

Prairie Oat Growers Association Inc.

FINANCIAL STATEMENTS

Year Ended July 31, 2013

Prairie Oat Growers Association Inc.

Regina, Saskatchewan

July 31, 2013

(Unaudited)

Table of Contents

	Page
Review Engagement Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to Financial Statements	5-12
Schedule of Expenditures	13

Review Engagement Report

To the members
Prairie Oat Growers Association Inc.

We have reviewed the Statement of Financial Position of Prairie Oat Growers Association Inc. as at July 31, 2013 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.

We draw attention to note 2 of the financial statements which describes that Prairie Oat Growers Association Inc. adopted Canadian accounting standards for not-for-profit organizations on August 1, 2012 with a transition date of August 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the Statement of Financial Positions as at July 31, 2012 and August 1, 2011, and the Statements of Operations and Cash Flows for the year ended July 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information and as such, it is neither audited nor reviewed.

Collins Barrow PQ LLP

Per: *Mandy Puro* CA

Yorkton, SK
December 11, 2013

Prairie Oat Growers Association Inc.
 Regina, Saskatchewan
 Statement of Financial Position as at July 31, 2013
 (Unaudited)

	July 31, 2013	July 31, 2012	August 1, 2011
Assets			
Current Assets			
Cash and cash equivalents	39,781	38,940	
Accounts receivable - note 4	93,545	101,365	192,313
Prepaid expenses	29,426	18,602	2,300
	<u>162,752</u>	<u>158,907</u>	<u>194,613</u>
Capital Assets - note 5	<u>537</u>	<u>1,075</u>	<u>121</u>
	<u>\$ 163,289</u>	<u>\$ 159,982</u>	<u>\$ 194,734</u>
Liabilities and Net Assets			
Current Liabilities			
Bank overdraft			11,238
Accounts payable and accrued liabilities - note 6	157,364	154,057	177,571
	<u>157,364</u>	<u>154,057</u>	<u>188,809</u>
Net Assets, Unrestricted			
Balance, beginning of year	5,925	5,925	5,925
Add: Excess of revenue over expenses for the year	0	0	0
Balance, end of year	<u>5,925</u>	<u>5,925</u>	<u>5,925</u>
	<u>\$ 163,289</u>	<u>\$ 159,982</u>	<u>\$ 194,734</u>

Approved on behalf of the board:

Prairie Oat Growers Association Inc.

Statement of Operations
For the year ended July 31, 2013
(Unaudited)

	2013	2012
Revenue Before Funding Contributions		
<i>Grant revenues:</i>		
Growing Canadian Agri-Innovations Program (DIAP) - note 8	3,832	
AgriMarketing Long Term International Strategy - note 8		30,000
AgriMarketing - EFOP - note 8	84,962	15,038
ADOPT Program - note 8	12,800	
Preventing Equine Disease - note 8	38,640	
Export of Canadian Oats - note 8	76,598	
CAAP grant - note 8	35,000	
Reimbursement of unexpended funds - DIAP	4,809	
<i>Other revenues:</i>		
Conference revenues	24,647	19,200
Prairie Oat Breeding Consortium partner contributions - note 8	185,630	185,895
Investments and other		37
	<u>466,918</u>	<u>250,170</u>
Expenses - page 13		
Research projects	244,273	290,776
Market development projects	505,594	329,706
Expansion projects	393	10,928
Communications	49,968	43,951
General operating expenses	<u>253,776</u>	<u>210,554</u>
	<u>1,054,004</u>	<u>885,915</u>
Deficiency of Revenue Over Expenses Before Funding Contributions	<u>(587,086)</u>	<u>(635,745)</u>
Funding Contributions - note 8		
Manitoba Oat Growers Association	161,130	146,874
Saskatchewan Oat Development Commission	407,871	488,871
Alberta Oat Development Commission	18,085	
	<u>587,086</u>	<u>635,745</u>
Excess of Revenue Over Expenses for the Year	<u>\$ 0</u>	<u>\$ 0</u>

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

Prairie Oat Growers Association Inc.

