

**Prairie Oat Growers Association Inc.**

**FINANCIAL STATEMENTS**

**Year Ended July 31, 2014**

**Prairie Oat Growers Association Inc.**

Regina, Saskatchewan

July 31, 2014

(Unaudited)

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## 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, 2014 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 P... CA*

Yorkton, SK  
November 21, 2014

**Prairie Oat Growers Association Inc.**  
 Regina, Saskatchewan  
 Statement of Financial Position as at July 31, 2014  
 (Unaudited)

	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents		39,781
Accounts receivable - note 4	239,474	93,545
Prepaid expenses	8,611	29,426
	<u>248,085</u>	<u>162,752</u>
<b>Capital Assets - note 5</b>	<u>1,028</u>	<u>537</u>
	<u>\$ 249,113</u>	<u>\$ 163,289</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Bank overdraft	7,845	
Accounts payable and accrued liabilities - note 6	74,461	157,364
Deferred revenue - note 7	160,882	
	<u>243,188</u>	<u>157,364</u>
<b>Net Assets, Unrestricted</b>		
Balance, beginning of year	5,925	5,925
Add: Excess of revenue over expenses for the year	0	0
Balance, end of year	<u>5,925</u>	<u>5,925</u>
	<u>\$ 249,113</u>	<u>\$ 163,289</u>

Approved on behalf of the board:

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## Prairie Oat Growers Association Inc.

Statement of Operations  
For the year ended July 31, 2014  
(Unaudited)

	2014	2013
<b>Revenue Before Funding Contributions</b>		
<i>Grant revenues: - note 9</i>		
Growing Canadian Agri-Innovations Program	88,646	3,832
AgriMarketing	51,156	84,962
ADOPT Program	27,700	12,800
Agriculture Development Fund - Preventing Equine Disease	23,940	38,640
Western Economic Diversification - Export of Canadian Oats	118,432	76,598
CAAP grant	62,000	35,000
Reimbursement of unexpended funds - DIAP		4,809
<i>Other revenues:</i>		
Conference revenues	34,899	24,647
Prairie Oat Breeding Consortium partner contributions - note 9	295,621	185,630
Other income	5,000	
	<u>707,394</u>	<u>466,918</u>
<b>Expenses - page 13</b>		
Research projects	450,810	244,273
Market development projects	513,628	505,594
Expansion projects		393
Communications	48,722	49,968
General operating expenses	306,421	253,776
	<u>1,319,581</u>	<u>1,054,004</u>
<b>Deficiency of Revenue Over Expenses Before Funding Contributions</b>	<u>( 612,187)</u>	<u>( 587,086)</u>
<b>Funding Contributions - note 8</b>		
Manitoba Oat Growers Association	93,599	161,130
Saskatchewan Oat Development Commission	443,128	407,871
Alberta Oat Development Commission	75,460	18,085
	<u>612,187</u>	<u>587,086</u>
<b>Excess of Revenue Over Expenses for the Year</b>	<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, 2014  
(Unaudited)

	2014	2013
<b>Cash Provided By (Used In):</b>		
Operations		
Excess of revenue over expenses for the year	0	0
Add items not requiring cash resources		
Amortization - page 13	1,052	537
Net change in working capital	<u>( 47,135)</u>	<u>304</u>
	( 46,083)	841
Investing activities		
Capital asset purchases	<u>( 1,543)</u>	<u>0</u>
<b>Net Cash Increase (Decrease) for the Year</b>	( 47,626)	841
Cash position, beginning of year	<u>39,781</u>	<u>38,940</u>
<b>Cash Position, End of Year</b>	<u><u>\$ ( 7,845)</u></u>	<u><u>\$ 39,781</u></u>
<b>Represented By:</b>		
Cash and cash equivalents		39,781
Bank overdraft	<u>( 7,845)</u>	<u>          </u>
	<u><u>\$ ( 7,845)</u></u>	<u><u>\$ 39,781</u></u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	( 145,929)	7,820
- prepaid expenses	20,815	( 10,824)
Increase (decrease) - accounts payable and accrued liabilities	( 82,903)	3,308
- other current liabilities	<u>160,882</u>	<u>          </u>
	<u><u>\$ ( 47,135)</u></u>	<u><u>\$ 304</u></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, 2014  
(Unaudited)

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## 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 8.

## 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) 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

### (c) 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.

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2014  
(Unaudited)

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### 2. Significant Accounting Policies - continued

#### (c) Revenue - continued

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.

