

**FINANCIAL
STATEMENTS**

**Saskatchewan Oat
Development Commission**

Year Ended July 31, 2011

Saskatchewan Oat Development Commission

Yorkton, Saskatchewan

July 31, 2011

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PARKERQUINE LLP

Chartered Accountants Business Advisors

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, 2011, and the Statements of Operations, Changes in Net Assets 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 generally accepted accounting principles 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PARKERQUINE LLP

Per:

Mandy P... CA

Yorkton, SK
January 6, 2012

Saskatchewan Oat Development Commission

Yorkton, Saskatchewan

Statement of Financial Position as at July 31, 2011

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	64,190	113,186
Short-term investments - note 5	1,587,500	1,675,000
Accounts receivable	89,618	107,872
Accrued interest receivable	13,248	17,176
Prepaid expenses	355	3,187
	<u>1,754,911</u>	<u>1,916,421</u>
Capital Assets - note 6	<u>700</u>	<u>1,399</u>
	<u>\$ 1,755,611</u>	<u>\$ 1,917,820</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	<u>71,156</u>	<u>158,750</u>
Net Assets, Unrestricted		
Balance, beginning of year	1,759,070	1,566,444
Add: Excess (deficiency) of revenue over expenses for the year	<u>(74,615)</u>	<u>192,626</u>
Balance, end of year	<u>1,684,455</u>	<u>1,759,070</u>
	<u>\$ 1,755,611</u>	<u>\$ 1,917,820</u>

Approved on behalf of the board:

Saskatchewan Oat Development Commission

Statement of Operations
For the year ended July 31, 2011

	Budget	2011	2010
Revenue			
Producer check-off fees	450,000	456,131	597,242
Less: Producer check-off refunds	<u>(32,000)</u>	<u>(21,469)</u>	<u>(34,777)</u>
	418,000	434,662	562,465
Recovery of historical administrative expenses			24,193
Investment and other income	<u>25,000</u>	<u>25,108</u>	<u>28,817</u>
	<u>443,000</u>	<u>459,770</u>	<u>615,475</u>
Expenses			
Amortization		699	699
Board of Directors	18,000	7,378	7,811
Communications - education	15,000	10,000	11,500
Levy administration fees	35,000	37,891	41,727
Loss on disposal of short-term investments		3,086	
Producer meetings		6,309	5,154
Proportionate expenses of POGA - note 7	316,600	322,937	209,407
Research and development grants	138,400	138,400	138,400
General and administrative:			
Bank charges		551	276
Memberships		1,023	1,219
Newsletter, promotion and website		875	575
Office and other administrative		66	1,021
Professional fees	<u>3,500</u>	<u>5,170</u>	<u>5,060</u>
	<u>526,500</u>	<u>534,385</u>	<u>422,849</u>
Excess (Deficiency) of Revenue Over Expenses for the Year	<u><u>\$ (83,500)</u></u>	<u><u>\$ (74,615)</u></u>	<u><u>\$ 192,626</u></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, 2011

	2011	2010
Cash Provided By (Used In):		
Operations		
Excess (deficiency) of revenue over expenses for the year	(74,615)	192,626
Add items not requiring cash resources		
Amortization	699	699
Loss on disposal of short-term investments	3,086	
Net change in working capital	<u>(62,580)</u>	<u>29,259</u>
	<u>(133,410)</u>	<u>222,584</u>
Investing activities		
Additions to short-term investments	(1,400,000)	(1,075,000)
Proceeds on disposal of short-term investments	<u>1,484,414</u>	<u>600,000</u>
	<u>84,414</u>	<u>(475,000)</u>
Net Cash Increase (Decrease) for the Year	(48,996)	(252,416)
Cash position, beginning of year	<u>113,186</u>	<u>365,602</u>
Cash Position, End of Year	<u>\$ 64,190</u>	<u>\$ 113,186</u>
Represented By:		
Cash and cash equivalents	<u>\$ 64,190</u>	<u>\$ 113,186</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	18,254	(35,711)
- prepaid expenses	2,832	(2,777)
- other current assets	3,928	(2,567)
Increase (decrease) - accounts payable and accrued liabilities	<u>(87,594)</u>	<u>70,314</u>
	<u>\$(62,580)</u>	<u>\$ 29,259</u>
Additional Information		
Interest received	\$ 28,086	\$ 26,250

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, 2011

1. Nature of Operations

The Saskatchewan Oat Development Commission ("SODC") 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.

