

**Saskatchewan Oat Development Commission**

**FINANCIAL STATEMENTS**

**Year Ended July 31, 2015**

**Saskatchewan Oat Development Commission**

Regina, Saskatchewan

July 31, 2015

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## Independent Auditors' Report

To the Board of Directors  
Saskatchewan Oat Development Commission

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Saskatchewan Oat Development Commission, which comprise the Statement of Financial Position as at July 31, 2015, and the Statements of Operations 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 audit opinion.

### *Basis for Qualified Opinion*

The commission collects a check-off fee from Saskatchewan producers through buyers of oats. It was not practicable for us to verify whether all buyers of oats produced in Saskatchewan have collected and remitted the required check-off fee to the commission. In addition, the commission has engaged a third party to administer the check-off collection, including the establishment and monitoring of all related controls. It was not practicable for us to examine the records of this third party. Accordingly, our verification of check-off fee revenue was limited to the amounts recorded in the accounts of the commission. As such, we were unable to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets, liabilities, net assets and cash flows of the commission.

### *Qualified Opinion*

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of check-off revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Oat Development Commission as at July 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Collins Barrow PQ LLP**

Per: *Mandy Puro*

Yorkton, SK  
November 12, 2015

# Saskatchewan Oat Development Commission

Regina, Saskatchewan

Statement of Financial Position as at July 31, 2015

	2015	2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	342,063	541,744
Short-term investments - note 4	1,187,500	1,187,500
Accounts receivable	63,054	115,161
Accrued interest receivable	7,923	7,550
Prepaid expenses	1,002	133
	<u>1,601,542</u>	<u>1,852,088</u>
	<u>\$ 1,601,542</u>	<u>\$ 1,852,088</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>40,897</u>	<u>84,544</u>
<b>Net Assets, Unrestricted</b>		
Balance, beginning of year	1,767,544	1,693,798
Add: Excess (deficiency) of revenue over expenses for the year	<u>( 206,899)</u>	<u>73,746</u>
Balance, end of year	<u>1,560,645</u>	<u>1,767,544</u>
	<u>\$ 1,601,542</u>	<u>\$ 1,852,088</u>

Approved on behalf of the board:

  

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## Saskatchewan Oat Development Commission

Statement of Operations  
For the year ended July 31, 2015

	Budget	2015	2014
<b>Revenue</b>			
Producer check-off fees	665,162	726,292	749,829
Less: Producer check-off refunds	<u>( 39,910)</u>	<u>( 37,382)</u>	<u>( 36,050)</u>
	625,252	688,910	713,779
Investment and other income	<u>18,000</u>	<u>14,694</u>	<u>14,373</u>
	<u>643,252</u>	<u>703,604</u>	<u>728,152</u>
<b>Expenses</b>			
Board of Directors	20,000	15,451	19,388
Communications - education	15,000	15,000	15,500
Levy administration fees	35,000	26,619	27,845
Loss on disposal of short-term investments			14,618
Producer meetings	8,000	12,149	8,280
Proportionate expenses of POGA - note 5	550,200	727,839	443,128
Research and development grants - note 6	105,000	105,000	118,000
General and administrative:	9,000		
Bank charges		120	670
Election expense			150
Memberships		631	578
Newsletter, promotion and website		2,400	450
Office and other administrative		14	354
Professional fees		<u>5,280</u>	<u>5,445</u>
	<u>742,200</u>	<u>910,503</u>	<u>654,406</u>
<b>Excess (Deficiency) of Revenue Over Expenses for the Year</b>	<u><u>\$ ( 98,948)</u></u>	<u><u>\$ ( 206,899)</u></u>	<u><u>\$ 73,746</u></u>