Statement of Cash Flows
For the year ended July 31, 2013
(Unaudited)

	2013	2012
Cash Provided By (Used In):		
Operations		
Excess of revenue over expenses for the year	0	0
Add items not requiring cash resources		
Amortization	537	658
Net change in working capital	<u>304</u>	<u>51,132</u>
	841	51,790
Investing activities		
Capital asset purchases	<u>0</u>	<u>(1,612)</u>
Net Cash Increase for the Year	841	50,178
Cash position, beginning of year	<u>38,940</u>	<u>(11,238)</u>
Cash Position, End of Year	<u>\$ 39,781</u>	<u>\$ 38,940</u>
Represented By:		
Cash and cash equivalents	<u>\$ 39,781</u>	<u>\$ 38,940</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	7,820	90,948
- prepaid expenses	(10,824)	(16,302)
Increase (decrease) - accounts payable and accrued liabilities	<u>3,308</u>	<u>(23,514)</u>
	<u>\$ 304</u>	<u>\$ 51,132</u>

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

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

1. Nature of Operations

The Prairie Oat Growers Association Inc. (POGA) was incorporated on April 20, 1998 under the Non-Profit Corporations Act of Saskatchewan. The organization's purpose is to develop and support partnerships in the agricultural industry that will enhance the profitability of oats for prairie producers and increase its value to the customer. The organization is not subject to income tax.

POGA also works to co-ordinate the efforts of the Saskatchewan Oat Development Commission, the Manitoba Oat Growers Association and the Alberta Oat Growers Commission. Further information regarding the relationship between POGA and these provincial organizations is detailed in note 7.

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) Impact of the change in the basis of accounting

The organization has elected to apply the Canadian accounting standards for not-for-profit organizations of Part III of the *CICA Accounting Handbook*.

These financial statements are the first statements for which the organization has applied Canadian accounting standards for not-for-profit organizations.

The financial statements for the year ended July 31, 2013 were prepared in accordance with Canadian accounting standards for not-for-profit organizations and provisions set out in Section 1501, First-Time Adoption by Not-For-Profit Organizations.

The adoption of ASNFPO had no impact on the previously reported assets, liabilities and net assets of the organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in net assets and statement of cash flows. Certain of the organization's disclosures required in these financial statements reflect the new disclosure requirements of ASNFPO.

(b) Cash and cash equivalents

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

(c) Capital assets

Capital assets are recorded at cost less accumulated amortization.

The assets are amortized on a straight-line basis at the following rates:

Furniture, fixtures and equipment	5 years
Computer equipment	3 years

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

2. Significant Accounting Policies - continued

(d) Revenue

Funding contributions from the Saskatchewan Oat Development Commission, the Alberta Oat Growers Commission and the Manitoba Oat Growers Association are recognized based on a cost-sharing agreement between the three parties. Related revenues are recognized in the year in which the expenses included in the cost-sharing agreement are incurred.

Grant revenues and other contributions are recognized following the deferral method of accounting. As such, restricted contributions subject to external stipulations, including grant revenues, are recognized as revenue in the same period in which the related expenditures are made, provided all grant qualifications have been met and collection is reasonably assured. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Prairie Oat Breeding Consortium partner contributions are recognized in the fiscal year in which the related membership year ends.

Conference and meeting registration revenues are recognized when the related conference is held and any conditions relating to the revenues have been fulfilled.

Investment income comprised of interest from cash and fixed income investments are recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest method. Other investment income is recognized when it is received.

(e) Project expenses

Project expenses are recognized when the expenditures are made or become payable.

(f) 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.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

2. Significant Accounting Policies - continued

(g) 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.

Significant estimates have been made regarding the expected service lives of capital assets.

