>46,838</u>
	1,087,909	1,026,340
<b>CAPITAL ASSETS (Note 7)</b>	<u>12,415</u>	<u>10,703</u>
	\$ <u>1,100,324</u>	\$ <u>1,037,043</u>
<u>LIABILITIES</u>		
<b>CURRENT:</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 61,382	\$ 61,480
Deferred revenue (Note 9)	185,612	191,585
Deferred contributions (Note 10)	<u>97,348</u>	<u>96,872</u>
	<u>344,342</u>	<u>349,937</u>
<u>NET ASSETS</u>		
<b>UNRESTRICTED NET ASSETS</b>	651,751	582,875
<b>INTERNALLY RESTRICTED NET ASSETS (Note 12)</b>	<u>104,231</u>	<u>104,231</u>
	<u>755,982</u>	<u>687,106</u>
	\$ <u>1,100,324</u>	\$ <u>1,037,043</u>

APPROVED BY THE BOARD

  
Director

  
Director

SASKATCHEWAN 4-H COUNCIL LTD.

STATEMENT OF OPERATIONS  
for the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b> <i>(Schedule 1)</i>		
Provincial programs	\$ 29,170	\$ 22,087
Government funding	388,914	375,287
Membership dues and registration fees	274,714	291,841
Saskatchewan 4-H Foundation <i>(Note 6)</i>	131,843	60,821
Scholarships and awards	76,319	44,551
Provincial lottery	30,084	34,773
Promotional sales	22,768	29,233
Saskatchewan Lotteries	25,059	24,330
Other	<u>4,593</u>	<u>4,474</u>
	<u>983,464</u>	<u>887,397</u>
<b>EXPENSES</b> <i>(Schedule 2)</i>		
Administrative	443,496	421,783
Provincial, regional, district and club level	274,869	233,695
Supplies	31,569	32,133
Development and marketing	63,756	65,055
Board and Council business	94,423	98,318
Amortization of capital assets	<u>6,475</u>	<u>4,670</u>
	<u>914,588</u>	<u>855,654</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 68,876</u>	<u>\$ 31,743</u>

SASKATCHEWAN 4-H COUNCIL LTD.

STATEMENT OF CHANGES IN NET ASSETS  
for the year ended December 31, 2016

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	Internally restricted	Unrestricted	2016	2015
Balance, beginning of year	104,231	582,875	687,106	655,363
Excess of revenues over expenses	-	68,876	68,876	31,743
Transfers (Note 12)	-	-	-	-
<b>Balance, end of year</b>	<b>104,231</b>	<b>651,751</b>	<b>755,982</b>	<b>687,106</b>

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SASKATCHEWAN 4-H COUNCIL LTD.

STATEMENT OF CASH FLOWS  
for the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ 68,876	\$ 31,743
Changes to income not involving cash:		
Amortization	<u>6,475</u>	<u>4,670</u>
	<u>75,351</u>	<u>36,413</u>
Change in non-cash working capital balances related to operations:		
Accounts receivable	2,023	( 5,879)
Grants receivable	26,168	( 29,688)
Inventory	( 2,128)	( 5,528)
Prepaid expenses	1,154	449
Accounts payable and accrued expenses	( 98)	29,770
Due to related party	( 2,514)	1,263
Deferred revenue	( 5,973)	( 20,481)
Deferred contributions	<u>476</u>	<u>12,199</u>
	<u>19,108</u>	( <u>17,895</u> )
Total from operating activities	<u>94,459</u>	<u>18,518</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase (disposition) of short-term investments	( 99,736)	( 1,663)
Purchase of capital assets	( 8,187)	( 15,373)
Purchase (disposition) of long-term investments	<u>—</u>	<u>100,280</u>
Total from investing activities	( <u>107,923</u> )	<u>83,244</u>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR THE YEAR</b>	( 13,464)	101,762
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>719,905</u>	<u>618,143</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 706,441</u>	<u>\$ 719,905</u>
<b>CASH AND EQUIVALENTS CONSIST OF:</b>		
Cash	<u>\$ 706,441</u>	<u>\$ 719,905</u>
	<u>\$ 706,441</u>	<u>\$ 719,905</u>

SASKATCHEWAN 4-H COUNCIL LTD.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended December 31, 2016

1. THE ORGANIZATION

The Saskatchewan 4-H Council Inc. ("the Council") was incorporated under the laws of the Province of Saskatchewan on March 6, 1979. Its main activity is to provide programs and services to 4-H members and leaders at the club, district, regional and provincial levels. The Council is a project-based youth organization devoted to strengthening the skills of responsible citizens. The Council focuses on the growth and development of its members, leaders, volunteers, and staff through its motto: "Learn to do by doing". The Council is registered provincially with the Corporations Branch as an incorporated not-for-profit-organization

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

The Council follows the deferral method of accounting for contributions. 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.