(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.

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2011

2. Significant Accounting Policies - continued

(e) 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.

5. Short-Term Investments

Short-term investments include the following:

	2011	2010
Maturing within 6 months of year end	887,500	600,000
- rates	1.30-1.70%	3.25-4.00%
Maturing 6 to 12 months of year end	350,000	700,000
- rates	1.50%	0.30%
Maturing after 12 months of year end	350,000	375,000
- rates	<u>2.00%</u>	<u>1.70%</u>
	<u>\$ 1,587,500</u>	<u>\$ 1,675,000</u>

6. Capital Assets

Cost

Computer equipment	2,730	2,730
Computer software	766	766
	<u>3,496</u>	<u>3,496</u>

Accumulated amortization

Computer equipment	2,184	1,638
Computer software	612	459
	<u>2,796</u>	<u>2,097</u>

Net book value

	<u>\$ 700</u>	<u>\$ 1,399</u>
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Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2011

7. Related-Party Transactions

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 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.

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

Financial Statement Accounts	Terms or Conditions	2011	2010
Assets			
Accounts receivable - historical costs (POGA)	no specific terms	\$ 0	\$ 18,000
Accounts receivable - POGA's expenses paid by SODC	no specific terms	7,461	7,461
Accounts receivable - POGA (overpayment of funding contributions)	no specific terms	7,676	0
Liabilities			
Accounts payable (Board of Director expenses)	no specific terms	1,047	11,154
Accounts payable - POGA (underpayment of funding contributions)	no specific terms	0	69,407
Revenue			
Recovery of historical administrative expenses (POGA)	no specific terms	0	24,193
Expenses			
Proportionate expenses of POGA	no specific terms	318,316	209,407

Saskatchewan Oat Development Commission

Notes to Financial Statements
For the year ended July 31, 2011

7. Related-Party Transactions - continued

In the current year, SODC's share of POGA's net operating expenses is 65% (71% in the prior year). A summary of POGA's total revenues and expenses appears below:

	2011	2010
Revenues before funding contributions:		
Grant revenues	121,350	
POBC contributions	185,895	
Other revenues	7,091	19,832
	<u>314,336</u>	<u>19,832</u>
Expenses:		
Research projects	487,046	
Market development projects	142,016	104,357
Expansion projects	44,024	
Communications expenses	28,875	36,423
General operating expenses	101,906	114,824
	<u>803,867</u>	<u>255,604</u>
Deficiency of Revenue over Expenses Before Funding Contributions	<u>(489,531)</u>	<u>(235,772)</u>
Funding contributions:		
MOGA	171,215	68,225
SODC	318,316	167,547
	<u>\$ 0</u>	<u>\$ 0</u>

8. 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 seventh \$50,000 semi-annual payment of this commitment, payable July 1, 2011, 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 2010 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, 2011

8. 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 7. POGA's commitments are as follows:

Project	Terms
Collaborative Oat Research Enterprise (CORE)	\$134,000 over three years ending March 2013 \$127,000 in US dollars over three years ending December 31, 2012 POGA is eligible for up to \$107,000 in additional funding to offset 64% of project activities (which may include the \$127,100 in US dollars as per above)
Enhanced Oat Pedigree Database (POOL)	\$14,000 over three years ending March 2013
Nationwide Oat Breeding Line Screening Network	\$80,000 over three years ending March 2013
Breeding Oat for Western Canada/Prairie Oat Breeding Consortium (POBC)	\$511,000 over three years ending March 2013 POGA has partnered with other milling and oat industry organizations for contributions towards its funding commitment
Equine Feed Oat Project	Contract for public relations in the subsequent fiscal year totalling \$28,750 POGA has budgetted a total of \$392,000 for this project, including \$102,000 expensed in the current year

Subsequent to year end, POGA committed a further \$90,000 over 4 years commencing August 1, 2012 toward a research project relating to improving the health benefits of oat oil. Additionally, POGA has budgetted \$94,000 in support of an Equine Oat Research Advisory Board.

9. Budget

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