

**FINANCIAL  
STATEMENTS**

**Prairie Oat Growers  
Association Inc.**

**Year Ended July 31, 2012**

**Prairie Oat Growers Association Inc.**

Regina, Saskatchewan

July 31, 2012

(Unaudited)

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**Review Engagement Report**

To the members  
Prairie Oat Growers Association Inc.

We have reviewed the Statement of Financial Position of Prairie Oat Growers Association Inc. as at July 31, 2012 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 generally accepted accounting principles.

**PARKERQUINE LLP**

Per: *Mandy P... CA*

Yorkton, SK  
November 29, 2012

**Prairie Oat Growers Association Inc.**  
 Regina, Saskatchewan  
 Statement of Financial Position as at July 31, 2012  
 (Unaudited)

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	38,940	
Accounts receivable - note 5	101,365	192,313
Prepaid expenses	<u>18,602</u>	<u>2,300</u>
	158,907	194,613
<b>Capital Assets - note 6</b>	<u>1,075</u>	<u>121</u>
	<u>\$ 159,982</u>	<u>\$ 194,734</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Bank overdraft		11,238
Accounts payable and accrued liabilities - note 7	<u>154,057</u>	<u>177,571</u>
	<u>154,057</u>	<u>188,809</u>
<b>Net Assets, Unrestricted</b>		
Balance, beginning of year	5,925	5,925
Add: Excess of revenue over expenses for the year	<u>0</u>	<u>0</u>
Balance, end of year	<u>5,925</u>	<u>5,925</u>
	<u>\$ 159,982</u>	<u>\$ 194,734</u>

Approved on behalf of the board:

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## Prairie Oat Growers Association Inc.

Statement of Operations  
For the year ended July 31, 2012  
(Unaudited)

	2012	2011
<b>Revenue Before Funding Contributions</b>		
<i>Grant revenues:</i>		
Alberta Growing Forward - note 9		25,650
Growing Canadian Agri-Innovations Program (DIAP) - note 9		95,700
AgriMarketing Long Term International Strategy - note 9	30,000	
AgriMarketing - EFOP - note 9	15,038	
<i>Other revenues:</i>		
Conference revenues	19,200	6,465
Prairie Oat Breeding Consortium partner contributions - note 9	185,895	185,895
Gain (loss) on foreign exchange	( 1,708)	626
Investments and other	37	
	248,462	314,336
<b>Expenses</b>		
<i>Research projects:</i>		
CORE - note 9	68,425	196,127
POOL - note 9	6,621	4,947
Nationwide Network - note 9	37,580	26,836
Breeding Oat for Western Canada - note 9	176,277	245,732
Other research and development projects	1,873	13,405
<i>Market development projects:</i>		
Equine Feed Oat Project - note 9	329,706	142,016
<i>Expansion projects:</i>		
Alberta Oat Grower Commission - note 9	10,928	44,024
<i>Communications</i>		
Advertising, sponsorships, newsletter, website and membership	43,951	31,375
<i>General operating expenses:</i>		
Administrative	108,103	61,218
Amortization	658	242
Annual conference	21,073	9,181
Directors' travel and administration	55,680	21,991
Interest and bank charges	4,238	195
Meetings	9,606	6,578
Professional fees	9,488	
	884,207	803,867
<b>Deficiency of Revenue Over Expenses Before Funding Contributions</b>	( 635,745)	( 489,531)
<b>Funding Contributions - note 8</b>		
Manitoba Oat Growers Association	146,874	171,215
Saskatchewan Oat Development Commission	488,871	318,316
	635,745	489,531
<b>Excess of Revenue Over Expenses for the Year</b>	\$ 0	\$ 0

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

## Prairie Oat Growers Association Inc.

Statement of Cash Flows  
For the year ended July 31, 2012  
(Unaudited)