Other revenues are recognized in the year they are earned provided the amount to be received can be reasonably estimated and collection is reasonably assured.

The Council's membership year runs from September through August. Membership and club fees reported for the year ended December 31, 2016 are consequently comprised of both fees received for the 2015-2016 membership year (67%) and fees received for the 2016-2017 membership year (33%).

(b) Inventory

The inventory of store items and cookbooks is recorded at the lower of cost and net realizable value. Club manuals and promotional inventory is recorded at the lower of cost and current replacement cost.



SASKATCHEWAN 4-H COUNCIL LTD.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments

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

(d) Short-term investments

Short-term investments are classified as available-for-sale and are recorded at market value.

(e) Cash and cash equivalents -

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

(f) 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.

(g) Use of estimates

The preparation of financial statements in accordance 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, any disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

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

SASKATCHEWAN 4-H COUNCIL LTD.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income taxes

The Council qualifies as a tax exempt organization under section 149 of the Income Tax Act.

(i) Allocated expenditures

The Council allocates its salary expense between administrative expenditures and provincial, regional, district and club level expenditures. Salaries paid to the provincial office staff are allocated to the administrative expenditures and salaries paid to the regional specialists are allocated to the provincial, regional, district and club level expenditures.

(j) Capital assets

Capital assets are initially recorded at cost. Amortization is provided at rates intended to amortize the cost over their estimated useful lives as follows:

Computer equipment and software	3 years straight-line basis
Marketing tools	5 years straight-line basis

3. INVESTMENTS

	2016	2015
Guaranteed investment certificate bearing interest at 1.60%, maturing April 28, 2016	\$ -	\$ 101,891
Guaranteed investment certificate bearing interest at 1.60%, maturing April 5, 2017	100,481	-
Guaranteed investment certificate bearing interest at 1.05%, maturing November 29, 2017	101,146	-
<b>Total Short-term investments</b>	<b>\$ 201,627</b>	<b>\$ 101,891</b>

SASKATCHEWAN 4-H COUNCIL LTD.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

4. GRANTS RECEIVABLE

The grants receivable balance is composed of the following:

	2016	2015
Canadian 4-H Council (AAFC)	\$ 9,318	\$ 37,486
Canadian 4-H Council (FCC)	1,875	1,875
Canadian 4-H Council (CN)	2,000	-
	<u>\$ 13,193</u>	<u>\$ 39,361</u>

5. INVENTORY

Inventory consists of the following:

	2016	2015
Club manuals (lower of cost and replacement cost)	\$ 50,335	\$ 50,555
Promotional materials (lower of cost and replacement cost)	2,247	9,721
Store items (at lower of cost and net realizable value)	43,945	36,474
Cookbooks (at lower of cost and net realizable value)	2,839	488
	<u>\$ 99,366</u>	<u>\$ 97,238</u>

6. RELATED PARTY TRANSACTIONS

The Council has the following related parties:

**Canadian 4-H Council**

The purpose of the Canadian 4-H Council is to promote the 4-H program on a national level by supporting the provincial councils. In 2016, the Saskatchewan 4-H Council Inc. recorded funding of \$67,608 (2015 - \$56,896) from the Canadian 4-H Council.

The Saskatchewan 4-H Council paid its provincial insurance and fees and its board of directors liability insurance through the Canadian 4-H Council. In 2016, the total insurance and fees paid through the Canadian 4-H Council were \$11,341 (2015 - \$11,141). A national membership fee of \$10,041 (2015 - \$10,217) was also paid to the Canadian 4-H Council.

**Saskatchewan 4-H Foundation**

The purpose of the Saskatchewan 4-H Foundation is to promote the 4-H program. In 2016, the Saskatchewan 4-H Council recorded funding of \$131,843 (2015 - \$60,821) from the Foundation.

