

Saskatchewan Oat Development Commission

FINANCIAL STATEMENTS

Year Ended July 31, 2013

Saskatchewan Oat Development Commission

Regina, Saskatchewan

July 31, 2013

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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, 2013, 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 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.

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, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Oat Development Commission as at July 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

Without modifying our opinion, we draw attention to note 2 of the financial statements which describes that Saskatchewan Oat Development Commission 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 Position 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 unaudited.

Collins Barrow PQ LLP

Per: *Mandy Piro* CA

Yorkton, SK
December 6, 2013

Saskatchewan Oat Development Commission

Regina, Saskatchewan

Statement of Financial Position as at July 31, 2013

	July 31, 2013	July 31, 2012	August 1, 2011
Assets			
Current Assets			
Cash and cash equivalents	283,679	157,118	64,189
Short-term investments - note 4	1,053,900	1,487,500	1,587,500
Accounts receivable	134,118	121,049	89,618
Accrued interest receivable	7,183	15,395	13,248
Prepaid expenses	512	510	355
	1,479,392	1,781,572	1,754,910
Long-Term Investments - note 5	275,498	0	0
Capital Assets	0	0	700
	\$ 1,754,890	\$ 1,781,572	\$ 1,755,610
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	61,090	51,293	71,156
Net Assets, Unrestricted			
Balance, beginning of year	1,730,279	1,684,454	1,759,069
Add: Excess (deficiency) of revenue over expenses for the year	(36,479)	45,825	(74,615)
Balance, end of year	1,693,800	1,730,279	1,684,454
	\$ 1,754,890	\$ 1,781,572	\$ 1,755,610

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 Operations
For the year ended July 31, 2013

	Budget	2013	2012
Revenue			
Producer check-off fees	550,000	584,052	700,274
Less: Producer check-off refunds	<u>(33,000)</u>	<u>(30,032)</u>	<u>(21,441)</u>
	517,000	554,020	678,833
Investment and other income	<u>23,000</u>	<u>19,193</u>	<u>26,512</u>
	<u>540,000</u>	<u>573,213</u>	<u>705,345</u>
Expenses			
Board of Directors	16,000	14,079	10,436
Communications - education	15,000	15,000	15,000
Levy administration fees	40,000	36,283	38,013
Loss on disposal of short-term investments		1,000	700
Producer meetings	6,550	4,139	6,143
Proportionate expenses of POGA - note 6	604,697	407,871	488,871
Research and development grants - note 7	103,000	122,600	88,400
General and administrative:	10,500		
Bank charges		1,832	292
Memberships		949	794
Newsletter, promotion and website		450	4,727
Office and other administrative		209	204
Professional fees		5,280	5,940
	<u>795,747</u>	<u>609,692</u>	<u>659,520</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u>\$(255,747)</u>	<u>\$(36,479)</u>	<u>\$ 45,825</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, 2013

	2013	2012
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	(36,479)	45,825
Add items not requiring cash resources		
Amortization of bond premiums	3,512	
Loss on disposal of short-term investments	1,000	700
Net change in working capital	<u>4,938</u>	<u>(53,595)</u>
	<u>(27,029)</u>	<u>(7,070)</u>
Investing activities		
Additions to short-term investments	(1,753,900)	(1,737,500)
Additions to long-term investments	(331,304)	
Proceeds on disposal of long-term investments	51,294	
Proceeds on disposal of short-term investments	<u>2,187,500</u>	<u>1,837,500</u>
	<u>153,590</u>	<u>100,000</u>
Net Cash Increase for the Year	126,561	92,930
Cash position, beginning of year	<u>157,118</u>	<u>64,188</u>
Cash Position, End of Year	<u>\$ 283,679</u>	<u>\$ 157,118</u>
Represented By:		
Cash and cash equivalents	<u>\$ 283,679</u>	<u>\$ 157,118</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(13,069)	(31,431)
- prepaid expenses	(2)	(155)
- other current assets	8,212	(2,147)
Increase (decrease) - accounts payable and accrued		
- liabilities	<u>9,797</u>	<u>(19,862)</u>
	<u>\$ 4,938</u>	<u>\$ (53,595)</u>
Additional Information		
Interest received	\$ 30,917	\$ 22,655

*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, 2013

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) 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) Capital assets

Capital assets are recorded at 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

Saskatchewan Oat Development Commission

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

2. Significant Accounting Policies - continued

(d) 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.

(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.

Saskatchewan Oat Development Commission

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

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.

	2013	2012
4. Short-Term Investments		
Description - GICs maturing within 6 months of year end		
Measurement basis - amortized cost		
Significant terms - rates 1.00% to 1.25% (2012 - 1.15-2.00%)	1,037,500	1,187,500
Description - GICs maturing within 6 to 12 months of year end		
Measurement basis - amortized cost		
Significant terms - rates n/a (2012 - 1.45%)		300,000
Description - Government bond maturing within 12 months of year end		
Measurement basis - amortized cost		
Significant terms - rate 5.00%, face value of \$16,000	16,400	
	\$ 1,053,900	\$ 1,487,500
5. Long-Term Investments		
Description - Government and corporate bonds maturing within 1-5 years		
Measurement basis - amortized cost		
Significant terms - rates 2.36% to 4.00%, face value totalling \$41,000	42,459	
Description - Government and corporate bonds maturing within 6-10 years		
Measurement basis - amortized cost		
Significant terms - rates 2.75% to 4.85%, face value totalling \$151,000	166,775	
Description - Government and corporate bonds maturing in over 10 years		
Measurement basis - amortized cost		
Significant terms - rates 4.70% to 7.05%, face value totalling \$50,000	66,264	
	\$ 275,498	\$ 0

Saskatchewan Oat Development Commission

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

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 expenses of POGA via a cost-sharing arrangement based on levy income net of levy refunds. The SODC and the MOGA 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 balance 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)	\$ 91,929	\$ 0
Liabilities		
Accounts payable (Board of Director expenses)	5,046	3,457
Accounts payable - POGA (underpayment of funding contributions)		32,121
Accounts payable - POGA (expenses paid by POGA)		44
Expenses		
Proportionate expenses of POGA	407,871	488,871

Saskatchewan Oat Development Commission

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

6. Transactions with Related Parties - continued

In the current year, SODC's share of POGA's administrative expenses, in excess of revenues earned by POGA, is 62% (77% in the prior year) and its share of project expenses is 72% (77% 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	<u>24,647</u>	<u>17,529</u>
	<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 expenses	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	<u>18,085</u>	<u> </u>
	<u>\$ 0</u>	<u>\$ 0</u>

7. Commitments

In the 2008 year, the organization committed to providing \$100,000 per year for each of the following five years, to further oat research at the Crop Development Centre at the University of Saskatchewan. Initially, payments were due semi-annually, commencing July 1, 2008. The final two \$50,000 semi-annual payment of this commitment, paid during the year, is included in research and development grant expenses.

In the current year the organization committed to providing \$80,000 per year for three years to the University of Saskatchewan commencing in 2014. Additionally, 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 provided \$19,600 toward this project in the current year, which is included in research and development grant expenses. The organization is obligated to provide \$26,000 in the 2014 fiscal year, \$13,000 in the 2015 fiscal year and \$6,720 in the 2016 fiscal year.

In the current year, the organization provided a \$3,000 contribution to the Canadian Feed Research Centre.

Saskatchewan Oat Development Commission

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

7. Commitments - continued

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:

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

8. Budget

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