

**Saskatchewan Oat Development Commission**

**FINANCIAL STATEMENTS**

**Year Ended July 31, 2016**

# Saskatchewan Oat Development Commission

Regina, Saskatchewan

July 31, 2016

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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, 2016, 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, 2016, 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**

*Collins Barrow PQ LLP*

Yorkton, SK  
November 30, 2016

# Saskatchewan Oat Development Commission

Regina, Saskatchewan

Statement of Financial Position as at July 31, 2016

	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	782,372	342,062
Short-term investments - note 4	1,014,181	1,187,500
Accounts receivable	91,738	63,054
Accrued interest receivable	4,031	7,923
Prepaid expenses	1,021	1,002
	<u>1,893,343</u>	<u>1,601,541</u>
<b>Capital Assets - note 5</b>	<u>1,732</u>	<u>0</u>
	<u>\$ 1,895,075</u>	<u>\$ 1,601,541</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>122,012</u>	<u>40,897</u>
<b>Net Assets, Unrestricted</b>		
Balance, beginning of year	1,560,644	1,767,543
Add: Excess (deficiency) of revenue over expenses for the year	<u>212,419</u>	<u>( 206,899)</u>
Balance, end of year	<u>1,773,063</u>	<u>1,560,644</u>
	<u>\$ 1,895,075</u>	<u>\$ 1,601,541</u>

Approved on behalf of the board:



## Saskatchewan Oat Development Commission

Statement of Operations  
For the year ended July 31, 2016

	Budget	2016	2015
<b>Revenue</b>			
Producer check-off fees	778,320	711,107	726,292
Less: Producer check-off refunds		( 49,616)	( 37,382)
	<u>778,320</u>	<u>661,491</u>	<u>688,910</u>
Grants		15,000	
Investment and other income	15,000	189,683	14,694
	<u>793,320</u>	<u>866,174</u>	<u>703,604</u>
<b>Expenses</b>			
Amortization		49	
Bad debt		277	
Board of Directors	20,000	15,475	15,451
Communications - education	15,000	15,200	15,000
Levy administration fees	28,000	25,410	26,619
Producer meetings	10,000	12,542	12,149
Proportionate expenses of POGA - note 6	475,000	442,254	727,839
Research and development grants - note 7	116,720	132,796	105,000
General and administrative:	9,950		
Election expense		225	
Interest and bank charges		459	120
Memberships		1,482	631
Newsletter, promotion and website		2,172	2,400
Office and other administrative		24	14
Professional fees		5,390	5,280
	<u>674,670</u>	<u>653,755</u>	<u>910,503</u>
<b>Excess (Deficiency) of Revenue Over Expenses for the Year</b>	<u>\$ 118,650</u>	<u>\$ 212,419</u>	<u>\$( 206,899)</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, 2016

	2016	2015
<b>Cash Provided By (Used In):</b>		
Operations		
Excess (deficiency) of revenue over expenses for the year	212,419	( 206,899)
Add items not requiring cash resources		
Amortization	49	
Net change in working capital	<u>56,304</u>	<u>7,218</u>
	<u>268,772</u>	<u>( 199,681)</u>
Investing activities		
Capital asset purchases	( 1,781)	
Additions to short-term investments	( 1,014,181)	( 1,537,500)
Proceeds on disposal of short-term investments	<u>1,187,500</u>	<u>1,537,500</u>
	<u>171,538</u>	<u>0</u>
<b>Net Cash Increase (Decrease) for the Year</b>	440,310	( 199,681)
Cash position, beginning of year	<u>342,062</u>	<u>541,743</u>
<b>Cash Position, End of Year</b>	<u>\$ 782,372</u>	<u>\$ 342,062</u>
<b>Represented By:</b>		
Cash and cash equivalents	<u>\$ 782,372</u>	<u>\$ 342,062</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	( 28,684)	52,107
- prepaid expenses	( 19)	( 869)
- other current assets	3,892	( 373)
Increase (decrease) - accounts payable and accrued		
- liabilities	<u>81,115</u>	<u>( 43,647)</u>
	<u>\$ 56,304</u>	<u>\$ 7,218</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, 2016

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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) Capital assets

Capital assets are recorded at cost less accumulated amortization.

The assets are amortized until the the value has diminished using the following methods and rates:

	<b>Method of Amortization</b>	<b>Rate of Amortization</b>
Furniture, fixtures and equipment	straight-line	3 years

In the year of acquisition, capital assets are amortized starting in the month of acquisition.

In the year of disposition, capital assets are amortized until the month of disposition.

### (c) 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.

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2016

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### 2. Significant Accounting Policies - continued

#### (d) 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.

#### (e) 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.

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2016

	2016	2015
<b>4. Short-Term Investments</b>		
Description - GICs maturing within 6 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 0.9% to 1.15% (2015 - 0.6% -1.3%)	564,181	387,500
Description - GICs maturing within 6 to 12 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 0.9% (2015 - 0.85% to 1.6%)	<u>450,000</u>	<u>800,000</u>
	<u>\$ 1,014,181</u>	<u>\$ 1,187,500</u>

**5. Capital Assets**

	Cost	Accumulated Amortization	Net Book Value 2016	Net Book Value 2015
Furniture, fixtures and equipment	<u>\$ 1,781</u>	<u>\$ 49</u>	<u>\$ 1,732</u>	<u>\$ 0</u>

**6. 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.

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>2016</b>	<b>2015</b>
<b>Liabilities</b>		
Accounts payable - POGA (underpayment of funding contributions)	\$ 68,341	\$ 600
<b>Expenses</b>		
Proportionate expenses of POGA	442,254	727,839
Grant funds paid to POGA	15,000	