	2012	2011
<b>Cash Provided By (Used In):</b>		
Operations		
Excess of revenue over expenses for the year	0	0
Add items not requiring cash resources		
Amortization	658	242
Net change in working capital	<u>51,132</u>	<u>( 68,598)</u>
	51,790	( 68,356)
Investing activities		
Capital asset purchases	<u>( 1,612)</u>	<u>0</u>
<b>Net Cash Increase (Decrease) for the Year</b>	50,178	( 68,356)
Cash position, beginning of year	<u>( 11,238)</u>	<u>57,118</u>
<b>Cash Position, End of Year</b>	<u>\$ 38,940</u>	<u>\$( 11,238)</u>
<b>Represented By:</b>		
Cash and cash equivalents	38,940	
Bank overdraft	<u>                    </u>	<u>( 11,238)</u>
	<u>\$ 38,940</u>	<u>\$( 11,238)</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	90,948	( 91,107)
- prepaid expenses	( 16,302)	
Increase (decrease) - accounts payable and accrued liabilities	<u>( 23,514)</u>	<u>22,509</u>
	<u>\$ 51,132</u>	<u>\$( 68,598)</u>

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

# Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2012  
(Unaudited)

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## 1. Nature of Operations

The Prairie Oat Growers Association ("POGA") was incorporated on April 20, 1998 under the Non-Profit Corporations Act of Saskatchewan. The organization's purpose is to develop and support partnerships in the agricultural industry that will enhance the profitability of oats for prairie producers and increase its value to the customer.

POGA also works to co-ordinate the efforts of the Saskatchewan Oat Development Commission and the Manitoba Oat Growers Association. Further information regarding the relationship between POGA and these provincial organizations is detailed in note 8.

## 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) 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:

Furniture, fixtures and equipment	5 years
Computer equipment	3 years

### (b) Revenue

Funding contributions from the Saskatchewan Oat Development Commission and the Manitoba Oat Growers Association are recognized based on a cost-sharing agreement between the three parties. Related revenues are recognized in the year in which the expenses included in the cost-sharing agreement are incurred.

Grant revenues are recognized in the same period in which the related expenditures are made, provided all grant qualifications have been met and collection is reasonably assured.

Prairie Oat Breeding Consortium partner contributions are recognized in the fiscal year in which the related membership year ends.

Conference and meeting registration revenues are recognized when the related conference is held and any conditions relating to the revenues have been fulfilled.

### (c) Project expenses

Project expenses are recognized as the related expenditure is made.

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2012  
(Unaudited)

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### 2. Significant Accounting Policies - continued

#### (d) 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 and cash equivalents, accounts receivable, 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 and net assets.

### 5. Accounts Receivable

Accounts receivable are comprised of the following items:

	2012	2011
Accounts receivable	32,165	96,613
Accrued grants receivable - DIAP - note 9	<u>69,200</u>	<u>95,700</u>
	<u>\$ 101,365</u>	<u>\$ 192,313</u>

### 6. Capital Assets

#### Cost

Furniture, fixtures and equipment	605	605
Computer equipment	<u>1,612</u>	<u>        </u>
	<u>2,217</u>	<u>605</u>

#### Accumulated amortization

Furniture, fixtures and equipment	605	484
Computer equipment	<u>537</u>	<u>        </u>
	<u>1,142</u>	<u>484</u>

Net book value	<u>\$ 1,075</u>	<u>\$ 121</u>
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## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2012  
(Unaudited)

	2012	2011
<b>7. Accounts Payable and Accrued Liabilities</b>		
Accounts payable and accrued liabilities are comprised of the following items:		
Accounts payable	153,416	177,571
Payroll deductions payable	641	
	<b>\$ 154,057</b>	<b>\$ 177,571</b>

### 8. Related-Party Transactions

Included in these financial statements are transactions with the Saskatchewan Oat Development Commission (SODC) and the Manitoba Oat Growers Association (MOGA), both of which are related by virtue of common board members. The Prairie Oat Growers Association Inc. provides administration services, overhead expenses and research and development projects of mutual benefit to the SODC and the MOGA. The SODC and the MOGA have agreed to jointly fund the operations of the organization via a cost-sharing arrangement based on levy income net of levy refunds. The proportionate share attributable to each organization is determined annually. Any expenditures made by the organization which are for the sole benefit of either the SODC or the MOGA exclusively are recovered from that organization based on the cost to the Prairie Oat Growers Association Inc.