3. Risks Arising from Financial Instruments

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

	2013	2012
4. Accounts Receivable		
Accounts receivable are comprised of the following items:		
Accounts receivable	19,015	32,165
Accrued grants receivable:		
Western Economic Development	34,530	
CAAP	35,000	
Grants receivable - AgriMarketing EFOP	5,000	
DIAP		69,200
	<u>93,545</u>	<u>101,365</u>
	<u>\$ 93,545</u>	<u>\$ 101,365</u>
5. Capital Assets		
Cost		
Furniture, fixtures and equipment	605	605
Computer equipment	<u>1,612</u>	<u>1,612</u>
	<u>2,217</u>	<u>2,217</u>
Accumulated amortization		
Furniture, fixtures and equipment	605	605
Computer equipment	<u>1,075</u>	<u>537</u>
	<u>1,680</u>	<u>1,142</u>
Net book value	<u>\$ 537</u>	<u>\$ 1,075</u>

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

	2013	2012
6. Accounts Payable and Accrued Liabilities		
Accounts payable and accrued liabilities are comprised of the following items:		
Accounts payable	122,364	153,416
Grant proceeds payable - CAAP recipient - note 8	35,000	
Government remittances		641
	<u>157,364</u>	<u>154,057</u>
	<u>\$ 157,364</u>	<u>\$ 154,057</u>

7. Transactions with Related Parties

Included in these financial statements are transactions with the Saskatchewan Oat Development Commission (SODC), the Manitoba Oat Growers Association (MOGA) and the Alberta Oat Growers Commission (AOGC), all of which are related by virtue of common board members. The Prairie Oat Growers Association Inc. provides administration services, overhead expenses and research and development projects of mutual benefit to the SODC, the MOGA and the AOGC. The SODC, the MOGA and the AOGC have agreed to jointly fund the net administrative expenses of the organization via a cost-sharing arrangement based on levy income net of levy refunds. The MOGA and the SODC have agreed to jointly fund the project expenses of POGA via the same cost sharing formula as the net administrative expenses. AOGC will participate in the cost sharing of the project expenses commencing the 2014 fiscal year. The proportionate share attributable to each organization is determined annually. Any expenditures made by the organization which are for the sole benefit of either the SODC, the MOGA or the AOGC exclusively are recovered from that organization based on the actual cost to the Prairie Oat Growers Association Inc.

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

	2013	2012
Assets		
Accounts receivable - SODC's expenses paid by POGA	\$ 0	\$ 54
Accounts receivable - SODC's funding contributions		32,111
Accounts receivable - AOGC's funding contributions	18,085	
Accounts receivable - MOGA's funding contributions	930	
Liabilities		
Accounts payable - Board of Director expenses		9,474
Accounts payable - MOGA's funding contributions net of \$24,240 of expenses paid by POGA)		138,213
Accounts payable - SODC's funding contributions in excess of amounts payable	91,929	
Revenue		
Funding contributions (MOGA)	161,130	146,874
Funding contributions (SODC)	407,871	488,871
Funding contributions (AOGC)	18,085	
POBC contributions (MOGA)	23,872	23,872

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

8. Projects and Future Funding Commitments

In the current year, the organization was involved in the following projects:

Equine Feed Oat Project (EFOP)

The objective of this project is to increase the domestic production and commercial marketing of Canadian oats through increased consumption of oats in equine markets in the United States through a combination of research into the nutritional quality of oats, market research and market development through targeted advertising and promotion.

POGA received \$100,000 in funding from the Minister of Agriculture and Agri-Food Canada for eligible expenditures incurred between April 1, 2012 and March 31, 2013 relating to International Marketing Strategies specific to the EFOP. Eligible expenditures recognized in the current year total \$169,924 (\$30,076 in the prior year), \$181,624 of which is recognized as an expenses of the current year (\$11,700 of the prior year expenditures were recognized as prepaid in the prior year, and thus expensed in the current year). 50% of eligible expenditures are reimbursable under this grant, and as such, \$84,965 in revenues are recognized in the current year (\$15,038 in the prior year).

The following two projects (Oats: Preventing Equine Disease and Julie Goodnight sponsorship) are also undertaken as part of the Equine Feed Oat Project.

Oats: Preventing Equine Disease

The purpose of this project is to examine the effects of various grains on the characteristics of the microbial population of the equine large intestine. POGA is eligible for a grant of up to \$66,150 from the Ministry of Agriculture of Saskatchewan under the Saskatchewan Ministry of Agriculture and the Canada-Saskatchewan Growing Forward Bi-Lateral agreement. POGA has entered into a contract with the University of Kentucky for the provision of research services commencing February 1, 2013 and extending to January 31, 2015. The total commitment under this contract is \$122,601 in US dollars, \$40,826 (\$41,995 in Canadian dollars) of which has been expended to date and included in Equine Feed Oat Project expenses. POGA is committed to paying \$46,342 US in the 2014 fiscal year and \$35,433 US in the 2015 fiscal year.

