

Manitoba Oat Growers Association

FINANCIAL STATEMENTS

Year Ended July 31, 2013

Manitoba Oat Growers Association

Regina, Saskatchewan

July 31, 2013

(Unaudited)

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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, 2013 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.

We draw attention to note 2 of the financial statements which describes that Manitoba Oat Growers Association adopted Canadian accounting standards for not-for-profit organizations on August 1, 2012 with a transition date of August 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the Statement of Financial Positions as at July 31, 2012 and August 1, 2011, and the Statements of Operations and Cash Flows for the year ended July 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information and as such, it is neither audited nor reviewed.

Collins Barrow PQ LLP

Per: *Mandy P... CA*

Yorkton, SK
December 11, 2013

Manitoba Oat Growers Association
 Regina, Saskatchewan
 Statement of Financial Position as at July 31, 2013
 (Unaudited)

	July 31, 2013	July 31, 2012	August 1, 2011
Assets			
Current Assets			
Cash and cash equivalents	159,318	156,347	390,853
Short-term investments - note 4	150,000		
Accounts receivable	12,154	167,411	22,089
Accrued interest receivable	246		
Prepaid expenses		210	
	<u>\$ 321,718</u>	<u>\$ 323,968</u>	<u>\$ 412,942</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	<u>59,206</u>	<u>55,951</u>	<u>138,350</u>
Net Assets, Unrestricted			
Balance, beginning of year	268,017	274,592	264,626
Add: Excess (deficiency) of revenue over expenses for the year	<u>(5,505)</u>	<u>(6,575)</u>	<u>9,966</u>
Balance, end of year	<u>262,512</u>	<u>268,017</u>	<u>274,592</u>
	<u>\$ 321,718</u>	<u>\$ 323,968</u>	<u>\$ 412,942</u>

Approved on behalf of the board:

Manitoba Oat Growers Association

Statement of Operations
For the year ended July 31, 2013
(Unaudited)

	2013	2012
Revenue		
Levy central income	279,050	254,869
Less: Producer levy refunds	(8,386)	(4,032)
Over-cap levy refunds	(51,797)	(46,874)
Investment income	246	
Other		1,191
	<u>219,113</u>	<u>205,154</u>
Expenses		
Annual general meeting	10,156	6,709
Board of Directors	5,056	7,429
Levy administration fees	16,051	16,745
Prairie Oat Breeding Consortium membership	23,872	23,872
Proportionate expenses of POGA	161,130	146,874
Research and development	4,179	
Travel		381
General and administrative:		
Bank charges	248	401
Communications - promotion and website	1,752	2,587
Office and other administrative	194	681
Professional fees	1,980	6,050
	<u>224,618</u>	<u>211,729</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u>\$ (5,505)</u>	<u>\$ (6,575)</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, 2013
(Unaudited)

	2013	2012
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	(5,505)	(6,575)
Net change in working capital	<u>158,476</u>	<u>(227,932)</u>
	152,971	(234,507)
Investing activities		
Additions to short-term investments	<u>(150,000)</u>	<u>0</u>
Net Cash Increase (Decrease) for the Year	2,971	(234,507)
Cash position, beginning of year	<u>156,347</u>	<u>390,854</u>
Cash Position, End of Year	<u>\$ 159,318</u>	<u>\$ 156,347</u>
Represented By:		
Cash and cash equivalents	<u>\$ 159,318</u>	<u>\$ 156,347</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	155,257	(145,322)
- prepaid expenses	210	(210)
- other current assets	(246)	
Increase (decrease) - accounts payable and accrued liabilities	<u>3,255</u>	<u>(82,400)</u>
	<u>\$ 158,476</u>	<u>\$(227,932)</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, 2013
(Unaudited)

1. Nature of Operations

The organization was formed on July 25, 2008. The Manitoba Oat Growers Association is designated as the representative organization of all producers of oats in Manitoba, pursuant to The Manitoba Oat Growers Association Designation Regulation ("the Regulation"), under the authority of The Agricultural Producers' Organization Funding Act of Manitoba. The main purpose of the organization is to fund oat research, market development and education. 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) Impact of the change in the basis of accounting

The organization has elected to apply the Canadian accounting standards for not-for-profit organizations of Part III of the *CICA Accounting Handbook*.

These financial statements are the first statements for which the organization has applied Canadian accounting standards for not-for-profit organizations.

The financial statements for the year ended July 31, 2013 were prepared in accordance with Canadian accounting standards for not-for-profit organizations and provisions set out in Section 1501, First-Time Adoption by Not-For-Profit Organizations.