Related-party transactions and balances included in the financial statements are as follows:

Financial Statement Accounts	Terms or Conditions	2012	2011
<b>Assets</b>			
Accounts receivable - MOGA's expenses paid by POGA	no specific terms	\$ 0	\$ 3,864
Accounts receivable - SODC's expenses paid by POGA	no specific terms	54	
Accounts receivable - SODC's funding contributions	no specific terms	32,111	
Accounts receivable - MOGA's funding contribution	no specific terms		64,935
<b>Liabilities</b>			
Accounts payable - Board of Director expenses	no specific terms	9,474	4,134
Accounts payable - MOGA's funding contributions net of \$24,240 of expenses paid by POGA)	no specific terms	138,213	
Accounts payable - POGA's expenses paid by SODC	no specific terms		7,461
Accounts payable - SODC's funding contribution	no specific terms		7,676
<b>Revenue</b>			
Funding contributions (MOGA)	no specific terms	146,874	171,215
Funding contributions (SODC)	no specific terms	488,871	318,316
POBC contributions (MOGA)	no specific terms	23,872	23,872

## Prairie Oat Growers Association Inc.

Notes to Financial Statements  
For the year ended July 31, 2012  
(Unaudited)

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### 9. Projects and Future Funding Commitments

In the current year, the organization was involved in several projects of benefit to the oat industry as follows:

#### ***DIAP Program related projects***

The following four projects are undertaken in collaboration with the Government of Canada by the Ministry of Agriculture and Agri-Food under the Developing Innovative Agri-Products (DIAP) Initiative of the Growing Canadian Agri-Innovations Program. The project activities are administered and overseen by the Ministry of Agriculture and Agri-Food, with the exception of certain activities under the CORE project, as further described below. POGA's commitments for the components funded by the Government of Canada extend over a period of three years ending March 31, 2013 (\$324,000 by July 31, 2011, \$220,000 by July 31, 2012 and \$195,000 by March 31, 2013, all pending the completion of satisfactory reporting by the Ministry).

#### ***Strengthening the Collaborative Oat Research Enterprise (CORE) to Benefit Canadians***

The purpose of this project is to identify gene markers to provide plant breeders with new knowledge and better tools to more quickly develop superior oat varieties, and to improve the competitiveness of oat through the generation of cultivars with enhanced benefits to human health, superior agronomics and disease resistance. The CORE project includes the following funding components:

- POGA has committed to fund \$134,000 of the total \$365,000 budget under the DIAP program relating to activities to be administered by the Ministry of Agriculture and Agri-Food. Amounts paid and recognized as an expense in the current year total \$64,419 (\$46,578 in the prior year).
- POGA has committed to provide a total of \$127,100 denoted in US dollars to the United States Department of Agriculture (USDA), Agricultural Research Service for their project entitled "The North American Collaborative Oat Research Enterprise (CORE)." POGA has agreed to provide funding of \$36,000 US by December 31, 2010, \$87,100 US by December 31, 2011 and \$4,000 by December 31, 2012. Amounts paid to the USDA and recognized as an expense in the current year total \$4,007 (\$4,000 in US dollars) (\$121,198 in the prior year, \$123,100 in US dollars). POGA has completed this commitment in the current year.
- POGA is eligible to claim \$95,700 (out of a maximum approved grant of \$107,000) in additional funding, based on current expenditures, under the DIAP program to offset 64% of specific activities to be administered by POGA (exclusive of the funding commitments payable to the Ministry of Agriculture and Agri-Food, but inclusive of the commitments payable to the USDA indicated above) over a three-year period ending March 2013. Amounts paid in relation to this component of the project and recognized as an expense in the current year total \$4,007 (\$149,548 in the prior year). No further grant revenues have been accrued in relation to these qualifying expenses, as prior year estimated accruals (\$95,700 in the prior year) have been found to be sufficient to cover eligible expenditures incurred to date.

#### ***Enhanced Oat Pedigree Database (POOL)***

The purpose of this project is to update and expand a database of information relating to oat pedigree data. POGA has committed to funding \$14,000 of the total project budget of \$52,000. To date, POGA has paid and recognized a total of \$11,568.