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2016

### 6. Transactions with Related Parties - continued

In the current year, SODC's share of POGA's net operating deficit is 65% (68% in the prior year). A summary of POGA's total revenues and expenses appears below:

	<b>2016</b>	<b>2015</b>
Revenues before funding contributions:		
Grant revenues	360,259	416,685
POBC contributions	221,716	221,716
Other revenues	38,137	24,975
	<u>620,112</u>	<u>663,376</u>
Expenses:		
Research projects	555,893	512,476
Market development projects	292,151	820,732
Communications expenses	85,303	58,119
General operating expenses	367,691	346,622
	<u>1,301,038</u>	<u>1,737,949</u>
Deficiency of Revenue over Expenses Before Funding Contributions	( 680,926)	( 1,074,573)
Funding contributions:		
MOGA	165,807	211,824
SODC	442,254	727,839
AOGC	72,865	134,910
	<u>\$ 0</u>	<u>\$ 0</u>

### 7. Commitments and Projects

In 2013, the organization committed to providing \$80,000 per year for three years to the University of Saskatchewan, commencing in 2014, for research relating to advancing the oat industry. The \$80,000 contribution of the current year is included in research and development grant expenses. In the 2016 year, the organization committed to extend the original contract for an additional three-year term, ending June 30, 2019.

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 \$19,600 due on signing, \$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. This project was completed in the current fiscal year.

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 2016, the organization committed to budget an additional \$12,000 per year for an additional three years.

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. \$14,000 of this commitment remains outstanding as at the end of the 2016 fiscal year, pending the completion of commitment requirements.

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2016

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### 7. Commitments and Projects - continued

In 2016, the organization entered into an agreement to provide a total of \$64,773 to the University of Saskatchewan to provide funds for a project to assess the effect of glyphosate on the quality of milling oats. The organization is obligated to provide \$15,077 in 2016, \$27,077 in 2017 and \$22,620 in 2018. These expenses are included in research and development grant expenses.

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 6. POGA's commitments are as follows:

<b>Project</b>	<b>Terms</b>
Oats Improve the Gastrointestinal Health of Horses	- \$116,106 denoted in US dollars commencing August 1, 2015 and ending August 1, 2017, \$76,421 in Canadian dollars of which was expended in the current year - POGA is eligible for up to \$110,000, denoted in Canadian dollars, in grant funds for this project
Developing Superior Oat Cultivars and Prairie Oat Breeding Consortium	- \$1,098,581 over five years commencing April 1, 2013, \$220,728 of which was expended in the current year (\$702,060 to date)
Development of Oat Cultivars (Oat Advantage)	- \$20,000 annually over five years commencing April 1, 2013, with a two-year extension option, \$20,000 of which was expended in the current year (\$80,000 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, \$100,784 of which was expended in the current year (\$200,751 to date) - POGA is eligible for up to \$233,722 in grant funds for this project, \$81,378 of which was received in the current year (\$142,384 to date)
Yield Response and Test Weight Stability of Oat to Fertilizer N	- POGA has agreed to apply for three grants, each to a maximum of \$30,720 on behalf of a third party; \$86,010 has been expended to date and two of these projects have been completed
Transposon-Mediated Activation Tagging in Oat	- \$197,801 over four years commencing April 1, 2014, \$50,600 of which was expended in the current year (\$98,900 to date) - POGA is eligible for up to \$151,000 in grant funds for this project, \$38,737 of which was received in the current year (\$75,749 to date)
Crop Sequencing of Large Acreage Crops	- \$32,500 commencing December 5, 2014 and ending July 20, 2020, \$12,500 of which was expended in the current year

## Saskatchewan Oat Development Commission

Notes to Financial Statements  
For the year ended July 31, 2016

### 7. Commitments and Projects - continued

Project	Terms
Investigation of Avenanthramides	- \$90,000 commencing December 5, 2014 and ending December 31, 2017, \$30,000 of which has been expended during the year (\$50,000 to date)
Breeding for Resistance to Leaf Blotch Pathogens in Saskatchewan Oats	- \$45,000 commencing December 5, 2014 and ending November 15, 2017, \$15,000 of which was expended during the year
Development of the Mexican Oat Market	- \$341,000 by March 31, 2018, \$120,047 of which was expended in the current year - POGA is eligible for up to \$161,250 in grant funds for this project, \$57,244 of which was recognized in the current year
Crown Rust Initiative	- \$100,000 denoted in US dollars commencing October 1, 2015 and ending July 1, 2019, \$27,466 in Canadian dollars of which was expended in the current year
Mitigating Mycotoxins in the Canadian Food Value Chain	- \$40,000 commencing March 31, 2016 and ending March 31, 2018, \$13,333 of which was expended during the year
Online Growers Manual	- \$15,000 plus an additional \$5,000 for additional costs if needed, commencing June 2, 2016 and ending July 30, 2017, no expenses have been incurred by POGA to date - POGA is eligible for up to \$10,000, in grant funds for this project
Estimation of Beta Glucans Content and Yield of Seeds from Different Oat Varieties in Alberta	- \$15,750 commencing May 5, 2016, \$7,875 of which was expended during the year
Development of an Oat Based Beverage Rich in Dietary Fibre and Protein	- \$60,000 commencing July 1, 2016 and ending August 31, 2019, no expenses have been incurred to date
Oatdeal Coffee Additive	- \$10,000 commencing July 1, 2016 and ending July 31, 2017, no expenses have been incurred to date
Grain Safety Sponsorship	- \$10,000 commencing July 19, 2016 and ending August 31, 2017, \$2,500 of which was expended during the year

### 8. Budget

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