

Manitoba Oat Growers Association

FINANCIAL STATEMENTS

Year Ended July 31, 2015

Manitoba Oat Growers Association

Regina, Saskatchewan

July 31, 2015

(Unaudited)

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Review Engagement Report

To the members
Manitoba Oat Growers Association

We have reviewed the Statement of Financial Position of Manitoba Oat Growers Association as at July 31, 2015 and the Statements of Operations and Cash Flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the organization's management.

A review does not constitute an audit and consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow PQ LLP

Per: *Mandy Piro*

Yorkton, SK
November 10, 2015

Manitoba Oat Growers Association
 Regina, Saskatchewan
 Statement of Financial Position as at July 31, 2015
 (Unaudited)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	135,964	239,822
Accounts receivable	22,252	44,935
Prepaid expenses	<u>19,419</u>	<u>18,981</u>
	<u>\$ 177,635</u>	<u>\$ 303,738</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	<u>4,928</u>	<u>58,190</u>
Net Assets, Unrestricted		
Balance, beginning of year	245,548	262,511
Add: Excess (deficiency) of revenue over expenses for the year	<u>(72,841)</u>	<u>(16,963)</u>
Balance, end of year	<u>172,707</u>	<u>245,548</u>
	<u>\$ 177,635</u>	<u>\$ 303,738</u>

Approved on behalf of the board:

Manitoba Oat Growers Association

Statement of Operations
For the year ended July 31, 2015
(Unaudited)

	2015	2014
Revenue		
Producer fees	205,219	208,302
Less: Producer fee refunds	(4,725)	(7,071)
Overcap fee refunds - note 4		(50,465)
Investment income		1,300
Other		999
	<u>200,494</u>	<u>153,065</u>
Expenses		
Annual general meeting	8,998	12,044
Board of Directors	4,376	7,165
Levy administration fees	13,635	12,029
Prairie Oat Breeding Consortium membership	28,472	37,963
Producer meetings	1,286	309
Proportionate expenses of POGA - note 5	211,824	93,599
General and administrative:		
Bank charges	181	180
Memberships	613	
Communications - promotion and website	1,500	1,909
Office and other administrative		2,031
Professional fees	2,450	2,799
	<u>273,335</u>	<u>170,028</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u>\$ (72,841)</u>	<u>\$ (16,963)</u>

*The notes to financial statements are an integral
part of these financial statements.*

Manitoba Oat Growers Association

Statement of Cash Flows
For the year ended July 31, 2015
(Unaudited)

	2015	2014
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	(72,841)	(16,963)
Net change in working capital	<u>(31,017)</u>	<u>(52,532)</u>
	(103,858)	(69,495)
Investing activities		
Proceeds on disposal of long-term investments	<u>0</u>	<u>150,000</u>
Net Cash Increase (Decrease) for the Year	(103,858)	80,505
Cash position, beginning of year	<u>239,822</u>	<u>159,317</u>
Cash Position, End of Year	<u>\$ 135,964</u>	<u>\$ 239,822</u>
Represented By:		
Cash and cash equivalents	<u>\$ 135,964</u>	<u>\$ 239,822</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	22,683	(32,781)
- prepaid expenses	(438)	(18,981)
- other current assets		246
Increase (decrease) - accounts payable and accrued liabilities	<u>(53,262)</u>	<u>(1,016)</u>
	<u>\$(31,017)</u>	<u>\$(52,532)</u>

The notes to financial statements are an integral part of these financial statements.

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2015
(Unaudited)

1. Nature of Operations

The organization was formed on July 25, 2008. The Manitoba Oat Growers Association is designated as the representative organization of all producers of oats in Manitoba, pursuant to The Manitoba Oat Growers Association Designation Regulation ("the Regulation"), under the authority of The Agricultural Producers' Organization Funding Act of Manitoba. The main purpose of the organization is to fund oat research, market development and education. The organization is not subject to income tax.

2. Significant Accounting Policies

These financial statements are the responsibility of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) using the accounting policies as summarized below:

(a) Cash and cash equivalents

Cash and cash equivalents represents cash on hand and cash held in banks.

(b) Revenue

Under the Regulation, each producer is required to pay the organization a fee of \$0.50 per tonne of oats sold in Manitoba, collected upon the purchasing of the grain from the producer. Producers may request a refund for fees paid in the year by submitting a written request within time limits as defined in the Regulation.

Producer fees are recognized when they are collected by registered oat buyers. Refunds are recognized as requested by producers in the same fiscal year as the related revenue is reported.

Investment revenues are recognized on an accrual basis as the income is earned.

(c) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and 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 excess of revenue over expenses.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2015
(Unaudited)

2. Significant Accounting Policies - continued

(d) 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 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 the statement of operations in the period in which they became known.

3. Risks Arising from Financial Instruments

The organization is not exposed to significant risks through its financial instruments.

4. Overcap Refunds

Prior to August 1, 2014, the Regulation required the organization to refund total producer fees in excess of \$250 collected from a producer between August 1 of one year and July 31 of the following year. Effective August 31, 2014, this regulation was repealed.

