

**FINANCIAL
STATEMENTS**

**Manitoba Oat Growers
Association**

Year Ended July 31, 2012

Manitoba Oat Growers Association

Yorkton, Saskatchewan

July 31, 2012

(Unaudited)

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PARKERQUINE LLP

Chartered Accountants Business Advisors

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, 2012 and the Statements of Operations, Changes in Net Assets 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 generally accepted accounting principles.

PARKERQUINE LLP

Per: *Mandy P... CA*

Yorkton, SK
November 29, 2012

Manitoba Oat Growers Association
 Yorkton, Saskatchewan
 Statement of Financial Position as at July 31, 2012
 (Unaudited)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	156,346	390,852
Accounts receivable	167,411	22,089
Prepaid expenses	210	
	\$ 323,967	\$ 412,941
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	55,951	138,350
Net Assets, Unrestricted		
Balance, beginning of year	274,591	264,625
Add: Excess (deficiency) of revenue over expenses for the year	(6,575)	9,966
Balance, end of year	268,016	274,591
	\$ 323,967	\$ 412,941

Approved on behalf of the board:

Manitoba Oat Growers Association

Statement of Operations
For the year ended July 31, 2012
(Unaudited)

	2012	2011
Revenue		
Levy central income	254,869	299,935
Less: Producer levy refunds	(4,032)	(4,458)
Over-cap levy refunds	(46,874)	(61,683)
Other	1,191	
	<u>205,154</u>	<u>233,794</u>
Expenses		
Annual general meeting	6,709	4,700
Board of Directors	7,429	3,368
Levy administration fees	16,745	15,594
Prairie Oat Breeding Consortium membership	23,872	23,872
Proportionate expenses of POGA - note 5	146,874	171,215
Travel	381	932
General and administrative:		
Bank charges	401	451
Communications - promotion and website	2,587	2,974
Office and other administrative	681	436
Professional fees	6,050	286
	<u>211,729</u>	<u>223,828</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u>\$ (6,575)</u>	<u>\$ 9,966</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, 2012
(Unaudited)

	2012	2011
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	(6,575)	9,966
Net change in working capital	<u>(227,931)</u>	<u>139,882</u>
Net Cash Increase (Decrease) for the Year	(234,506)	149,848
Cash position, beginning of year	<u>390,852</u>	<u>241,004</u>
Cash Position, End of Year	<u>\$ 156,346</u>	<u>\$ 390,852</u>
Represented By:		
Cash and cash equivalents	<u>\$ 156,346</u>	<u>\$ 390,852</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(145,322)	118,406
- prepaid expenses	(210)	1,198
Increase (decrease) - accounts payable and accrued liabilities	<u>(82,399)</u>	<u>20,278</u>
	<u>\$(227,931)</u>	<u>\$ 139,882</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, 2012
(Unaudited)

1. Nature of Operations

The organization commenced operations in July 2008. Pursuant to The Manitoba Oat Growers Association Designation Regulation ("the Regulation"), under the authority of The Agricultural Producers' Organization Funding Act of Manitoba, the organization is designated as the representative organization of all producers of oats in Manitoba. The purpose of the organization is to fund oat research, market development and education.

2. Significant Accounting Policies

These financial statements are the responsibility of the organization's management and have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies as summarized below:

(a) Revenue

Under the Regulation, each producer is required to pay the organization a check-off fee of \$0.50 per tonne of oats produced in Manitoba, to a maximum of \$250 per producer per year, collected upon the marketing of the grain. 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.

(b) Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the organization 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 became known.

3. Financial Instruments

The organization's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The carrying amount of these financial instruments approximate their fair value due to their short-term maturity or capacity of prompt liquidation.

4. Capital Disclosure

The organization manages its capital with the goals of maintaining a responsible financial position allowing it to meet its goals and obligations. Capital consists of cash and net assets.

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2012
(Unaudited)

5. Related-Party Transactions

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) and the Saskatchewan Oat Development Commission (SODC). The MOGA and the SODC have agreed to jointly fund the operations of POGA via a cost-sharing arrangement based on levy income net of levy refunds. The proportionate share attributable to each organization is determined annually.

Related party transactions and balances included in the financial statements are as follows:

Financial Statement Accounts	Terms or Conditions	2012	2011
Assets			
Accounts receivable - POGA (overpayment of funding contributions, net of \$24,240 of expenses paid by POGA)	no specific terms	\$ 138,213	\$ 0
Liabilities			
Accounts payable - expenses paid by POGA	no specific terms		3,684
Accounts payable - Board of Director expenses	no specific terms	3,161	
Accounts payable - POGA (underpayment of funding) contributions	no specific terms		64,935
Expenses			
Proportionate expenses of POGA	no specific terms	146,874	171,215
POBC contributions to POGA	no specific terms	23,872	23,872

In the current year, MOGA's share of POGA's net operating expenses is 23% (35% in the prior year). A summary of POGA's total revenues and expenses appears below:

	2012	2011
Revenues before funding contributions:		
Grant revenues	45,038	121,350
POBC contributions	185,895	185,895
Other revenues	17,529	7,091
	<u>248,462</u>	<u>314,336</u>
Expenses:		
Research projects	290,776	487,046
Market development projects	329,706	142,016
Expansion projects	10,928	44,024
Communications	41,451	28,875
General operating expenses	211,346	101,906
	<u>884,207</u>	<u>803,867</u>
Deficiency of Revenue over Expenses Before Funding Contributions	<u>(635,745)</u>	<u>(489,531)</u>
Funding contributions:		
MOGA	146,874	171,215
SODC	488,871	318,316
	<u>\$ 0</u>	<u>\$ 0</u>

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2012
(Unaudited)

6. Commitments

The organization has committed to providing funds to POGA to finance its annual membership in the Prairie Oat Breeding Consortium (currently approximately \$24,000 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
Collaborative Oat Research Enterprise (CORE)	<ul style="list-style-type: none">- \$134,000 over three years ending March 2013, \$110,997 of which has been expended to date- \$127,100 in US dollars over three years ending December 31, 2012, all of which has been expended to date- POGA is eligible for up to \$107,000 in additional funding to offset 64% of project activities, \$95,700 of which has been expended to date
Enhanced Oat Pedigree Database (POOL)	<ul style="list-style-type: none">- \$14,000 over three years ending March 2013, \$11,568 of which has been expended to date
Nationwide Oat Breeding Line Screening Network	<ul style="list-style-type: none">- \$80,000 over three years ending March 2013, \$64,416 of which has been expended to date
Breeding Oat for Western Canada	<ul style="list-style-type: none">- \$511,000 over three years ending March 2013, \$422,009 of which has been expended to date- POGA has partnered with other milling and oat industry organizations for contributions towards its funding commitment
Equine Feed Oat Project	<ul style="list-style-type: none">- Contract for public relations in the subsequent fiscal year totalling \$69,000 in US dollars- Contract for research and consulting services for \$52,500- POGA has budgeted a total of \$585,000 for this project, including \$94,000 in support of an Equine Oat Research Advisory Board and \$40,000 in support of media
Healthier Oat Oil	<ul style="list-style-type: none">- \$90,000 over four years commencing August 1, 2012
Gene Identification	<ul style="list-style-type: none">- \$90,000 over three years commencing August 1, 2012, contingent upon approval of the project by the Agricultural Development Fund