

**Saskatchewan Oat Development Commission
operating as SaskOats**

FINANCIAL STATEMENTS

Year Ended July 31, 2019

Saskatchewan Oat Development Commission

Regina, Saskatchewan

July 31, 2019

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Independent Auditors' Report

To the Board of Directors
Saskatchewan Oat Development Commission

Qualified Opinion

We have audited the financial statements of Saskatchewan Oat Development Commission, (the non-profit), which comprise the Statement of Financial Position as at July 31, 2019 and the Statements of Operations, Changes in Net Assets and Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the non-profit as at July 31, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 records 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the non-profit in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the non-profit's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the non-profit or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the non-profit's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 non-profit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the non-profit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the non-profit to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly SK LLP

Yorkton, SK
November 6, 2019

Saskatchewan Oat Development Commission

Regina, Saskatchewan

Statement of Financial Position as at July 31, 2019

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	466,778	344,608
Short-term investments - note 4	1,087,500	1,087,500
Accounts receivable	42,785	175,680
Accrued interest receivable	13,163	10,518
Prepaid expenses	833	1,021
	<u>1,611,059</u>	<u>1,619,327</u>
Capital Assets - note 5	<u>494</u>	<u>1,089</u>
	<u>\$ 1,611,553</u>	<u>\$ 1,620,416</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	<u>92,884</u>	<u>60,082</u>
Net Assets, Unrestricted		
Balance, beginning of year	1,560,334	1,602,188
Add: Excess (deficiency) of revenue over expenses for the year	<u>(41,665)</u>	<u>(41,854)</u>
Balance, end of year	<u>1,518,669</u>	<u>1,560,334</u>
	<u>\$ 1,611,553</u>	<u>\$ 1,620,416</u>

Approved on behalf of the board:



Saskatchewan Oat Development Commission

Statement of Operations
For the year ended July 31, 2019

	Budget	2019	2018
Revenue			
Producer check-off fees	711,000	689,215	714,309
Less: Producer check-off refunds	(46,215)	(53,369)	(56,535)
	<u>664,785</u>	<u>635,846</u>	<u>657,774</u>
Grants		49,295	38,796
Investment and other income	11,000	21,441	14,830
	<u>675,785</u>	<u>706,582</u>	<u>711,400</u>
Expenses			
Amortization		594	594
Board of Directors	14,000	7,671	12,568
Communications - education	18,750	22,488	23,013
Grants for capital purchases			11,824
Levy administration fees	26,500	27,797	24,947
Producer meetings	8,500	12,608	9,103
Proportionate expenses of POGA - note 6	531,300	505,687	504,400
Research and development grants - note 7	131,536	160,222	157,864
General and administrative:	8,600		
Election expense			225
Interest and bank charges		38	14
Memberships		1,538	1,500
Office and other administrative		3,610	1,319
Professional fees		5,994	5,883
	<u>739,186</u>	<u>748,247</u>	<u>753,254</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u>\$(63,401)</u>	<u>\$(41,665)</u>	<u>\$(41,854)</u>

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

Saskatchewan Oat Development Commission

Statement of Cash Flow
For the year ended July 31, 2019

	2019	2018
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	(41,665)	(41,854)
Add items not requiring cash resources		
Amortization	594	594
Net change in working capital	<u>163,241</u>	<u>(160,000)</u>
	<u>122,170</u>	<u>(201,260)</u>
Investing activities		
Additions to short-term investments	(1,087,500)	(1,104,000)
Proceeds on disposal of short-term investments	<u>1,087,500</u>	<u>1,267,000</u>
	<u>0</u>	<u>163,000</u>
Net Cash Increase (Decrease) for the Year	122,170	(38,260)
Cash position, beginning of year	<u>344,608</u>	<u>382,868</u>
Cash Position, End of Year	<u>\$ 466,778</u>	<u>\$ 344,608</u>
Represented By:		
Cash and cash equivalents	<u>\$ 466,778</u>	<u>\$ 344,608</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	132,895	(111,448)
- prepaid expenses	188	
- other current assets	(2,645)	(4,004)
Increase (decrease) - accounts payable and accrued liabilities	<u>32,803</u>	<u>(44,548)</u>
	<u>\$ 163,241</u>	<u>\$ (160,000)</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, 2019

1. Nature of Operations

The organization was formed on April 12, 2006 pursuant to The Oat Development Plan Regulations, under the authority of The Agri-Food Act, 2004. The Saskatchewan Oat Development Commission, which operates under the name SaskOats, 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 value has diminished using the following methods and rates:

	Method of Amortization	Rate of Amortization
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, 2019

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.