5. Transactions with Related Parties

Included in these financial statements are transactions with the Prairie Oat Growers Association Inc. (POGA), an organization related by virtue of common board members. POGA provides administration services, overhead expenses, and research and development projects of mutual benefit to the Manitoba Oat Growers Association (MOGA), the Saskatchewan Oat Development Commission (SODC) and the Alberta Oat Growers Commission (AOGC). The SODC, MOGA, and AOGC have agreed to jointly fund the net administrative and project expenses of POGA via a cost-sharing arrangement based on levy income net of levy refunds. The proportionate share of the actual costs attributable to each organization is determined annually.

Related party balances bear no specific terms of repayment. Related party transactions and balances included in the financial statements are as follows:

Financial Statement Accounts	2015	2014
Assets		
Accounts receivable - POGA (overpayment of funding contributions)	\$ 7,275	\$ 24,809
Liabilities		
Accounts payable - Board of Director expenses	0	1,500
Expenses		
Proportionate expenses of POGA	211,824	93,599
POBC contributions to POGA	28,472	37,963

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2015
(Unaudited)

5. Transactions with Related Parties - continued

In the current year, MOGA's share of POGA's operating deficit is 20% (15% in the prior year). A summary of POGA's total revenues and expenses appears below:

	2015	2014
Revenues before funding contributions:		
Grant revenues	416,685	371,874
POBC contributions	221,716	295,621
Other revenues	<u>24,975</u>	<u>39,899</u>
	<u>663,376</u>	<u>707,394</u>
Expenses:		
Research projects	512,476	450,810
Market development projects	820,732	513,628
Communications	58,119	48,722
General operating expenses	<u>346,622</u>	<u>306,421</u>
	<u>1,737,949</u>	<u>1,319,581</u>
Deficiency of Revenue over Expenses Before Funding Contributions	<u>(1,074,573)</u>	<u>(612,187)</u>
Funding contributions:		
MOGA	211,824	93,599
SODC	727,839	443,128
AOGC	<u>134,910</u>	<u>75,460</u>
	<u>\$ 0</u>	<u>\$ 0</u>

6. Commitments

The organization has committed to providing funds to POGA to finance its annual membership in the Prairie Oat Breeding Consortium (anticipated to be approximately \$28,000 annually).

POGA has committed to funding certain projects, of which MOGA will provide proportionate funding based on the overall cost-sharing formula as agreed upon between the parties as detailed in note 5. POGA's commitments are as follows:

Project	Terms
Julie Goodnight sponsorship	- \$64,600 in US dollars commencing November 1, 2014 and ending March 31, 2016, \$50,300 in Canadian dollars of which was expended in the current year
Improving Transportation Impediments for Canadian Oats	- remaining commitments under contract total \$10,000 for contracted services plus actual travel and meeting costs
Development of the Mexican Oat Market	- \$323,000 by March 31, 2018 - POGA is eligible for up to \$161,250 in grant funds for this project

Manitoba Oat Growers Association

Notes to Financial Statements
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(Unaudited)

6. Commitments - continued

Healthier Oat Oil	- \$90,000 over four years commencing January 1, 2013, \$30,000 of which was expended in the current year (\$75,000 to date)
Water Soluble Beta Glucan	- \$90,000 over three years commencing August 1, 2012, \$25,000 of which was expended in the current year (\$55,000 to date)
Development of Oat Cultivars (Oat Advantage)	- \$20,000 annually over 5 years commencing April 1, 2013, with a 2-year extension option, \$20,000 of which was expended in the current year (\$60,000 to date)
Yield Response and Test Weight Stability of Oat to Fertilizer N	- POGA has agreed to apply for two grants, each to a maximum of \$30,720 on behalf of a third party; \$49,070 has been expended to date
Developing Superior Oat Cultivars and Prairie Oat Breeding Consortium	- \$1,098,581 over 5 years commencing April 1, 2013, \$216,400 of which was expended in the current year (\$481,332 to date)
Transposon-Mediated Activation Tagging in Oats	- \$197,801 over four years commencing April 1, 2014, \$48,300 of which was expended in the current year - POGA is eligible for up to \$151,000 in grant funds for this project, \$37,012 of which was received in the current year
Crop Sequencing of Large Acreage Crops	- \$32,500 commencing December 5, 2014 and ending July 20, 2020; no expenses have been incurred to date
Oats Improve the Gastrointestinal Health of Horses	- \$116,106 denoted in US dollars commencing August 1, 2015 and ending December 31, 2016; no expenses have been incurred to date - POGA is eligible for up to \$110,000, denoted in Canadian dollars, in grant funds for this project
Investigation of Avenanthramides	- \$90,000 commencing December 5, 2014 and ending December 31, 2017, \$20,000 of which has been expended during the year
Breeding for Resistance to Leaf Blotch Pathogens in Saskatchewan Oats	- \$45,000 commencing December 5, 2014 and ending December 31, 2017; no expenses have been incurred to date

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6. Commitments - continued

Crown Rust Initiative	- \$100,000 denoted in US dollars commencing October 1, 2015 and ending July 1, 2019; no expenses have been incurred to date
Occurrence and Fate of Toxigenic Fungi and their Associated Mycotoxins in Saskatchewan-grown Oats and Oat Milling Projects	- \$311,695 over four years commencing April 2014, \$99,968 in Canadian dollars of which was expended in the current year - POGA is eligible for up to \$233,722 in grant funds for this project, \$61,006 of which was received in the current year
Other commitments	- \$41,000 payable monthly at \$5,125 per month, commencing August 1, 2015, for website content on www.horsehealthyoats.com and marketing to increase online traffic and presence to encourage horse owners to feed oats to their horses