

**SASKATCHEWAN FOOD PROCESSORS
ASSOCIATION, INC.**

Financial Statements

Year Ended December 31, 2008

AUDITORS' REPORT

To the Members of Saskatchewan Food Processors Association, Inc.

We have audited the statement of financial position of Saskatchewan Food Processors Association, Inc. as at December 31, 2008 and the statements of operations and net assets and cash flow for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2008 and the results of its operations and changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



REGINA, Saskatchewan
March 6, 2009

Mintz & Wallace
Chartered Accountants LLP

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Statement of Financial Position As at December 31, 2008

	<u>Operations</u>	<u>Saskatchewan Made Stores</u>	<u>Externally Restricted</u>	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>					
CURRENT ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ 24,674
Accounts receivable (Note 3)	-	17,398	103,487	120,885	11,717
Inventory	-	28,809	-	28,809	22,299
Prepaid expenses	2,180	1,104	-	3,284	2,641
	<u>2,180</u>	<u>47,311</u>	<u>103,487</u>	<u>152,978</u>	<u>61,331</u>
INVESTMENTS - RESTRICTED (Note 4)	15,266	-	-	15,266	35,266
CAPITAL ASSETS (Note 5)	34,789	-	-	34,789	22,510
INTANGIBLE ASSETS	-	-	-	-	1,216
DUE FROM (TO) OTHER FUNDS (Note 6)	<u>125,707</u>	<u>(71,214)</u>	<u>(54,493)</u>	<u>-</u>	<u>-</u>
	<u>\$ 177,942</u>	<u>\$ (23,903)</u>	<u>\$ 48,994</u>	<u>\$ 203,033</u>	<u>\$ 120,323</u>
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES					
Bank indebtedness	\$ 1,720	\$ -	\$ -	\$ 1,720	\$ 80,199
Accounts payable and accrued liabilities	106,953	-	-	106,953	-
Due to other (Note 7)	-	39,246	-	39,246	64,678
Unearned revenue (Note 8)	12,500	6,237	11,780	30,517	24,847
	<u>121,173</u>	<u>45,483</u>	<u>11,780</u>	<u>178,436</u>	<u>169,724</u>
NET ASSETS					
Externally restricted	-	-	37,214	37,214	14,284
Invested in capital assets	34,789	-	-	34,789	22,510
Internally restricted	15,266	-	-	15,266	35,266
Unrestricted	6,714	(69,386)	-	(62,672)	(121,461)
	<u>56,769</u>	<u>(69,386)</u>	<u>37,214</u>	<u>24,597</u>	<u>(49,401)</u>
	<u>\$ 177,942</u>	<u>\$ (23,903)</u>	<u>\$ 48,994</u>	<u>\$ 203,033</u>	<u>\$ 120,323</u>

See accompanying notes

On behalf of the Board of Directors:

_____ Director

_____ Director

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Statement of Operations For the Year Ended December 31, 2008