## **Prairie Oat Growers Association Inc.**

Notes to Financial Statements  
For the year ended July 31, 2012  
(Unaudited)

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### **9. Projects and Future Funding Commitments - continued**

#### ***Nationwide Oat Breeding Line Screening Network (Nationwide Network)***

The purpose of this project is to establish a national oat breeding line screening network to investigate the suitability of existing oat cultivars in all the oat growing regions of Canada. POGA has committed to funding \$80,000 of the total project budget of \$265,000. To date, POGA has paid and recognized a total of \$64,416.

#### ***Breeding Oat for Western Canada***

The purpose of this project is to fund a breeding program aimed at developing food and milling quality cultivars adapted to the western provinces. POGA has committed to funding \$511,000 of the total project budget of \$1,022,000. To date, POGA has paid and recognized a total of \$422,009.

#### ***Prairie Oat Breeding Consortium (POBC)***

The Prairie Oat Breeding Consortium, a group of oat industry stakeholders, has agreed to fund POGA's DIAP program commitments regarding the "Breeding Oat for Western Canada" project. POGA has agreed to collect annual fees from the POBC and apply these monies towards POGA's DIAP funding commitments.

#### ***Equine Feed Oat Project (EFOP)***

The objective of this project is to increase the domestic production and commercial marketing of Canadian oats through increased consumption of oats in equine markets in the United States through a combination of research into the nutritional quality of oats, market research and market development through targeted advertising and promotion. POGA expects a total investment in this project of \$585,000, gross of expenses to be funded through grants as per below. This commitment by way of budgeted investment includes \$94,000 in support of an Equine Oat Research Advisory Board (\$13,751 in related expenses incurred in the current year) and \$40,000 in support of media (\$3,087 in related expenses incurred in the current year).

POGA has been approved for a maximum of \$100,000 in funding from the Minister of Agriculture and Agri-Food Canada for eligible expenditures incurred between April 1, 2012 and March 31, 2013 relating to International Marketing Strategies specific to the EFOP. Eligible expenditures recognized to date total \$30,076, \$3,087 are recognized as media expenses, \$15,289 as Equine Feed Oat project expenses, and \$11,700 as prepaid expenses. 50% of eligible expenditures are reimbursable under this grant, and as such, \$15,038 in revenues are recognized in the current year.

POGA has committed to a related contract for public relations services in the subsequent fiscal year totaling \$69,000 denoted in US dollars, and a contract for research and consulting services for \$52,500 relating to the EFOP.

#### ***Long Term International Strategy Project***

The objective of this project is to identify the organization's long-term strategic objectives in its efforts to increase oat producers' exports to international markets. POGA received a \$30,000 grant from the Minister of Agriculture and Agri-Food Canada to fund 50% of costs eligible under the grant incurred to March 31, 2012. Certain activities relating to the Equine Feed Oat project were undertaken in relation to this grant. \$18,532 in expenses eligible under this grant are recognized in the statements of operations as AgriMarketing Long Term International Strategy expense, while the remaining \$41,468 are recognized in the Equity Feed Oat Project.

## **Prairie Oat Growers Association Inc.**

Notes to Financial Statements  
For the year ended July 31, 2012  
(Unaudited)

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### **9. Projects and Future Funding Commitments - continued**

#### ***Alberta Oat Grower Commission Project***

The objective of this project is to determine the level of support to create an Alberta Oat Grower Commission, as well as to support activities to realize the creation of the Commission. In the prior year, POGA received a grant from the Government of Canada Growing Forward program administered by the Government of Alberta toward the cost of performing a survey of Alberta oat growers.

#### ***Future Commitments***

The organization has agreed to fund a total of \$90,000 over four years commencing August 1, 2012 toward a research project with the goal of improving the stability and nutritional properties of oat oil by identifying oat germplasm with higher proportions of oleic acid.

The organization has agreed to fund a total of \$90,000 over three years commencing August 1, 2012 toward a research project with the goal of identifying genes involved in the biosynthesis of oat beta-glucan and functional marker development to assist oat breeding. This funding is contingent on approval of the project by the Agricultural Development Fund.

### **10. Subsequent Events**

The Province of Alberta approved the Alberta Oat Growers Commission Plan Regulation effective August 1, 2012. The administrative functions of the Alberta Oat Growers Commission will be performed by POGA under an arrangement yet to be finalized.