

**FINANCIAL
STATEMENTS**

**Saskatchewan Oat
Development Commission**

Year Ended July 31, 2010

Saskatchewan Oat Development Commission

Yorkton, Saskatchewan

July 31, 2010

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PARKERQUINE LLP
Chartered Accountants Business Advisors

Auditors' Report

To the Board of Directors
Saskatchewan Oat Development Commission

We have audited the Statement of Financial Position of Saskatchewan Oat Development Commission as at July 31, 2010 and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The commission collects a check-off fee from Saskatchewan producers through buyers of oats. It was not practical 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 practical 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.

Note 8 discloses the organization's accounting policy with regards to recognizing certain shared administrative costs with a related party, the Prairie Oat Growers Association (POGA). In the current year the commission has asserted that certain costs recognized as expenses of the organization in the prior year were in fact expenses of the related party and thus recoverable from POGA, and consequently has recognized related revenues and receivables in the current year. Additionally, in the current year the relates parties finalized the cost sharing formula and, as a result, determined that the organization owed additional funds to POGA relating to the organization's proportionate share of POGA's operating costs for the year ending July 31, 2009. In our opinion, under Canadian generally accepted accounting principles, such recoveries and expenses constitute prior period errors and should be accounted for as an adjustment to the comparative financial statements.

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, and the accounting for the recoveries and proportionate expenses of POGA, as referred to in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the organization as at July 31, 2010 and the results of its operations and changes in its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

PARKERQUINE LLP

Per: *Mandy P... CA*

Yorkton, SK
July 28, 2011

Saskatchewan Oat Development Commission
 Yorkton, Saskatchewan
 Statement of Financial Position as at July 31, 2010

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	113,185	365,601
Short-term investments - note 5	1,675,000	1,200,000
Accounts receivable	107,872	72,161
Accrued interest receivable	17,176	14,609
Prepaid expenses	3,187	410
	1,916,420	1,652,781
Capital Assets - note 6	1,399	2,098
	\$ 1,917,819	\$ 1,654,879
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	158,750	88,436
Net Assets		
Invested in capital assets	1,399	2,098
Unrestricted net assets	1,757,670	1,564,345
	1,759,069	1,566,443
	\$ 1,917,819	\$ 1,654,879

Approved on behalf of the board:

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

Saskatchewan Oat Development Commission

Statement of Changes in Net Assets

For the year ended July 31, 2010

	Invested in Capital Assets	Unrestricted Net Assets	2010 Total	2009 Total
Balance, beginning of year	2,098	1,564,345	1,566,443	1,113,406
Excess (deficiency) of revenue over expenses for the year	<u>(699)</u>	<u>193,325</u>	<u>192,626</u>	<u>453,037</u>
Balance, end of year	<u>\$ 1,399</u>	<u>\$ 1,757,670</u>	<u>\$ 1,759,069</u>	<u>\$ 1,566,443</u>

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part of these financial statements.*

Saskatchewan Oat Development Commission

Statement of Operations
For the year ended July 31, 2010

	Budget	2010	2009
Revenue			
Producer check-off fees	550,000	597,242	704,256
Less: Producer check-off refunds	<u>(33,000)</u>	<u>(34,777)</u>	<u>(43,116)</u>
	517,000	562,465	661,140
Recovery of historical administrative expenses		24,193	
Investment and other income	25,000	28,817	26,472
Subsidies and grants			22,414
	<u>542,000</u>	<u>615,475</u>	<u>710,026</u>
Expenses			
Amortization		699	699
Board of Directors	18,000	7,811	13,550
Communications - education	50,000	11,500	5,000
Executive Director contract			27,000
Levy administration fees	37,000	41,727	13,029
Market development grants	300,000		
Policy development	25,000		
Producer meetings	4,000	5,154	4,921
Proportionate expenses of POGA - note 8	44,000	209,407	15,000
Research and development grants	300,000	138,400	154,678
General and administrative:			
Bank charges	500	276	336
Memberships		1,219	329
Newsletter, promotion and website		575	16,112
Office and other administrative	2,500	1,021	2,924
Professional fees	4,000	5,060	3,410
	<u>785,000</u>	<u>422,849</u>	<u>256,988</u>
Excess of Revenue Over Expenses for the Year	<u>\$(243,000)</u>	<u>\$ 192,626</u>	<u>\$ 453,038</u>

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part of these financial statements.*

Saskatchewan Oat Development Commission

Statement of Cash Flows
For the year ended July 31, 2010

	2010	2009
Cash Provided By (Used In):		
Operations		
Excess of revenue over expenses for the year	192,626	453,038
Add items not requiring cash resources		
Amortization	699	699
Net change in working capital	<u>29,259</u>	<u>74,954</u>
	<u>222,584</u>	<u>528,691</u>
Investing activities		
Additions to short-term investments	(1,075,000)	(2,066,431)
Proceeds on disposal of short-term investments	<u>600,000</u>	<u>1,870,731</u>
	<u>(475,000)</u>	<u>(195,700)</u>
Net Cash Increase (Decrease) for the Year	(252,416)	332,991
Cash position, beginning of year	<u>365,601</u>	<u>32,610</u>
Cash Position, End of Year	<u>\$ 113,185</u>	<u>\$ 365,601</u>
Represented By:		
Cash and cash equivalents	<u>\$ 113,185</u>	<u>\$ 365,601</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(35,711)	72,837
- prepaid expenses	(2,777)	(44)
- other current assets	(2,567)	(6,760)
Increase (decrease) - accounts payable and accrued liabilities	<u>70,314</u>	<u>8,921</u>
	<u>\$ 29,259</u>	<u>\$ 74,954</u>
Additional Information		
Interest received	\$ 26,250	\$ 14,282