The adoption of ASNFPO had no impact on the previously reported assets, liabilities and net assets of the organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in net assets and statement of cash flows. Certain of the organization's disclosures required in these financial statements reflect the new disclosure requirements of ASNFPO.

(b) Cash and cash equivalents

Cash and cash equivalents represents cash on hand and cash held in banks.

(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 Manitoba, to a maximum of \$250 per producer per year, 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.

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

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 not exposed to significant risks through its financial instruments with the exception of interest rate risk and other price risk.

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. The risk associated with investments is minimized as these assets are invested in principal guaranteed investments.

4. Short-Term Investments

Short-term investments consist of guaranteed investment certificates.

Manitoba Oat Growers Association

Notes to Financial Statements
For the year ended July 31, 2013
(Unaudited)

5. 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 Manitoba Oat Growers Association (MOGA), the Saskatchewan Oat Development Commission (SODC) and the Alberta Oat Growers Commission (AOGC). The MOGA, SODC and AOGC have agreed to jointly fund the net administrative expenses of POGA via a cost-sharing arrangement based on levy income net of levy refunds. The MOGA and the SODC have agreed to jointly fund the project expenses of POGA via the same cost sharing formula as the net administrative expenses. AOGC will participate in the cost sharing of the project expenses commencing the 2014 fiscal year. The proportionate share of the actual costs attributable to each organization is determined annually.

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	2013	2012
Assets		
Accounts receivable - POGA (overpayment of funding contributions)	\$ 0	\$ 138,213
Liabilities		
Accounts payable - Board of Director expenses	493	3,161
Accounts payable - POGA (underpayment of funding contributions)	930	
Expenses		
Proportionate expenses of POGA	161,130	146,874
POBC contributions to POGA	23,872	23,872

In the current year, MOGA's share of POGA's administrative expenses is 24% (23% in the prior year) and its share of project expenses is 28% (23% in the prior year). A summary of POGA's total revenues and expenses appears below:

	2013	2012
Revenues before funding contributions:		
Grant revenues	256,641	45,038
POBC contributions	185,630	185,895
Other revenues	24,647	17,529
	<u>466,918</u>	<u>248,462</u>
Expenses:		
Research projects	244,273	290,776
Market development projects	505,594	329,706
Expansion projects	393	10,928
Communications	49,968	41,451
General operating expenses	253,776	211,346
	<u>1,054,004</u>	<u>884,207</u>
Deficiency of Revenue over Expenses Before Funding Contributions	<u>(587,086)</u>	<u>(635,745)</u>
Funding contributions:		
MOGA	161,130	146,874
SODC	407,871	488,871
AOGC	18,085	
	<u>\$ 0</u>	<u>\$ 0</u>

Manitoba Oat Growers Association

Notes to Financial Statements
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(Unaudited)

6. Commitments

The organization has committed to providing funds to POGA to finance its annual membership in the Prairie Oat Breeding Consortium (anticipated to be approximately \$28,000 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
Oats: Preventing Equine Disease	- \$122,601 in US dollars commencing February 1, 2013 and ending January 31, 2015, \$41,995 in Canadian dollars of which was expended in the current year - POGA is eligible for a grant of up to \$66,150 in grant funds this project, \$38,640 of which was received in the current year
Julie Goodnight sponsorship	- \$91,200 in US dollars commencing November 1, 2012 and ending October 1, 2014, \$34,556 in Canadian dollars of which was expended in the current year
Improving Export of Canadian Oats	- contracts for facilitating meetings with representatives of the agricultural products transportation industry and a trade mission to Mexico, \$76,127 of which is to be expended by December 2014
Healthier Oat Oil	- \$90,000 over four years commencing January 1, 2013, \$15,000 of which was expended in the current year
Water Soluble Beta Glucan	- \$90,000 over three years commencing August 1, 2012, \$30,000 of which was expended in the current year
Development of Oat Cultivars (Oat Advantage)	- \$100,000 over 5 years commencing April 1, 2013, \$20,000 of which was expended in the current year
Responsiveness of Oat to Fertilizer N and Fungicides	- POGA has agreed to apply for a grant to a maximum of \$16,000 on behalf of a third party
CAAP project	- POGA has agreed to apply for a grant to a maximum of \$97,000 on behalf of a third party - POGA has committed to providing an additional \$10,000 toward the project, expected to be paid in the 2014 fiscal year