

Alberta Oat Growers Commission

FINANCIAL STATEMENTS

Year Ended July 31, 2018

Alberta Oat Growers Commission

Regina, Saskatchewan

July 31, 2018

(Unaudited)

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Independent Practitioners' Review Engagement Report

To the Board of Directors
Alberta Oat Growers Commission

We have reviewed the accompanying financial statements of Alberta Oat Growers Commission, that comprise the Statement of Financial Position as at July 31, 2018, 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 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Alberta Oat Growers Commission as at July 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow PQ LLP

Collins Barrow PQ LLP

Yorkton, SK
December 5, 2018

Alberta Oat Growers Commission
 Regina, Saskatchewan
 Statement of Financial Position as at July 31, 2018
 (Unaudited)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	76,799	62,484
Accounts receivable	<u>15,538</u>	<u>14,509</u>
	92,337	76,993
Capital Assets - note 4	<u>169</u>	<u>509</u>
	<u>\$ 92,506</u>	<u>\$ 77,502</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	<u>17,954</u>	<u>18,537</u>
Net Assets, Unrestricted		
Balance, beginning of year	58,965	32,352
Add: Excess of revenue over expenses for the year	<u>15,587</u>	<u>26,613</u>
Balance, end of year	<u>74,552</u>	<u>58,965</u>
	<u>\$ 92,506</u>	<u>\$ 77,502</u>

Approved on behalf of the board:



Alberta Oat Growers Commission

Statement of Operations
For the year ended July 31, 2018
(Unaudited)

	2018	2017
Revenue		
Producer service charges	166,495	130,665
Less: Producer service charge refunds	<u>(5,389)</u>	<u>(3,094)</u>
	<u>161,106</u>	<u>127,571</u>
Expenses		
Amortization	339	254
Annual general meeting	7,579	7,299
Board of Directors	3,302	4,480
Levy administration fees	10,526	11,027
Meetings	2,534	2,969
Proportionate expenses of POGA - note 5	115,326	70,356
Research and development	3,300	2,000
General and administrative:		
Bank charges	243	267
Office and other administrative	150	326
Professional fees	<u>2,220</u>	<u>1,980</u>
	<u>145,519</u>	<u>100,958</u>
Excess of Revenue Over Expenses for the Year	<u>\$ 15,587</u>	<u>\$ 26,613</u>

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

Alberta Oat Growers Commission

Statement of Cash Flows
For the year ended July 31, 2018
(Unaudited)

	2018	2017
Cash Provided By (Used In):		
Operations		
Excess of revenue over expenses for the year	15,587	26,613
Add items not requiring cash resources		
Amortization	339	254
Net change in working capital	<u>(1,611)</u>	<u>(341)</u>
Net Cash Increase for the Year	14,315	26,526
Cash position, beginning of year	<u>62,484</u>	<u>35,958</u>
Cash Position, End of Year	<u>\$ 76,799</u>	<u>\$ 62,484</u>
Represented By:		
Cash and cash equivalents	<u>\$ 76,799</u>	<u>\$ 62,484</u>
Net change in working capital consists of:		
Decrease (increase) - accounts receivable	(1,029)	(5,010)
Increase (decrease) - accounts payable and accrued liabilities	<u>(582)</u>	<u>4,669</u>
	<u>\$(1,611)</u>	<u>\$(341)</u>

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

Alberta Oat Growers Commission

Notes to Financial Statements
For the year ended July 31, 2018
(Unaudited)

1. Nature of Operations

The organization was formed on July 30, 2012 pursuant to the Alberta Oat Growers Commission Plan Regulation under the Marketing of Agricultural Products Act. 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 (ASNFPPO) using the accounting policies as summarized below:

(a) Cash and cash equivalents

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

(b) Capital assets

Capital assets are recorded at cost less accumulated amortization.

The assets are amortized using the following methods and rates:

	Method of Amortization	Rate of Amortization
Furniture, fixtures and equipment	straight-line	3 years

In the year of acquisition, capital assets are amortized starting in the month of acquisition.

In the year of disposition, capital assets are amortized until the month of disposition.

(c) Revenue

Under the Regulation, each producer is required to pay the organization a service charge of \$0.50 per tonne of oats sold in Alberta, collected upon the purchasing of the grain from the producer. Producers may request a refund for service charges paid in the year by submitting a written request within time limits as defined in the Regulation.

Producer service charges 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.

Alberta Oat Growers Commission

Notes to Financial Statements
For the year ended July 31, 2018
(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.

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2018	Net Book Value 2017
Furniture, fixtures and equipment	<u>\$ 1,017</u>	<u>\$ 848</u>	<u>\$ 169</u>	<u>\$ 509</u>

Alberta Oat Growers Commission

Notes to Financial Statements
For the year ended July 31, 2018
(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 Saskatchewan Oat Development Commission (SaskOats), the Manitoba Oat Growers Association (MOGA), and the Alberta Oat Growers Commission (AOGC). SaskOats, MOGA, and AOGC have agreed to jointly fund the net administrative and project expenses of POGA via a cost-sharing arrangement based on levy income net of levy refunds in the fiscal year. The proportionate share of the actual costs attributable to each organization was determined at two points in the prior fiscal year. From August 1, 2016 - March 22, 2017, the proportionate share the net administrative and project expenses of POGA split between SaskOats, MOGA and AOGC. From March 23, 2017 - July 31, 2017, the proportionate share the net administrative and project expenses of POGA split between SaskOats and MOGA.