	<u>Externally Restricted Funding</u>				<u>2008 Total</u>	<u>2007 Total</u>
	<u>Operations</u>	<u>Saskatchewan Made Stores</u>	<u>CARDS</u>	<u>ACAAFS</u>		
REVENUE						
<u>Self-Generated</u>						
Sales	\$ -	\$ 421,711	\$ -	\$ -	\$ 421,711	\$ 500,672
Regular memberships	25,975	-	-	-	25,975	21,639
Associate memberships	12,450	-	-	-	12,450	13,125
Administration fees	20,994	-	-	-	20,994	9,867
Advertising	-	-	-	-	-	-
Annual general meeting	948	-	-	-	948	1,950
Commissions	-	-	-	-	-	-
Consulting services	-	-	-	-	-	-
Board honorariums	2,497	-	-	-	2,497	1,396
Display booth rental	-	-	-	-	-	150
Golf tournament	9,787	-	-	-	9,787	14,257
Rent recovery	6,000	-	-	-	6,000	7,150
Other	3,369	-	-	-	3,369	1,930
<u>Grants</u>						
Market Development						
Sask. Ag & Food	50,000	-	-	-	50,000	50,000
Sask. Ag & Food						
Value Chain Funding	-	17,500	-	-	17,500	-
Sask Enterprise	49,550	-	-	-	49,550	-
Program funding	3,600	-	124,969	153,147	281,716	173,176
	<u>185,170</u>	<u>439,211</u>	<u>124,969</u>	<u>153,147</u>	<u>902,497</u>	<u>795,312</u>
EXPENSES						
Advertising and promotion	549	20,372	27,442	-	48,363	72,503
Amortization	6,571	7,621	-	-	14,192	10,824
Bank charges and fees	1,515	7,786	-	-	9,301	10,699
Contracted services	16,833	228	34,385	34,385	85,831	93,356
Cost of sales	-	218,989	-	-	218,989	306,084
Directory costs	2,385	-	-	-	2,385	3,245
Insurance	4,609	1,073	-	-	5,682	5,926
Licenses and memberships	1,099	830	-	-	1,929	1,675
Meetings and events	10,743	-	-	-	10,743	15,550
Member rebates	-	-	44,775	102,861	147,636	54,039
Office expenses	7,285	7,995	131	-	15,411	10,964
Promotional goods	3,806	1,328	3,026	-	8,160	3,200
Printing	4,610	144	-	-	4,754	1,869
Professional fees	1,508	4,224	-	-	5,732	7,865
Rent	18,466	49,750	-	-	68,216	98,684
Repairs and maintenance	1,094	2,264	-	-	3,358	3,565
Sponsorship	15,000	750	-	-	15,750	660
Telephone, fax and internet	6,333	5,403	-	-	11,736	9,997
Tradeshow booth expenses	-	2,643	1,657	-	4,300	18,591
Travel and meals	2,832	872	6,524	-	10,228	7,919
Utilities	-	11,126	-	-	11,126	14,299
Wages and benefits	33,000	91,677	-	-	124,677	126,996
	<u>138,238</u>	<u>435,075</u>	<u>117,940</u>	<u>137,246</u>	<u>828,499</u>	<u>878,510</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 46,932	\$ 4,136	\$ 7,029	\$ 15,901	\$ 73,998	\$ (83,198)

See accompanying notes

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Statement of Net Assets Year Ended December 31, 2008

	<u>Operations</u>	<u>Invested In Capital Assets</u>	<u>Saskatchewan Made Stores</u>	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
BALANCE - beginning of year	\$ (40,318)	\$ 22,510	\$ (81,143)	\$ 35,266	\$ 14,284	\$ (49,401)	\$ 30,610
ADJUSTMENT TO MARKET VALUE	<u>-</u> (40,318)	<u>-</u> 22,510	<u>-</u> (81,143)	<u>-</u> 35,266	<u>-</u> 14,284	<u>-</u> (49,401)	<u>3,187</u> 33,797
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	46,932	-	4,136	-	22,930	73,998	(83,198)
AMORTIZATION	5,355	(12,976)	7,621	-	-	-	-
INTERNAL TRANSFER	<u>(5,255)</u>	<u>25,255</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE - end of year	\$ <u>6,714</u>	\$ <u>34,789</u>	\$ (69,386)	\$ <u>15,266</u>	\$ <u>37,214</u>	\$ <u>24,597</u>	\$ (49,401)

See accompanying notes

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Statement of Cash Flow For the Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 73,998	\$ (83,198)
Plus item which does not require cash outlay:		
- amortization	14,192	10,824
- investment earnings	<u>-</u>	<u>(1,109)</u>
	<u>88,190</u>	<u>(73,483)</u>
Net change in non-cash current assets and liabilities		
Accounts receivable increase	(109,168)	42,600
Inventory increase	(6,510)	21,493
Prepaid increase	(643)	1,163
Accounts payable increase	26,754	(15,023)
Due to other increase	(25,432)	(237)
Unearned revenue increase	<u>5,670</u>	<u>13,922</u>
	<u>(109,329)</u>	<u>63,918</u>
Net cash from operating activities	<u>(21,139)</u>	<u>(9,565)</u>
INVESTING ACTIVITIES		
Purchase of investments	20,000	-
Purchase of capital assets	<u>(25,255)</u>	<u>-</u>
Net cash from investing activities	<u>(5,255)</u>	<u>-</u>
DECREASE IN CASH RESOURCES	(26,394)	(9,565)
CASH - beginning of year	<u>24,674</u>	<u>34,239</u>
CASH - end of year	<u>\$ (1,720)</u>	<u>\$ 24,674</u>

See accompanying notes

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Notes to the Financial Statements
December 31, 2008

1. NATURE OF OPERATIONS

Saskatchewan Food Processors Association, Inc. is a registered not-for-profit organization who provides services to promote Saskatchewan Made products in and beyond Saskatchewan. The Association is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and the most significant policies are as follows:

Going Concern

These financial statements have been prepared on a going concern basis that contemplates the realization of assets and the payment of liabilities in the ordinary course of operations. Should the Association be unable to continue as a going concern, it may be unable to realize the carrying value of its net assets and to meet its liabilities as they become due.