#### (d) Project expenses

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

#### (e) 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.

#### (f) 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.



**Prairie Oat Growers Association Inc.**

Notes to Financial Statements  
For the year ended July 31, 2014  
(Unaudited)

	2014	2013
<b>4. Accounts Receivable</b>		
Accounts receivable are comprised of the following items:		
Accounts receivable	119,627	19,015
Accrued grants receivable:		
Western Economic Diversification	11,699	34,530
CAAP		35,000
AgriMarketing	51,156	5,000
AgrInnovations	<u>56,992</u>	
	<u>\$ 239,474</u>	<u>\$ 93,545</u>

<b>5. Capital Assets</b>		
Cost		
Furniture, fixtures and equipment	605	605
Computer equipment	<u>3,155</u>	<u>1,612</u>
	<u>3,760</u>	<u>2,217</u>
Accumulated amortization		
Furniture, fixtures and equipment	605	605
Computer equipment	<u>2,127</u>	<u>1,075</u>
	<u>2,732</u>	<u>1,680</u>
Net book value	<u>\$ 1,028</u>	<u>\$ 537</u>

<b>6. Accounts Payable and Accrued Liabilities</b>		
Accounts payable and accrued liabilities are comprised of the following items:		
Accounts payable	74,461	122,364
Grant proceeds payable - CAAP recipient - note 9		<u>35,000</u>
	<u>\$ 74,461</u>	<u>\$ 157,364</u>

<b>7. Deferred Revenue</b>				
Deferred revenue is comprised of the following items:				
	<b>Balance, Beginning of Year</b>	<b>Less Amount Recognized</b>	<b>Plus Amount Received or Receivable</b>	<b>Balance, End of Year</b>
Agriculture Development Fund				
Mycotoxin project grant	0	0	13,071	13,071
POBC memberships	<u>0</u>	<u>295,621</u>	<u>443,432</u>	<u>147,811</u>
	<u>\$ 0</u>	<u>\$ 295,621</u>	<u>\$ 456,503</u>	<u>\$ 160,882</u>

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2014  
(Unaudited)

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### 8. 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, 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 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:

<b>Financial Statement Accounts</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Accounts receivable - SODC's funding contributions	\$ 42,588	\$ 0
Accounts receivable - AOGC's funding contributions	5,880	18,085
Accounts receivable - MOGA's funding contributions		930
<b>Liabilities</b>		
Accounts payable - Board of Director expenses	29,546	22,074
Accounts payable - SODC's funding contributions		91,929
Accounts payable - MOGA's funding contributions	24,809	
<b>Revenue</b>		
Funding contributions (SODC)	443,128	407,871
Funding contributions (AOGC)	75,460	18,085
Funding contributions (MOGA)	93,599	161,130
POBC contributions (MOGA)	37,963	23,872

### 9. Projects and Future Funding Commitments

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

#### ***Oat Sustainability Project (OSP) (previously known as 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.

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2014  
(Unaudited)

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### 9. **Projects and Future Funding Commitments** - continued

The following three projects and commitments are also undertaken as part of the Oat Sustainability Project.

#### ***Can Oat Beta-Glucan Improve the Responsiveness of the Immune System in Horses?***

The purpose of this project is to enhance the marketability of Canadian oats to the horse industry world wide by demonstrating that oat beta-glucan can improve the responsiveness of the immune system in horses. POGA is eligible for a grant of up to \$109,500 from the Ministry of Agriculture and Agri-Food Canada under the AgriInnovation Program over three years commencing April 1, 2013. POGA is required to contribute \$36,500 toward the project costs. POGA has contracted with the University of Florida for the provision of research services. Eligible expenditures of the current year total \$133,292, and are included in the expenses of the Oat Sustainability Project. \$88,646 of these expenses are eligible for reimbursement under the funding agreement, which is recognized as revenue from the Growing Canadian Agri-Innovations Program.

#### ***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. Eligible expenses recognized in the current year total \$50,823, (\$41,995 in the prior year) and are included in the Oat Sustainability Project expenses. POGA is committed to paying \$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 \$48,936 (\$34,556 in the prior year), measured in Canadian dollars. These expenses have been recognized in the Oat Sustainability Project expenses.

#### ***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. \$61,776 (\$10,750 in the prior year) of expenses eligible for reimbursement by WD are recognized in the statement of operations as Mexican Oats expense, \$46,993 (\$22,074 in the prior year) as Transportation Impediments and \$19,033 (\$43,744 in the prior year) in the Oat Sustainability Project. A total of \$118,432 of these expenses are reimbursable based on the maximum amounts allowed per the grant agreement.

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. Remaining commitments under these contracts total \$21,500 for contracted services, plus actual travel and meeting costs. Expenses incurred in the current year are recognized in the Mexican Oats and Transportation Impediments expenses.

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2014  
(Unaudited)

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### 9. **Projects and Future Funding Commitments** - continued

#### ***Developing Superior Oat Cultivars for Canada and Prairie Oat Breeding Consortium (POBC)***

POGA has agreed to participate in a collaborative research project with Agriculture and Agri-Food Canada (AAFC) for the purposes of developing superior oat cultivars for Canada. This project is led and administered by AAFC. POGA has committed to funding \$1,098,581 of the total project budget of \$2,865,829. The project commenced in April 2013 and will continue to March 31, 2018.

The Prairie Oat Breeding Consortium, a group of oat industry stakeholders, has agreed to provide funds towards POGA's commitments to this project via annual membership fees.

#### ***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 \$30,000 (\$15,000 in the prior year).

#### ***Water Soluble Beta Glucan***

The organization has agreed to fund a total of \$90,000 from December 20, 2012 through November 1, 2015 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 (\$30,000 in the prior year).