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

## Saskatchewan Oat Development Commission

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

	2015	2014
<b>Cash Provided By (Used In):</b>		
Operations		
Excess (deficiency) of revenue over expenses for the year	( 206,899)	73,746
Add items not requiring cash resources		
Loss on disposal of short-term investments		14,618
Net change in working capital	<u>7,218</u>	<u>42,423</u>
	<u>( 199,681)</u>	<u>130,787</u>
Investing activities		
Additions to short-term investments	( 1,537,500)	( 2,387,500)
Proceeds on disposal of long-term investments		260,991
Proceeds on disposal of short-term investments	<u>1,537,500</u>	<u>2,253,788</u>
	<u>0</u>	<u>127,279</u>
<b>Net Cash Increase (Decrease) for the Year</b>	( 199,681)	258,066
Cash position, beginning of year	<u>541,744</u>	<u>283,678</u>
<b>Cash Position, End of Year</b>	<u>\$ 342,063</u>	<u>\$ 541,744</u>
<b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 342,063</u>	<u>\$ 541,744</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	52,107	18,957
- prepaid expenses	( 869)	379
- other current assets	( 373)	( 367)
Increase (decrease) - accounts payable and accrued		
- liabilities	<u>( 43,647)</u>	<u>23,454</u>
	<u>\$ 7,218</u>	<u>\$ 42,423</u>

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

# Saskatchewan Oat Development Commission

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

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## 1. Nature of Operations

The organization was formed April 12, 2006 pursuant to The Oat Development Plan Regulations, under the authority of The Agri-Food Act, 2004. The Saskatchewan Oat Development Commission develops the oat industry in Saskatchewan by engaging in research and development projects intending to research new market opportunities, improve yields, decrease input costs, increase demand and create an overall better product. 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 check-off fee of \$0.50 per tonne of oats sold in Saskatchewan, collected upon the purchasing of the grain from the producer. Producers may request a refund for check-off fees paid in the year by submitting a written request within time limits as defined in the Regulation.

Producer check-off 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 no 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.

# Saskatchewan Oat Development Commission

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

## 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 exposed to various risks through its financial instruments. The following analysis presents the organization's risk exposure and concentrations at the reporting date.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to fair value risk on its fixed interest rate financial instruments.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The organization is exposed to other price risk from its investments.

	2015	2014
<b>4. Short-Term Investments</b>		
Description - GICs maturing within 6 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 0.6% to 1.3% (2014 - 1.0%-1.3%)	387,500	1,187,500
Description - GICs maturing within 6 to 12 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 0.6% to 1.6%	<u>800,000</u>	<u>0</u>
	<u>\$ 1,187,500</u>	<u>\$ 1,187,500</u>

## 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 Saskatchewan Oat Development Commission (SODC), the Manitoba Oat Growers Association (MOGA), 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.

## Saskatchewan Oat Development Commission

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

### 5. Transactions with Related Parties - continued

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

Financial Statement Accounts	2015	2014
<b>Liabilities</b>		
Accounts payable (Board of Director expenses)	\$ 0	\$ 1,836
Accounts payable - POGA (underpayment of funding contributions)	600	42,588
<b>Expenses</b>		
Proportionate expenses of POGA	727,839	443,128

In the current year, SODC's share of POGA's net operating deficit is 68% (72% in the prior year). A summary of POGA's total revenues and expenses appears below:

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

### 6. Commitments

In 2013 the organization committed to providing \$80,000 per year for three years to the University of Saskatchewan commencing in 2014. The \$80,000 contribution of the current year is included in research and development grant expenses.

In 2014 the organization entered into an agreement to provide a total of \$65,320 to the University of Saskatchewan to provide funds toward a research project to improve weed management. The organization is obligated to provide \$26,000 in 2014, \$13,000 in the 2015 fiscal year and \$6,720 in the 2016 fiscal year. These expenses are included in research and development grant expenses.

In 2014 the organization committed to budget \$12,000 per year for three years to post registration variety performance trials by the Saskatchewan Variety Performance Group.

In 2015 the organization entered into an agreement to provide \$4,000 to the University of Saskatchewan and \$14,000 to Agriculture Canada for a joint project for the 2016 year. The organization is obligated to provide these funds for the research on alternate harvesting approaches for oats for one year, with the possibility of extending the project for an additional year.

## Saskatchewan Oat Development Commission

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

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### 6. Commitments - continued

POGA has committed to funding certain projects, of which SODC 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:

<b>Project</b>	<b>Terms</b>
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
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 Oat	- \$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

## Saskatchewan Oat Development Commission

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

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### 6. Commitments - continued

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
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 <a href="http://www.horsehealthy oats.com">www.horsehealthy oats.com</a> and marketing to increase online traffic and presence to encourage horse owners to feed oats to their horses

### 7. Budget

The figures shown under the "Budget" column in the statement of operations are provided for information purposes only.