Significant estimates have been made in the following financial statement areas:

- expected service lives of capital assets
- grant revenues are recognized when management determines that the criteria for earning the funding has been met; however, the final determination of the qualification of expenses for funding commitments is determined by the granting body

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, 2019

	2019	2018
4. Short-Term Investments		
Description - GICs maturing within 6 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 1.6% to 2.2% (2018 - 1.0 - 1.6%)	637,500	637,500
Description - GICs maturing within 6 to 12 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 2.03% (2018 - 2.03%)	<u>450,000</u>	<u>450,000</u>
	<u>\$ 1,087,500</u>	<u>\$ 1,087,500</u>

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2019	Net Book Value 2018
Furniture, fixtures and equipment	<u>\$ 1,781</u>	<u>\$ 1,287</u>	<u>\$ 494</u>	<u>\$ 1,089</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 (SaskOats), the Manitoba Oat Growers Association (MOGA), and the Alberta Oat Growers Commission (AOGC). SaskOats, 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 in the fiscal year.

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

Financial Statement Accounts	2019	2018
Assets		
Accounts receivable - POGA (overpayment of funding contributions)	\$ 0	\$ 96,872
Liabilities		
Accounts payable (Board of Director expenses)	0	1,352
Accounts payable - POGA (underpayment of funding contributions)	35,237	
Expenses		
Proportionate expenses of POGA	505,687	504,400

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2019

6. Transactions with Related Parties - continued

In the current year, SaskOats contributed \$29,455 to POGA's China project as agreed, in addition to its current year share of POGA's net operating deficit of 62% (57% in the prior year). A summary of POGA's total revenues and expenses appears below:

	2019	2018
Revenues before funding contributions:		
Grant revenues	163,619	245,562
POBC contributions	317,271	147,931
Other revenues	74,168	98,234
	<u>555,058</u>	<u>491,727</u>
Expenses:		
Research projects	579,800	469,932
Market development projects	283,852	370,814
Communications expenses	73,904	79,605
Policy	25,882	17,586
General operating expenses	395,758	414,965
	<u>1,359,196</u>	<u>1,352,902</u>
Deficiency of Revenue over Expenses before Funding Contributions	(804,138)	(861,175)
Funding contributions:		
MOGA	226,324	241,449
SaskOats	505,687	504,400
AOGC	72,127	115,326
	<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 with semi annual payments April 1 and October 1. In the 2018 year, the project term was amended to conclude January 31, 2019. The final \$40,000 payment is included in research and development grant expenses.

In the current year, the organization entered into a new agreement with the University of Saskatchewan to provide semi annual payments of \$37,500 April 1 and October 1 for the five-year period commencing April 1, 2019 and ending March 31, 2024 for an oat breeding research project at the University. The initial \$37,500 payment is included in research and development grant expenses.

The organization has committed to budget a maximum of \$15,000 per year on an ongoing basis to post registration variety performance trials by the Saskatchewan Variety Performance Group. Actual costs are determined and invoiced annually. The current year's \$11,700 expense is included in research and development grant expenses.

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2019

7. Commitments and Projects - continued

In 2018, the organization applied for three ADOPT grants on behalf of Agri-arm locations across the province for the research period, commencing April 1, 2018 and ending March 31, 2019, all of which were concluded in the current year. The organization received and disbursed \$2,210 for the project entitled, "Managing Fertilizer use to Optimize Yield and Quality of Oat" (total project \$11,050), \$3,364 for the project entitled, "Oat Vigour Improves with Larger Seed Size" (total project \$16,820), and \$1,625 for the project entitled, "Improving Oat Yields in Intensive Agronomy" (total project \$8,125). These expenses are included in research and development grant expenses.

In the current year, the organization applied for two additional ADOPT grants on behalf of Agri-arm locations across the province for the research period, commencing April 1, 2019 and ending March 31, 2020. The organization received and disbursed \$21,136 for the project entitled, "Managing Acceptable Test Weights for Milling Oats" (total project \$26,420) and \$20,960 for the project entitled, "Oat Pea Intercrop Demonstration" (total project \$26,200). These expenses are included in research and development grant expenses.

In 2018, the organization committed to providing a total of \$30,000 to the Northeast Agriculture Research Foundation (NARF), commencing May 1, 2018 and ending June 30, 2021, for a research project entitled, "Improved Integrated Disease Management for Oats in Saskatchewan". The organization is obligated to provide funding of \$10,000 annually upon receipt of an invoice from NARF. Invoices totalling \$17,500 have been received and paid in the current year and are included in research and development grant expenses.

In 2018, the organization committed to providing a total of \$10,264 to the Saskatchewan Soil Conservation Association, commencing December 5, 2017 and ending April 1, 2020, for a research project entitled, "Monitoring SOC on commercial direct-seeded fields across Saskatchewan". The organization is obligated to provide funding of \$7,848 in F2018, \$1,812 in F2019 and \$604 in F2020. The current year contribution of \$1,812 is included in research and development grant expenses.