*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, 2010

1. Nature of Operations

The organization was established April 12, 2006 pursuant to The Oat Development Plan Regulations (the Regulations), under the authority of The Agri-Food Act, 2004. The purpose of the organization is to develop 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.

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) Short-term investments

Short-term investments represent investments in guaranteed investment certificates. Short-term investments are classified as held-to-maturity and reported at amortized cost using the effective interest method.

(b) Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. The assets are amortized on a straight-line basis at the following rates:

Computer equipment	5 years
Computer software	5 years

(c) Revenue

Under the Regulations, each producer is required to pay the organization a check-off fee of \$0.50 per tonne of oats marketed. 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 Regulations.

Producer check-off fees and registration fees are recognized when they become receivable from the producers and collection is reasonably assured. Refunds are recognized as requested by producers in the same fiscal year as the related revenue is reported.

Interest revenues are recognized as earned. Investment revenues relating to investments designated as held-for-trading are recognized as the change in the fair value of the investments changes.

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2010

2. Significant Accounting Policies - continued

(d) Donated materials and services

The organization benefits from the donation of materials and services. These financial statements do not reflect the value of donations-in-kind received in the year.

(e) Government assistance

Government assistance related to operating expenses is reflected as income in the year the related expenditures are incurred.

Government assistance in the form of operating grants is recognized as income in the year the grants are received.

(f) 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, short-term investments and accounts payable and accrued liabilities. For cash 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, short-term investments and net assets.

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2010

	2010	2009
5. Short-Term Investments		
Short-term investments include the following:		
Maturing within 6 months of year end	600,000	600,000
- rates	3.25-4.00%	1.00%
Maturing 6 to 12 months of year end	700,000	
- rates	0.30%	
Maturing after 12 months of year end	375,000	600,000
- rates	1.70%	3.25-4.00%
	\$ 1,675,000	\$ 1,200,000

6. Capital Assets

Cost

Computer equipment	2,730	2,730
Computer software	766	766
	3,496	3,496

Accumulated amortization

Computer equipment	1,638	1,092
Computer software	459	306
	2,097	1,398

Net book value	\$ 1,399	\$ 2,098
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7. Commitments

In the 2008 year, the organization committed to providing \$100,000 per year for each of the following five years, with payments due semi-annually commencing July 1, 2008, to further oat research at the Crop Development Centre at the University of Saskatchewan. The fifth \$50,000 semi-annual payment of this commitment, payable July 1, 2010, has been included in accounts payable and is included in research and development grant expenses.

During the 2009 year, the organization committed to provide \$20,000 per year for three years commencing in 2010 to a research project regarding fungicide application headed by the Indian Head Ag Research Farm (IHARF). Additionally, in the current year the organization committed to provide \$18,400 per year for three years commencing in 2010 to the IHARF for a row spacing/Greenseeker technology research project.

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2010

7. Commitments - continued

The organization has committed to providing funding for the following projects administered by the Prairie Oat Growers Association (POGA). The organization's commitment will be proportionate on an annual basis as per the standard cost sharing formula as detailed in note 8.

Project	Terms
Equine Feed Oat Project	\$200,000 in 2011, \$192,000 in 2012
Core Funding/Oat Genome Study	Approximately \$78,000 in 2011, \$192,000 in 2012 and \$80,000 in 2013, all denoted in US dollars

8. Related-Party Transactions

Included in these financial statements are transactions with the Prairie Oat Growers Association (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) and the Manitoba Oat Growers Association (MOGA). The SODC and the MOGA 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.

In the current year, the organization recognized recoveries of costs that were previously expensed, but have since been determined to be the responsibility of POGA based on ongoing discussions and an informal agreement with POGA during the current year. These recoveries have been recognized as revenues in the current year. Recovered costs include \$21,000 of management contract expenses and \$3,193 of Board of Director expenses.

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2010

8. Related-Party Transactions - continued

Financial Statement Accounts	Terms or Conditions	2010	2009
Assets			
Accounts receivable - historical costs (POGA)	no specific terms	\$ 18,000	\$ 0
Accounts receivable (POGA)	no specific terms	7,461	
Liabilities			
Accounts payable (Board of Director expenses)	no specific terms	11,154	7,472
Accounts payable (POGA)	no specific terms	69,407	
Revenue			
Recovery of historical administrative expenses (POGA)		24,193	
Expenses			
Administrative fees and share of project expenses (POGA)		209,407	15,000

9. Budget

The budgeted figures represent the estimates of revenues and expenses as approved by the Board of Directors and have not been subject to audit.