**Various 4-H Clubs**

The purpose of the various 4-H clubs is to promote, support and facilitate the activities of 4-H members. The Saskatchewan 4-H Council provides administrative support to the clubs as well as other activity resources. In 2016, the Saskatchewan 4-H Council Inc. recorded membership dues, registration and club fees from the clubs in the amount of \$274,714 (2015 - \$291,841).

SASKATCHEWAN 4-H COUNCIL LTD.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended December 31, 2016

7. CAPITAL ASSETS

Capital assets consist of the following:

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	\$ 13,223	\$ 8,397	\$ 4,826	\$ 7,979
Marketing tools	10,337	2,748	7,589	2,724
	<u>\$ 23,560</u>	<u>\$ 11,145</u>	<u>\$ 12,415</u>	<u>\$ 10,703</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance is composed of the following:

	2016	2015
Trade payables	\$ 5,732	\$ 9,532
Scholarships payable	1,250	4,500
Vacation payable	18,834	15,367
Wages payable	17,981	14,907
GST payable	9,335	8,924
Accrued liabilities	8,250	8,250
	<u>\$ 61,382</u>	<u>\$ 61,480</u>

9. DEFERRED REVENUE

The deferred revenue balance is composed of the following:

	2016	2015
Membership fees (January – August 2017)	\$ 166,114	\$ 159,737
Annual general meeting fees	14,998	20,139
Sponsorship	-	10,500
Scholarship	4,500	1,000
Other	-	209
	<u>\$ 185,612</u>	<u>\$ 191,585</u>

SASKATCHEWAN 4-H COUNCIL LTD.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended December 31, 2016

10. DEFERRED CONTRIBUTIONS

The deferred contributions balance represents restricted funding received in the current period that is related to expenses to be incurred in the subsequent period.

The Council receives funding from the Saskatchewan Ministry of Agriculture to be held, administered and distributed in accordance with the related funding agreement. The Saskatchewan Ministry of Agriculture program provides funding to develop youth leadership capacity and advance awareness of agriculture. The funding agreement covers the period of April 1, 2015 to March 31, 2018.

The Council receives funding from the Canadian 4-H Council to be held, administered and distributed in accordance with the related funding agreement. The Canadian 4-H Council provides funding to support learning and development activities. The funding agreement covers the period of April 1, 2016 to March 31, 2018.

The deferred contributions balance is composed of the following:

	2016	2015
<b>Deferred contributions, beginning of year</b>	<b>\$ 96,872</b>	<b>\$ 84,673</b>
<i>Contributions received during the year:</i>		
Saskatchewan Ministry of Agriculture	87,500	87,500
Canadian 4-H Council	9,848	9,372
<i>Less:</i>		
Amounts recognized as government funding revenue	( 96,872)	( 84,673)
Amounts recognized as provincial program revenue	-	-
<b>Deferred contributions, end of year</b>	<b>\$ 97,348</b>	<b>\$ 96,872</b>

11. FINANCIAL INSTRUMENTS

The Council is exposed to various risks through its financial instruments.

**Credit Risk**

The Council's exposure to credit risk relates principally to its cash balances and accounts receivable. The Council maintains cash balances with reputable major financial institutions. The accounts receivable are due from a diverse group of individuals, 4-H clubs, other not-for-profit organizations, and government agencies. Management typically requires individuals to pay immediately and amounts due from other 4-H clubs are not significant in amount. Receivables from other not-for-profit organizations and from government agencies usually consist of funding grants for which there are signed agreements. Management establishes allowances for doubtful accounts when the amounts deemed to be uncollectible. Accordingly, the Council is not exposed to significant credit risk.

SASKATCHEWAN 4-H COUNCIL LTD.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended December 31, 2016

11. FINANCIAL INSTRUMENTS (continued)

**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 Council is exposed to interest rate risk on its investments.

**Liquidity risk**

Liquidity risk is that the Council will encounter difficulty in meeting obligations associated with financial liabilities. The Council enters into transactions to purchase goods and services on credit and lease office equipment from creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Council's future net cash flows for the possibility of a negative net cash flow. The Council manages liquidity risk resulting from accounts payable and accrued liabilities by investing in liquid assets such as cash and short-term investments which can be readily available to repay accounts payable and accrued liabilities.