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	2018	2017
Liabilities		
Accounts payable - POGA (underpayment of funding contributions)	\$ 12,402	\$ 15,556
Accounts payable - Board of Director expenses	628	101
Expenses		
Proportionate expenses of POGA	115,326	70,356

In the current year, AOGC's share of POGA's net operating deficit from August 1, 2017 - July 31, 2018 is 14% (12% in the prior year annual allocation). AOGC did not contribute to POGA's net operating deficit incurred from March 23, 2017 - July 31, 2017. A summary of POGA's total revenues and expenses appears below:

	2018	2017
Revenues before funding contributions:		
Grant revenues	245,562	311,685
POBC contributions	147,931	221,776
Other revenues	98,234	139,804
	<u>491,727</u>	<u>673,265</u>
Expenses:		
Research projects	469,932	564,253
Market development projects	370,814	350,604
Communications	79,605	92,362
General operating expenses	432,551	375,228
	<u>1,352,902</u>	<u>1,382,447</u>
Deficiency of Revenue over Expenses before Funding Contributions	(861,175)	(709,182)
Funding contributions:		
MOGA	241,449	180,068
SaskOats	504,400	458,758
AOGC	115,326	70,356
	<u>\$ 0</u>	<u>\$ 0</u>

Alberta Oat Growers Commission

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6. Commitments and Projects

In 2016, the organization committed to budget \$2,000 in 2016 and \$3,300 annually 2017 to 2021 to post-registration variety performance trials by the Alberta/British Columbia Grain Advisory Committee.

POGA has committed to funding certain projects, of which AOGC 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
Developing Superior Oat Cultivars and Prairie Oat Breeding Consortium	<ul style="list-style-type: none">- \$1,098,581 over five years commencing April 1, 2013, \$171,379 of which was expended in the current year. The initial phase of the project was completed in the current fiscal year; however, a new project agreement was signed under the above arrangement for \$1,189,750 over five years commencing April 1, 2018. No payments were made under the new arrangement in the current year.- The Prairie Oat Breeding Consortium, a group of oat industry stakeholders, has agreed to provide funds towards POGA's commitments to this project via annual funding agreement.
Post-Doctoral Researcher	<ul style="list-style-type: none">- \$112,500 over the period commencing April 1, 2017 and ending October 31, 2018, \$75,000 of which was expended in the current year (\$100,000 to date).- POGA has received \$33,295 per year in funding from industry partners for this project (\$66,590 to date).
Development of Oat Cultivars (Oat Advantage)	<ul style="list-style-type: none">- \$20,000 annually over eight years commencing April 1, 2013; \$20,000 of which was expended in the current year (\$120,000 to date).
Investigation of Avenanthramides	<ul style="list-style-type: none">- \$90,000 commencing December 5, 2014 and ending December 31, 2018. No payments were made in the current year (\$80,000 to date).
Developing New Strategies to Efficiently Utilize Oat Grains in High Production Dairy Cows	<ul style="list-style-type: none">- \$228,290 commencing September 2, 2017 and ending August 30, 2023. No payments were made in the current year (\$28,750 to date).- Funds are to be used by the University on a matching basis, with the other 50% of the project funded by the Natural Sciences and Engineering Research Council of Canada (NSERC).

Alberta Oat Growers Commission

Notes to Financial Statements
For the year ended July 31, 2018
(Unaudited)

6. Commitments and Projects - continued

Project	Terms
Crown Rust Initiative	- Maximum of \$100,000 denoted in US dollars commencing October 1, 2015 and ending June 30, 2020. No payments were made in the current year (\$27,466 CAD to date).
Estimation of Beta Glucans Content and Yield of Seeds from Different Oat Varieties in Alberta	- \$36,250 over two years commencing April 1, 2017; \$18,125 of which was expended during the year (\$27,000 to date). - POGA has received \$11,750 in funding from industry partners for this project this year (\$22,750 to date).
Development of an Oat-Based Beverage Rich in Dietary Fibre and Protein	- \$60,000 commencing July 1, 2016 and ending August 31, 2019; \$45,000 of which was expended during the year (\$45,000 to date).
Development of the Mexican Oat Market	- \$341,000 by March 31, 2018; \$83,659 of which was expended in the current year. The initial phase of the project was completed in the current fiscal year; however, a new agreement for this project signed in the year commencing April 1, 2018 for \$633,000 to be spent by March 31, 2021; \$59,700 of which was expended in the current year. - POGA is eligible for up to \$161,250 in grant funds for the initial phase of this project; \$32,407 of which was recognized in the current year. POGA is eligible for up to \$348,150 in grant funds for the second phase; \$32,835 of which was recognized in the current year.
Grain Safety Sponsorship	- \$10,000 commencing July 19, 2016 and ending August 31, 2017; \$5,000 of which was expended during the year, concluding the additional agreement. - \$10,000 commencing August 1, 2018 and ending September 30, 2020. No payments were made in the current year.
Expanding the Canadian Oat Market - China Project	- \$262,000 by March 31, 2021; \$54,827 of which was expended in the current year. - POGA is eligible for up to \$102,300 in grant funds for this project; \$17,777 is which was recognized in the current year.
Monitoring Pests and Fusarium Head Blight Risk Model	- \$22,500 over five years commencing April 1, 2018 and ending March 31, 2023. No payments were made in the current year.