Julie Goodnight Sponsorship

The organization has agreed to sponsor The Julie Goodnight Show on RDTV for a total of \$91,200 denoted in US dollars, in monthly instalments commencing November 1, 2012 and ending October 1, 2014. In return for this sponsorship, Julie Goodnight agrees to endorse the Equine Feed Oats Project. Amounts paid in the current year total \$34,556, measured in Canadian dollars. These expenses have been recognized in the Equine Feed Oat Project expenses.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

8. **Projects and Future Funding Commitments** - continued

Improving Export of Canadian Oats

The purpose of this project is to increase the sale and export of Canadian Oats. POGA is eligible for a grant of up to \$195,000 from the Government of Canada as represented by the Minister of Western Economic Diversification (WD) for the facilitation of meetings between multinational stakeholders and oat producers. \$10,750 of expenses eligible for reimbursement by WD are recognized in the statement of operations as Mexican Oats expense, \$22,074 as Transportation Impediments and \$43,744 in the Equine Feed Oat Project.

POGA has entered into contracts for the provision of services extending to December 2014, including facilitating meetings with representatives of the agricultural products transportation industry and a trade mission to Mexico. Total commitments under these contracts are \$109,725, \$33,600 of which has been expended to date and included in the recognized expenses noted above.

DIAP Program related projects

The following four projects (CORE, POOL, Nationwide Network and POBC) were undertaken in collaboration with the Government of Canada by the Ministry of Agriculture and Agri-Food under the Developing Innovative Agri-Products (DIAP) Initiative of the Growing Canadian Agri-Innovations Program. The project activities were administered and overseen by the Ministry of Agriculture and Agri-Food, with the exception of certain activities under the CORE project, as further described below. POGA's commitments for the components funded by the Government of Canada extended over a period of three years ending March 31, 2013 (\$324,000 by July 31, 2011, \$220,000 by July 31, 2012 and \$195,000 by March 31, 2013). POGA completed its commitments to the Government of Canada under all DIAP related projects in the current year.

Strengthening the Collaborative Oat Research Enterprise (CORE) to Benefit Canadians

The purpose of this project was to identify gene markers to provide plant breeders with new knowledge and better tools to more quickly develop superior oat varieties, and to improve the competitiveness of oat through the generation of cultivars with enhanced benefits to human health, superior agronomics and disease resistance. The CORE project included the following funding components:

- POGA has funded \$134,000 of the total \$365,000 budget under the DIAP program relating to activities to be administered by the Ministry of Agriculture and Agri-Food. Amounts paid and recognized as an expense in the current year total \$23,730 (\$64,419 in the prior year).
- POGA provided a total of \$127,100 denoted in US dollars to the United States Department of Agriculture (USDA), Agricultural Research Service for their project entitled "The North American Collaborative Oat Research Enterprise (CORE)." POGA completed this commitment in the prior year.
- POGA received \$99,532 (out of a maximum approved grant of \$107,000) in additional funding under the DIAP program to offset 64% of specific activities administered by POGA (exclusive of the funding commitments payable to the Ministry of Agriculture and Agri-Food, but inclusive of the commitments payable to the USDA indicated above) over a three-year period ending March 2013. Amounts paid in relation to this component of the project and recognized as an expense in the current year total \$4,426 (\$4,007 in the prior year).

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

8. Projects and Future Funding Commitments - continued

Enhanced Oat Pedigree Database (POOL)

The purpose of this project was to update and expand a database of information relating to oat pedigree data. POGA funded \$14,000 of the total project budget of \$52,000.

Nationwide Oat Breeding Line Screening Network (Nationwide Network)

The purpose of this project was to establish a national oat breeding line screening network to investigate the suitability of existing oat cultivars in all the oat growing regions of Canada. POGA funded \$80,000 of the total project budget of \$265,000.