The organization has entered into an agreement for levy administration fees for the following fiscal year totalling \$24,208.

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

Project	Terms
Developing Superior Oat Cultivars and Prairie Oat Breeding Consortium	<ul style="list-style-type: none">- \$1,189,750 over five years commencing April 1, 2018, \$356,925 of which was expended in the current year (\$356,925 to date).- 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 funding agreement.

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2019

7. Commitments and Projects - continued

Project	Terms
Post Doctoral Researcher	<ul style="list-style-type: none">- \$112,500 over the period commencing April 1, 2017 and ending October 31, 2018, \$12,500 of which was expended in the current year (\$112,500 to date). This project was completed in the current year.- POGA did not receive any funding from industry partners for this project in the current year, however, it has received \$66,590 to date.
Development of Oat Cultivars (OatAdvantage)	<ul style="list-style-type: none">- \$20,000 annually over eight years commencing April 1, 2013; \$20,000 of which was expended in the current year (\$140,000 to date).
Investigation of Avenanthramides	<ul style="list-style-type: none">- \$90,000 commencing December 5, 2014 and ending December 31, 2018. \$10,000 was expended in the current year (\$90,000 to date). This project was completed in the current year.
Crown Rust Initiative	<ul style="list-style-type: none">- Maximum of \$100,000 denoted in US dollars commencing October 1, 2015 and ending June 30, 2020. No payments were made in the current year (\$27,466 CAD to date).
Development of an Oat-Based Beverage Rich in Dietary Fibre and Protein	<ul style="list-style-type: none">- \$60,000 commencing July 1, 2016 and ending February 20, 2020. No funds were expended during the current year (\$45,000 to date).
AB Variety Trials, including Estimation of Beta Glucans Content and Yield of Seed from Different Oat Varieties in Alberta	<ul style="list-style-type: none">- \$53,250 payable in six instalments of \$8,875 as specific requirements are completed commencing April 1, 2019. Amounts expended in the current year total \$8,875 (\$8,875 to date). Funding of \$7,500 has been received from industry partners (\$7,500 to date).
Developing New Strategies to Efficiently Utilize Oat Grains in High Production Dairy Cows	<ul style="list-style-type: none">- \$228,290 commencing September 2, 2017 and ending August 30, 2023. \$31,000 was expended in the current year (\$59,750 to date).
Development of the Mexican Oat Market	<ul style="list-style-type: none">- \$633,000 commencing April 1, 2018 to be spent by March 31, 2021; \$222,756 was expended during the current year (\$282,456 to date).- POGA is eligible for up to \$348,150 in grant funds for the project \$122,516 of which was recognized in the current year (\$155,351 to date).

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2019

7. Commitments and Projects - continued

Project	Terms
Expanding the Canadian Oat Market - China Project	- \$262,000 by March 31, 2021; \$61,096 of which was expended in the current year (\$93,418 to date). - POGA is eligible for up to \$102,300 in grant funds for this project; \$33,603 is which was recognized in the current year (\$51,380 to date).
Tuning the Oat Genome with CRISPR based systems	- \$130,000 commencing April 1, 2019 through April 1, 2021 with an initial payment of \$65,000 in year one, followed by payments of \$32,500 in each of years two and three. \$65,000 expended in the current year. (\$65,000 to date).
Breeding, Genomics and Agronomy research	- \$52,500 commencing April 1, 2018 through to the satisfactory completion of the research reporting and payment obligation. \$21,000 expended in the current year (\$21,000 to date).
Organic Oat Breeding	- \$25,000 commencing April 1, 2018 through March 31, 2023. \$10,000 expended in the current year (\$10,000 to date).
Grain Safety Sponsorship	- \$10,000 commencing August 1, 2018 and ending September 30, 2020. \$5,000 was expended in the current year (\$5,000 to date).
Grain Safety Sponsorship	- \$10,000 commencing August 1, 2018 and ending September 30, 2020. \$5,000 was expended in the current year (\$5,000 to date).
Economic Value of Diversified Cropping System	- \$2,500 committed through September 19, 2018 to March 31, 2022. \$1,250 expended during the current year (\$1,250 to date).
Impact of Particle Size on Pulse Oat & Flours	- \$30,000 committed through December 12, 2018 to April 30, 2021. \$15,000 expended in the current year (\$15,000 to date).
Markers Linked to Oat Crown Rust Resistance	- \$40,000 committed though December 12, 2018 to July 1, 2023. \$10,000 expended during the current year (\$10,000 to date).

Prairie Oat Growers have signed a number of other agreements with commitments totalling \$42,900 covering the period up to and including fiscal 2020.

8. Budget

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