12. INTERNALLY RESTRICTED NET ASSETS

In the current year the Board transferred \$Nil (2015 - \$55,769) from the internally restricted net assets to pay for certain disbursements that were designated to be paid from the internally restricted funds.

SASKATCHEWAN 4-H COUNCIL LTD.

SCHEDULE OF REVENUE – Schedule 1  
for the year ended December 31, 2016

	2016	2015
<i>Provincial programs</i>		
Regional program revenue	14,668	15,082
Provincial program revenue	14,502	7,005
	29,170	22,087
<i>Government funding</i>		
Saskatchewan Ministry of Agriculture	350,000	337,500
Agriculture Canada	38,914	37,787
	388,914	375,287
<i>Membership dues and registration fees</i>		
Membership dues	250,316	246,729
Club fees	-	18,228
Annual meeting registration	12,350	12,675
Annual meeting visitors' fees	11,948	13,780
Annual meeting revenue	100	429
	274,714	291,841
<i>Saskatchewan 4-H Foundation</i>		
Saskatchewan 4-H Foundation campaign	49,352	46,938
Saskatchewan 4-H Foundation grant	82,491	13,883
	131,843	60,821
<i>Scholarship and awards</i>		
Corporate sponsorships	54,069	39,051
Other grants	9,750	-
Scholarship funding	12,500	5,500
	76,319	44,551
<i>Provincial lottery</i>		
2014/2015 lottery	-	34,773
2015/2016 lottery	30,084	-
	30,084	34,773
<i>Promotional sales</i>		
Promotional sales	22,768	29,233
	22,768	29,233
<i>Saskatchewan Lotteries</i>		
Grant – annual funding provincial associations	25,059	24,330
	25,059	24,330
<i>Other</i>		
Investment income	2,338	2,770
Miscellaneous income	1,880	1,079
Advertising	375	625
	4,593	4,474
<b>Total Revenue</b>	<b>983,464</b>	<b>887,397</b>

SASKATCHEWAN 4-H COUNCIL LTD.

SCHEDULE OF EXPENDITURES – Schedule 2  
for the year ended December 31, 2016

	2016	2015
<i>Administrative</i>		
Salaries	309,422	276,429
Website/computer support	15,094	27,092
Professional fees	11,025	8,450
Group insurance	22,048	19,634
Registered retirement savings plan	12,522	18,754
Service charges	5,262	5,161
Stationery	6,319	4,778
Postage	22,055	15,111
Staff meetings	4,315	3,805
Staff/volunteer recognition	2,288	1,451
Salaries – casual	-	2,458
Bus/courier	936	1,584
Travel and sustenance	4,890	7,929
Computer/software purchases	4,151	3,819
Office equipment	619	4,448
Storage expense	1,684	1,475
Telephone and fax	10,208	7,682
Cellular phones	3,198	3,870
Photocopying	4,964	2,888
Workers' compensation	-	773
Staff training	2,325	765
Bad debts	171	2,476
Miscellaneous	-	951
	443,496	421,783
<i>Provincial, regional, district and club level</i>		
Salaries	162,175	165,716
Programming	80,810	43,137
Mileage	12,255	9,334
Leader resources and support	1,498	-
Scholarship funding	12,500	11,500
Meals and accommodations	5,631	4,008
	274,869	233,695
<i>Supplies</i>		
Club supplies	6,260	516
Club manuals	25,163	21,207
Inventory adjustment	146	10,410
	31,569	32,133



SASKATCHEWAN 4-H COUNCIL LTD.

SCHEDULE OF EXPENDITURES – Schedule 2 (continued)  
for the year ended December 31, 2016

	2016	2015
<i>Development and marketing</i>		
Marketing and public relations	31,086	26,121
Club share of lottery	13,775	16,575
Promotional expenses	15,479	19,842
Lottery expense	3,416	2,517
	63,756	65,055
<i>Board and Council business</i>		
Annual meeting	42,876	43,442
Insurance and fees	9,674	9,463
Board meetings	19,078	14,284
Board training	1,164	8,984
Canadian 4-H Council membership	14,967	15,786
Board of directors liability insurance	1,678	1,678
Memberships in other organizations	1,290	750
Committee expenses	3,696	3,931
	94,423	98,318
<i>Amortization of capital assets</i>		
Amortization expense	6,475	4,670
<b>Total Expenses</b>	<b>914,588</b>	<b>855,654</b>