#### ***Development of Oat Cultivars***

The organization has agreed to fund \$20,000 per year, April 1, 2013 through March 31, 2018, with an optional two-year renewal period, 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.

#### ***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 \$3,200 (\$12,800 in the prior year).

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2014  
(Unaudited)

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### 9. **Projects and Future Funding Commitments** - continued

#### ***Yield Response and Test Weight Stability of Oat to Fertilizer N***

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 group to fund a project aiming to validate research results regarding the responsiveness of oats to a particular fertilizer, expose growers to new oat cultivars and to determine if the test weight of current oat cultivars vary in the stability of their test weight as the nitrogen rate is increased. The total value of the grant is up to \$30,720. Amounts received and paid, and recognized as a revenue and expense in the current year total \$24,500.

#### ***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 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 has been recognized in the current year as CAAP project expenses. Amounts flowed through the third party, and recognized as a revenue and expense in the current year total \$62,000 (\$35,000 in the prior year).

#### ***Differentiate Canadian Oats in the US Equine Feed Market***

The purpose of this project is to demonstrate the benefits of oats in equine feed through media awareness, and through promoting and increasing awareness to key influencers. POGA is eligible for a grant of up to \$600,000 from the Government of Canada as represented by the Minister of Agriculture and Agri-Food to fund 50% of eligible expenditures under this project. \$102,313 of expenses eligible are recognized in the statement of operations in the Oat Sustainability Project. \$51,156 in grant funds receivable have been recognized as revenue, equating to 50% of eligible expenditures.

#### ***Occurrence and Fate of Toxigenic Fungi and Their Associated Mycotoxins in Saskatchewan-Grown Oats and Oat Milling Projects***

The purpose of this project is to investigate the occurrence of specific fungi and their associated mycotoxins in oats grow in different regions across the Canadian Prairies, with a focus on those grown in Saskatchewan, the effect of sample processing on fungal and mycotoxin measurements, and the effects of de-hulling, steaming, kilning and milling on concentrations of mycotoxigenic fungi and mycotoxins in oats and oat milling products. POGA is eligible for a grant of up to \$233,722 from the Government of Saskatchewan as represented by the Ministry of Agriculture through the Ministry's Agriculture Development Fund, in defined contribution levels over 5 years commencing January 2014. Additionally, a third party has committed to providing \$619,749 of in-kind contributions to the project over the five-year period. POGA has committed to contributing \$19,480 in each of the first 4 years of the project. No expenses have been incurred to date regarding this project.

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2014  
(Unaudited)

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### 9. **Projects and Future Funding Commitments** - continued

#### ***Transposon-Mediated Activation Tagging in Oat***

The purpose of this project is to lay the foundation for a new method of identifying genes to improve oat breeding. POGA is eligible for a grant of up to \$151,500 from the Government of Canada as represented by the Ministry of Agriculture and Agri-Food through the Ministry's AgriInnovation Program, in defined contribution levels over 4 years commencing April 1, 2014, to fund 75% of eligible expenditures under this project. No expenses have been incurred to date regarding this project.

#### ***Other commitments***

POGA has entered into contracts for research, industry consultation and liaison services for two years commencing April 2014 at a total cost of \$50,000 dollars per year, payable on a monthly basis. These services benefit various projects, and may be eligible for reimbursement under the grants described above, and are therefore recognized as expenses of the appropriate projects depending on the nature of the work performed.

## Prairie Oat Growers Association Inc.

Schedule of Expenses  
For the year ended July 31, 2014  
(Unaudited)

	2014	2013
<b>1. Research projects - note 9</b>		
CORE		23,730
POOL		2,626
Nationwide Network		15,703
Breeding Oat for Western Canada		89,414
Healthier Oat Oil	30,000	15,000
Water Soluble Beta Glucan	30,000	30,000
Development of Oat Cultivars	20,000	20,000
Responsiveness to Fertilizer N and Fungicides	3,200	12,800
CAAP project	72,000	35,000
Developing Superior Oat Cultivars	264,932	
Yield Reponse and Test Weight Stability of Oats to Fertilizer N	24,500	
Other research and development projects	6,178	
	<u>\$ 450,810</u>	<u>\$ 244,273</u>
<b>2. Market development projects - note 9</b>		
Oat Sustainability Project	389,931	470,865
Mexican Oats	66,241	11,288
Transportation Impediments	54,456	23,441
Donations	3,000	
	<u>\$ 513,628</u>	<u>\$ 505,594</u>
<b>3. Expansion projects</b>		
Alberta Oat Grower Commission	<u>\$ 0</u>	<u>\$ 393</u>
<b>4. Communications</b>		
Advertising, sponsorships, newsletter, website and membership	<u>\$ 48,722</u>	<u>\$ 49,968</u>
<b>5. General operating expenses</b>		
Administrative	164,559	131,541
Amortization	1,052	537
Annual conference	27,841	20,424
Directors' travel and administration	86,184	81,601
Loss on foreign exchange	646	2,027
Insurance	2,350	750
Interest and bank charges	1,182	1,176
Meetings	18,211	11,540
Professional fees	4,396	4,180
	<u>\$ 306,421</u>	<u>\$ 253,776</u>

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