The Association has incurred a loss from operations in the current year and has a working capital deficiency of \$25,458 (2007 - \$73,127) and net asset deficiency of \$Nil (2007 - \$49,401).

In order for the Association to continue as a going concern, it must attain sustainable operations through increased sales in the SaskMade Store or obtain additional operating funding.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Revenue Recognition

Saskatchewan Food Processors Association, Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership revenue is recorded when received.

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Notes to the Financial Statements
December 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES - cont'd

Fund Accounting

The Association reports using fund accounting with the following funds:

Operations

The Operations fund reports the day-to-day activities of the Association.

Saskatchewan Made Stores

This fund reports the activities related to facilitating the sales and distribution through the Saskatchewan Made Store locations.

Internally Restricted Reserve

The Board has internally restricted funds to ensure the continued solvency of the Association.

Externally Restricted

The Externally Restricted fund which reports the activities related to administering funding to members for Branding, Tradeshows, and Market Access/Sampling activities funded by Canadian Adaptation and Rural Development in Saskatchewan (CARDS) and Advancing Canadian Agriculture and Agri-Food Saskatchewan (ACAAFS).

Inventory

Inventory is recorded at the lower of cost and net realizable value using the first-in first-out method.

Investments

Investments are classified as held-for-trade and any adjustment to record to market value is included in current excess (deficiency) of revenues over expenses.

Capital Assets

Capital assets are stated at cost. Amortization is recorded in the accounts as per the following with one-half of the normal rate applied in the year of acquisition.

Computer and equipment	20 %	Declining balance
Website	3 yrs	Straight-line
Signs	5 yrs	Straight-line
Leaseholds	3 yrs	Straight-line

Intangible Assets

Intangibles are amortized using the straight-line method over 5 years.

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Notes to the Financial Statements
December 31, 2008

3. ACCOUNTS RECEIVABLE

	<u>2008</u>	<u>2007</u>
Grants receivable	\$ 103,487	\$ 2799
GST receivable	1,863	2,266
Members and other	<u>15,535</u>	<u>6,652</u>
	<u>\$ 120,885</u>	<u>\$ 11,717</u>

4. INVESTMENTS

The Association has invested in mutual funds with a market value of \$15,266.

5. CAPITAL ASSETS

	-----2008-----		---2007---	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer and equipment	\$ 33,618	\$ 21,889	\$ 11,729	\$ 13,715
Leaseholds	24,416	4,070	20,346	-
Website	16,284	13,570	2,714	8,142
Signs	<u>3,753</u>	<u>3,753</u>	<u>-</u>	<u>653</u>
	<u>\$ 78,071</u>	<u>\$ 43,282</u>	<u>\$ 34,789</u>	<u>\$ 22,510</u>

6. DUE FROM (TO) OTHER FUNDS

The Association does not maintain separate bank accounts for each fund. As a result any payments that are made/received during the year are processed through the Operations Fund on behalf of other funds. The inter-fund balances have no set repayment terms and bear no interest.

7. DUE TO OTHER

As at year-end, payments due to members for consignment sales totalled \$39,246 (2007 - \$64,678).

8. UNEARNED REVENUE

Payments have been received under the following programs and will be recognized in the subsequent year once the related activities have occurred.

	<u>2008</u>	<u>2007</u>
Saskatchewan Ag & Food - General	\$ 12,500	\$ 12,500
Nutritional labelling	11,780	-
CARDS Advance - Sask Made Marketing	-	3,521
Unearned revenue – Marketplace Cert - Stn	<u>6,237</u>	<u>8,826</u>
	<u>\$ 30,517</u>	<u>\$ 24,847</u>

SASKATCHEWAN FOOD PROCESSORS ASSOCIATION, INC.

Notes to the Financial Statements
December 31, 2008

9. FINANCIAL INSTRUMENTS

The Association's financial instruments are cash, accounts receivable, investments and accounts payable and accrued liabilities. The carrying value of these items represents their fair value due to the short-term nature of the items. As noted in the accounting policy, investments are recorded as held-for-trade and are adjusted to market value

The Association is not exposed to any unusual credit risk as they have policies and procedures in place to ensure their risk is minimized.