Breeding Oat for Western Canada and Prairie Oat Breeding Consortium (POBC)

The purpose of this project was to fund a breeding program primarily undertaken at the Cereal Research Centre in Winnipeg, MB aimed at developing food and milling quality cultivars adapted to the western provinces. POGA funded \$511,000 of the total project budget of \$1,022,000.

The Prairie Oat Breeding Consortium, a group of oat industry stakeholders, has agreed to fund POGA's DIAP program commitments regarding the "Breeding Oat for Western Canada" project. POGA has agreed to collect annual fees from the POBC and apply these monies towards POGA's DIAP funding commitments.

Healthier Oat Oil

The organization has agreed to fund a total of \$90,000 from January 1, 2013 through March 31, 2016 toward a research project conducted at the University of Saskatchewan with the goal of improving the stability and nutritional properties of oat oil by identifying oat germplasm with higher proportions of oleic acid. Amounts paid and recognized as an expense in the current year total \$15,000.

Water Soluble Beta Glucan

The organization has agreed to fund a total of \$90,000 over three years commencing August 31, 2012 toward a research project conducted at the University of Saskatchewan with the goal of identifying genes involved in the biosynthesis of oat beta-glucan and functional marker development to assist oat breeding. Amounts paid and recognized as an expense in the current year total \$30,000.

Development of Oat Cultivars

The organization has agreed to fund a total of \$100,000 payable annually at \$20,000 per year commencing April 1, 2013 toward a research project undertaken by Oat Advantage in Saskatoon, SK with the goal of improving the oat line quality selection for low hull content and improved oat line selection of variation of oat groat hairs. Amounts paid and recognized as an expense in the current year total \$20,000.

Prairie Oat Growers Association Inc.

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

8. **Projects and Future Funding Commitments** - continued

Responsiveness of Oat to Fertilizer N and Fungicides

The organization has agreed to apply for a grant from the Saskatchewan Ministry of Agriculture under its Agricultural Demonstration of Practices and Technologies (ADOPT) initiative on behalf of a third party to fund a project aiming to validate research results regarding the responsiveness of oats to a particular fertilizer and fungicides. The total value of the grant is up to \$16,000. Amounts received and paid, and recognized as a revenue and expense in the current year total \$12,800.

CAAP Project

The organization has agreed to apply for a grant on behalf of a third party to identify a process to produce dried beta glucan for potential cosmetic, nutrition and pharmaceutical applications. The total value of this grant is of up to \$97,000 from the Agriculture and Food Council of Alberta under their Canadian Agricultural Adaptation Program (CAAP). POGA has committed to providing an additional \$10,000 toward the project administered by the third party, which is expected to be expensed in the 2014 fiscal year. Amounts receivable and payable, and recognized as a revenue and expense in the current year total \$35,000.

Prairie Oat Growers Association Inc.

Schedule of Expenses
For the year ended July 31, 2013
(Unaudited)

	2013	2012
1. Research projects - note 8		
CORE	23,730	68,425
POOL	2,626	6,621
Nationwide Network	15,703	37,580
Breeding Oat for Western Canada	89,414	176,277
Healthier Oat Oil	15,000	
Water Soluble Beta Glucan	30,000	
Development of Oat Cultivars	20,000	
Responsiveness to Fertilizer N and Fungicides	12,800	
CAAP project	35,000	
Other research and development projects		1,873
	<u>\$ 244,273</u>	<u>\$ 290,776</u>
2. Market development projects - note 8		
Equine Feed Oat Project	470,865	329,706
Mexican Oats	11,288	
Transportation Impediments	23,441	
	<u>\$ 505,594</u>	<u>\$ 329,706</u>
3. Expansion projects		
Alberta Oat Grower Commission	<u>\$ 393</u>	<u>\$ 10,928</u>
4. Communications		
Advertising, sponsorships, newsletter, website and membership	<u>\$ 49,968</u>	<u>\$ 43,951</u>
5. General operating expenses		
Administrative	131,541	108,103
Amortization	537	658
Annual conference	20,424	21,073
Directors' travel and administration	81,601	55,680
Gain on foreign exchange	2,027	1,708
Insurance	750	
Interest and bank charges	1,176	4,238
Meetings	11,540	9,606
Professional fees	4,180	9,488
	<u>\$ 253,776</u>	<u>\$ 210,554</u>

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